



Pharmaceuticals

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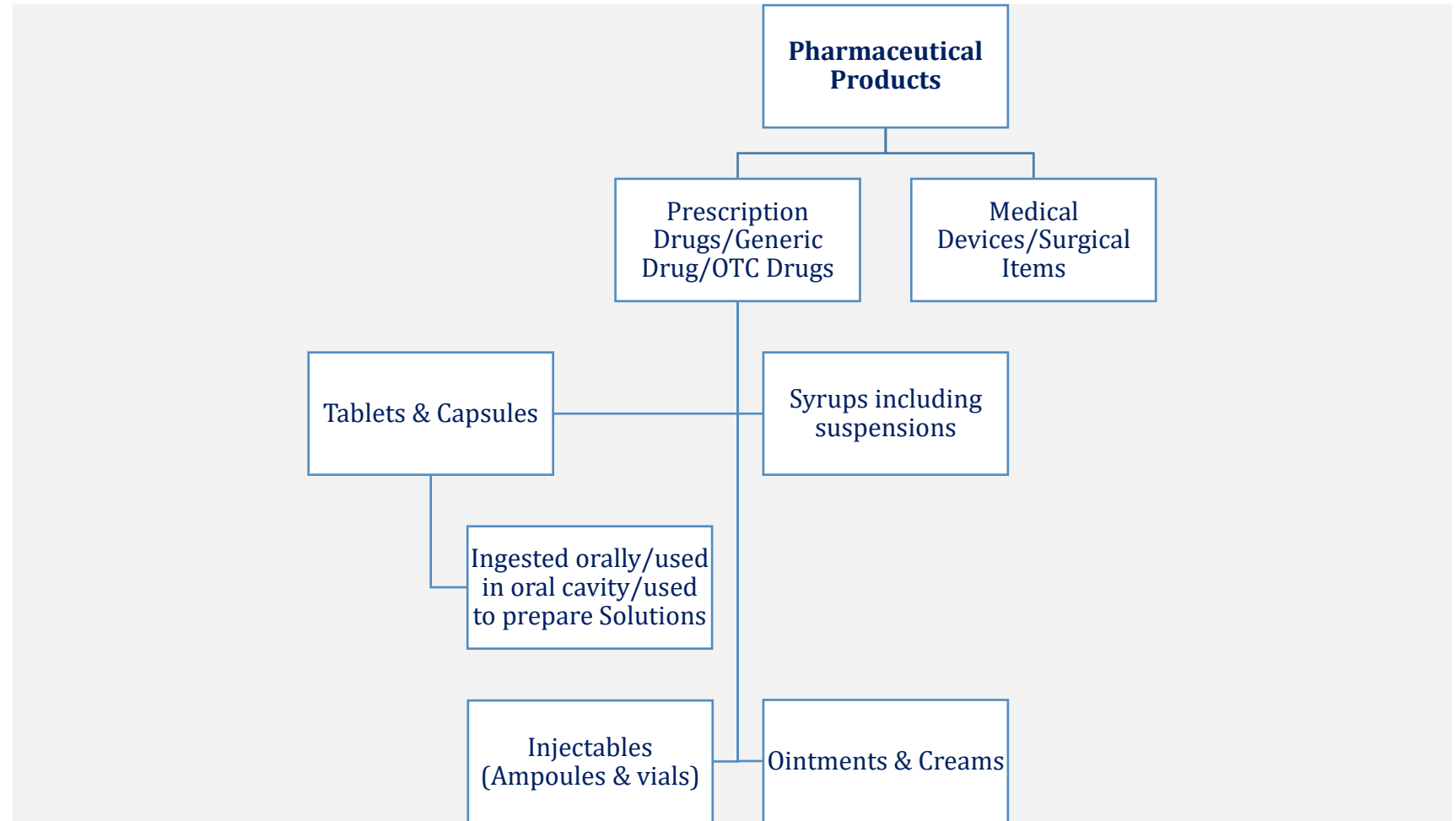


Contents	Page.	Contents	Page.
Global		Demand Consumption	14
Introduction	1	Demand Exports	15
Manufacturing Process	2	Business Risk Margins	16
Industry Overview	3	Financial Risk Leverage & Coverage	17
Top 10 Companies	4	Financial Risk Working Capital Days	18
Company-wise R&D Expenditure	5	Financial Risk Borrowings	19
Local		Duty Structure	20
Introduction	6	Porters 5 Forces Model	21
Industry Overview	7	SWOT Analysis	22
Player-wise	8	Outlook	23
Regulatory Framework	9		
Supply Raw Material	10		
Supply Production	11		
Supply Foreign Direct Investment	12		
Demand Price Dynamics	13		

Pharmaceuticals

Introduction

- The pharmaceutical sector focuses on researching, developing, manufacturing, and marketing drugs for medical use. It plays a critical role in improving global health by developing medications to treat diseases and improve quality of life.
- The sector encompasses a wide range of players, from large multinational corporations to small biotech firms, all working towards the common goal of advancing medicine.
- Moreover, it plays an instrumental role in combating diseases, extending life expectancy, and enhancing quality of life worldwide.
- With constant innovation and investment in research and development, sector players strive to address unmet medical needs and advance healthcare for the benefit of society.



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Manufacturing Process



Synthesis of Active Pharmaceutical Ingredient (API): Producing the API, the drug's active component, through chemical synthesis, fermentation, or biotechnological methods

Formulation: Combining the API with excipients (inactive ingredients) to create the final drug product

Granulation, Encapsulation & Coating: For tablets or capsules processing powders into granules. Applying a coating to tablets for various purposes, such as controlled release or taste masking.

Preparation of Syrup Base: The syrup base is prepared by dissolving or dispersing the APIs and other excipients in purified water or a suitable solvent under controlled conditions.

Compounding & Filtration: For the formulation of injectables the ingredients are compounded under sterile conditions and filtered to remove any particle or microbial contaminants.

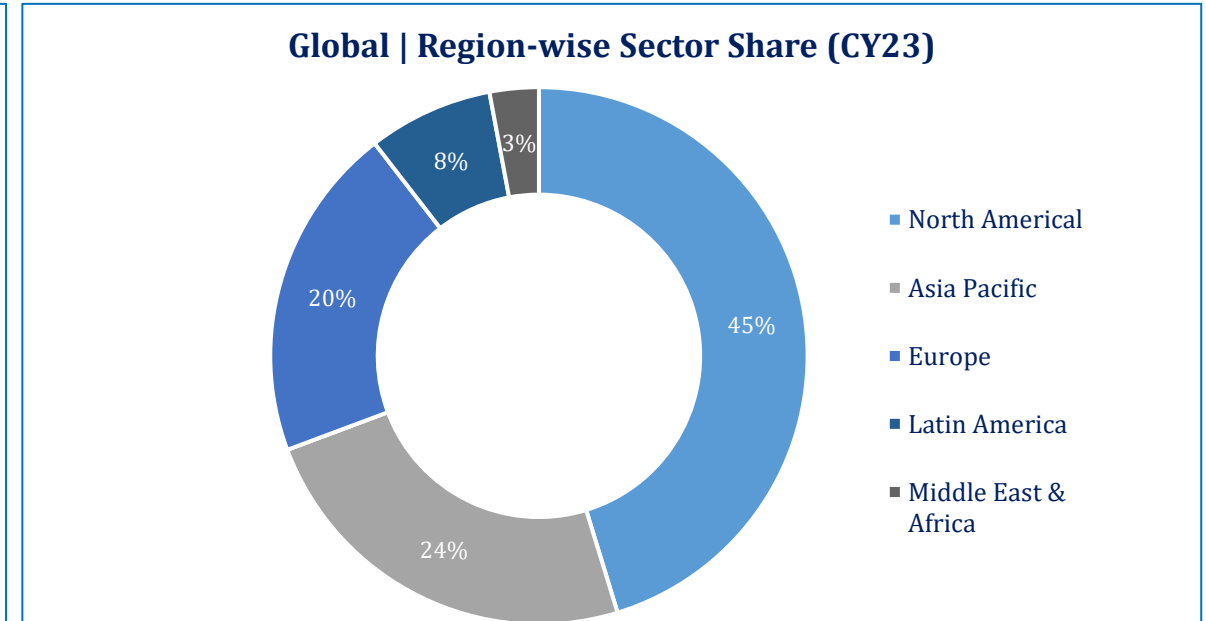
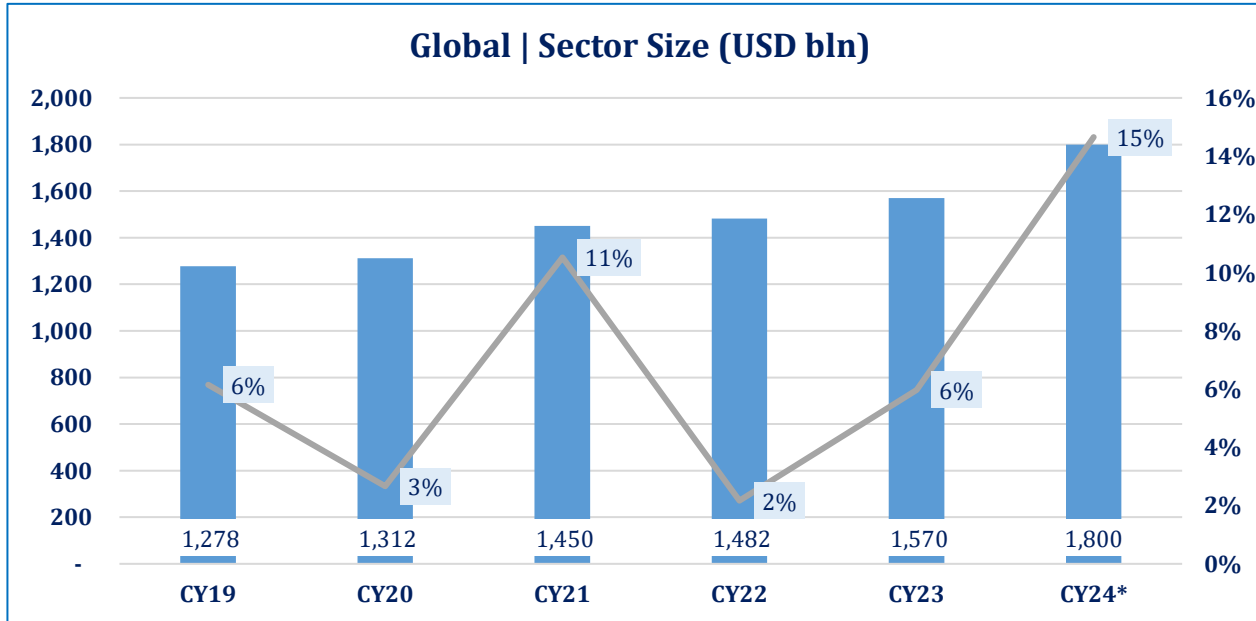
Preparation of ointments base & Cooling: For preparation of ointments, its base is prepared mixing APIs and Excipients & the mixture is cooled and homogenized for desired texture.

