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A Study on CSR in the Select Indian Pharmaceutical Sector

Dr. B. Ramesh and Ms. Savia Mendes***

ABSTRACT

India is among the top six global pharmaceutical producers in the world. Indian vaccines are exported to 150 countries. India produces 40-70 per cent of the WHO demand for DPT & BCG and 90 per cent of measles vaccine. This paper explores the CSR initiatives undertaken by the pharmaceutical sector in India. The study is based on secondary collected from seven pharmaceutical companies in India. The study reveals that the main trusted area on CSR is education followed by health. The question here is are they prepared for the mandatory CSR spending for the F.Y.2014-2015. No doubt they have been contributing towards the health care needs of the society. Again, pharmaceutical companies operate in the health sector have enough skilled manpower, they can conduct many health camps in rural areas. This will help them in their CSR contribution too.

Keywords: New Company Act, 2013, CSR Initiatives, Pharmaceutical companies

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INTRODUCTION

India is among the top six global pharmaceutical producers in the world. Indian vaccines are exported to 150 countries. India produces 40-70 per cent of the WHO demand for DPT & BCG and 90 per cent of measles vaccine. Approximately 70 per cent of the patients in developing countries receive Indian medicines through NGOs like The Clinton Foundation, Bill & Melinda Gates Foundation, Doctors Without Borders, the UNCTAD etc. Presently there are 10,500 manufacturing units and over 3,000 pharma companies in India, growing at an exceptional rate. Globally more than 90 per cent of formulations approvals for Anti-retroviral (ARVs), Anti-tubercular & Anti-malarial (WHO pre-qualified) have been granted to India.

Manufacturing costs in India are approximately 35-40 per cent of those in the US due to low installation and manufacturing costs. India ranks amongst the top global generic formulation exporters in volume terms. India's pharma exports stood at US\$ 15 billion in 2013-14. India exports all forms of pharmaceuticals from APIs to formulations, both in modern medicine and traditional Indian medicines. It accounts for about 1.4 per cent of the global pharmaceutical industry in value terms and 10 per cent in volume terms. The Government of India has announced a host of measures to create a facilitating environment for the Indian pharmaceutical industry. The policies of the Government of India are aimed at building more hospitals, boosting local access to healthcare, improving the quality of pharmaceuticals and improving the quality of medical training. The Government of India is committed to setting up robust healthcare and delivery mechanisms.

India's pharma sales are expected to reach US\$ 27 billion by 2016. India is well placed to become one of the major drivers in providing healthcare to all while controlling the ever-increasing healthcare spend of both developed and developing nations. As per Pharma Vision 2020 the GOI aims to make India a global leader in end-to-end drug manufacture. After the enactment, Corporate Social Responsibility (CSR) has become mandatory for a certain class of

companies in India, forcing the pharmaceutical companies to take serious note of their CSR activities. This paper explores the CSR initiatives undertaken by the pharmaceutical sector in India. Since, mandatory CSR, has been enforced from 1st April 2014 in India.

LITERATURE REVIEW

Literature has been reviewed to study the influence of CSR activities on the pharma sector. (Linda and Jenny, 2008) the data reveals a diverse, interactive and dynamic concept of CSR among the selected pharmaceutical companies in the UK and Germany. The overall results show that CSR stakeholder engagement responses are still evolving. They indicate that whilst the CSR concepts underlying the CSR stakeholder engagement practices adopted differ in certain respects, the actual CSR stakeholder engagement and management activities of the UK and Germany firms are broadly similar. (O’Riordan, 2010) findings identify that CSR practice is influenced by a range of internal and external contextual factors. (Jose, 2010) explores how companies within the pharmaceutical industry manage their CSR strategy and communication. The engagement in CSR of companies developing its activities and business within the pharmaceutical industry respond to the different challenges this industry faces. External stakeholders (NGOs, media, consumer advocacy groups and the public opinion) carefully watch the steps taken by pharmaceuticals. As a consequence, the initiatives and communications must be designed to satisfy the stakeholders’ needs and expectations. Pharmaceutical wholesalers implement different CSR communication strategies to reach their objectives. Moreover, organizations choose from a variety of channels to communicate with specific stakeholder groups (e.g., surveys, conferences, intranet, etc.). Websites are one more of the many channels pharmaceuticals use when establishing a CSR communication strategy. (Alok, 2012) has concluded that the pharmaceutical companies in India are making considerable contribution to the society in varied spheres, in particular,

