

CONFEDERATION OF INDIAN PHARMACEUTICAL INDUSTRIES (SS)

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Circular No. 18

Dated 12th August,2006

CIPI Work Report:

- (i) 10th meeting of the Executive Committee of CIPI was held in Delhi on 23rd July, 2006. Minutes of the meeting have been circulated to all the members.
- (ii) The next meeting of the Executive Committee will be held in the month of Oct, 2006 at Jaipur. The date of the meeting and venue will be informed to the members after consultation with Mr. Vinod Kalani, President Rajasthan Pharmaceutical Manufacturers' Association, Jaipur.
- (iii) CIPI had written earlier to the Chairman, CBEC seeking certain clarifications about the levy of excise duty in tax free zones particularly concerning the drugs and pharmaceutical industry. This matter was also discussed in the Executive Meeting on 23rd July,2006. A reply has now been received from the Ministry of Finance. The same is available at the website of CIPI for the reference of all the Members.
- (iv) **MRP inclusive of all the Taxes :** On this subject CIPI had written a letter to the Ministry of Chemicals and Fertilizers highlighting the difficulties in implementation of the subject proposal particularly about the divergent structure of local taxes in different States. In its letter, CIPI had also stated that the proposed amendment, now to be effective from 2nd October, 2006 will also attract the provisions of the Standards of the Weights and Measures (Packaged Commodities) Rules, 1977 under the Standards of Weights and Measures Act, 1976. In this matter, after the publication of the Drugs (Price Control Amendment Order, 2006, CIPI has sent another representation to the Chairman, NPPA, New Delhi on 11th Aug., 2006 requesting that ceiling prices of the scheduled formulations as fixed by NPPA need to be revised and to be re-fixed by NPPA so to include all the taxes to avoid any hardship to the manufacturers post implementation of the subject amendment order. A copy of the letter has been sent to the Jt. Secretary (PI), Ministry of Chemicals & Fertilizers.

The matter about the applicability of the provisions of the Standards of Weights and Measures Act, 1976 on drug formulations was discussed in a meeting with the Joint Secretary (PI). We were informed that the matter is being looked into so that drug formulations are kept out of the purview of the said Act.

(v) **Working Group on Pharmaceutical Industry** : In a letter to the Member Secretary of the Working Group on Pharmaceutical Industry constituted by the Government for the growth of pharmaceutical industry in the country, CIPI has taken the instance that for over all growth of the Industry, it is essential that the small scale sector in this segment is strengthen. In the letter CIPI has stated:

- that all the vibrant economies all over the world have understood the importance of small scale sector and have framed policies for the growth of this sector;
- that in India, the small scale sector in drugs and pharmaceutical industry represents about 80% of the total numbers of Industrial units, that about 40% of the total output comes from small scale sector and in overall scenario, small scale sector is the next to agriculture in employment potential.

CIPI has requested the Government for active support in the following manner for the growth of small scale sector in pharmaceutical industry:

- availability of Physical Infrastructure
- resources for technology up gradation
- tax breaks on uniform pattern
- preference in public procurement policy
- soft credit links.

Tax Free Zones : Under a notification dated 3rd August, 2006 issued by the Ministry of Finance, concession for exemption from levy of excise duty on units in specified areas of H.P., Uttaranchal and Sikkim has been extended for a further period of three years i.e. up to 30-03-2010 for new units coming into production or taking up substantial expansion. The earlier cut off date for commencing production was 31-03-2007.

CIPI has raised its voice against the move. Mr. Jaishankar in his statement to the press has stated that the move is on the behest of big manufacturers where as the interest of small manufacturers outside such zones has been overlooked. CIPI is considering further course of action in this matter in consultation with its Federating Members.