Capping & Sealing/Packaging: Packaging is done and properly labeled for usage. Ingredients and side effects are listed. The final product is then shipped for retail.

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Global | Overview

- During CY23, global revenue of pharmaceutical sector was recorded at USD~1,570bln (FY22: USD~1,482bln), an increase of ~6.0% YoY, while exhibiting CAGR of ~4.0% during CY19-23. The CY23 growth was led by growing and aging population, prevalence of chronic diseases and advances in biotechnology, genomics, and other areas of research lead to the development of innovative therapies and targeted drugs for various diseases.
- North America led the global pharmaceutical sector with a share of ~45.3% in CY23 (SPLY: ~33.8%) owing to factors like high healthcare expenditure and strong Research & Development infrastructure. The Asia-Pacific region (particularly China, Japan, and India), recorded a market share of ~24.0% in CY23 (SPLY: ~20.0%). Factors driving growth in this region include increasing prevalence of chronic diseases and increasing access to healthcare in rural areas.



*Note: Region-wise market shares are revenue-based. *Projection.*

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Global | Top 10 Companies

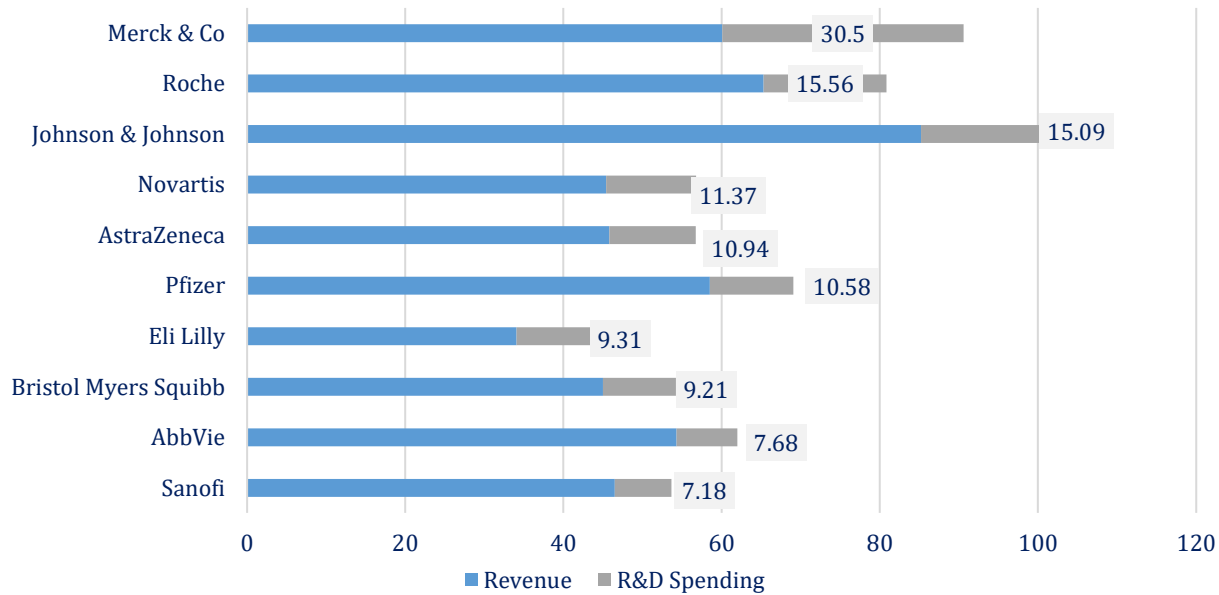
- The global pharmaceutical sector is concentrated among established players, with top 10 largest pharmaceutical firms (by revenue) representing ~39.0% of global revenue for CY23.
- Johnson & Johnson leads the pharmaceutical sales, recording ~6.5% YoY increase in CY23. Meanwhile, Pfizer lost its top position as its revenue plummeted by ~41.0% YoY from a record-breaking USD~100.3bln in CY22.
- This decline was primarily driven by reduced sales of its COVID vaccine, Comirnaty, and the COVID antiviral, Paxlovid. After generating a combined revenue of USD~56.7bln in CY22, sales for both products declined to USD~12.5bln in CY23.
- Meanwhile, AstraZeneca introduced ~15 new drugs in the market during CY23 as part of its post-pandemic strategy, as well as shifting focus to antibody therapy along with manufacturing and launching drugs in partnership with other pharmaceutical companies (e.g. breast cancer treatment Enhertu AstraZeneca developed with Japanese drugmaker Daiichi Sankyo).

<i>Revenue in USD bln</i>			
Ranking	Company Name/ Region	CY22	CY23
1	Johnson & Johnson, USA	79.9	85.2
2	F. Hoffmann-La Roche Ltd, Switzerland	66.2	65.3
3	Merck & Co., USA	59.3	60.1
4	Pfizer Inc., USA	100.3	58.5
5	AbbVie Inc., USA	58.1	54.3
6	Sanofi-Aventis, France	45.2	46.5
7	AstraZeneca	44.3	45.8
8	Novartis, Switzerland	42.2	45.4
9	Bristol Myers Squibb, USA	46.2	45.0
10	GlaxoSmithKline, USA	36.1	38.4

