

Pharmaceutical Industry

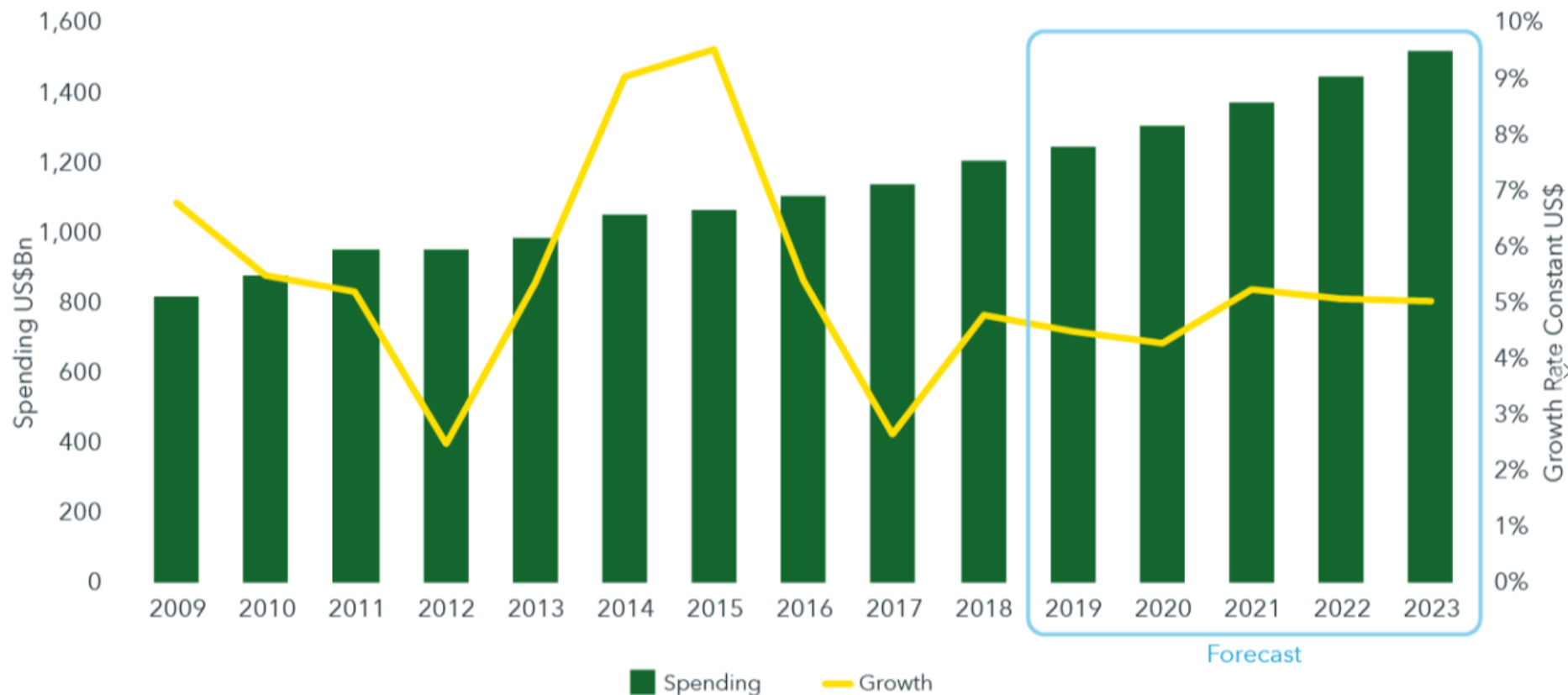


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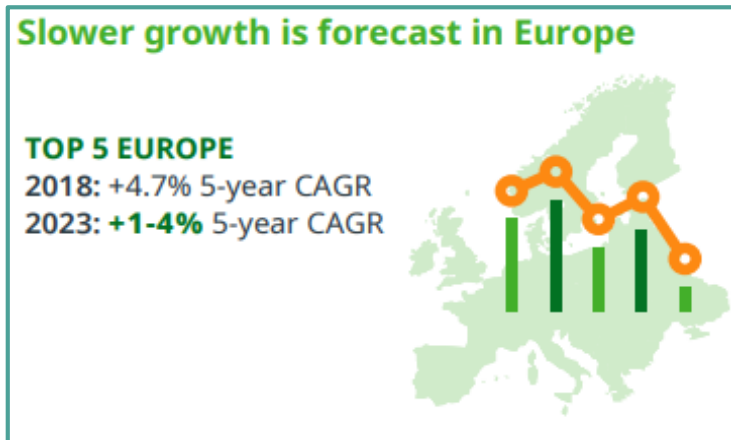
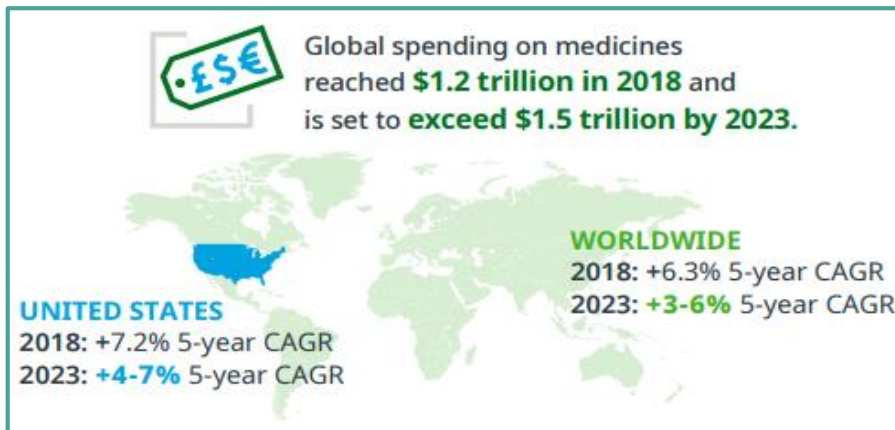
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Global Medicine Spending | Trend



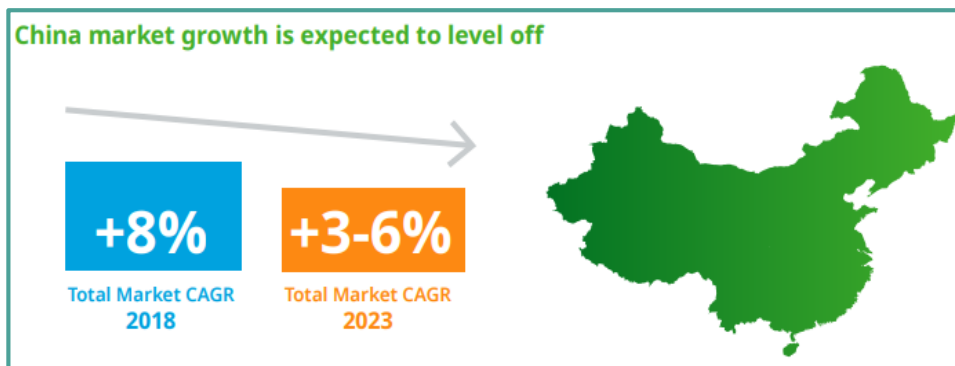
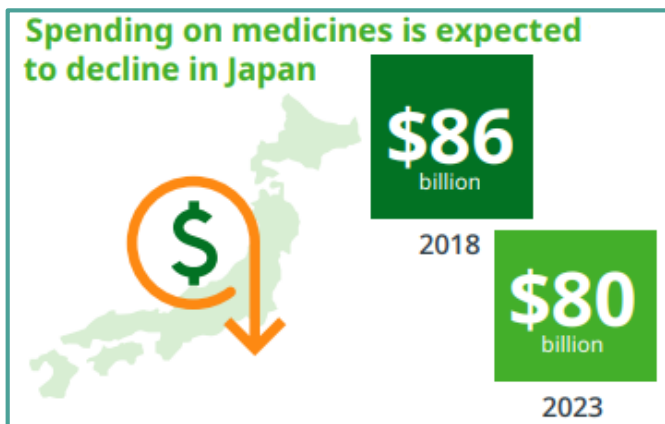
During the past decade, worldwide pharmaceutical spending have witnessed growth to over US\$ 1 trln. Growth in spending is attributed to market expansion in **emerging countries** and favorable demographics including an **ageing population** in developed nations. Such trends are likely to continue over the coming years with global pharmaceutical market growing to US\$ 1.5 trln by 2021.

