CHAPTER I
INTRODUCTION

Globalisation is a process, which involves economic inter-dependence of countries worldwide removing all barriers for economic integration as if the whole world is a single village. The essence of globalisation is active cross-border capital flows, technological changes between the country, integration of market world-wide, free flow of trade, movement of persons across the border, regional cooperation in various parts of the world and rapid integration of financial markets.

1.1 Merits of globalising a country’s economy and its implications:

Globalisation is both a benefit and a challenge. It is an inevitable, and irreversible process for the world economy and the international market. In reality, there is significantly more interaction now than it was a century ago. The technological development has made movement of people, goods and capital more widespread, frequent, deeper and speedier way. Active cross-border capital flows have improved the efficiency of the allocation of the world financial resources and improved people’s standard of living. As a result, a country can grow faster. Growth of media and Internet connections are fuelling economic growth and human advances. All these offer enormous potential to eradicate poverty in the 21st century.

The challenges of globalisation in the new century is not to stop the expansion of global market, but also for setting rules and institutions for better governance at local, national, regional and global levels. Further, globalisation is not just to preserve the advantages of global market and competition but also to provide enough space for
human, community and environmental resources to ensure that globalisation works for people and not just for profits.

Today's globalisation is being driven by market expansion and hence the industry will open national borders to trade, capital, information technology that is speeding up the markets and its benefit for the people.

The integration of world markets and fast growing technology leads to efficiency gains and growth driven by the lower transaction and information costs. These in turn have increased the competition through low cost and high efficiency and productivity and low barriers to enter into new investment opportunities. Information Technology industry has made services more tradable on a cross-border basis. As a result, a significant improvement has taken place after globalisation in intra-industry trade\(^3\) (i.e. trade in which intermediate goods are taken from one country to another) higher than before apart from the growth of inter-industry trade.

1.2 Pre-globalisation economic conditions in India

In the financial year 1990 – 91, India entered into a period of severe Balance of Payments (BOP) crisis and political uncertainty. A rapid increase in India’s external debt coupled with the political uncertainties led the international credit rating agencies to lower India’s rating both for short-term and long-term borrowings. This made the borrowing for India in the international and commercial markets difficult and also led to out-flow of foreign currency deposits kept by Non Resident Indians. This situation was made further worse by the Gulf War, as it led to rise in petroleum prices and caused virtual stoppage of remittances from Indian workers in the Gulf countries.
These developments brought the country almost to the verge of default in respect of external payment liability, which could only be averted by borrowing from International Monetary Fund (IMF) under an alternative arrangement. Hence in June 1991 the Government of India under the Honorable Prime Ministership of Shri P.V. Narasimha Rao initiated a programme of macro-economic stabilisation and structural adjustments supported by the IMF and International Bank for Reconstruction and Development (IBRD) otherwise known as the World Bank. As part of this programme a New Industrial Policy (NIP) was announced on 24th July 1991 in the parliament that has started the process of full-scale globalisation and intensified the process of integration of Indian Economy with the Global Economy called globalisation.

1.3 The New Industrial Policy (NIP) 1991

The major objectives of the new industrial policies are

1. To build on the gains already made
2. To correct the distortions or weaknesses that might have crept in
3. To maintain a sustained growth in productivity and gainful employment and
4. To attain international competitiveness

In pursuit of the above said objectives, the Government decided to take a series of initiatives in respect of the policies relating to the following:

1. Industrial Licensing
2. Foreign Investments
3. Foreign Technology agreements
4. Public Sector Enterprises policy
5. Monopolies and Restrictive Trade Practices Act
Industrial licensing was abolished for all industries, except for a few specified irrespective of the levels of investment in order to encourage and assist Indian entrepreneurs to exploit and meet the emerging domestic and global opportunities and realization of the industrial potential of the country which calls for a continuation of this process of change.

While freeing Indian industry from official controls, opportunities for promoting foreign investments into India have also been fully exploited. In view of the above, 34 high-priority industries are allowed Foreign Direct Investments [FDI] up to 51 percent automatically. The existing manufacturing and trading companies are also allowed to raise foreign equity capital up to 51 percent for proposed expansion in priority industry. To attract Multi National Companies (MNCs) in the energy and pharmaceutical industry, 100 percent foreign equity also was permitted. New sectors such as mining, banking, telecommunications high way construction and management have also been thrown open to private, including foreign-owned companies.

There is a great need for promoting an industrial environment where the acquisition of technological capabilities receive priority. In view of the above, Indian companies were freed to negotiate the terms of technology transfer with its foreign counterparts according to their own commercial judgement.