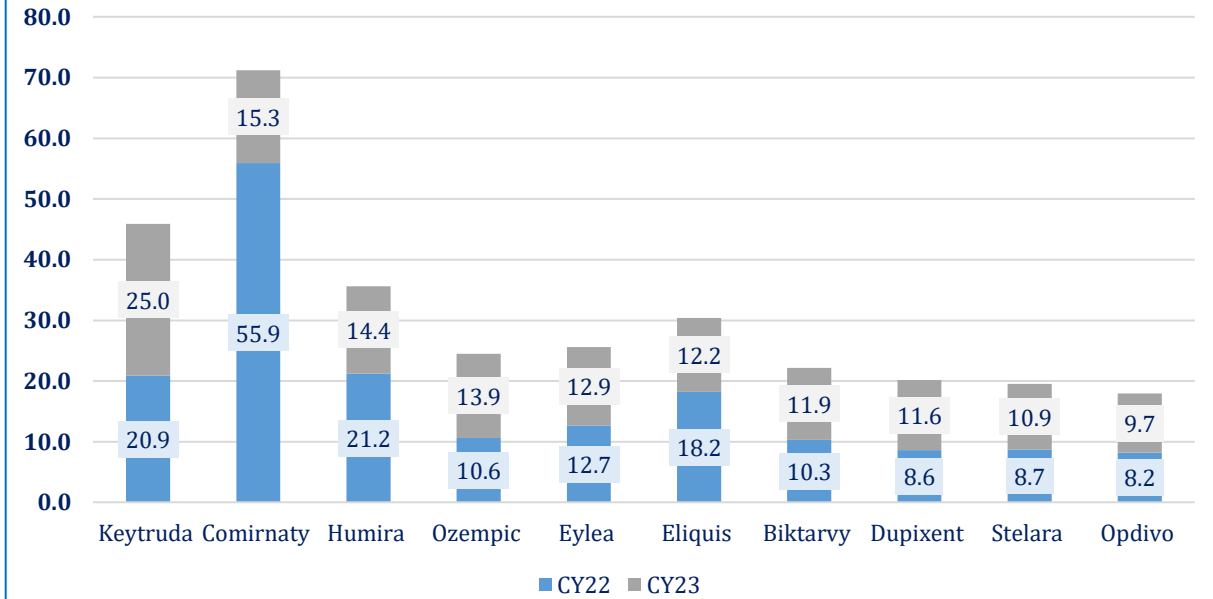
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Global | Research & Development

Company-wise R&D Expenditure (USD bln) | CY23



Leading Pharmaceutical Drug Sales (USD bln) | CY23

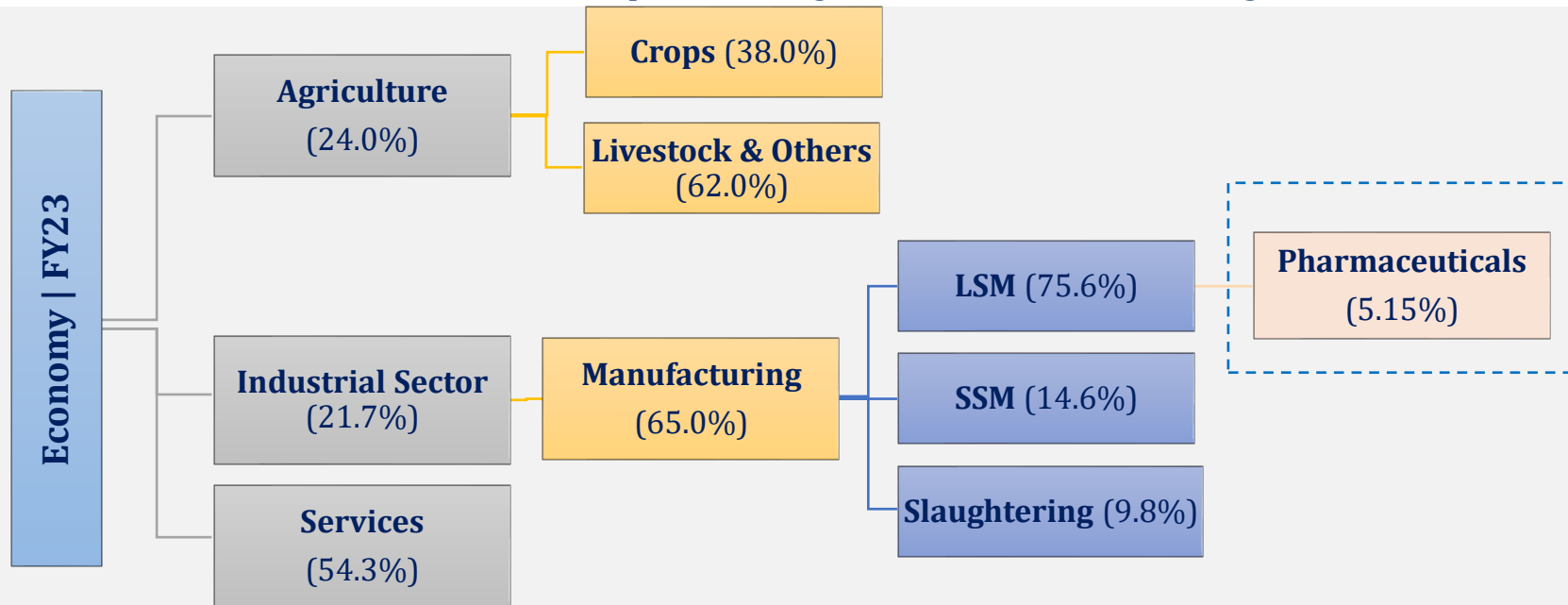


- In CY23, Merck & Co. earned USD~60.1bln (CY22: USD~59.3bln) in revenue, while its R&D expenditure was recorded at USD~30.5bln (CY22: USD~13.5bln), with these investments accounting for ~50.8% of the company's total revenue in CY23 (SPY: ~22.8%). The CY22 top R&D spender, Roche, was in second place in CY23, spending USD~15.5bln in R&D. In this case, R&D expenditure slightly dropped by ~6.7% from USD~15.2bln in CY22. Overall,
- In CY23, of the top ten leading pharmaceutical products, Keytruda, a strong-selling cancer immunotherapy, maintained its CY22 position as the highest-grossing drug with sales of USD~25.0bln, a ~19.0% YoY increase from CY22.

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Local | Introduction

- In FY23, Pakistan's GDP (nominal) stood at PKR~79.7trn (FY22: PKR~63.3trn), contracting, in real terms, by ~0.17% YoY (FY22: ~6.3% growth). Industrial activities in FY23 held ~21.7% share in the GDP while the manufacturing activities made up ~65% of the value addition. In 1QFY24, Pakistan's GDP (nominal) stood at PKR~22.6trn (1QFY23: PKR~18.4trn), rising in real terms by ~2.5% (1QFY23: ~0.99%). Real GDP growth rate (~2.1%) for 3QFY24 signals an increase in comparison to SPLY and 2QFY24 (~-1.1% and ~1.8%, respectively). However, the SBP estimates GDP growth at ~2-3% for FY24, while IMF's forecast for the same stands at ~2.0%.
- Large Scale Manufacturing (LSM) in Pakistan is essential for the economic growth considering its linkages with other sectors, as it represented ~75.6% value of manufacturing activities in FY23. The LSM fell by ~10.3% in FY23 (FY22: ~11.7%) and further decreased by ~0.10% YoY during 9MFY24. The Pharmaceuticals sector is classified under the Industrial Activities segment of the economy. In FY24, its weight in the Quantum Index of Manufacturing (QIM) was recorded at ~5.15%. Moreover, the sector in LSM experienced a growth of ~23.1% YoY during 9MFY24.



Pharmaceuticals

Local | Overview

- The Pharmaceutical sector recorded a revenue of PKR~778bln during FY23 with a YoY growth of ~10.0% (FY22: PKR~705bln). There are ~650 companies operating in the local Pharmaceutical sector, including ~25 multinational companies in FY23.
- The sector is highly dependent on imports to meet the demand of basic raw material – APIs and Excipients/Chemicals. Majority of APIs used in the industry are imported from countries such as India, China, and the USA.
- As of Jan'24, ~23 pharmaceutical manufacturers hold licenses to produce APIs. These companies together cater ~15.0% of API production, with the remaining 85.0% being imported. Usually, Pharmaceutical MNCs procure APIs and finished products from their parent or group companies. Local companies, on the other hand, rely on cost-effective sources to purchase these.
- For instance, Amoxicillin is being provided to GlaxoSmithKline (GSK) for Augmentin and Amoxil. Paracetamol is being provided to multinationals like GSK and local manufacturers like Getz Pharma for Panadol.

Particulars	FY22	FY23
Gross Revenue (PKR bln)	705	778
Contribution to GDP	1.0%	
Registered Manufacturers with DRAP	~646	~651
Structure	Oligopolistic	
Imports (PKR bln)*	308	349
Exports (PKR bln)	47	80
Regulator	Drug Regulatory Authority of Pakistan (DRAP)	
Association	Pakistan Pharmaceutical Manufacturers Association (PPMA)	

*Imports pertain to Pharmaceutical raw material imported i.e. APIs & Excipients/Chemicals only. HS Codes for Imports and Exports stated later.