Pharmaceutical | Global Predictions



Growth from new products and pricing shifts will be moderated by **loss of exclusivity** in the U.S. and by **cost-containment** measures worldwide.

Cost-containment measures and **less growth** from new products in Europe contribute to slower growth of 1-4%, compared to the 4.7% compound annual growth seen over the past five years that was significantly lifted by spending from new products.



Global Drug Market

Biggest pharma companies by pipeline

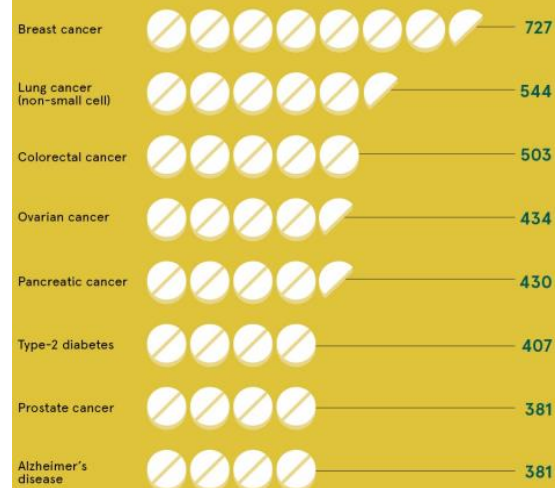
- Number of drugs in the pipeline in 2018
- Prescription drug sales in 2017 (\$bn)