It is during this time the Government adopted a new approach towards public sector enterprises, that is, it decided to strengthen them. Such enterprises will be provided a much-greater degree of management autonomy through the system of Memorandum of Understanding (MOU). Competition is also induced by inviting private sector
participation in the case of selected public enterprises, part of government holdings in the equity share capital have been decreased in order to provide further market discipline.

With the growing complexity of industrial structure and the need for achieving economies of scale for ensuring higher productivity and competitive advantage in the international market, the interference of the government through the MRTP act was simplified.

1.4 Impact of Globalisation on Indian Industry

The New Industrial Policy (NIP) 1991 and the Government’s commitment under World Trade Organisation (WTO) agreement led to policy changes, which posed challenges to Indian industry. Imports were largely freed and placed on Open General License (OGL) system and tariffs were reduced. However each country is given to some extent the freedom to protect its national interest.

A country’s economic strength is measured by its exports, its imports and the resultant balance of payment situation. India’s position after the globalisation can be seen from its balance of payments as shown in table 1.1.

The observation of the table reveals that in the total foreign trade, the exports are increasing at a decreasing rate but the imports are increasing at an increasing rate. As a result, the balance of trade is becoming unfavourable to India during the post globalisation period.

On the other hand, while the pharmaceutical industry’s performance is analysed, the exports are increasing at a faster rate than the imports leading to a favourable balance of trade during the post globalisation period. If this were not the situation it would have still worsened the balance of trade in total foreign trade.
TABLE I.1

VALUE OF EXPORTS, IMPORTS AND BALANCE OF PAYMENTS (BOP) FROM 1991 TO 2002

(Rs. in Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Exports &amp; Imports*</th>
<th>Pharmaceutical Exports &amp; Imports**</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exports</td>
<td>Imports</td>
</tr>
<tr>
<td>1991-92</td>
<td>44041.81</td>
<td>47850.84</td>
</tr>
<tr>
<td>1992-93</td>
<td>53688.25</td>
<td>63374.52</td>
</tr>
<tr>
<td>1993-94</td>
<td>69751.39</td>
<td>73101.01</td>
</tr>
<tr>
<td>1994-95</td>
<td>82674.11</td>
<td>89970.66</td>
</tr>
<tr>
<td>1995-96</td>
<td>106353.34</td>
<td>122678.14</td>
</tr>
<tr>
<td>1996-97</td>
<td>11817.08</td>
<td>138919.68</td>
</tr>
<tr>
<td>1997-98</td>
<td>130100.64</td>
<td>154176.30</td>
</tr>
<tr>
<td>1998-99</td>
<td>139753.14</td>
<td>178331.85</td>
</tr>
<tr>
<td>1999-00</td>
<td>159561.00</td>
<td>215236.00</td>
</tr>
<tr>
<td>2000-01</td>
<td>201356.45</td>
<td>228906.64</td>
</tr>
<tr>
<td>2001-02</td>
<td>207745.56</td>
<td>243644.84</td>
</tr>
<tr>
<td>AGCR</td>
<td>15.144</td>
<td>15.947</td>
</tr>
</tbody>
</table>


The history of world trade organisation can be betrothed to the General Agreement on Tariff and Trade (GATT), which was founded in 1948 by 23 countries including India to pursue the objective of free trade in order to encourage growth and development of all member countries and also to ensure competition in commodity trade through the removal of reduction of trade barrier. The 8th round of talks under GATT, known as Uruguay Round led to the birth of WTO on the 1st Jan 1995. Till then, GATT had been covering issues related to trade in goods. The Uruguay Round added some new
agreements, which is likely to affect the Indian industry and trade. These are at present under the control of WTO. They are:

1. Agreement on Trade Related Intellectual Property Rights (TRIPS): It is built on the existing international convention in dealing with Intellectual Property Rights (IPRS). Its provisions apply only to the seven such rights. They are Patents, Copyright and related rights, Trademark, Industrial Design, Layout design of integrated circuits, Geographical indications, Trade sectors and undisclosed information.

2. There are many restrictive covenants imposed by the Government on foreign investments. Of these, those that affect trade are known as Trade Related Investment Measures (TRIMS).

3. Agreement on Technical Barriers to Trade (TBT): The agreement on Technical barriers to trade (TBT) provides that the mandatory standards adopted by Government to protect the health and the safety of the people and the environment should not be applied to cause unnecessary obstacles to trade.