environment. (Tim, 2012) reveals that the pharmaceutical industry has a unique dual role within society in that the companies within the industry develop and distribute health care products in a for-profit manner. Safety and ethical concerns have resulted in an industry that is one of the most highly regulated globally. Controversies have developed around perceived conflicts of interest emerging from this dual role due to the industry's size, influence and primary responsibility to society as a developer and provider of innovative medicines.

HIGHLIGHTS OF NEW COMPANY ACT, 2013 (SECTION 135): CORPORATE SOCIAL RESPONSIBILITY

- All companies with a turnover of Rs.1,000 crore and more – or a net worth of Rs.500 crore and more or net profit of Rs.5 crore and more – will have to spend at least two percent of their three-year average net profit every year on CSR activities; and/ or report the reason for spending or non-expenditure Section 135.
- The institutional coverage is Indian Companies and foreign companies operational in India.
- The activities undertaken by conducting CSR can be undertaken through a registered society or trust/ NGO or a Section 8 Company or company self under the Companies Act. However, the implementing partner should have three years track record.
- Nature of expenditure incurred on specified activities that are carried out in India will qualify as CSR expenditure. Expenditure incurred in undertaking normal course of business will not form a part of the CSR expenditure. Any expenditure incurred in providing such training up to a ceiling of five percent in one financial year is permitted under the CSR budget.
- Companies need to spend CSR money in project mode with pre-defined indicators, budget, duration etc. It is mandatory

for companies to disclose their CSR Policy, programs/projects undertaken and amount spent in their report and the CSR Rules provide for a separate format. The report containing details of such activities and CSR policies have to be made available on the company's website for informational purposes.

- Activities exclusively for the benefit of employees not to be treated as CSR.
- CSR activities of more than one company may be pooled to undertake CSR.
- Reporting to commence from FY 2014-15.
- Tax treatment of CSR in accordance with IT laws.
- The activities which may be included by companies in their CSR policies according to Schedule VII
- Eradicating extreme hunger and poverty and malnutrition, promoting preventive healthcare and sanitation and making available safe drinking water;
- Promotion of education; including special education and employment enhancing vocation skills especially among children, woman, elderly and the differently abled and livelihood enhancement projects;
- Promoting gender equality and empowering women; setting up homes and hostels for women and orphans, setting-up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- Ensuring environmental sustainability ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining of quality of soil, air and water;
- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting-up of public libraries; promotion and development of traditional arts and handicrafts;

- Measures for the benefit of armed forces veterans, war widows and their dependents;
- Training to promote rural sports, nationally recognized sports and Paralympic sports and Olympic sports;
- Contribution to the Prime Minister's National Relief Fund or any other fund set-up by the Central Government or the State Governments for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- Rural development projects;
- Slum development.

OBJECTIVES OF THE STUDY

Keeping in view with the literature review and mandatory CSR on selected companies in India. The objective of this paper is to explore the estimated CSR spending of the Indian Pharma sector for the financial year 2014 -2015. To know the CSR initiatives taken by the select pharmaceutical sector in India. This study will help the Pharmaceutical sector to project where they stand, make a comparison with their peers and aid them in their future CSR project implementation.