Pharmaprojects 2018

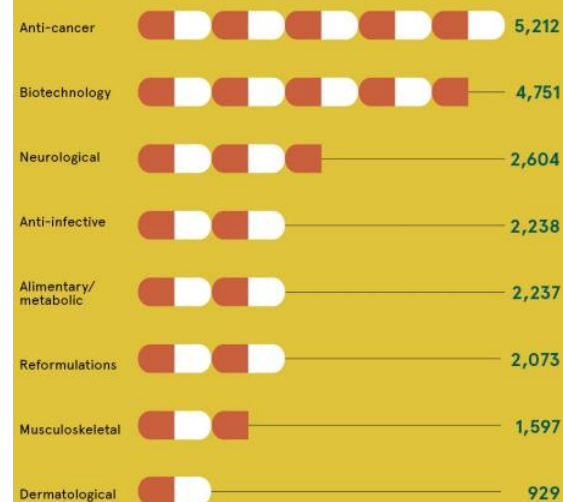
Top drugs by disease or condition

Number of active drugs in 2018



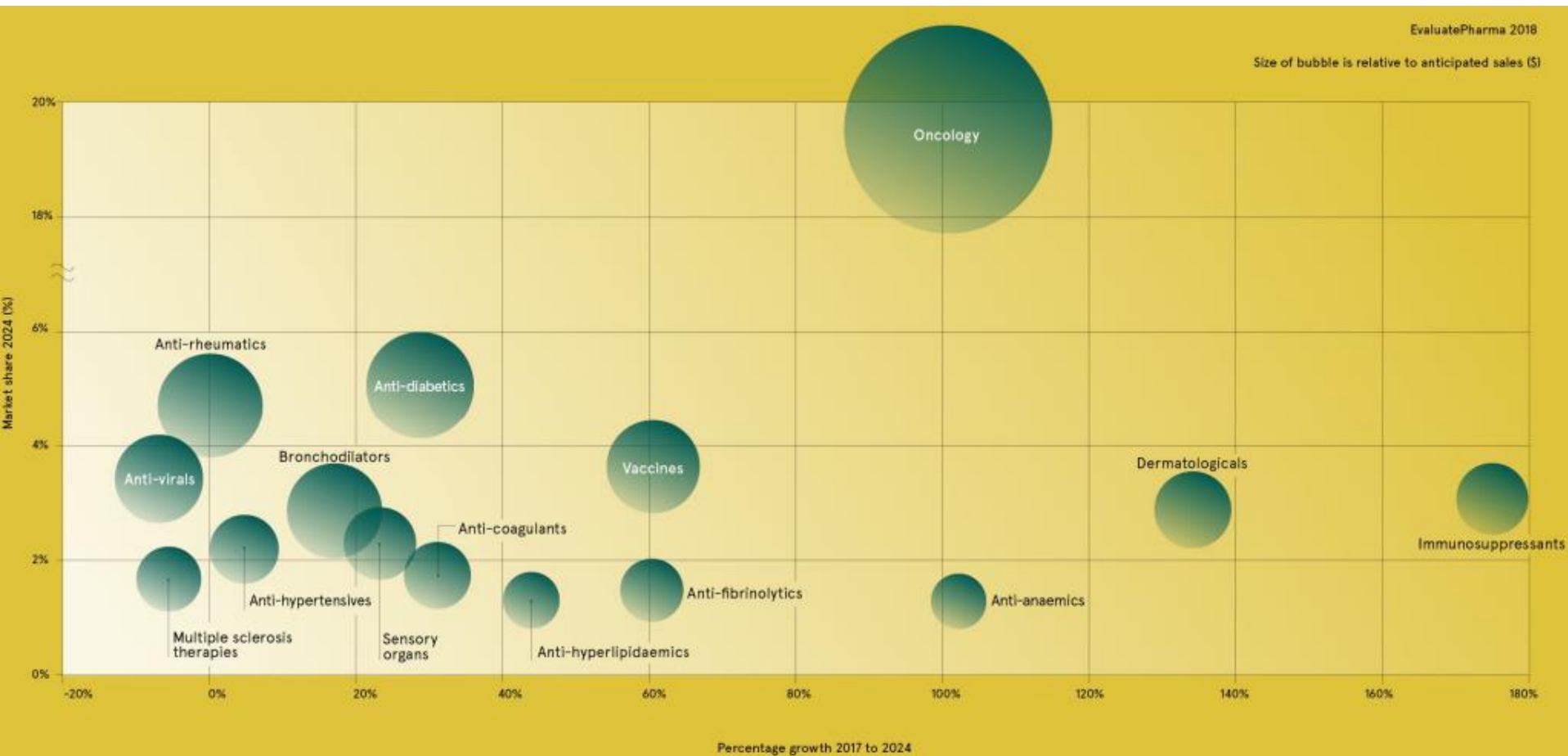
Pharmaprojects 2018

Drug pipeline by therapy area



Pharmaprojects 2018

Top 15 Therapy Areas



Oncology therapy area is by far the largest in the pharma world with **\$107 billion** in sales in 2017. It's also projected to maintain its dominance going forward, growing at an impressive **12.2% CAGR to \$233 billion by 2024**. Next, while sales in cancer-related drugs will be the most in absolute terms, the **fastest growing** treatment area is actually in **immunosuppressants** – a segment of drugs that make a body less likely to reject a transplanted organ, such as a liver, heart, or kidney.

Pakistan | Industry Players' Mix

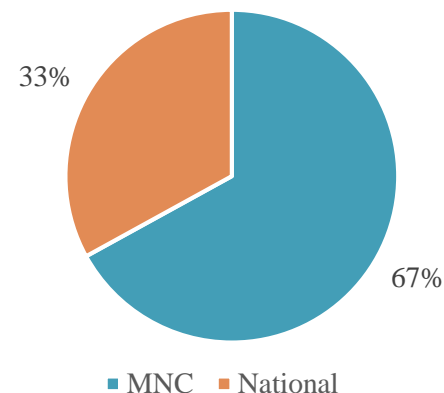
There are approximately **650 companies** operating in the Pakistani pharmaceutical market, out of which less than **30 are multinational** companies. The pharmaceutical industry contributes approximately **~1%** to the GDP of Pakistan annually.

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.

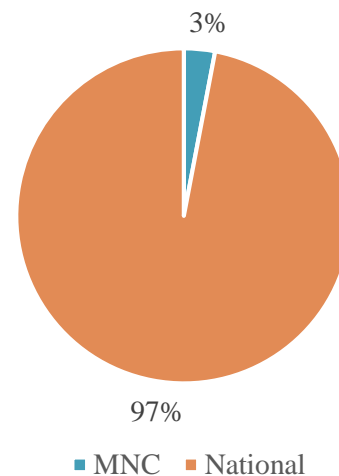
Name of Pharma Company	Ranking	National / MNC	Listing Status
GlaxoSmithKline Pakistan Limited	1	MNC	Listed
Getz Pharma (Private) Limited	2	National	Unlisted
Sami Pharmaceutical (Private) Limited	3	National	Unlisted
Abbott Laboratories Pakistan Limited	4	MNC	Listed
Martin Dow Pharmaceuticals (Pakistan) Limited	5	National	Unlisted
The Searle Company Limited	6	National	Listed
Sano Aventis Pakistan Limited	7	MNC	Listed
OBS Pakistan (Private) Limited	8	National	Unlisted
GSK Consumer Healthcare Pakistan Limited	9	MNC	Unlisted
Hilton Pharma (Private) Limited	10	National	Unlisted