4. Agreement on Subsidies and Countervailing Measures (SCM): The GATT, under the SCM, restrains the right of the government to grant subsidies that have significant trade distorting effects.

5. Agreement on Anti - Dumping Practice (ADP): The GATT rules deal with two types of unfair practices, which distort conditions of competition. First, if the goods benefit from subsidies. Secondly, if exported goods are dumped into foreign markets. The agreement on Anti-Dumping Practice (ADP) authorizes countries to levy compensatory duties on import of products that are benefiting from unfair trade practices.
6. The agreement on safeguard measures: The agreement on safeguards authorizes importing countries to restrict imports for temporary period if, after investigations carried out by 'competent authorities', it provides for the measures that could be taken up by the importing country such as increased tariffs over the bound rates or imposition of quantitative restrictions.

1.5 Impact of globalisation on Pharmaceutical Industry in India

Before the Globalisation of the Indian Industries, the Pharmaceutical Industry in India was doing well due to the following:

1. Indian Patent Act (IPA) 1970:
The International norms recognised the product patent. But the Government of India enacted the Indian Patent Act in 1970 with the objective of allowing the domestic companies to grow. The Indian Patent Act recognised the "process" to manufacture a product and not the end "product". Indian companies took advantage of the Patent Act and succeeded in producing molecules, which were under patent protection elsewhere, at a cost that was lower than the original research cost. By taking the cost advantage the Indian Pharmaceutical manufacturing companies fixed their prices lower than the prices fixed by the MNCs manufacturing the drugs.

2. Drug Price Control Order (DPCO):
The Government of India promulgated the Drug Price Control Order on 16th May 1970. At that time the Indian Pharmaceutical Industry was predominantly comprised of MNCs. The major objectives of this order were to rationalize the price of drugs, to curb excessive profits and to provide sufficient incentive to the industry to facilitate its growth. This situation facilitated the Indian Pharmaceutical Companies, which were using the process
incurred fractional cost in the Research and Development (R & D) when compared to the MNCs. Hence MNCs reduced launching new products giving further scope to Indian manufacturers.

3. Foreign Exchange Regulation Act 1973:
As per this act the MNCs are forced to reduce their holdings in Indian ventures to 40 percent or else to comply with the export obligations to retain a maximum of 51 percent stake. Due to this the MNCs reduced their size of operations. This further strengthened the position of the local pharmaceutical companies.

4. Tariffs on Imports:
The MNCs dominated the pharmaceutical industry with a market share of 90 percent at the end of 1970, by way of importing the bulk drugs from their parent companies in other nations and manufacturing only formulations in India. Under this situation the government of India increased the tariff for importing bulk drugs. As a result of this, the market share of the MNCs decreased while that of the Indian manufacturing increased. All these factors facilitated the growth of the Indian pharmaceutical units.

1.6 Effect of Globalisation:
As part of the globalisation programme, India has become a signatory of the GATT (now known as the World Trade Organisation (WTO) since 1995) and hence a signatory to the TRIPS. Under the TRIPS agreement India is under compulsion to introduce “Product Patent” by 2005. So the Indian Pharmaceutical Industry, which was enjoying favourable climate due to the cost-advantages, will be affected by the introduction of the product patent where this high cost-advantage is not possible.
The drugs price control order helped the Indian Pharmaceutical units to increase the market share from 10 percent in the year 1970 to 66.7 percent in the year 1991\(^9\). Almost 90 percent of the drugs were under price control which safeguarded the local units. However in the year 1987, this was diluted and the number of drugs, which were under the price control, has declined to 142 only. It declined further to 76 drugs in the year 1995. Now this has still decreased and also has switched over from Control Regime to Monitoring Regime in 2002\(^{10}\). This is shown in table 1.2.

### TABLE 1.2

<table>
<thead>
<tr>
<th>DRUGS UNDER PRICE CONTROL AND MARKET SHARE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>No. of drugs under price control</td>
</tr>
<tr>
<td>NA</td>
</tr>
<tr>
<td>22</td>
</tr>
<tr>
<td>47</td>
</tr>
<tr>
<td>142</td>
</tr>
<tr>
<td>76</td>
</tr>
<tr>
<td>74</td>
</tr>
<tr>
<td>37</td>
</tr>
<tr>
<td>Control to monitoring regime</td>
</tr>
<tr>
<td>Percentage of market covered</td>
</tr>
<tr>
<td>NA</td>
</tr>
<tr>
<td>90</td>
</tr>
<tr>
<td>70</td>
</tr>
<tr>
<td>50</td>
</tr>
<tr>
<td>35</td>
</tr>
<tr>
<td>20</td>
</tr>
</tbody>
</table>

Source: ICRA Research Centre

As the DPCO has been diluted and India has shifted from Control Regime to Monitoring Regime, there is every chance that the MNCs will once again get back their lost market share.