METHODOLOGY

The study is based on secondary data taken from the annual reports of the pharmaceutical companies, presented in tables and brief description of the companies CSR initiatives. The sample size consist of seven pharmaceutical companies in India. The annual reports with Net Profit from Financial year 2011-2012, 2012-2013 and 2013- 2014 were considered (*Appendix I*). The calculations are based on two percent of their three-year average net profit. The seven companies are as follows:

1. Abbott India limited
2. Sun Pharmaceuticals Industries Limited
3. Cipla Limited
4. GlaxoSmithKline Pharma Limited
5. Lupin Limited
6. Pfizer Limited
7. Dr Reddy Laboratories Limited

Abbott India Limited

CSR Implementation	CSR PARTNERS
Through NGOs, Government Agencies and Employee Volunteering	Path. Rotary International, Ministry of Women And Child Development, Federation of Indian Chambers of Commerce and Industry, Confederation of Indian Industry, operation Smile, Lifeline Express, Care International, Corstone, Impact India Foundation

Abbott India's Community Initiatives Abbott is committed to supporting the communities where they live, work and do business and to helping with relief efforts whenever natural disasters occur. India is among the largest recipients of support from Abbott and the Abbott Fund, their philanthropic arm. To date, grants, donations and social investments in India total nearly \$13 million. Much of their work in India focuses on expanding access to health care by meeting critical community needs:

- Advancing disease awareness and education.
- Training health care professionals.
- Donating critical medicines plus other medical and nutritional products.
- Advancing preventive health care for children.
- Providing corrective facial surgery for children.
- Helping children and families affected by HIV/AIDS.

In an effort to help improve the health of India's women and children, Abbott and the Abbott Fund has formed partnerships with such trusted organizations as Operation Smile, Lifeline Express, CARE International and Corstone.

Sun Pharmaceuticals Industries Ltd

CSR Implementation	CSR PARTNERS
NGOs/Academic Institutions/ Local Bodies	-

Sun Pharma, contribute not only to India's GDP but also improve the socio-economic fabric of the nation. The objective is to even out societal odds such as inequality, gender disparity, lack of good healthcare facilities, etc. They design their social responsibility programs to amplify their influence, at the same time multiply their reach. To make their CSR efforts more structured and expand their sphere of activities, they are in process of formulating a comprehensive CSR policy which will provide direction to these efforts. The activities are also dovetailed to benefit specifically the financially challenged, vulnerable and marginalized spectrums of our society.

Cipla Limited

CSR Implementation	CSR PARTNERS
Cipla Palliative Care and Training Centre/ Cipla Cancer and AIDS Foundation /Cipla Foundation	NGO PARTNERS

'Caring for Life' has been at the forefront of Cipla's business philosophy and remains the principal purpose of doing business. This philosophy is seamlessly integrated into Cipla's people, products and processes. The initiatives taken by the Company as part of Corporate Social Responsibility (CSR) programmes effectively contribute to developing a sustainable and resilient community. Being a good corporate citizen is an integral part of Cipla's core value. Over the last three decades, the Company has carried out various CSR activities directly and through its trusts. Making quality medicines at affordable prices has always been Cipla's focus. The Company set-up the Cipla Foundation in the year 2010 to provide care and financial support to Indians in need of healthcare and education. The company has been implementing social and

community development projects for underprivileged communities around its eight manufacturing sites located in six States of India - Maharashtra, Sikkim, Himachal Pradesh, Madhya Pradesh, Goa and Karnataka. CSR initiatives in the company, by and large, are grouped in five broader thematic areas of human development: (a) Education (b) Health & hygiene (c) Development of social infrastructure (d) Natural resource management & environment (e) Emergency response.