The industry is dominated by multinationals companies which account for 2/3rd of market share whereas local / national enjoy the remaining 1/3rd. Top ten companies constitute approximately 46% of the market whereas top 50 share approximately 90% of the market.

Market Composition | Sale Value



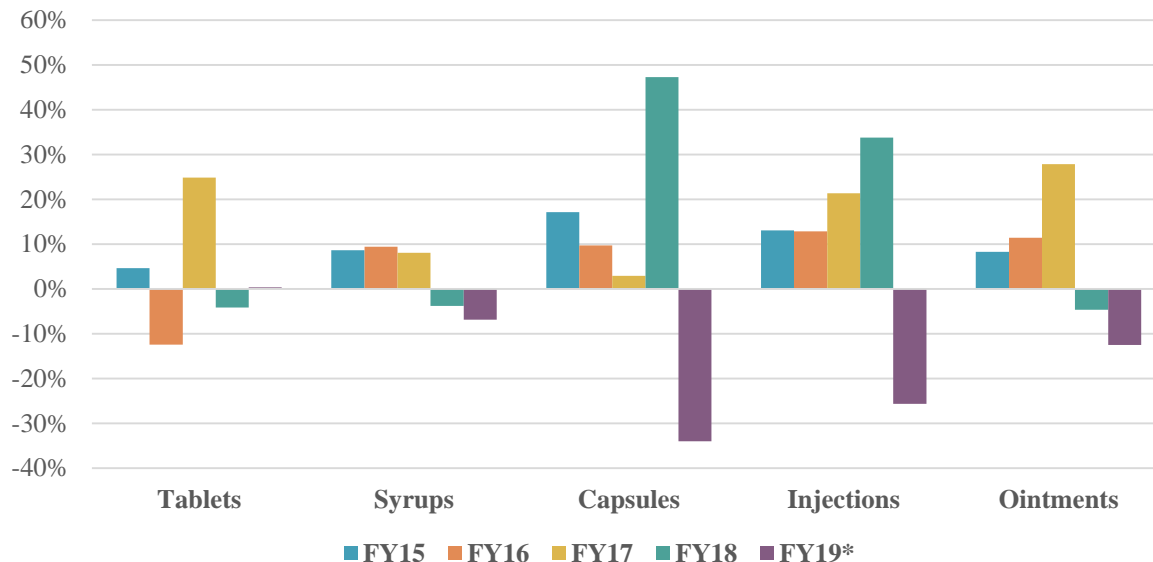
Market Composition | No. of Companies



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

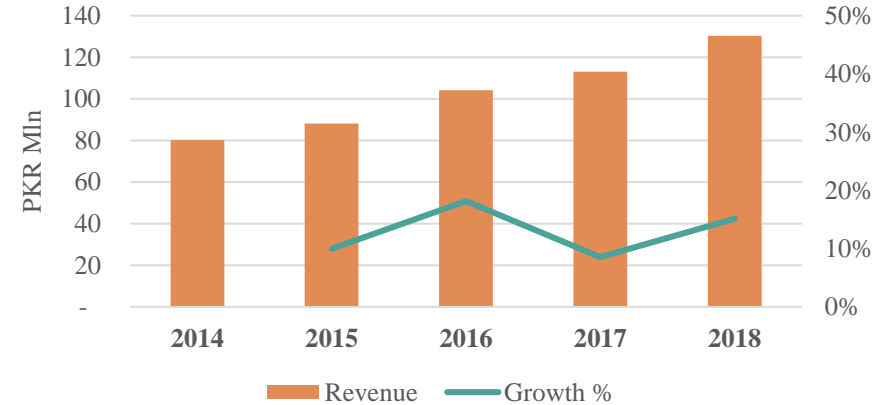
Source: [Pakistan Bureau of Statistics](#)













Pakistan | Revenue

Total Revenue of the industry is on the rise – with GSK and Abbott contributing **50%** of the **Total revenue** of listed companies.