Globalisation also had influence on the foreign investments in the pharmaceutical industry. As per the new system, the foreign investments through automatic route, which was 40 percent of the total capital in the pre globalisation period has increased to 51 percent after globalisation. It has further increased to 74 percent in March 2000, and the limit for the same has been raised upto 100 percent, since March 2003\(^{11}\). This shows that the conditions for the foreign investments into the Indian Pharmaceutical Industry have
been totally lifted. This will give further boost to MNCs to increase their investments in India as before 1970, which will result in, increase in the market share of the MNCs.

India as a signatory of WTO is committed to remove tariff restrictions subject to certain relaxation. As a result, the tariffs for importing bulk drugs and formulations have been reduced. Thus the MNCs are getting good opportunity to import less priced drugs from their parent companies, (in essence affecting the Indian manufacturers)\textsuperscript{12}.

Inspite of the drawbacks, an important favourable factor is the Industrial Licensing Policy. Industrial licensing for almost all bulk drugs have been abolished. It may encourage the Indian Pharmaceutical Companies to produce as much as they desired and export them freely. Thus the major obstacles to the growth of the Indian Pharmaceutical Companies have been removed.

1.7 Scope and importance of the study

Globalisation policy of 1991 brought with it a complete change in the perception of all industries in India, especially the export-oriented industries\textsuperscript{13} A sequence of collaborations, mergers, acquisitions and joint ventures have come into force and such arrangements are found to be all the more necessary in highly export oriented industries like drugs and pharmaceuticals. The aftermath of globalisation has opened up opportunities for significant inflow of foreign investments in to India. This is witnessed relatively more in the pharmaceutical industry, (as most of the MNCs have found India as the best place for setting up production units). The cheap labour and huge population, which can provide the ideal market for testing the effectiveness of the drugs, were the factors that contributed to the successive governments becoming more and more conscious of health conditions of people. With the ever-increasing population, the
domestic and international demand for drugs has also been increasing. Added to this, the government also has relaxed Drug Price Control for domestic market. In this environment, the drugs and pharmaceutical industry can help in a big way not only to meet the growing domestic demand for quality drugs but also for earning foreign exchange essential for a developing economy like ours.

1.8 Need for the study

Since India has completed twelve years after the implementation of the New Economic Policy incorporating the Globalisation of the Indian Economy with global economy and also after implementing the structural changes in the Indian industries, there is a need for evaluating its performance to find out as to whether the Globalisation has benefited the Indian industries or not. Even though Globalisation is a macro-concept covering all the industries, its impact is more seen only in the sectors like pharmaceutical industry, agriculture and the information technology etc., Out of these, the pharmaceutical industry has created a major impact in turning the unfavourable trade into a favourable one and hence its evaluation will work as a guide post for the policy framers on the industrial side to make necessary amendments, if necessary, to safeguard the Indian industries as the other countries (even the America) have done.

The Globalisation and a few other legislative measures have changed the pattern of holding the pharmaceutical market i.e. the status of Pharmaceutical Industry which was very low before 1991, has improved tremendously to 75 percent in the recent period. At the same time, now there is a threat for this increased market share due to the shift from the process patent to product patent as per the TRIPS agreement (part of the WTO agreement of Globalisation).
Because of this shift and turn, a study of this nature becomes essential.

1.9 Objectives of the study

As stated above, the study is to analyse the impact of Globalisation on the Indian Industries in terms of its growth, performance, its capacity to increase exports, employment, income etc., so as to find out whether the Globalisation has created favourable effects, has caused any harm to it, so that, based on this, the remedial measures can be suggested.

The study primarily aims

I. To examine the impact of globalisation in terms of the growth of the Indian industries in general and pharmaceutical industry in particular.

II. To evaluate the impact of the regulatory policies imposed by the government on the pharmaceutical industry from time to time in terms of the trends in the growth of the pharmaceutical industry in India.

III. To analyse the operating performance of the pharmaceutical industry due to the introduction of globalisation in the Indian industries.

IV. To analyse the financial performance of the pharmaceutical industry due to the introduction of the globalisation in the Indian industries.