C.E. Help Centre for assesses in Small Scale Sector : Members are aware that CIPI is an Information Service Subscriber to PHD Chamber of Commerce and Industry. PHD Chamber has set up a Help Centre for helping the trade and industry for clarification of their doubts in respect of central excise matters. The objective as stated by PHC Chamber is to help small assesses by guiding and educating them in central excise matters by the departmental officers present at the Help Centre. This Help Centre is not a grievance redressal forum and works on a different pattern. Members may refer their intricate / legal matters to this Help Centre through CIUPI for proper guidance.

Meeting with Mrs. Satwant Reddy : A meeting took place at the office of Mrs. Satwant Reddy, Secretary, Ministry of Chemicals & Fertilizers, where Mr. G.S. Sandhu, Jt. Secretary (PI) and Mr. Anil Jauhri CEO of Quality Council of India (QCI) were present. The meeting, on behalf of CIPI, was attended by Mr. P.K. Gupta and Mr. Sudesh Kumar, The purpose of the meeting was to create awareness for quality specially in pharmaceutical industry. Accepting Mr. P.K. Gupta's suggestion that the need of the hour was not for holding seminars on quality control but to impart an on hand training to the personnel in Q.C. Departments of small pharmaceutical units on sophisticated Q.C. equipments such as preparation of test samples, reference standards and analysis of test data, it was decided that QCI will submit to the Ministry a proposal to achieve this objective so that such training programme may be conducted for small scale manufacturers to be subsidized by the Ministry. Mr. Anil Jauhri agreed to submit such a proposal to the Government in 30 days.

Policy Matters :

Price Control on Essential Drugs : The Ministry of Chemicals and Fertilizers, as reported earlier, has prepared a cabinet note for bringing 345 essential drugs under some kind of price control or price monitoring mechanism. A list of 667 formulations has been prepared by the Ministry and has been circulated with the cabinet note. The list has been named as "National List of Essential Medicines". The note prepared by the Ministry of Chemical and Fertilizers has been sent to all the important Ministries for their comments before the same is put up before the Cabinet Committee for approval.

The Ministries like Ministry of Finance, Ministry of Commerce & Industry, Ministry of Health, Ministry of Consumer Affairs, Planning Commission have opposed the move to bring more drugs under price control. They have suggested that for having the prices under control what is required is a healthy competition. Even PMO has not favored the proposal.

Some of the press cuttings on this subject are enclosed for the reference of the Members which have appeared in the leading newspapers.

Purchase Preference for CPSU : Ministry of Chemicals & Fertilizers has drawn up a list of the medicines manufactured by Central Public Sector Units and has also proposed for purchase preference for the requirement of the Government from CPSU. The list contains 102 items. This proposal has been accepted by the Cabinet. Supplies by such CPSU will be made at NPPA. Ceiling price less 35% as discount. Where there are no ceiling prices of the items in the list, NPPA will declare a certified price for CPSU and supplies will be made at a discount of 35% on such certified price.

Food Safety & Standards Bill 2005 : The Bill has been passed by both the Houses of the Parliament. After the enactment, it will be called 'Food Safety and Standards Act, 2005'. The Bill provides for establishment of a Food Safety and Standards Authority (FSSA) of India which will be a central body for administration of the Act. FSSA will

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control and govern issues related to articles of food, their manufacturing, import, export, storage and distribution. It will also decide about the specifications of the ingredients, contaminants, biological hazards in food products. The Bill will replace the Prevention of Food Adulteration Act, 1954. Most of the standards have been taken from CODEX which incorporates international standards for food.

CST: There is a proposal to reduce the rate of CST from present level of 4% to 3% with effect from 1st Oct., 06. A compensation package is being discussed with the State Governments and the Center. The Finance Ministry has proposed that State Governments may tax certain type of service as compensation. On the other hand, State Governments are asking for 50% share of the service Tax collected by the Centre as compensation towards revenue loss if CST is abolished. The matter is being examined by the Empowered Committee of the State Finance Ministers headed by Dr. Asim Das Gupta.

From: Sudesh Kumar,
Executive Secretary, CIPI