GlaxoSmithKline Pharma Ltd

CSR Implementation	CSR Partners
NGOs/Voluntary Organizations/Govt. Agencies	Gramin Arogya Vikas Sanstha, Nirmaya Health Foundation, Kherwadi Social Welfare, Pratham, Childline, Navjyoti India Foundation, The Institute For Indian Mother & Child, Sri Chaitmaya Welfare Trust, Indian Cancer Society, Bangalore Hospice Trust, Iskcon Food Relief Foundation

GSK India undertakes a number of CSR activities by contributing to the society by developing and marketing medicines which improve people's lives. Proactive in improving the environment, Participating and contributing actively for tribal welfare, Company's initiatives are primarily focused towards women, elders disable & children and are directed in the areas of Health, Nutrition, Rural Development, Vocational Training Centres HIV/AIDS Helpline, Mumbai, Conservation of Energy and Education. The organization facilitates in educating masses on good practices of healthy living.

Lupin Limited

CSR Implementation	CSR Partners
own foundation (Lupin Human Welfare & Research Foundation LHWRF)	-

They believe collectively as Corporate India their fundamental duty in shaping a better future for society and which is embraced not as a responsibility but an obligation. This is what led Lupin to set up the Lupin Human Welfare & Research Foundation (LHWRF) in 1988; LHWRF was set up with the objective of creating a replicable and ever-evolving model for sustainable rural development with the simple goal of uplifting families. LHWRF is focussed on building a sustainable model which would aim to improve Human Development Indices (HDI) in its chosen geographic area of operations. LHWRF operates in districts with a low HDI score such as Alwar, Dhaulpur, Karauli and Bharatpur in Rajasthan; Dhule, Nandurbar, Pune and Sindhudurg in Maharashtra; Raisen in Madhya Pradesh and Dehradun in Uttarakhand. In addition, of the ten locations where Lupin's manufacturing plants are located, LHWRF has initiated development work at all the locations except Jammu and Nagpur, which will be taken up in FY 2015.

They have worked hard over the last 26 years in creating, developing, nurturing and executing programs in partnership with the rural communities we choose to work with. They have collaborated with numerous institutions, governments, individuals, visionaries and domain experts on multiple projects to ensure growth and progress for the communities we serve. LHWRF reaches out to 2.8 million people, living in 3100 villages spread across 4 states in India. They are passionate about what they have set out to do, about transforming the rural landscape of the country; about changing the lives of the communities we exist in and work with; they are working to create a happier more meaningful tomorrow. LHWRF focuses on rural development programs that help promote and enable Economic Development, Social Development, Natural Resource Management and Infrastructure Development.

Pfizer Limited

CSR Implementation	CSR PARTNERS
NGOs/Govt. Agencies	Goonj, Habitat for Humanity, Americares

As the entire nation stood up in solidarity to rebuild their lives, Pfizer India colleagues also stepped forward to demonstrate the “One Pfizer” spirit by supporting their fellow Indians. Pfizer India colleagues owned and drove the clothes donation campaign at HQ in Mumbai, with the support of NGO partner Goonj. The response was so overwhelming that colleagues across Goa and Hyderabad shipped the clothes to the Goonj dropping centre in Mumbai.

In addition to this, approximately 700 Pfizer colleagues across India voluntarily donated a day’s basic salary, amounting to a total of \$16,000 to our NGO partner – Habitat for Humanity that will help rebuild/restore houses of the victims.

Dr. Reddys Laboratories Limited

CSR Implementation	Csr Partners
Own foundation (Dr. Reddy’s Foundation, NAANDI Foundation, Centre for Social Initiative and Management, Dr. Reddy’s Foundation for Health Education DRFHE)/ NGOs/Govt. Agencies	-

At Dr. Reddy’s, they own social responsibilities with equal passion and professionalism. They leverage our expertise and resources to scrutinize community needs, develop and pilot new projects, scale them up, assess their impact and once proven successful, collaborate with the Government and various Non-Governmental Organizations (NGOs) to roll them out. they engage with the community at two levels: At the vicinity of campuses with the active involvement of their employees; and at locations, where they lend support to Non-Profit Organizations, such as Dr. Reddy’s Foundation (DRF), Naandi Foundation and the Centre for Social Initiative and Management (CSIM). While they touch several lives in multiple ways, their focus remains on the three main life-altering areas of Livelihoods, Education and Patient Care.