V. Finally, it attempts to offer suggestions to the policy makers based on the findings if any for better performance.

1.10 Methodology of the study:

The objectives of the study having been to find out the impact of the Globalisation on the Indian industry, the secondary data relating to the Macro Economic variables like the 1. Increase in the investments, 2. The growth in the form of number of companies and
the size of the operations, 3. Investments in the research and development, 4. The growth in the production, consumption and exports, 5. Increase in the imports to benefit the Indian users, 6. The foreign exchange earnings, 7. The linkage effect for the growth of the Indian economy and other such vital information were collected for two different periods like pre and post – globalisation period, and find out the changes in the growth and other related parameters. It is not possible for the study of this nature to see the impact on the economy as a whole by taking all the sectors of the economy and hence only the pharmaceutical industry, where the impact of globalisation was seen more (apart from the Agriculture and Fertiliser) has been selected as a sample industry.

1.10.1 Selection of sample units

The Indian pharmaceutical industry is a highly fragmented one. It is divided into two, namely, Organised and Unorganised sectors. Of the total 250 units in the organised sector, 5 are in the public sector, 7 are in the Joint sector and 238 are in the private sector and also owned by foreigners. Again in the organised sector, about 100 manufacturing units are controlling the market share of more than 90 percent. The unorganised sector consists of a total of 19,803 units of which 5000 units are in the small-scale sector and 14,803 are in the tiny sector. Under the organised sector, the performance of the public sector pharmaceutical units are on a declining trend, which is evidenced from the market share of 10 percent in 1970 to 2 percent in 1982, 1 percent in, 1995 and almost nil today. The Joint sector enterprises are also not in a comparable position with the private companies. Ultimately this leaves the researcher with only 238 companies. From the 238, the criteria used for selection of sample are:
1. Pharmaceutical companies, which are manufacturing more than 75 percent of production capacity of bulk drugs and formulations.

2. The companies where quantifiable changes have taken place in terms of market capitalisation.

In this process, out of the 238 companies, 44 were selected from the pharmaceutical industry. Out of the 44 companies, 14 are operated by the MNCs and 30 are operated by the Indian companies. Of the 30 Indian units, 21 are manufacturing both bulk drugs & formulations. Five units are producing only bulk drugs and four are concentrating only on formulations. All 14 MNCs are manufacturing both bulk drugs and formulations. Next on the basis of having existence in the business during the pre & post-globalisation period, six Indian companies and four MNCs are selected for the detailed analysis, which produces 30 percent of the total market share. In this process the study is based upon the stratified random sampling method and the following companies shown in Table 1.3 have become the representative sample for detailed analysis.

**Table 1.3**

SELECTED SAMPLE UNITS

<table>
<thead>
<tr>
<th>Indian companies</th>
<th>Foreign companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cipla, Ltd.</td>
<td>1. Glaxo (India) Ltd</td>
</tr>
<tr>
<td>2. Dr.Reddy's Laboratories, Ltd.</td>
<td>2. Pfizer (India) Ltd</td>
</tr>
<tr>
<td>3. Ranbaxy Laboratories, Ltd.</td>
<td>3. E. Merck (India) Ltd</td>
</tr>
<tr>
<td>4. J.B.Chemicals and Pharmaceuticals, Ltd.</td>
<td>4. Abbott Laboratories (India) Ltd.</td>
</tr>
<tr>
<td>5. Unichem Laboratories, Ltd.</td>
<td></td>
</tr>
<tr>
<td>6. Alembic Chemicals, Ltd.</td>
<td></td>
</tr>
</tbody>
</table>

15
1.10.2 Tools of Analysis

Compound growth rate have been used for the purpose of measuring the trends in the growth of the different parameters like, investment, production, consumption, exports, imports, foreign exchange earnings, etc. Multiple regression analysis have been used for the purpose of finding out as to in which part of the growth the globalisation had impact, the accountancy ratios have been used for finding out the operating and financial performance of the pharmaceutical units. Grubel Lloyd index have been used to see as to whether the exports are balancing the imports and still gives a surplus or imports are offsetting the exports and leaves a deficit and the chow test is used for the purpose of finding out the shift in the structure of the investment, production, consumption, export etc due to globalisation. The validity of the multiple regression equations have been tested with the validity test like “F” test and the result have been tested with the “t” test

