

Local pharma businesses set to reduce drug prices

PPMA chairman admits medicine prices are unfairly at higher sides, criticizes MNCs for distorting market competition

Prices of medicines in Pakistan are out of reach of a vast majority of the population and should be cut down. This was stated by Mohammed Asad, Chairman Punjab Affairs Pakistan Pharmaceutical Manufacturers Association (PPMA) North who also owns a pharmaceutical business, in an interview with TheNetwork for Consumer Protection. Mr Asad announced that some of the local companies have planned a reduction in prices of some of their products. He said although prices of products of local companies are already low compared with those of multinational companies but there is still a big margin of profit that can be reduced without hurting the health of their business.

Following are excerpts of the interview:

TheNetwork: We have heard about a PPMA North plan to reduce medicine prices. Can you give us some details.

Asad: Some of the PPMA North Companies have realized that prices are on higher sides and we at first stage have identified 6-7 molecules including Norfloxacin, Ceftriaxone, Ciprofloxacin, Diclofenic Sodium and Mecobalamin to focus on and reduce the prices of these molecules by 30 per cent during this month. Some Karachi and Lahore units have also contacted me to join this price-reduction program. This spree would continue in future as well. All the companies joining this program are manufacturing all the molecules listed for the price reduction.

TheNetwork: But PPMA South is sending out different signals as they are predicting closure of 50 per cent units due to loss in businesses and are demanding increase in the prices?



Mohammed Asad, Chairman Punjab Affairs Pakistan Pharmaceutical Manufacturers Association (PPMA) North

Asad: This is PPMA North plan. We can't force people for this. PPMA North decision is appreciated by lot of people (companies). There is a sizeable profit margin available to the companies and many have volunteered to reduce it and definitely when people (companies) reduce prices it leaves an impact on the market.

TheNetwork: How much market share these products, included in your price reduction program, have in our market of Rs 76 billion?

Asad: The molecules we have selected for price reduction carry a share of less than 2 per cent of the market.

TheNetwork: What about the big and expensive brands like Augmentin? They must have even bigger margins of profits. Can your move have an impact on them?

Asad: You mentioned Augmentin. Yes there is a reasonable cushion in their prices. Actually the manufacturers of these products did not try to rationalize prices. In a meeting, I told a multinational company's executive that the higher prices they took from the ministry actually created the local industry and now local



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industry enjoys a share of more than 50 per cent in Pakistan.

TheNetwork: Many attribute the difference in the prices of national and multinational companies to the difference in the quality of their products. What do you say about that?

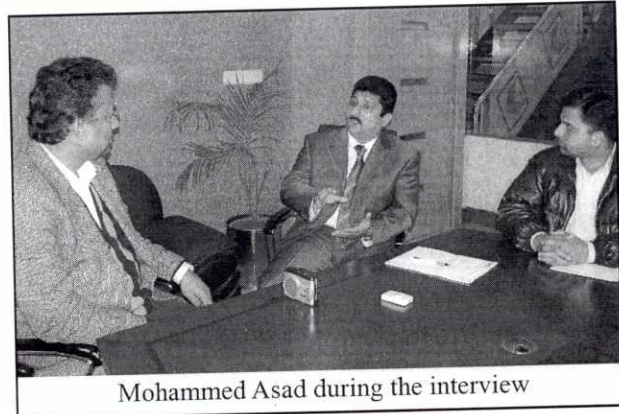
Asad: If the quality of national companies is less, then the units should not have sustained for the last 15 years. The 50 per cent local share itself shows that the products of local companies match the quality standards. I think it is only marketing difference. The multinational companies having vast experience can market their products and convince doctors better than the national ones. That's why an injection of Rs 550 of some multinational company is sold more than the same injection of a local one is available in Rs 99 only.

TheNetwork: Is this only a marketing difference that the brand of a same molecule with higher price is always prescribed and the brands with lower price are not prescribed?

Asad: No. It is not true. Both are used. Consult the data and you will find that various brands between minimum and maximum prices are registered and available in the market. The injection Rocephin of Rs 550 enjoys only a 22-23 per cent market share while various other ranges from 200 to 300 are available and carry a significant market share. The lowest brand has 7 per cent share while rest of the share is divided into 7 or 8 companies.

TheNetwork: Don't you find it odd that the low priced brand enjoys only 7 per cent market share while the high priced one has 23 per cent?

Asad: There are multiple factors. Firstly it is a brand leader for the last 20 years. The age of local brands is much lower than that of leading ones being marketed by multinationals. We cannot afford the resources, the marketing team and the sellers, the multinationals have. We have a team of 70 people only to sell a brand while a multinational have a fleet of 450 people. But



Mohammed Asad during the interview

gradually the situation is changing. There is a psychological effect as well. Some companies benefit from their definite corporate image and it is their right, I think. It depends on our professionals (doctors). Macter, national company makes its Ceftriaxone and sells it on Rs 275. The same national company produces the same molecule for a multinational company Merck and the multinational sells it for Rs 400. Now a doctor who is used to prescribe Merck products would continue undermining a national company.

TheNetwork: Do you think that multinationals should bring their prices to your (local companies) level? What is stopping them?

Asad: I think, the PPMA stance (bringing down some molecules' prices) is a very good step which would result in definite price decrease. The prices should be uniformed for both (local and transnational). When government expects the same level of quality standards' compliance from local and multinational companies, the prices should be uniformed. This (uniform pricing regime) would help usher in a new era of new kind of competition. If Merck (multinational) comes to 99 (lowest local brand price) then Mactor will further come down to Rs 80 because a reasonable cushion still prevails there.

TheNetwork: Does your move to reduce prices carry some symbolic importance signifying that profits are higher in this sector?



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Asad: The profits can be brought down. I would emphasize that if there is a uniform pricing regime, all the players (local and transnational) would be forced to further bring down their profit margins and ultimately causing a reasonable cut in the drug prices.

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