



Dr. Piyush Gupta

Associate Director, GNH India

Government should seriously consider keeping GST rates low for pharma

“Union Budget”, as the name suggests, is an itemized summary of intended expenditure and expected revenue of the central government. But we expect the government to make policy decisions in Union Budgets. It's a fact that tax rates do affect business, but tax rates alone are not responsible for the success of the business.

We will talk about what the pharmaceutical industry expects from the Budget. But before that, I would like to speak about the current industry scenario:

If we consider recent pharma news, we would come across NPPA (National Pharmaceutical Pricing Authority) and DPCO (Drug Price Control Order), which has been given the

mandate to control and fix the MRPs of a number of scheduled bulk drugs and their formulations. This is to bring down the prices of these drugs and make them affordable. But this, in turn, leads to non-availability of many life-saving medicines.

For example, the country is facing non-availability of life-saving drug D- Penicillamine, used for the treatment of Wilson's disease, a genetic disorder. DCGI's office has been receiving various representations regarding its non-availability. As per the representations, the drug has disappeared from the market in the recent past. Why did this happen? Because the government has tried to “control” free market through NPPA and DPCO.

A pharma company is an enterprise and has to rely on “Free market” and economics to survive. It cannot survive if its margins are restricted or controlled or if it is dictated to keep only a limited amount of margin. A private enterprise needs freedom of deciding its own margin for it to survive.

If the product is not profitable they will simply not produce it and this is what's happening under DPCO and NPPA. Most manufacturers have stopped manufacturing the drugs listed in the DPCO order.

There are around 1398 court cases going on in NPPA and thousands of crores are stuck under DPCO and Drug Overpricing (Rs. 4551 Crores) in various courts across the coun-

try. This is consuming two of the most precious resources i.e., time and manpower. Companies are losing these resources behind clerical issues which are non-productive. Imagine the outcome of freeing these resources for constructive business - like generating new businesses and profits.

Suggestions and expectations from the Government

My suggestion to the government is to bring in DBT (Direct Benefit Transfer) in healthcare, pharma and hospitals. DBT is the ideal solution for the pharma industry and I believe that the moment DBT comes into the picture, all the drug shortages will disappear.

Since GST (Goods and Services Tax) is just around the corner, and if the

government is serious about benefiting the poor, we expect it to set lower GST rates for pharmaceuticals since they are a necessity and not a luxury.

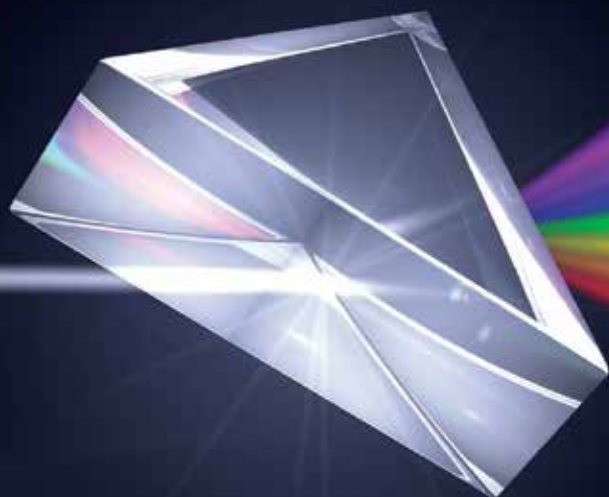
Post GST, the traditional supply chain model of a separate warehouse in every state will be replaced by a central warehouse model to bring in Supply Chain Efficiency. GST will bring about consolidation of warehouses as manufacturers can set their warehouses at their strategic locations which can be passed on to the consumer if GST rates are kept low.

Also, rather than giving too many subsidies, cross-subsidies, benefits etc., the focus should be on simplification of the process. If the application process and licensing is made easy, no company will ask for a subsidy as obtaining subsidy from the government itself is a time consum-

ing process.

Another big development that is going to push current margins to the fringe is the government's Pradhan Mantri Jan Aushadhi Yojana (PM-JAY), under which 3000 medical stores will be opened to ensure availability of generic medicines at affordable prices. Instead of investing so much, the government can publish a gazette stating that the existing medical stores should reserve a certain percent of generics for people eligible under PMJAY. The stores can scan an Aadhar card code on PMJAY app to identify the beneficiary. The patient can get his reimbursement directly in his account. The government has to shell out a few thousand crores to set up these 3000 medical stores. But designing a PMJAY app and publishing a gazette will cost them only a few thousands.

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