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EMPOWERING SMEs

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Small and medium pharmaceutical companies are in a state of crisis. Their new set of problems started with the implementation of Good Manufacturing Practices as per the amended norms of Schedule M of the Drugs & Cosmetics Act in 2005. This new change in drug manufacturing practices was required in the pharma sector as several tiny and small drug manufacturing units have been producing medicines in a dismal environment for several years. Production of drugs should have some basic facilities to ensure a minimum quality and safety standards as these products are life saving ones. An inevitable outcome of the enforcement of the GMP norms in the pharmaceutical sector was closure of a few thousands of SSIs since 2005 as many of them refused to modify their manufacturing practices. Some more units are likely to close down soon as their operations are increasingly becoming unviable. The profitability of these units is not that attractive and the credit availability to them is restricted as the banks and other funding agencies do not lend them that easily. One of the main reasons why the SMEs are not able to comply with Schedule M norms is their perennial financial problems. The proposed implementation of Spurious Drugs Act in its present form is going to be another disincentive to SMEs. Most of the SMEs are also not getting due share of tender business of various government agencies and establishments. The government tenders for purchases of medicines are usually being cornered by large companies and MNCs.

While SMEs are facing a crisis of their existence, large Indian pharmaceutical companies are being taken over by the powerful MNCs. The trend started with the acquisition of Ranbaxy, India's largest pharmaceutical company by Daiichi, the Japanese giant. There are reports of possible sales of the controlling stakes in Cipla and Dr. Reddy's Labs and Piramal Healthcare to some other MNCs. Poor performance of top Indian pharmaceutical companies during last two years and utter failure in the new drug research front have weakened these companies further. Lack of interest in pharmaceutical sector amongst the second generation promoters within these companies is yet another disturbing trend. With the amendment of Indian Patent Act in 2005 allowing product patent, Indian pharmaceutical market has become very attractive to MNCs. This had given a clear advantage to international companies to launch expensive drugs in the Indian market. MNCs have thus launched several costly drugs in the country since then as there is no price control on patented drugs. Huge profits from the sales of patented drugs during the last three years have emboldened the MNCs to take the next step of controlling the pharmaceutical market of India. The strategy of raising the parent holdings in the Indian subsidiaries and acquiring major domestic companies is all part of the new agenda of MNCs. With possible sell out of large Indian companies to MNCs and weakening of SME sector, India may face the threat of high drug prices and domination of the domestic pharmaceutical market by the MNCs once again. This is a situation the Central government has to avoid at any cost to save the public from fleecing by the international pharma companies. And that can be done only by empowering the SMEs with whatever policy support the government can offer.