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Local | Sector Players

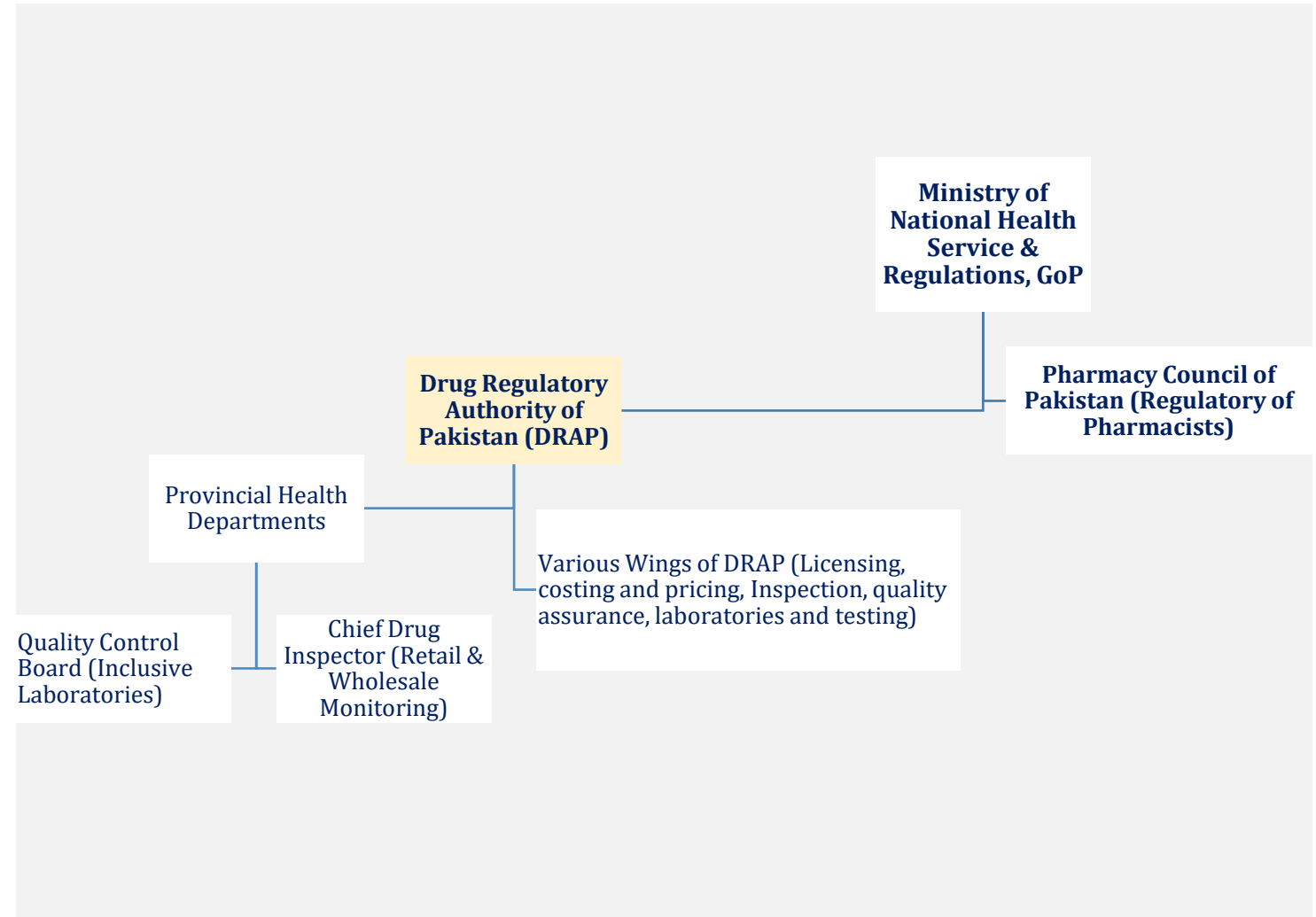
- The sector is dominated by local/ national companies which account for more than ~67.0% of the total market share in terms of their revenue.
- The top 10 companies operating in the local market comprised ~48.7% of market share in the pharmaceutical sector, whereas rest of the sector players made up ~51.3% during FY23.
- In FY24, Lucky Core Industries Limited has acquired Pfizer Pakistan Limited's manufacturing facility in Karachi, as Pfizer exits the Pakistani market. Lucky Group's acquisition signals a strategic move into the pharmaceutical sector and highlights the growing influence of local enterprises in Pakistan.
- Searle Company Limited (SEARL) has become Pakistan's first pharmaceutical company to register its manufacturing facility in the United Arab Emirates (UAE) market. This registration opens avenues for Pakistani pharmaceutical exports and signifies a breakthrough for the industry. SEARL anticipates increased business opportunities and expansion throughout the region as a result of this milestone.

Sr.	Company Name	National/ MNC
1	Getz Pharma	National
2	Sami Pharmaceutical	National
3	GlaxoSmithKline Pakistan	MNC
4	Abbott Laboratories Pakistan Ltd.	MNC
5	The Searle Company	National
6	Martin Dow Ltd.	National
7	Hilton	National
8	OBS	National
9	High-Q International	National
10	Haleon Pakistan Ltd.	MNC

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Regulatory Framework

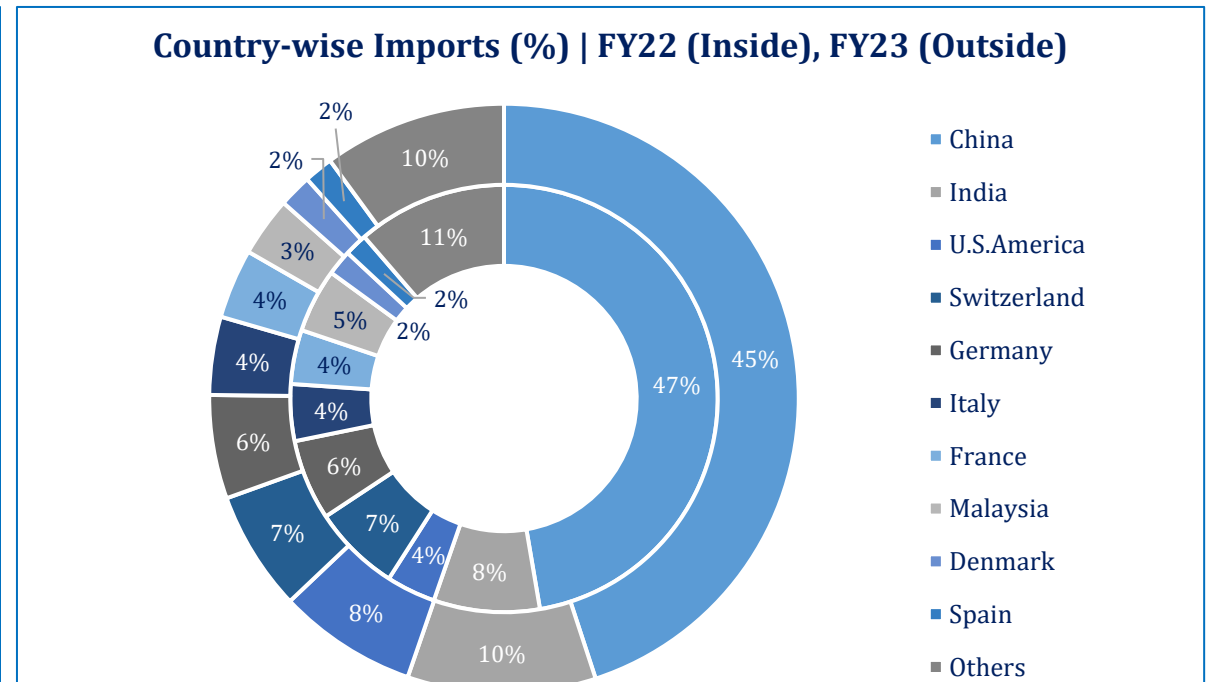
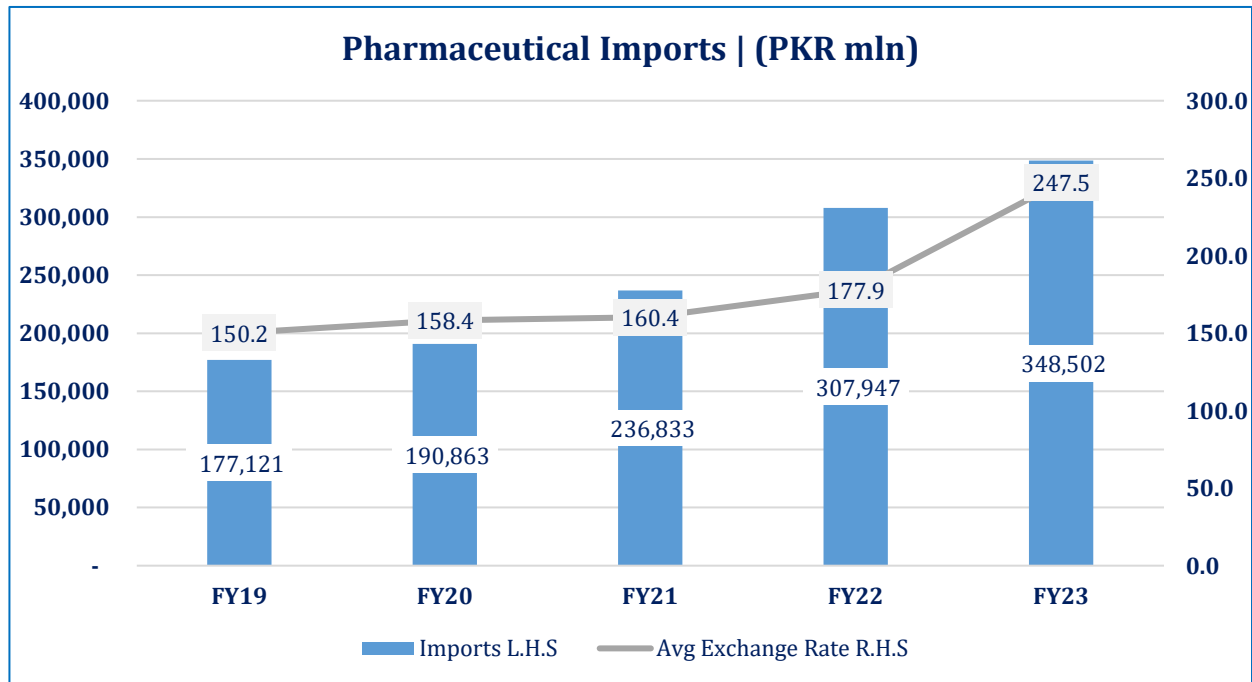
- Pakistan's pharmaceutical sector is regulated by the Ministry of National Health Services Regulations & Coordination (NHSR&C) and the Drug Regulatory Authority of Pakistan (DRAP), formed in 2012 under the DRAP act.
- DRAP, an autonomous body under the Federal Government, comprises eight technical and five supportive divisions. Its quality assurance department oversees five field offices, staffed by federal drug inspectors and assistant drug controllers, with an appellate board for oversight.
- The DRAP Act, 2012 and the Drugs Act 1976 sets out legal requirements for the manufacture, import, export, storage, distribution, and sale of therapeutic goods in the country. DRAP ensures that every drug, medical device or cosmetic, alternative medicine and health product must have standard of quality and is safe and effective for use. DRAP ensures that therapeutic goods, approved and available in the market, meet prescribed standards of quality, safety, and efficacy