In Mar2017, GSK Health Care was formed as a result of the demerger of Consumer Healthcare business of GlaxoSmithKline Pakistan Limited. In 2018 GSK Health Care witnessed an increase of ~80% in Revenue.

Pharma Revenue | Trend



Name of Pharma Company	Revenue (PKR Mln)				
	%	2018	2017	2016	Trend
GlaxoSmithKline Pakistan Limited	26%	34.01	32.77	27.56	
Abbott Laboratories (Pakistan) Limited	23%	29.72	26.09	23.39	
GlaxoSmithKline Consumer Healthcare	11%	14.88	8.30	5.38	
Sanofi-Aventis Pakistan Limited	10%	12.96	12.45	11.89	
The Searle Company Limited	10%	12.91	10.75	9.52	
Highnoon Laboratories Limited	6%	7.50	5.97	5.07	
AGP Limited	4%	5.38	4.72	4.21	
Ferozsons Laboratories Limited	3%	4.46	4.31	10.19	
Macter International Limited	3%	4.05	3.63	3.06	
Otsuka Pakistan Limited	1%	1.87	1.83	1.55	
IBL HealthCare Limited	1%	1.36	1.19	1.16	
Wyeth Pakistan Limited	1%	1.19	1.13	1.25	

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Pakistan | Profitability

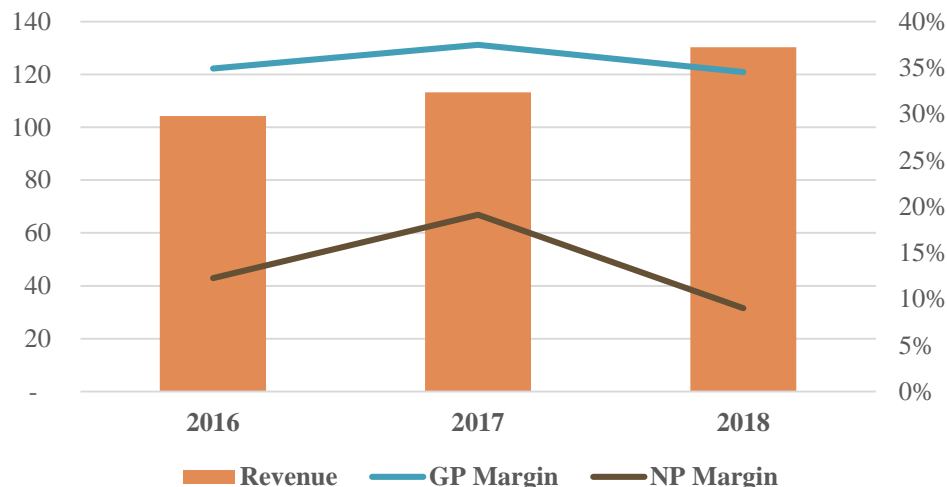
Gross Profit Margins of the industry have remained stagnant, yet healthy at above ~**35%**

Net Profit Margins witnessed an increase in 2017 on account of increasing prices but devaluation of PKR has shrunk the margins for 2018.

AGP leads the listed companies with average GP margin of ~**59%**. **Wyeth** Pakistan Limited is ranked first on basis of **highest average NP margin**.

GSK and **Abbott** earned **highest profits** in absolute terms on account of its high business volumes.

Pharma Profitability | Trend



Name of Pharma Company	Avg. GP Margin
AGP Limited	59%
Highnoon Laboratories Limited	47%
Macter International Limited	44%
Ferozsons Laboratories Limited	39%
The Searle Company Limited	37%
Abbott Laboratories (Pakistan) Limited	37%
Sanofi-Aventis Pakistan Limited	33%
IBL HealthCare Limited	33%
GlaxoSmithKline Consumer Healthcare	32%
GlaxoSmithKline Pakistan Limited	26%
Otsuka Pakistan Limited	25%
Wyeth Pakistan Limited	16%

