

**GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA**

UNSTARRED QUESTION NO:164

ANSWERED ON:20.02.2006

HUGE MARGINS ON CONTROL FREE BRANDED MEDICINES

Deora Shri Milind Murlu

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) whether the Government has assessed the profit margins being charged by wholesalers and retailers on control free branded medicines;
- (b) if so, the details thereof;
- (c) whether National Pharmaceutical Pricing Authority (NPPA) a drug price watch dog has suggested some trade margins;
- (d) if so, the details thereof; and
- (e) the steps proposed to be taken to curb the huge margins in respect of control free drugs?

Answer

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI B.K. HANDIQUE)

(a) to (e): Prices of Scheduled drugs and formulations based thereon are fixed by the National Pharmaceutical Pricing Authority (NPPA) in accordance with the provisions of para 7 of the Drugs (Prices Control) Order, 1995 (DPCO, 95). A price of a Scheduled formulation is fixed by allowing Maximum Allowable Post Manufacturing Expenses (MAPE) @ of 100% on ex-factory cost for indigenously manufactured Scheduled formulations and upto 50% of the landed cost for imported Scheduled formulations. The trade margin to retailers in respect of Scheduled formulations is fixed at 16%. Prices of non-Scheduled medicines are fixed by the manufactures themselves keeping in view various factors like cost of production, marketing/selling expenses, R&D expenses, trade commission, market competition, product innovation, product quality etc. The Government takes corrective measures where the public interest is found to be adversely affected.

Recently the Government constituted a Committee under the Chairmanship of Joint Secretary (Pharma) to examine the issue of span of price control (including trade margin). Subsequently, a Task Force under the Chairmanship of Dr. Pronab Sen, Principal Advisor, Planning Commission was also constituted to explore options other than price control to make available life saving drugs at reasonable prices. Based on the recommendations of the Committee under the Chairmanship of Joint Secretary (Pharmaceuticals) and the Task Force under the Chairmanship of Dr. Pronab Sen, Principal Advisor, Planning Commission and feedback from other stakeholders Government have formulated a draft National Pharmaceutical Policy, 2006 (Part-A-excluding pricing) which has been circulated to various stakeholders seeking their comments. Based on the comments received the Government is likely to finalize the new Policy shortly.