

## No recall for Pharmaniaga-made pharmaceuticals

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KUALA LUMPUR: The revocation of Pharmaniaga Bhd's manufacturing licence by the Ministry of Health (MOH) has not resulted in a recall of pharmaceutical products that it had produced and are out in the market.

This was relayed to *The Edge Financial Daily* by Pharmaniaga's managing director Mohamad Abdullah yesterday, via a company spokesperson.

Shares of the pharmaceutical producer fell as much as 12 sen or 2.7% in intra-day trade yesterday following news on the revocation of the licence.

The stock closed at RM4.40, six sen lower from its previous close.

Its manufacturing licence was revoked effective March 1 after a recent routine audit by MOH's pharmaceutical services division at Pharmaniaga's plant in Bangi.

Pharmaniaga has said the ministry found a "few non-compliance issues" which Pharmaniaga was expediting to resolve. However, details on the non-compliance issues have yet to be revealed.

The company was unsure when the next audit would be but Mohamad had said that it would be very soon.

He had also said the company hoped its manufacturing plant would not be closed for more than a week. In an announcement to Bursa Malaysia on Wednesday, the company said it would be able to address the audit issues within a relatively short time.

"We believe the problem, if prolonged, will affect its profits. Although the manufacturing division accounted for only RM140.5 million or 10.8% of its RM1.3 billion sales in FY09, the contribution to operating profit before unallocated corporate expenses of RM16 million was high at RM23.3 million or 22.8%.

"Assuming the problem prolongs

for a month, it will affect our FY10 sales forecast by RM13.3 million and lower operating profit by RM2.1 million.

"A quick resolution to this issue is critical as it will affect the trading and distribution business as well. As the company is affected by public spread issue as well, it is imperative that the major shareholder UEM Group Bhd sticks to its deadline of March 29 to come out with a plan to resolve the issue," TA Securities said in a report yesterday.

The research house maintained its sell call on Pharmaniaga with a target price of RM4.70 based on FY10 price-earnings ratio of six times.

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