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Pharmaniaga set to achieve 6pc revenue growth in 2009

PHARMANIAGA Bhd, the country's largest integrated pharmaceutical company, is on track to achieve 6 per cent revenue growth in the financial year ending December 2009, as set out under its key performance index (KPI) for the year.

The government-linked company — 86.6 per cent owned by the UEM Group — chalked up a 10.3 per cent revenue growth to RM1.3 billion last year from RM1.1 billion in 2007.

This did not meet its KPI 2008 target which aimed for 20 per cent revenue growth, due to the global financial crisis.

Pharmaniaga chairman Datuk Mohamed Azman Yahya said the company is confident of achieving the 2009 growth target, helped by improved sales to the Health Ministry as well as from its Indonesian subsidiary.

"Looking ahead and reflective of the economic slowdown, the group has tightened cost containment practices and will continue to strengthen operational efficiencies, improve product quality and level of services.

"The group does not expect to grow at the same pace in 2009 as we did in 2008 and has set our 2009 KPI target at 6 per cent revenue growth and 15 per cent return on equity," Azman told reporters in Selangor yesterday after the company's 11th annual general meeting.

On the local front, Azman said, the firm's small volume injectables RM100 million plant in Puchong, Selangor is expected to begin operations in the fourth quarter of this year. This will increase its capability to venture into new markets both regionally and globally.

In Indonesia, Azman said, it plans to build new stores in all major Indonesian cities to grow its market further. It is also in preliminary talks to set up a manufacturing facility in the republic.

In December 2004, Pharmaniaga bought a 55 per cent stake in PT Millennium Pharmacon International Tbk for RM13 million.

PT Millennium distributes and trades pharmaceuticals, food supplements and diagnostic products. The Indonesian subsidiary in Java captures 70 per cent of Indonesia's healthcare market via its 27 branches, 5 sub-distributors and 14 sales stations, giving Pharmaniaga some RM300 million in annual revenue.

Meanwhile, managing director Mohamad Abdullah said the company plans to spend up to RM80 million in capital expenditure this year to replace machinery, renovate laboratories and set up information technology systems in Indonesia.

"We also plan to launch 14 new products this year," said Mohamad.

On its concession agreement with the government, Azman said it will expire by year-end and the firm hopes that the Economic Planning Unit will look at the company favourably based on its track record.

Pharmaniaga's wholly-owned subsidiary, Pharmaniaga Logistics Sdn Bhd, holds a 15-year concession to supply and distribute pharmaceutical and medical products to hospitals and medical institutions under the Health Ministry.

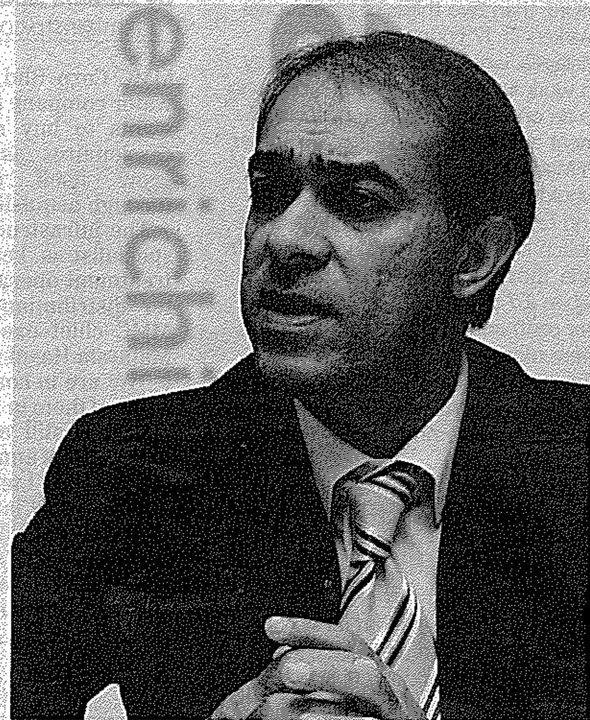
Azman said as at December 2008 the company managed to halve its net debt to RM122.1 million, improving its gearing ratio from 0.6 times to 0.3 times.

Pharmaniaga also seeks to maintain a dividend policy of up to 40 per cent of net profit to shareholders whenever it can afford to do so. The company paid 50 per cent last year, its highest ever.

Pharmaniaga has three plants in Malaysia and supplies to more than 900 government hospitals and clinics as well as over 5,000 private general practitioners in Malaysia.

It derives 68.4 per cent of its revenue from government contracts, and the rest from the private sector (8.2 per cent) and Indonesia (23.4 per cent).

The company also has a sales office in Vietnam and exports more than 150 products to 30 countries.



The group will continue to strengthen operational efficiencies, improve product quality and level of services, says Azman