Pharmaceutical Company	Csr Policy as Per the Companies Act 2013
Abbott India Limited	Not Available
Sun Pharmaceuticals Industries Ltd	Not available
Cipla ltd	Yes
Glaxosmithkline Pharma Ltd	Not Available
Lupin Ltd	Not Available
Pfizer Ltd	Not Available
Dr Reddys Laboratories Ltd	Not Available

Pharmaceutical Company	Csr Committee
Abbott India Limited	Yes
Sun pharmaceuticals industries Ltd	Not Available
Cipla Ltd	Yes
Glaxosmithkline Pharma Ltd	Not Available
Lupin Ltd	Not Available
Pfizer Ltd	Not Available
Dr Reddys Laboratories Ltd	Not Available

Pharmaceutical Company	Csr Spending Requirement for Fy 2014-15 (in cr.)
Abbott India Limited	4.22
Sun Pharmaceuticals Industries Ltd	29.08
cipla Ltd	23.16
Glaxosmithkline Pharma Ltd	17.34
Lupin Ltd	16.90
Pfizer Ltd	8.74
Dr Reddys Laboratories Ltd	21.02
Total	120.46

FINDINGS

- The likely CSR spending for the FY 2014-15 is Rs. 120.46 crore for these pharmaceutical companies selected for the study.
- Out of the seven pharmaceutical companies taken for the study only two companies namely Abbott India Ltd and Cipla Ltd have formulated their CSR committee as per the new Companies Act, 2013.
- Cipla Ltd only has framed their CSR policy as per the Companies Act, 2013.
- Education has been the most trusted area for their CSR initiatives, followed by health contributing to improve lives and create a healthier world.
- They have given a lot of descriptive data on CSR spending.
- These companies have implemented most of their CSR activities with the help of NGOs, Government agencies, Academic agencies and local bodies.
- Lupin Ltd and Cipla have their own foundations to carry their CSR activities.
- The pharmaceutical sector is not prepared for the mandatory CSR spending.
- Only three companies have given the details of their CSR partners.

SUGGESTIONS

- With the Companies Act 2013, these companies will formulate their CSR committee.
- They will have re-defined their objectives, chalk down their CSR policy.
- They will have to work on their CSR budgets for FY 2014-2015.
- They will have to streamline their CSR policy and projects from donation.
- They will have to provide appropriate training to staff on CSR activities.

- Reporting format for CSR prescribed will have to be followed.
- The companies will have to be more transparent in reporting CSR activities, by providing statistics and not mere text and pictured description.
- The companies need to specify who their CSR partners.

CONCLUSION

It's almost the end of the financial year 2014 -2015, the analysis shows that these companies have neither drafted their CSR policies nor formulated a committee. The question here is are they prepared for the mandatory CSR spending for the F.Y.2014-2015. No doubt they have been contributing towards the health care needs of the society. What is their CSR stand? They will have to really strive hard towards its CSR initiatives with the mandatory CSR spending, the amount is not small, this itself is a big challenge. The thrust of pharmaceutical sector is to make healthcare accessible to the marginalised sections of the society. Since pharmaceutical companies operate in the health sector and have enough skilled manpower, they can conduct many health camps in rural areas. This will take care of their CSR contribution too.

Appendix- I: Pharma Sector

No.	Companies	Net Profit (in Cr)		
		2013-14 (FY14)	2012-13 (FY13)	2011-12 (FY12)
1.	Abbott India Ltd	238.35	214.99	180.15
2.	Sun Pharmaceuticals Industries Ltd	416	663	2025
3.	Cipla Ltd	1818	2011	1421
4.	Glaxosmithkline Pharma Ltd	729	847	599
5.	Lupin Ltd	3139	1723	1004
6.	Pfizer Ltd.	339.58	693.77	277.53
7.	Dr Reddys Laboratories Ltd	2454	1753	1259

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