

Faster drug price revision booster shot for pharma August 27, 2008, DNA MONEY

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There's a glimmer of hope for the pharmaceutical industry.

With the department of pharmaceuticals giving the go-ahead to the National Pharmaceutical Pricing Authority (NPPA) for faster clearance of price revision applications, the margins of drugs companies are expected to improve considerably.

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NPPA is the prime authority for control of drug prices in the country.

Earlier, an application made by a pharma company for revision of the price of a drug took 60 days to get cleared. Hereon, it would take 30 days.

[Pharma cos seek Govt nod to hike prices](#)

As Mohanty, director-formulations, Glenmark Pharmaceuticals said the development was a positive one for pharma companies and would aid their operations.

The pharma industry has been through a bad patch in recent months, due largely to a severe shortage in imports of raw materials from China for manufacturing drugs. According to pharma analysts and industry experts, India imports as much as 80% of its raw material requirement from China.

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With the Chinese government issuing strict pollution control norms in the run-up to the Olympics, several manufacturing units were forced to down their shutters, resulting in a drastic cut in the production and dispatch of key inputs. This, in turn, has pushed up raw material prices in India by 40-50%.

B N Singh, president of Indian Drug Manufacturers Association, said, "In a situation like this, when raw material prices have shot up, faster clearance of price revision applications can play a crucial role in upping the margins of companies."

According to broking firm First Global, pharma majors such as Dr Reddy's Laboratories, Piramal Healthcare and Lupin import as much as 37%, 24% and 55%, respectively of their total raw material. Raw material costs account for 40-60% of the total costs of pharma companies.

Sarabjit Kour Nangra, vice-president, research at Angel Broking said, "Faster clearance of price revision applications can reduce the time taken to pass on the pressures created by rising raw material costs to the consumers."

Ranjit Kapadia, head - private client group at broking firm Prabhudas Lilladher, said, vitamins, hormones, anti-infectives and their formulations will benefit the most from faster clearance, as they are mostly imported from China.

IDMA's Singh suggests the prices of non-controlled drugs be allowed to be raised by up to 20% annually, as against 10% now.

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Tapan Ray, director general of Organisation of Pharmaceutical Producers of India asks, "When the raw material costs are increasing by the day, to what extent can the 30-day clearance deadline answer the needs of the industry when the prices are not allowed to be raised beyond 10%?"

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