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SMEs to bear the burnt of govt decision on price control

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The NPPA has recently fixed prices of 108 formulations of two therapeutic segments, cardiovascular and anti-diabetic, extending price control to non-scheduled drugs. While its impact on the industry has been reported but only partially, believes Mr D G Shah, secretary general of Indian Pharmaceutical Alliance (IPA) who says that its mid and long term impact on the public and the credibility of the government is not adequately covered.

"The span of control has increased by almost 50 percent from 13 to 20 percent. The NPPA has made its intention known to bring six more therapeutic segments under price control. This overarching policy enlarging span of control is a major concern of the industry,"mentioned Mr Shah in a note sent to BioSpectrum.

Mr Shah mentioned that MNCs generally price their products in the highest bracket, followed by the large Indian companies in the mid-segment and the SMEs in the lowest bracket. "The companies in the highest price bracket having a volume share of about 30 percent are forced to reduce their prices. They will compete in the mid-segment forcing companies in this segment to lower their prices to protect their volume share of about 40 percent. Their lowering the prices will have direct impact on the lowest segment with a volume share of 30 percent. They mainly comprise of SMEs. They would find it difficult to lower their prices further and would thus become victims of the price fixation orders, compressing the band width of prices," says Mr Shah on the basis of the compiled data," he explains in the note.

Terming it anti-competitive, Mr Shah says, "Compression of the band width will hurt the SMEs most in the medium term (3 to

5 years). It will also eliminate or reduce the competitive pressure they exert on the high and mid priced segments and will lead to increasing dependence on MNCs."

He also talks about the impact on quality and mentions, "The price fixation orders have claimed that products of all manufacturers are similar in quality. Everybody knows that they are not. The reality is that all products, launched after four-years from the first approval in India, by law, are not required to prove bio-equivalence. Hence, those which are not tested for bio-equivalence cannot be said to be similar or "inter-changeable" with the originator's product in terms of quality."

"The GMP standards vary from company to company. By no stretch of imagination can one say that all companies in the country have similar GMP standards. They are not. Undue price pressure will tend to compromise both quality and GMP standards adversely, affecting public interest," said Mr Shah.