



PHARMACEUTICALS EXPORT PROMOTION COUNCIL

(Set up by Ministry of Commerce, Govt. of India)

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Bulk drug exports hit by Govt's 15% value-addition directive

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Domestic bulk drug exporters have complained that the value-added re-exports of common medicines, like penicillin and erythromycin, are in trouble due to a recent government directive. The government has fixed 15 per cent value addition as the minimum requirement for duty-free import of raw materials.

Exporters say the manufacture of such medicines is highly dependent on the import of crucial ingredients from countries like China. The companies convert imported ingredients into bulk drugs and re-export them. Since there are no packaging costs involved, the maximum value-addition that occurs during the process is 3-4 per cent, they point out.

The Bulk Drugs Manufacturers Association said the value of affected products could not be assessed immediately as the issue pertained to specific products only. Indian bulk drug exports account for a fourth of the Rs 39,000-crore medicine exports, industry sources point out.

According to earlier criteria, the government had not fixed a value-addition percentage, but only insisted on a revenue-positive value addition.

"The export of several bulk drugs has been stalled due to the government directive. Much value addition cannot happen as the imported ingredient is converted not as the final vial or capsule, but is still exported as a raw material. Unless there are packaging expenses involved, the margin criteria cannot be met,&" Small Pharma Industries Confederation Co-Chairman Lalit Kumar Jain said.

The industry is also finding it difficult to fulfil the export obligation of 98 per cent yield on formulations or medicines in the ready-to-administer form, which are made using imported raw materials. Exporters say the wastage is often more than 2 per cent and, hence, difficult to fulfill the export criteria.

The absence of input-output norms – a technical document that specifies the quantity of raw material import required for production and export of a certain quantity of formulation for several medicines – is also causing trouble to the industry. In the absence of such norms, the Directorate General of Foreign Trade (DGFT) is issuing advance licences. But these are not adequate to manufacture the required quantity of medicines to fulfill export commitments, industry sources point out.

India's drug export promotion agency, the Pharmaceutical Export Promotion Council, is taking up the issue with the commerce ministry.