1.10.3 Period of the study

The overall performance of the pharmaceutical industry in India has been studied for a period of 23 years consisting of the pre-globalisation period extending from 1980-81 to 1990-91, the post-globalisation period extending from 1991-92 to 2002-03 and the pooled period extending from 1980-81 to 2001-2003. The performance of the selected sample pharmaceutical companies in India has been studied for 18 years starting from 1985-86 to 2002-03 due to non-availability of data for some of the companies. The pre-, post- and pooled periods for the sample pharmaceutical companies were 1985-86 to 1990-91, 1991-92 to 2002-03 and 1985-86 to 2002-03 respectively.
1.10.4 Sources of data

The study is based on the secondary data collected from the following sources: Data for the period from 1985-86 to 2002-03 has been obtained from the official directory of the Bombay Stock Exchange (BSE) and is supported by the annual reports of the companies, publications of the Organisation of Pharmaceuticals Producers of India (OPPI) and The Indian Drug Manufacturers Association (IDMA) data bank. Wherever there was gap in the above it had been supplemented from the data available in RBI bulletin, Annual Survey of the Indian industries and Centre for Monitoring Indian Economy (CMIE). Apart from this, information is also tapped from journals, magazines and daily newspapers like Capital market, Express pharma pulse, Chemical weekly, Economic times, Business line, Financial express, etc.

1.11 Limitations of the study

Since this study has been based upon the secondary data, all the limitations inherent to the secondary data will also be applicable to this study. Even though the population of the pharmaceutical units are in the public, private and joint sectors in fitness to the nature of research, only the private sector units were selected, considering its larger number and its quick response to the changes.

Even though the sample 10 companies are smaller in number, in view of the companies, which had existence during the pre and post globalisation periods and the market share, it is a representative sample for this type of analysis. Inspite of these limitations it is hoped that the findings will have applicability to the Indian industries in general and pharmaceutical units in particular.
1.12 Chapterisation of the study

Chapter I attempts to introduce the concept of the globalisation-its merits and demerits-the context in which it has been introduced - the methods through which it has been introduced into Indian Economy - the impact it has created in the Indian Industry - the scope and importance of this study - the objectives - the methodology and - the tools of analysis of the study - its limitations - and the Chapterisation.

Chapter II attempts to review the earlier studies and Foreign Direct Investments policy of Government of India over the years to identify the gaps in the studies.

Chapter III gives the profile of pharmaceutical industry - its growth - its structure - price regulations – trends in investments in research and development - the share of the public sector pharmaceutical units - the growth in the form of number of companies - WTO and the Drugs & Pharmaceutical Industry.

Chapter IV deals with the analysis of the impact of globalisation on the Indian industry with reference to the various parameters like the growth in production, consumption, imports and exports, the foreign exchange earnings and research and development.

Chapter V deals with the analysis of the operating performance of the sample units.

Chapter VI attempts to evaluate the financial performance of the pharmaceutical units.

Lastly the seventh chapter attempts to summarise the whole analysis, brings to light the major findings, and attempts to offer suggestions on the basis of the findings if any.
1.13 Terminologies

1. Drugs and Pharmaceutical Industry:
The drugs and Pharmaceutical industry is the group term comprising units manufacturing and distributing medicines of modern Allopathic therapy in finished forms such as capsules, tablets, syrups, powders, granules and injectables etc.

2. Multinational Corporations (MNCs):
Multinational corporations are huge Corporate bodies having head office in one country, but operate in two or more than two countries, with the objective of maximising profit. Sometimes they are also called as Foreign Companies, Transnational Corporations (TNCs) or Global Corporations. In the present study, this term has been generally used to denote the Indian subsidiaries of MNCs.

3. Bulk Drugs:
These are basic drugs used in manufacturing ethical drugs or over the counter drugs.

4. Formulations:
Combination of drugs in finished form for the final consumption of the patients.

5. Generic Drugs:
Unpatented drug products including drugs who’s patent rights has expired as well as those that were never patented.

6. Basic research:
It starts from the discovery and innovations of a molecule that can have a medicinal impact.
7. Applied research:
The background reengineering of a molecule, which provides an alternative process to develop the existing molecule. This type of research is also called process research and is relatively inexpensive as compared with basic drug discovery.

8. Patent:
It is defined as an official document conferring the right or title (on an invention) to make, use or sell an invention, for a specified period of time.

This act regulates patents for products processed or manufactured in India. It provides product patents for non-chemical substances and process patents for chemical substances including Pharmaceuticals, agro-chemicals and food products.

10. The amended patent act 2005:
By ordinance on December 2004 emphasis for product for drugs as per the TRIPS agreement of the WTO 1995.

REFERENCE
4. Industrial policy of India, Kothari’s Industrial Directory of India, 1996.