Pharmaceuticals

Supply | Raw Material

- During FY23, pharmaceutical imports were recorded at PKR~348.5bln (FY22: PKR~307.9bln), with growth of ~13.0% YoY. Pharmaceutical imports, in PKR terms, constituted ~3.0% of the total imports in FY23 (FY22: ~2%) and exhibited CAGR of ~14.0% during FY19-23. In volumetric terms, imports stood at ~334,205MT (SPLY: ~380,463MT), exhibiting ~12.0% YoY decline, owing to ~39.0% YoY PKR depreciation against the USD.
- In PKR terms, China was the largest exporter of pharmaceutical products to Pakistan in FY23, followed by India, USA, Switzerland, Germany, Italy and France. Volumetrically, imports from China and India stood at ~198,681MT and ~5,201MT, respectively, registering ~12.0% decline and ~33.0% YoY increase, respectively.



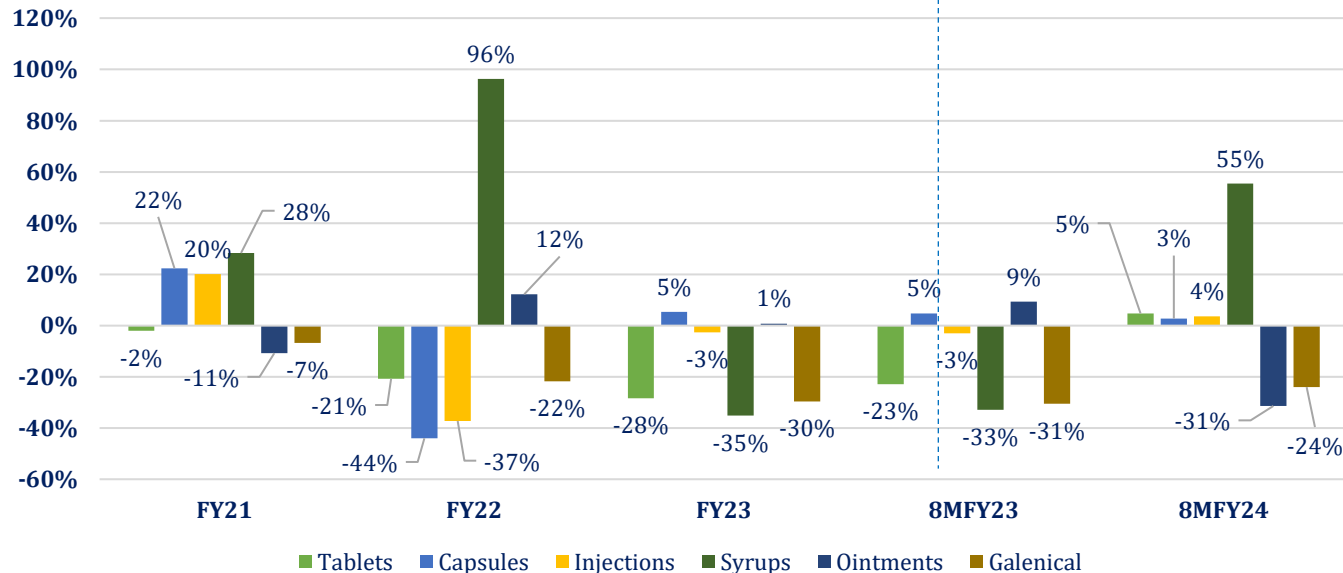
Note: Imports data pertains to HS Codes 2933, 3004, 2916, 2939, 2932, 2941, 2935, 2934, 3003, 2929, 2821, 2942

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Supply | Production

- Production of pharmaceutical products such as tablets, capsules and injections fell from ~25bln units in FY22 to ~19bln units in FY23, accounting for ~24% YoY decrease. During 8MFY24, production of these products recorded an increase of ~4.0% YoY from ~12.1bln units in FY22 to ~13.1bln units in FY23. Surging pharmaceutical exports and a depreciating PKR mean higher revenue for companies, leading to increased profit margins.
- A ~96.0% YoY increase in syrups production during FY22 was attributable to growth in cold and flu treatments. As COVID-19 restrictions eased and people resumed normal activities, the incidence of common colds and flu increased. In FY23, ~35.0% YoY lower syrups were produced, whereas 8MFY24 period recorded ~55.0% YoY increase.

Pharmaceutical Production | Growth Trend YoY (%)

