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Pharma traders want higher margins restored

Indian Drug Manufacturers Association has chosen not to get involved

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MUMBAI: There is another stand-off in the offing between the pharmaceutical trade and manufacturers over the issue of margins paid to retailers and wholesalers of medicines by the manufacturers.

Trade believes industry should restore margins to pre-July 2013 levels before the Drug Price Control Order (DPCO) came into effect reducing prices of several drugs and setting ceiling prices for them.

The trade hopes original

margins will be restored by July 1, 2014. After negotiations in September 2013, about 70 per cent of the industry had restored margins to original levels, but global giants such as Abbott, Aventis, Sanofi, Intas and Indian giants Sun Pharmaceuticals and Dr. Reddy's Laboratories have not given in.

J. S. Shinde, President, All India Organization of Chemists & Druggists (AIOCD), the nodal body representing 7.5 lakh members, said, "they were supposed to have restored the margins from September 2013. It has been too

long and they should restore it by July". The DPCO 2013 reduced prices of several drugs under the National List of Essential Medicines (NLEM) and the list includes prescription drugs such as cardiac drugs, antibiotics and pain-killers.

Cut in margins

With lower realisations, manufacturers cut margins paid to wholesalers and retailers by 2 per cent and 4 per cent to 8 per cent and 16 per cent respectively.

Suresh Gupta, Secretary General, AIOCD, told The

Hindu that after talks with several players, he was hopeful of a positive response by the deadline set by AIOCD.

Indian Drug Manufacturers Association (IDMA) has chosen not to get involved "as it concerns individual companies and their choice as to what margins they offer trade," Daara Patel, Secretary-General, IDMA, told this correspondent.

Additional burden

"The DPCO has mandated retailer margins at 16 per cent. If companies choose to pay more, it is their decision,"

he said. "Trade is benefiting from sale of products outside of the DPCO. The DPCO has already seen industry take a hit of around Rs.2,000 crore," said D. G. Shah, Secretary-General, Indian Pharmaceutical Alliance (IPA).

"There are more than 650 formulations under the DPCO and anything beyond the mandated margins would go from the manufacturer's pocket.

Going back to original margins would mean an additional burden of Rs.400-500 crore. It does not seem likely," he said.

Pricing.