



# Sector Study | Pharmaceutical

April 20



The Pakistan Credit Rating Agency Limited

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# Global Health Care Dynamics

- With global health care spending expected to rise at an accelerated growth rate, it will likely present many opportunities for the sector. While there will be uncertainties, stakeholders can navigate them by factoring in historic and current drivers of change when strategizing for 2020 and beyond.
- Among these drivers are a growing and aging population, rising prevalence of chronic diseases, infrastructure investments, technological advancements, evolving care models, higher labor costs amidst workforce shortages, and the expansion of health care systems in developing markets.

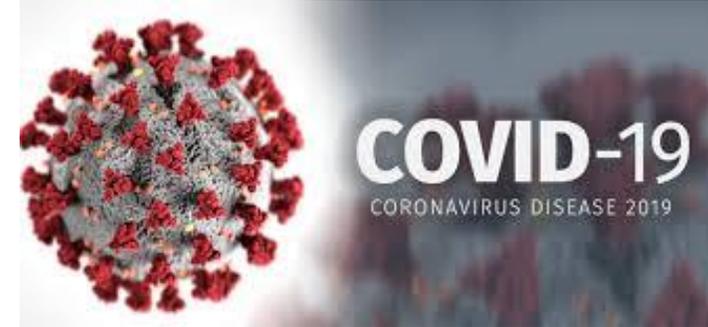


# Worldwide (Prescription drug sales forecast, 2020–2024 (US\$ bln))

	2021	2022	2023	2024
<b>Prescription</b>	955	1,027	1,100	1,181
<b>Growth per year</b>	7.0%	7.5%	7.1%	7.4 %
<b>Change vs. June 2018 (US\$B)</b>	-43	-43	-34	-23
<b>Generics</b>	88	92	96	100
<b>Generics as % of prescription</b>	9.2%	9.0%	8.7%	8.4 %
<b>Prescription excluding generics</b>	867	935	1,004	1,081
<b>Growth per year</b>	7.1%	7.8%	7.4%	7.7 %
<b>Orphan</b>	169	191	216	239
<b>Prescription excluding generics &amp; orphan</b>	698	743	788	842

# What is COVID-19?

- Coronavirus disease 2019 (COVID-19) is defined as illness caused by a novel coronavirus, which was first identified amid an outbreak of respiratory illness cases in Wuhan City, Hubei Province, China. It was initially reported to the WHO on December 31, 2019. On January 30, 2020, the WHO declared the COVID-19 outbreak a global health emergency. On March 11, 2020, the WHO declared COVID-19 a global pandemic, its first such designation since declaring H1N1 influenza a pandemic in 2009.
- Multiple efforts are underway to develop a vaccine to augment immune system against this virus. The patients are being treated with available medicines, suited otherwise for various human ailments.





Total revenue  
PKR – **423 Billion**

MNCs Share  
Pakistan Pharma Industry:  
**31%**

Revenue Concentration  
Top 25 companies above:  
60%  
Top 50 claim : 80%

Annual Growth Rate  
**13.23%** (as per IMS)

# Pakistan | Industry Players' Mix

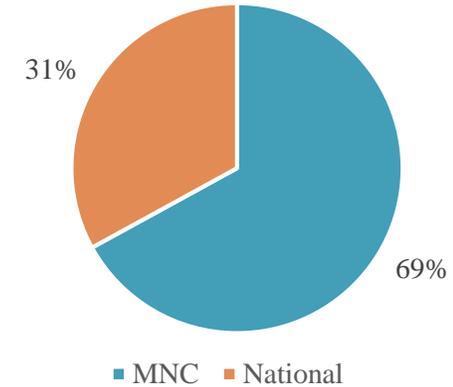


There are approximately **650 companies** operating in the Pakistani pharmaceutical market, out of which less than **31 are multinational** companies. The pharmaceutical industry contributes approximately **~1%** to the GDP of Pakistan annually.

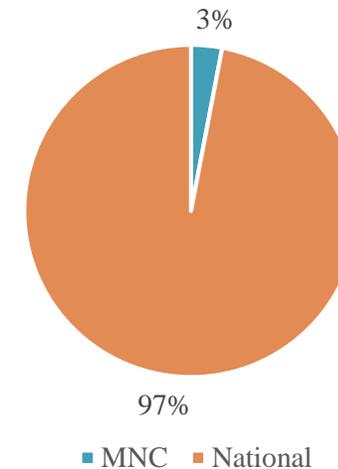
There are around 9,000 actively marketed drugs in Pakistan sold at licensed pharmacies on prescription. In addition, there is a large segment of Over the Counter (OTC) products e.g., multivitamins, pain, cold and flu relief.