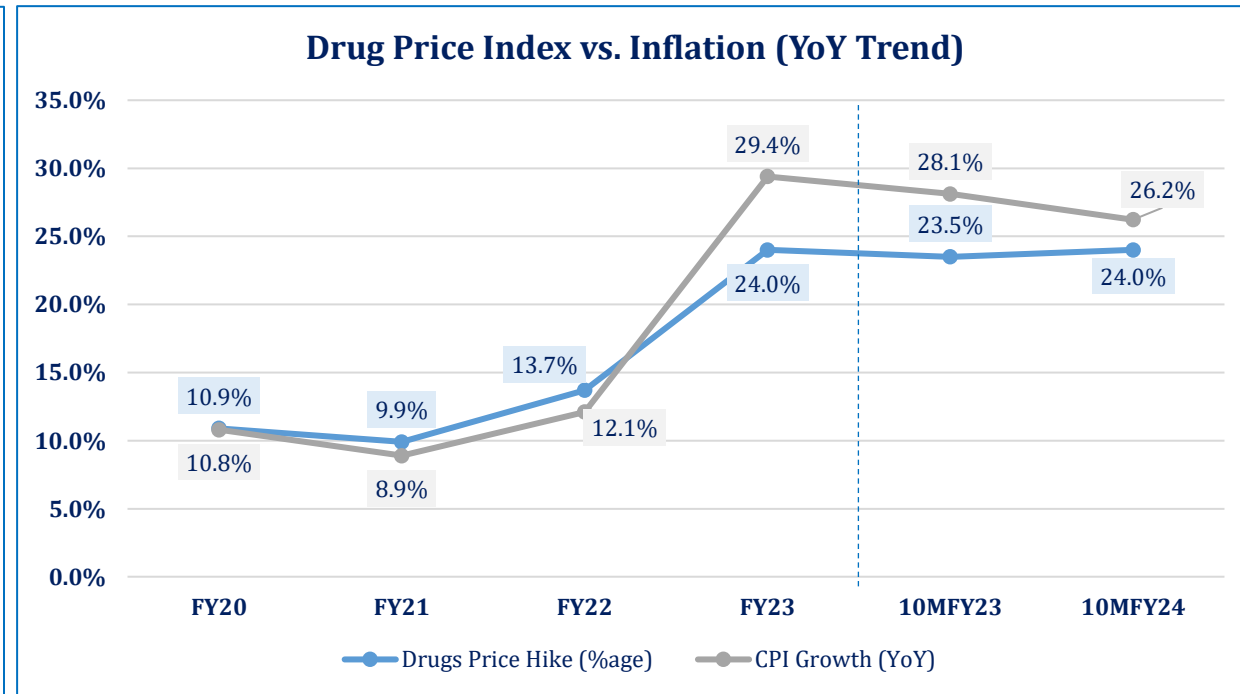
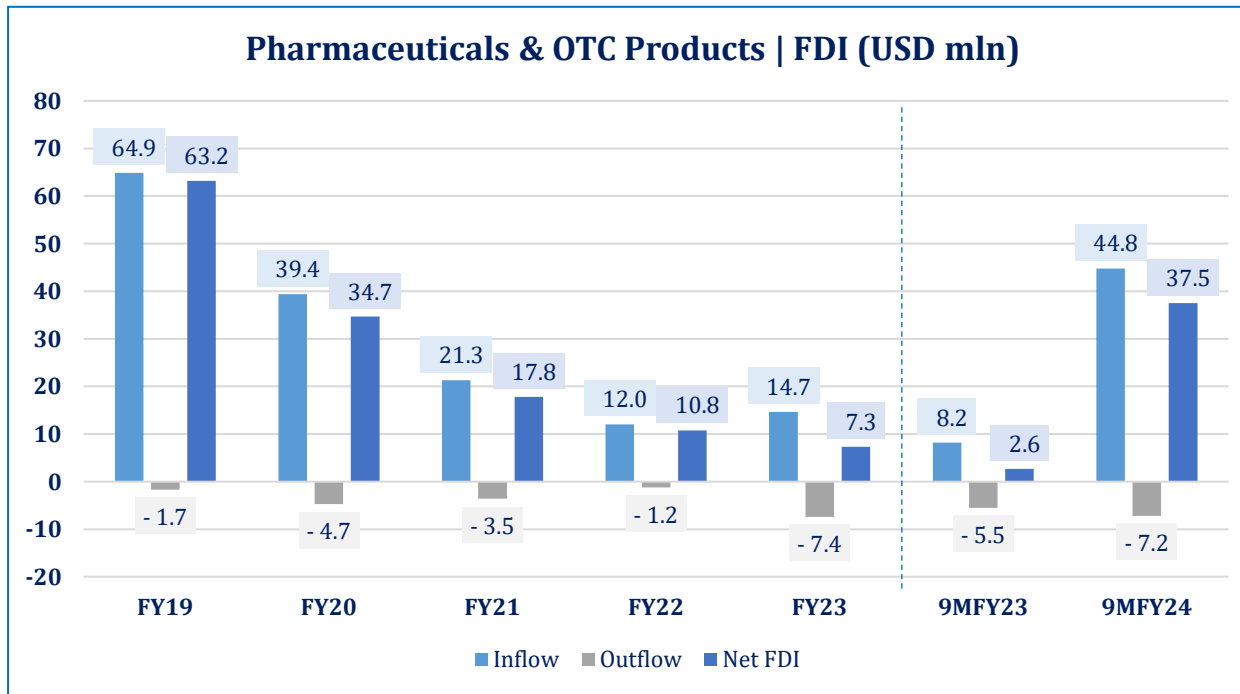


Category	Unit	FY21	FY22	FY23	8MFY23	8MFY24
Tablets	mln No.	27	22	15	10	11
Capsules	mln No.	5	3	3	2	2
Injections	mln No.	1,533	962	937	623	645
Syrups	000 Ltr.	120,369	236,337	153,288	86,260	134,044
Ointments	000 Kg	2,990	3,355	3,381	2,372	1,629
Galenical	000 Ltr.	69	54	38	25	19

Pharmaceuticals

Supply | Foreign Direct Investment

- FDI inflows towards the sector increased during FY23 to USD~15mln, (FY22: USD~12mln), depicting a ~23.0% YoY increase. Meanwhile, FDI outflows amounted USD~7.4mln in FY23 with a ~5.0% YoY increase. Resultantly, where the net FDI towards the sector stood at USD~7mln, recording ~36.4% decline YoY.
- In FY23, DRAP allowed pharmaceutical companies to increase ~14% price for life-saving drugs and ~20.0% in other drugs. This caused a ~24.0% YoY drug price index hike (FY22: ~12.1%) alongside overall average inflation rate of ~29.4% (FY22: ~13.7%).



Pharmaceuticals

Demand | Price Dynamics

- Local prices of Pharmaceutical products are regulated by DRAP and cannot be changed unilaterally by the sector players. Any price determination of new products and increase for exiting products, requires approval from DRAP. Moreover, prices are adjusted with respect to Consumer Price Index (CPI).
- As a positive development for manufacturers, after the amendments in Drug Pricing Policy 2018, DRAP is mandated to respond to companies request for price revision within 30 days of submission otherwise the price increase as submitted by the companies is made effective.

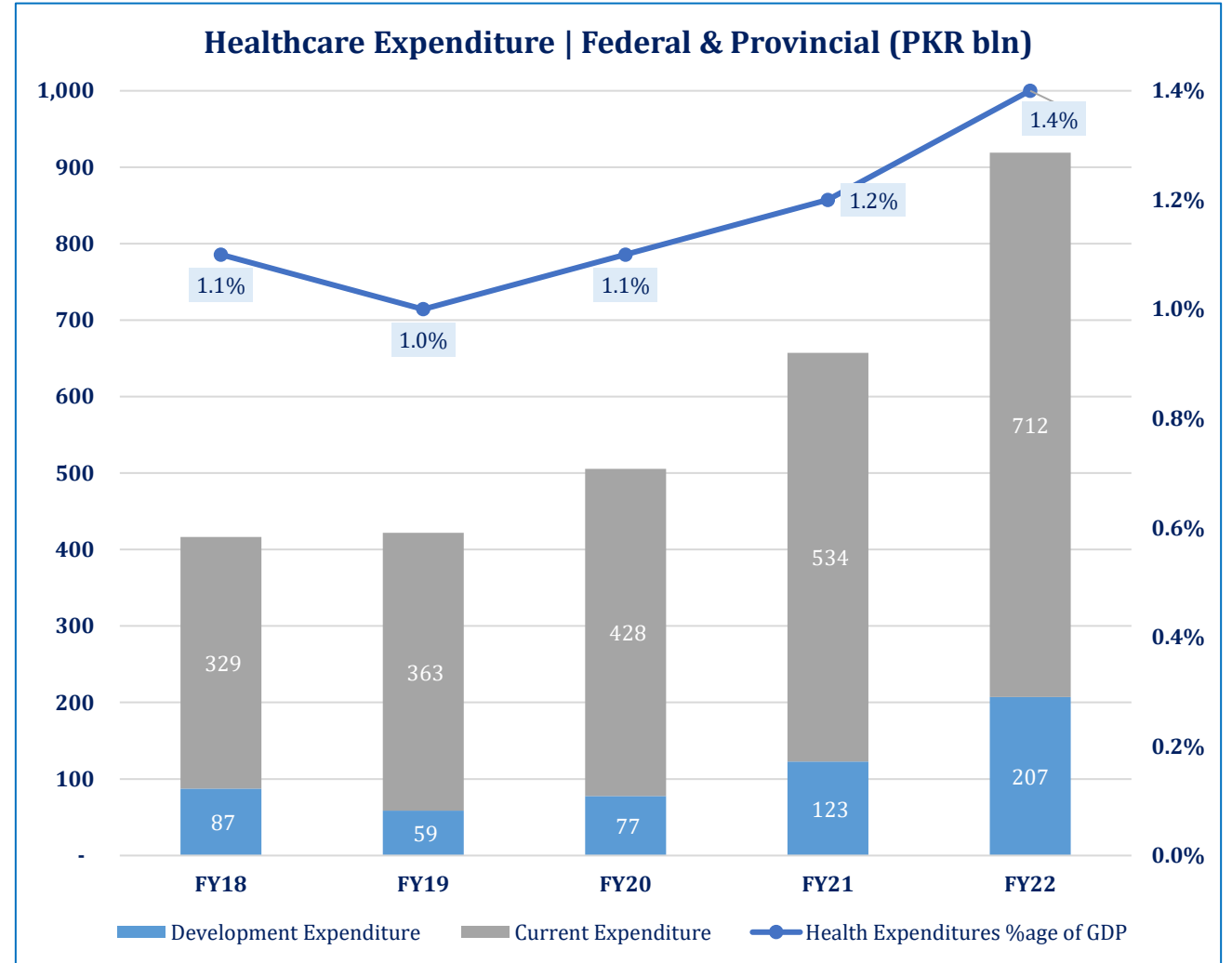
Pricing and Costing Under Drug Pricing Policy 2018

