



## Summary Note

IPA had received an email from National Pharmaceutical Pricing Authority (NPPA) regarding the alleged marketing practices by Micro Labs in the matter of Press Note issued by Central Board of Direct Taxes (CBDT), Department of Revenue on 13.07.2022. The IPA Committee has deliberated in the matter and arrived at the Decision based on the discussion with Micro Labs Management and the reply with supporting documents sent by the CMD of Micro Labs. The key highlights:

- Company has set up a compliance team that ensures the compliance of policies and procedures.
- The respondent company has stated that it has been misrepresented that they have incurred expenses of 1000 crores in one year. According to the respondent, the amount pertains to total sales and marketing expenses incurred by India business in last five years (page 4 of the respondent reply) and the details as under:

	Rs. Crores				
EXPENSES	FY 20-21	FY 19-20	FY 18-19	FY 17-18	FY 16-17
Product Management Team Expenses	65	93	89	84	84
Scientific and Academic Services	67	101	99	88	76
Sales and Promotion Activities	53	67	62	48	39
Total Sales and Marketing Spend	186	260	249	220	199

- The company has conveyed that it will provide all the necessary information needed by the authorities.

As far as CBDT allegation regarding violation of tax provisions, Indian Pharmaceutical Alliance has neither the mandate nor resources to investigate in the matter.

In view of interaction with the management of the company and the detailed reply, it is clear Rs 1000 crore expenditure on single brand Dolo 650 on freebies in one year is not correct.

## Decision in matter of violation of UCPMP by Micro Labs

### 1. Complaint:

The National Pharmaceutical Pricing Authority (NPPA) shared a Press Note issued by Central Board of Direct Taxes (CBDT), Department of Revenue dated 13.07.2022 wherein it is stated that Income Tax Department carried out search and seizure operations on 06.07.2022 on a major Bengaluru-based pharmaceutical group, engaged in the business of manufacturing and marketing of pharmaceutical products and Active Pharmaceutical Ingredients (API). It is alleged in the press release that the company adopted some unethical practices to promote its products/brands. Copy of the Press Note is attached hereto as *Annexure 1*.

Basis the press note, NPPA has requested to provide action taken in the matter under the UCPMP, by IPA, attached herewith as *Annexure 2*

### 2. Process:

The copy of NPPA email along with press note of CBDT was shared with IPA's internal committee<sup>1</sup> for examining the matter.

It is alleged in the Press Note of CBDT that during the course of the search operations, inter-alia, preliminary evidence, the company has been "*debiting in its books of account unallowable expenses on account of distribution of freebies to the medical professionals under the head "Sales and Promotion". These freebies included travel expenses, perquisites and gifts to doctors and medical professionals for promoting the group's products under the heads "Promotion and Propaganda", "Seminars and Symposiums", "Medical Advisories" etc. The press release also mentions about adoption of unethical practices to promote its products/brands. The quantum of such freebies detected is estimated to be around Rs. 1000 crore.*" Certain provisions of Uniform Code of Pharmaceutical Marketing Practices (UCPMP) are being invoked.

Upon the receipt of the complaint, we intimated Managing Director of Micro Labs of the complaint and asked for a response. The Managing Director of the respondent company sent the reply along with supporting document denying the allegations which is attached herewith as *Annexure 3*.

The internal committee examined the complaint and the response received. The committee also spoke and investigated thoroughly with the officials of respondent company. The Committee had several rounds of discussion with the company seeking explanation on implementation of Code of Conduct, training programme for field team and marketing promotion expenses.

The Committee then tabled its decision with IPA's Executive Council which is the apex decision making body.

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<sup>1</sup> Internal Committee consists of three members – Dr Navneet Tewatia, Associate Secretary General, Mr Shirish Belapure, Senior Technical Advisor and Ms Archana Jatkar, Associate Secretary General at IPA.

### 3. Decision

Whereas, the alleged complaint is related to marketing expenses and related tax deduction, IPA Committee thoroughly investigated into the marketing practices adopted by the company and whether they are aligned with the UCPMP Code.

The company explained its core value and has shared its [Code of Ethics/Corporate Ethics Policy](#) which is available on the company website (*Annexure 4*). The respondent company has explained and provided their compliance policy and framework as to the marketing practices. The company is implementing these policies through training the employees. Attached hereto is the Professional Services Policy which applies to all employees and agents of Micro Labs Ltd who are involved in the interaction with HCPs. (*Annexure 5*).

Upon enquiring the respondent company, it was learned that Micro labs has set up a compliance team that ensures the compliance of policies and procedures and further reviews the existing policies and procedures and recommends changes as may be required.

Micro Labs has submitted that they are engaged in creating disease and product awareness, new advancements in medical science which is required as knowledge dissemination for diagnosis and patient recovery. They have submitted published reports (*Annexure 6, 6a, 6b, 6c, 6d*)

The respondent company has further stated that it is misrepresented that they have incurred expenses of Rs 1000 crores in a single year for freebies. According to the respondent, the amount referred pertains to the total sales and marketing expenses incurred by company for India business in the last five years' period (page 4 of response by the respondent).

In view of the information provided by the company and discussions with management of the respondent company, the company is following the processes as per the UCPMP guidelines.

As far as the CBDT allegation regarding violation of tax provisions against the respondent company, the Committee and the Indian Pharmaceutical Alliance, association of Indian pharmaceutical companies, has neither the mandate nor the resources to investigate into such matter. Nonetheless, the respondent company has submitted that they are cooperating with the tax authorities for requisite information/clarification on marketing expenses and related tax implications.