Name of Pharma Company	Ranking	National / MNC	Listing Status
GlaxoSmithKline Pakistan Limited	1	MNC	Listed
Gets Pharma (Private) Limited	2	National	Unlisted
Sami Pharmaceutical (Private) Limited	3	National	Unlisted
Abbott Laboratories (Pakistan) Limited	4	MNC	Listed
High Q Pharmaceuticals	5	MNC	Listed
The Searle Company Limited	6	National	Listed
Sanofi-Aventis Pakistan Limited	7	MNC	Listed
Hilton Pharma (Private) Limited	8	National	Unlisted

Market Composition | Sale Value



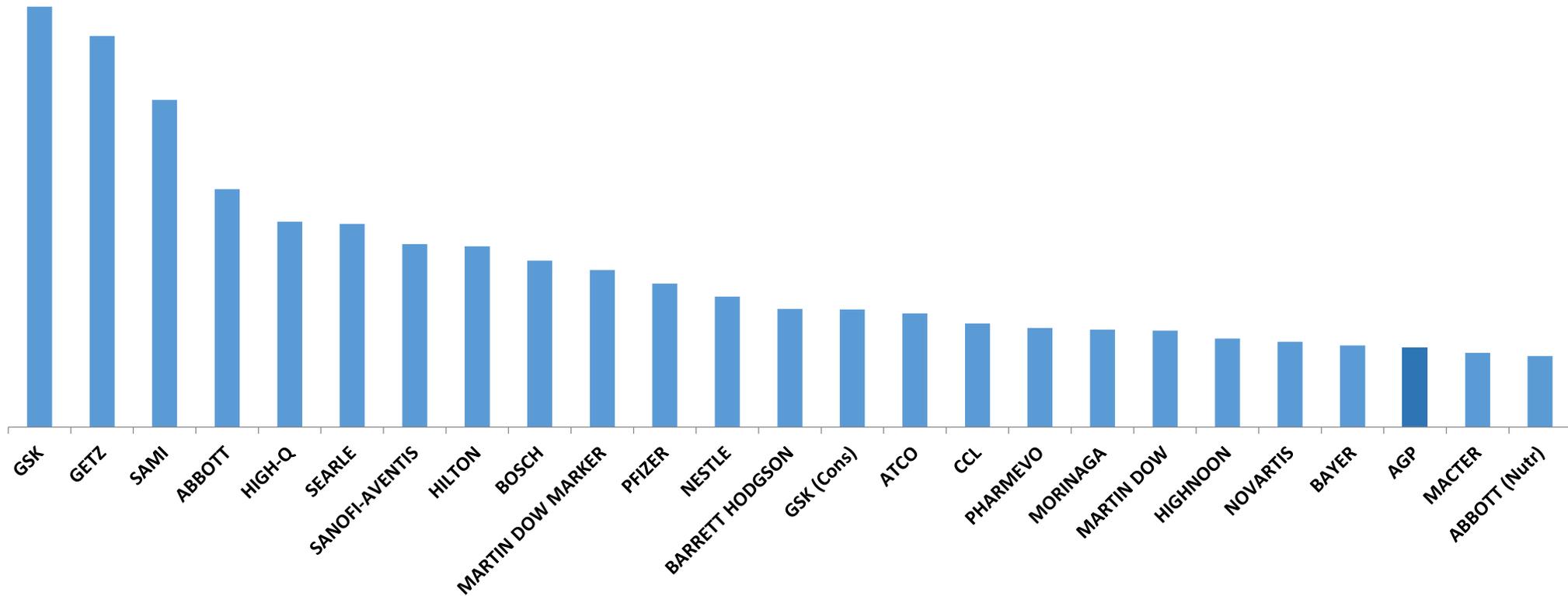
Market Composition | No. of Companies



# Major Industry Players



- ✓ Top 50 companies collectively have a ~80% share of the industry's revenues.
- ✓ 69% of the market share is with local companies and 31% with MNCs.
- ✓ Top 25 corporates, in terms of revenue and growth rate, are shown below in the bar diagrams. They contribute around 62.6% of the total market share