Basis of Pricing	<ul style="list-style-type: none"> Drugs for human use shall be divided in two categories in terms of pricing in the country: <ol style="list-style-type: none"> Drugs and biological on National Essential Medicines List All other drugs.
Annual Adjustments in MRPs of Drugs	<ul style="list-style-type: none"> Essential Drugs: MRP Increase by 70% of CPI (Cap of 7%) Non-Essential Drugs: MRP Increase by 100% of CPI (Cap of 10%)
Low-Priced Drugs	<ul style="list-style-type: none"> Low-priced drugs are such that their MRPs are lower than the threshold prescribed by DRAP. MRPs of such drugs are to be increased equivalent to CPI every year, subject to conditions.
New Drugs	<ul style="list-style-type: none"> First Generic: MRP of drugs to be set at 30% less than the cost of the Originator brand, subject to conditions. In other cases MRP fixed at prevailing highest MRP of Generic brand in the market
Hardship Cases	<ul style="list-style-type: none"> Locally Manufactured Drugs: $MRP = Cost \times Factor$ Imported Drugs: Trade Price = Landed Cost + mark up 45% (40% markup for anti-cancer, biological etc.) Partially Imported Drugs: Trade Price = Landed Cost + packaging cost + markup

Pharmaceuticals

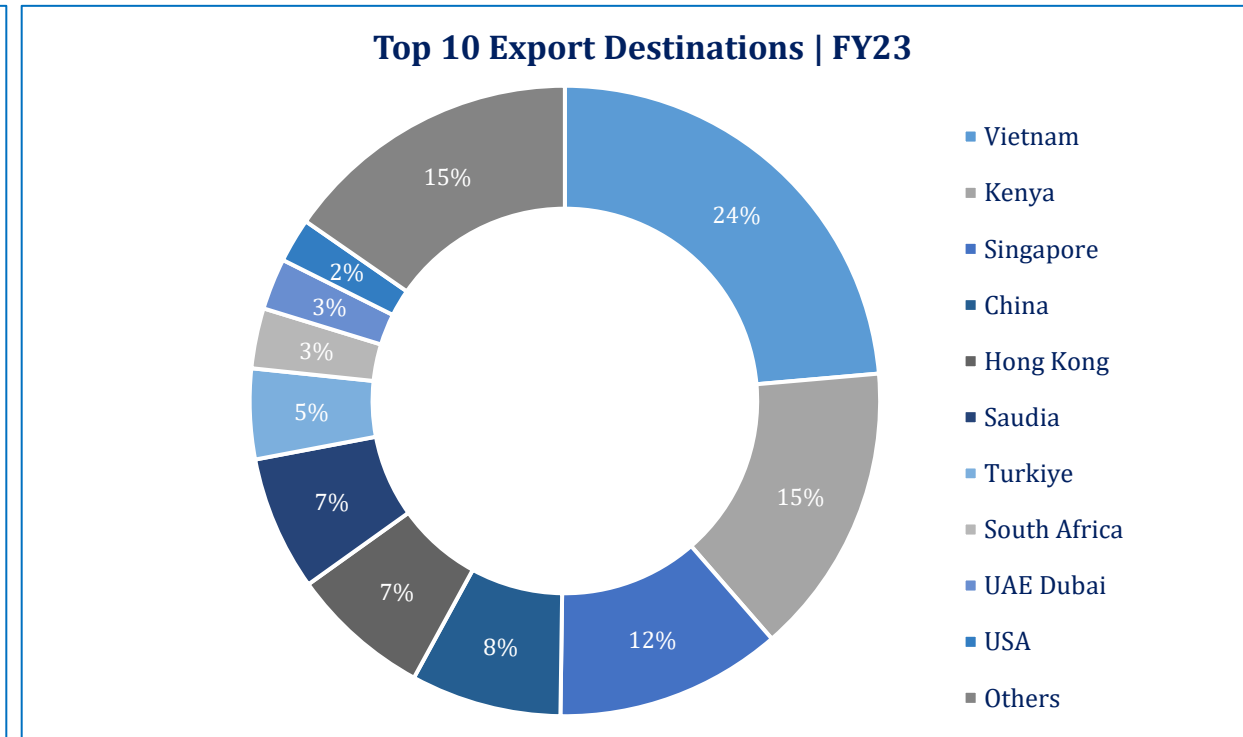
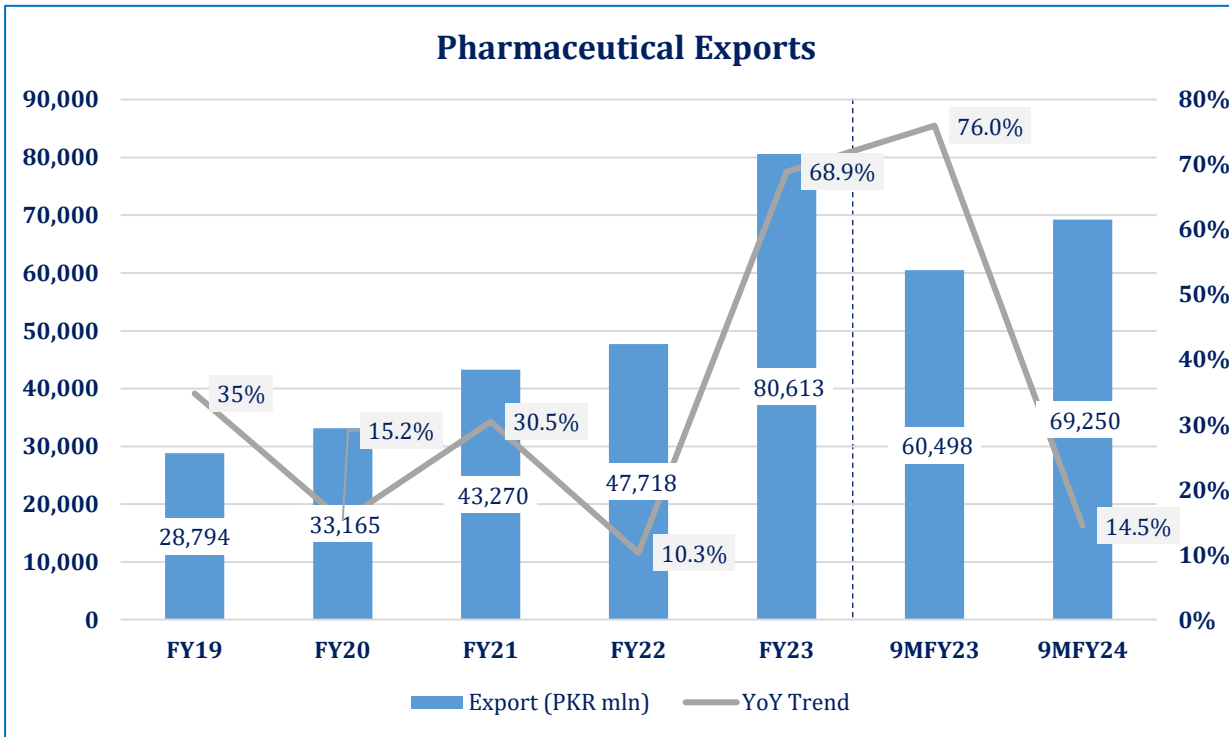
Demand | Consumption

- Pakistan’s population in FY23 stood at ~241mln. The annual population growth rate of the country is ~2.6% YoY, ~2.5x the average global growth rate of ~1.0%.
- Decline in mortality rate from ~84.3/1,000 births in 2000 to ~61.0/1,000 births in CY19, along with current life expectancy in CY23 (~67.8 years) has resulted in more people reaching older age, hence increasing the demand of robust healthcare system.
- Total healthcare expenditure was recorded at PKR~919bln in FY22 (FY21: PKR~657bln) with a CAGR of ~17.0% during FY18-22.
- Moreover, total expenditures recorded YoY growth of ~40.0% during FY22. The total health expenditure in FY22 comprised development and current expenditures which rose ~68.0% and ~33.0% YoY, respectively.



