

Pharmaniaga to stem profit decline

PHARMANIAGA Bhd expects improvements on sales mix and expansion of its non-concession business to reverse the downward trend in net profit for the second half of the year.

Its managing director Azhar Hussain said: "We will focus on selling higher-margin products and improve on our efficiencies. We hope to increase our sales volume and reduce our dependence on the government via increasing our non-concession business."

He said it planned to introduce 17 new products this year comprising over-the-counter and ethical products, which give better margins.

Azhar said the company hoped to increase the non-concession portion to 60% by 2009 from the estimated 45% in the first quarter of this year. Last year, the concession business accounted for 62% of the group's revenue.

For the first quarter ended March 31, 2006, Pharmaniaga's net profit fell by 49% to RM5.45 million despite posting higher revenue on margin pressures faced from products sold under the concession agreement following a price revision last year. Speaking to reporters at a media familiarisation visit in Shah Alam yesterday, Azhar said there was a 4% downward price revision last year due to the substitution of generic drugs for patented drugs by government hospitals.

Azhar said Pharmaniaga wants to become the leading player in the private sector from the current fourth position by expanding its private sector and consumer healthcare businesses with new product range that would include herbal, biosimilars and nutraceuticals.

He said the company also hoped to increase revenue and profit contributions from overseas markets this year, with the first half of the year already in "line with expectations". Last year, overseas businesses accounted for 20% of its total revenue.

It has stakes in Indonesian distribution firm PT Millennium Pharmacon International Tbk and China's Wuxi Worldbest Treeful Pharma Pharmaceutical Co Ltd, which has a large volume intravenous manufacturing plant, and a marketing arm in Vietnam. It also exports to about 16 countries. — **By Doreen Leong**