Name of Pharma Company	Avg. NP Margin
Wyeth Pakistan Limited	32%
AGP Limited	25%
The Searle Company Limited	23%
IBL HealthCare Limited	14%
Abbott Laboratories (Pakistan) Limited	14%
Ferozsons Laboratories Limited	11%
Highnoon Laboratories Limited	10%
GlaxoSmithKline Pakistan Limited	10%
GlaxoSmithKline Consumer Healthcare	9%
Sanofi-Aventis Pakistan Limited	7%
Macter International Limited	6%
Otsuka Pakistan Limited	1%

Regulatory and Pricing Environment -Updates

- Pharma Industry operates in a heavily regulated environment, stringent and closely monitored and administered by Drug Regulatory Authority of Pakistan (DRAP).
- New molecules can take up to one year to register and generics take up to 2-3 years.
- Although Pharma companies are contributing 1% of their PBT to government for conducting R&D, much of this is going towards meeting administrative expenses of DRAP rather than R&D
- Resolve is needed on the part of the government to end the counterfeit menace which is believed to be as high as 45%
- Pricing matters have been addressed to some extent through a revised pricing policy.
- The basis for hardship price calculation is revised from a fixed rate of 8% (once in 3 years) to factors of prime costs (2.4 to 3.55) linked with various dosage for locally manufactured drugs.
- Further, all hardship cases are required to be resolved in 180 days of filing. In case the DRAP does not resolve in 180 days, prices may be increased by a maximum of 10%. Moreover, the price may be increased as per policy if matter is not disposed within 270 days from date of filing.
- The allowable price increase percentages, linked with consumer price index have been also improved in the new drug policy. In Jan2019 a one off relief of 15% has been given to partially mitigate the impact of massive PKR devaluation.
- Going further with the momentum to improve the conditions of pharmaceutical industry, the DRAP has assured that in order to facilitate exports, it will establish a separate desk where all concerns of exporters regarding issuance of necessary documentation will be addressed.

Drug Pricing Policy 2018 Vs 2015

Salient features of Drug Pricing Policy 2015		
Annual Price Increase	Scheduled Drugs	MRP increase by 50% of CPI (with a cap of 4%)
	Non-scheduled Drugs	MRP increase by 70% of CPI (with a cap of 6%)
Price fix of new entrants	First Generic	MRP fixed at 30% less than the Originator brand
	Others	MRP fixed at par with Originator brand
Hardship cases price reviewed once in three years	Locally manufactured	Price set at manufacturing cost + mark-up of 70%
	Imported drugs	Price set at landed cost + mark-up of 35%
	Imported drugs with local labelling	Price set at landed cost + packaging + mark-up of 35%
Salient features of Drug Pricing Policy 2018		
Annual Price Increase	NEML*	MRP increase by 70% of CPI (with a cap of 7%)
	Non-NEML*	MRP increase by 100% of CPI (with a cap of 10%)
Price fix of new entrants	First Generic	MRP fixed at 30% less than the Originator brand
	Others	MRP fixed at the highest MRP of Generic brand
Hardship cases price reviewed once in three years	Locally manufactured	Cost of API, excipients, cost of packaging into factors assigned*
	Imported drugs	Price set at landed cost + mark-up of 45% for anti-cancer, biologicals, and 40% mark-up on anti-retroviral
	Imported drugs with local labelling	Price set at landed cost + packaging + mark-up of 45%

Source: DRAP.

Risk Profile and Future Outlook

- + DRAP's new CPI linked criteria to raise prices has boosted industry's profitability
- + One-third of revenue translates into gross profits
- + Expansion opportunities for local players through mergers and acquisition, in the wake of multinationals gradually taking exit from Pakistan Market
- Cost of API exposed to foreign currency fluctuation
- Multinationals are housed with continuous research and development activities as compared to locals; as they are gradually taking exit from Pakistan the quality of locally produced medicines may be impacted
- Lack of public transparency in the mechanism of price raise has caused hue and cry in the local market
- It is not clear how eventually profitability of the sector will settle if prices are reduced
- Slow registration of new products

+ : Strengths
 — : Risks

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2. Pakistan Bureau of Statistics, Government of Pakistan | Industry | Quantum Index of Large Scale Manufacturing Industries (QIM)
3. Drug Pricing Policy-2015 & 18 issued by the Drug Authority of Pakistan with the approval of its Policy Board and the Federal
4. PACRA's in-house research and database – A sample of players representing approx. 33% of the market share

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