

## **GSK deposits Rs.71cr into DPEA for overcharging betamethasone bulk formulations**

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Glaxo India has deposited Rs.71.21 crore into the Drug Price Equalization Account (DPEA) for overcharging betamethasone bulk drugs and its formulations. The company's decision to deposit the amount is in compliance with the Supreme Court order a few weeks ago in this regard thus ending a 20-year-old dispute with the Government.

Sources said the company did not want to go for review petition against the SC order on April 4 and decided to pay the money as directed by the Apex Court. Apart from the stipulated Rs.71.21 crore, the final calculation about the interest aspects was being done in consultation with the government officials and that would also be paid as per the norms, it is learnt.

The company had made provisions for paying the arrears in the financial statement for the last quarter ending March 31 itself, and hence it could absorb the amount comfortably without further burden on the net standings, sources said.

The statement of GSK while announcing the quarterly results on May 6 has explained this in detail. <sup>2</sup> The demand of Rs.71.79 crore made by the Central Government is in respect of betamethasone bulk drugs and formulations made there from during the period 1981 to 1987. This was challenged by the Company in the Delhi High Court. Additionally in 1996, the Government called upon the Company to pay interest of Rs.117.66 crore for the period 12th May 1981 to 17th October 1996. The original demand was challenged by the company before the Delhi High Court, which demand was set aside by the High Courts' order of 19th October 2001, <sup>1</sup> it said.

<sup>2</sup> Pursuant to the SLP filed by the Government challenging the Delhi High Court Order, the Supreme Court vide its order of 30th March 2011 has upheld the Government's demand. The company has filed an application in the Supreme Court seeking inter alia clarification on some aspects of the judgement and directions for re-computation of the demand. The company has accrued a liability of Rs.18.68 crore in earlier years and a further provision of Rs.53.11 crore (net of tax Rs.24.45 crore) is disclosed in exceptional items for the quarter ended 31st March 2011. The company without prejudice to and subject to the outcome of the application filed in the Supreme Court, has tendered as a further deposit, an amount of Rs.63.60 crore, which together with the Rs.8.19 crore previously deposited with the Government, aggregates to the demand of Rs.71.79 crore made by the Government. Additionally on 4th May 2011, the Government has called upon the Company to discharge the entire liability, including interest to date. While taking appropriate legal steps in relation to the demand for interest and without prejudice to its position that interest is not payable, the company has recognised a provision of Rs.246.77 crore (net of tax Rs.161.01 crore) in respect of the Government's claim and is disclosed in exceptional items, <sup>3</sup> the statement explained.

The verdict of the SC on GSK case, striking down the HC order as <sup>2</sup> illegal and arbitrary<sup>3</sup> was viewed as significant since many companies have huge outstanding arrears and many were in the courts. The National Pharmaceutical Pricing Authority (NPPA) so far has issued notices to companies in 786 cases on the grounds of overcharging to recover a total amount of Rs.2328.52 crore till January 31 this year. It could recover only Rs.202 crore till then. Hence the end of GSK dispute is also considered to be significant.