Source: IMS Q2-2019

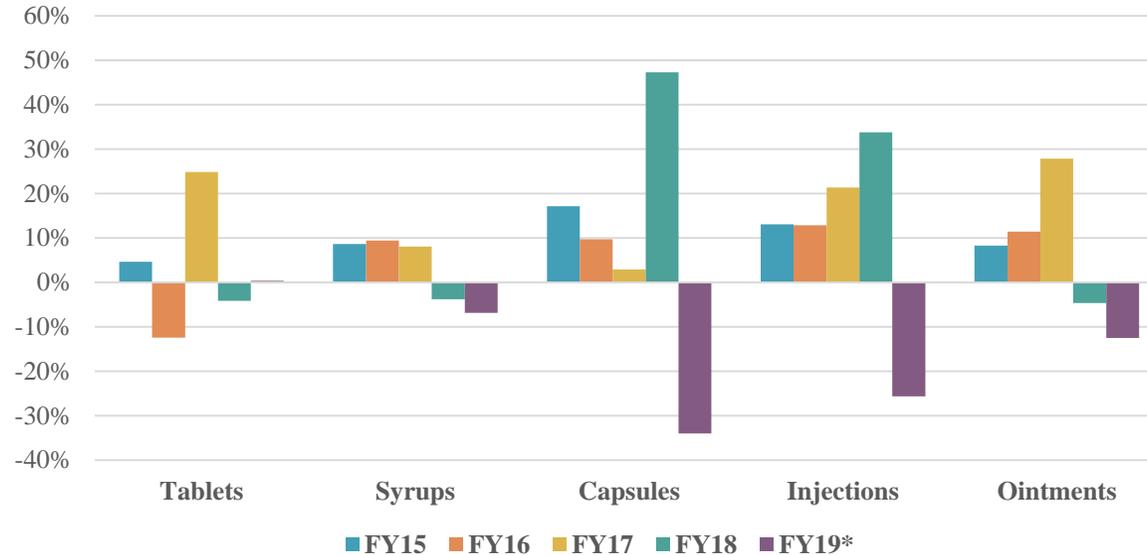
- Revenue at trade price includes ex-distributor sales only and excludes institutional sales and exports
- GSK equates to 28bln

# Pakistan | Production



Capsules and injections have been taking double digit growth due to changing medical practices and disease patterns – mostly related to new breed of injections curing Hepatitis in Pakistan. However, **Devaluation** of Rupee and **Rising Interest rates** have adversely affected the production trend.

Pharmaceutical Production | Growth Trend



Product Category	Units	FY14	FY15	FY16	FY17	FY18	FY19*
Tablets	000 Nos	25,363,352	26,535,885	23,238,358	29,014,742	27,802,617	27,899,018
Syrups	000 Ltrs	91,139	98,996	108,342	117,084	112,637	104,916
Capsules	000 Nos	2,644,465	3,098,139	3,398,609	3,497,716	5,149,828	3,397,565
Injections	000 Nos	783,611	885,732	999,207	1,212,658	1,622,228	1,205,529
Ointments	000 Kgs	2,575	2,788	3,106	3,970	3,786	3,312
Galenicals	000 Ltrs	64	75	46	343	371	44

Source: [Pakistan Bureau of Statistics](#)

# FINANCIAL PERFORMANCE OF MAJOR INDUSTRY PLAYERS



Gross Margins	2013	2014	2015	2016	2017	2018	2019
Glaxo	25%	26%	27%	27%	26%	25%	20%
Abbott	38%	38%	39%	40%	39%	33%	28%
Searle	45%	45%	49%	52%	53%	51%	48%
Sanofi	30%	25%	26%	34%	36%	30%	25%
Highnoon	41%	45%	48%	47%	48%	47%	46%
Ferozsons	48%	48%	45%	41%	38%	32%	35%
Industry Average	38%	38%	39%	40%	40%	36%	34%
AGP	58%	58%	58%	58%	61%	56%	58%

Net Margins	2013	2014	2015	2016	2017	2018	2019
Glaxo	4%	6%	11%	10%	8%	10%	5%
Abbott	16%	14%	16%	19%	14%	9%	3%
Searle	12%	11%	16%	18%	19%	18%	13%
Sanofi	4%	2%	1%	8%	8%	4%	-1%
Highnoon	13%	7%	10%	10%	10%	10%	11%
Ferozsons	16%	14%	17%	20%	8%	-0.3%	3%
Industry Average	11%	9%	12%	14%	11%	8%	6%
AGP	26%	12%	17%	26%	26%	22%	23%

✓ Consolidated financial statements of the respective companies have been used.

✓ For 2019, 6-months ratios are presented except Ferozsons & Searle whose year end is June.

Pharma Industry operates in a heavily regulated environment, monitored and administered by Drug Regulatory Authority of Pakistan (DRAP). New molecules can take up to 12-18 months to register and generics take up to 3 years. It is a very sensitive field that requires a lot of time for new product launches. Pricing matters have seen attention through a revised pricing policy.

Due to concentrated nature of the industry, the leading players are financially and business wise are much resilient. Internal capital generation is good. Given the sustainability of demand side, owing to the customer's needs, business risk is considered low and in crisis period, it takes further support especially for large business houses.

Covid-19 has harnessed the integration of the pharmaceutical sector to the sustenance of the society at large. The industry and especially the rightly placed institutions are taking advantage of branding and extra revenue streams. The temporary suspension of outdoor medical facilities including private clinics is a challenge, though.

The future is expected to be carved around health matrix. Fundamental changes are expected in how governments have approached health infrastructure and well being of the citizens.

Although Pharma companies are contributing 1% of their PBT to government for conducting R&D, a lot can be desired on the front of research and development.

Counterfeit menace is a much spoken challenge

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4. PACRA's in-house research and database – A sample of players representing approx. 33% of the market share

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