Pharmaceuticals

Demand | Exports

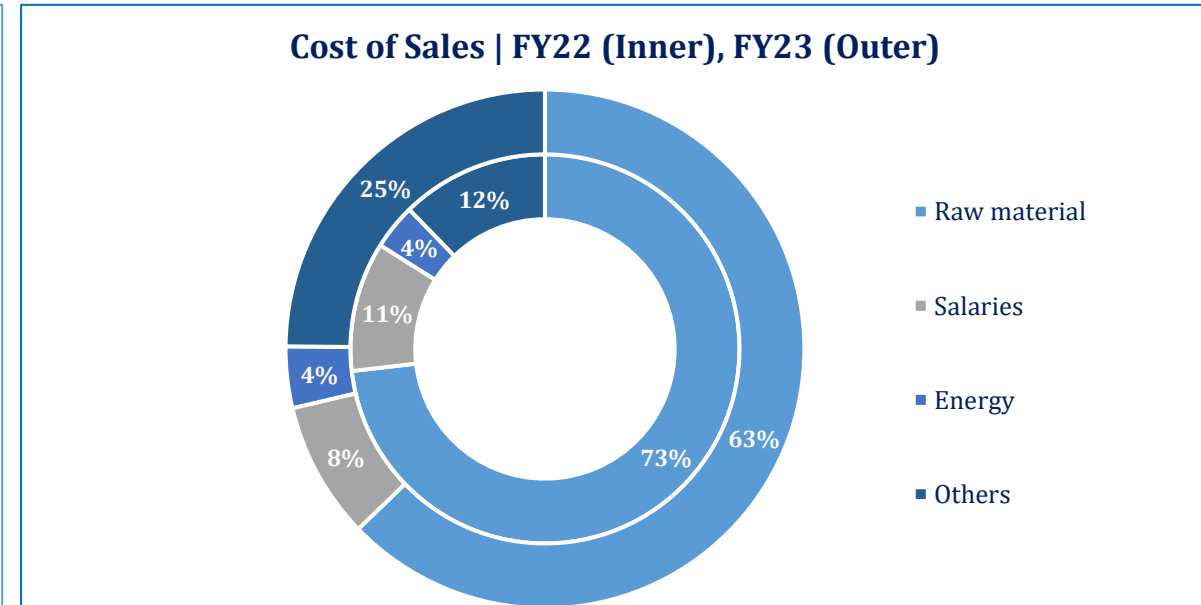
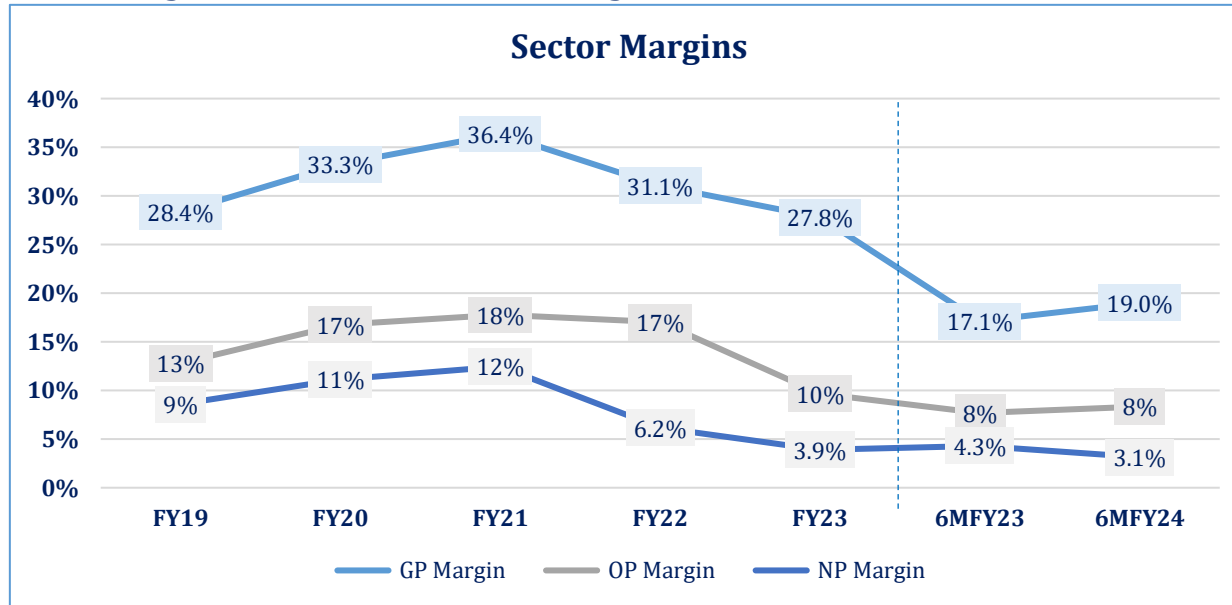


- In FY23 total pharmaceutical exports were recorded at PKR~80.6bln (FY22 PKR~47.7bln) and increase of ~69.0% YoY. In USD terms, exports increased ~22.0% YoY in FY23. Pakistan exported ~54,929 MT of pharmaceutical products depicting a ~86.0% YoY increase in FY23 as compared to ~29,593 MT in FY22.
- In 9MFY24, exports increased by ~14.5% YoY from PKR ~60.4bln in 9MFY23 to PKR~69.2bln in 9MFY24.

Pharmaceuticals

Business Risk | Margins

- During FY23, sector' average net revenue grew by ~20.0% YoY (FY22: ~58.0%), given improved pricing and introduction of new products in the sales mix. In 6MFY24, the average net revenue decreased slightly by ~19.3% YoY. However, cost of sales increased by ~37.4% YoY in FY23 (FY22: ~13.9%) due to high raw material costs. Resultantly, average gross profits declined by ~4.2% YoY and were recorded at ~28.6% (FY22: ~32.8%). Similarly, for 6MFY24, average gross profit was recorded at ~19.0% (6MFY23: ~17.1%) with a ~32.5% YoY increase.
- Moreover, ~48.5% YoY higher operating and other expenses in FY23 led to ~8.3% YoY lower average operating margins that were recorded at ~10.1% (FY22: ~18.4%). Additionally ~2.1x higher average finance costs during FY23 resulted in a decrease of net margins to ~4.0% from ~6.7% during FY22 and further decreased to ~3.1% in 6MFY24 (6MFY23: ~4.3%).
- The sector relies heavily on raw material as it makes up ~63.0% of its cost of sales. With DRAP regulating drug prices, profits margins are sensitive to exchange rate fluctuation and changes in cost of raw material.

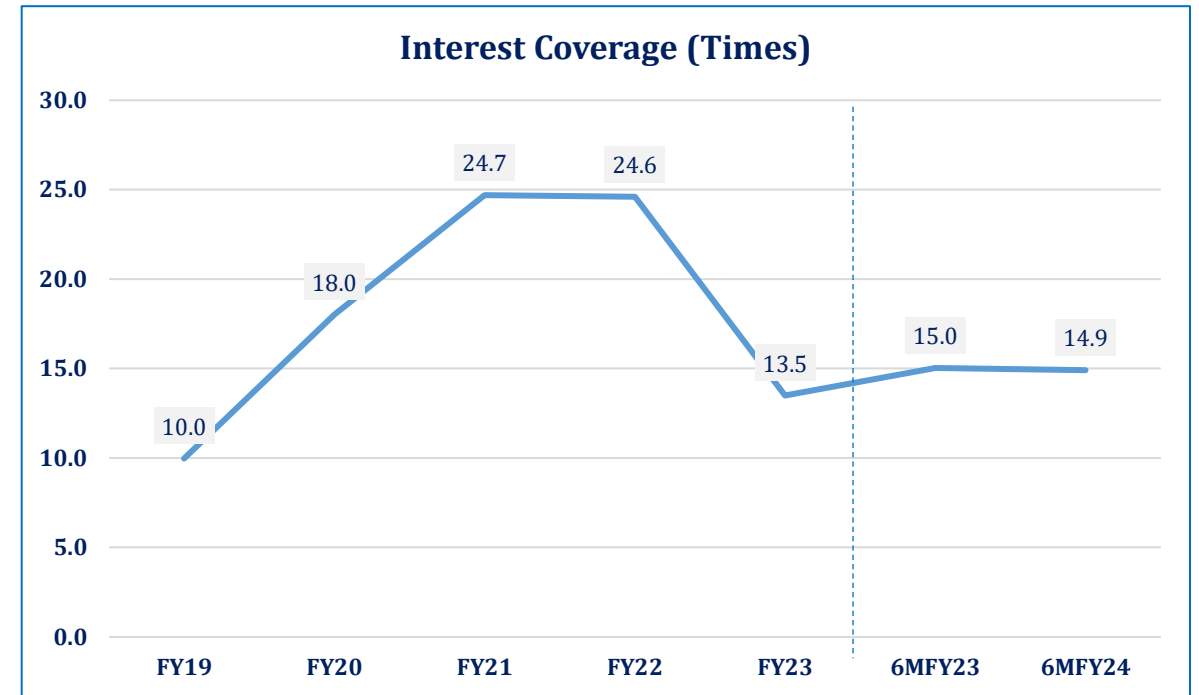
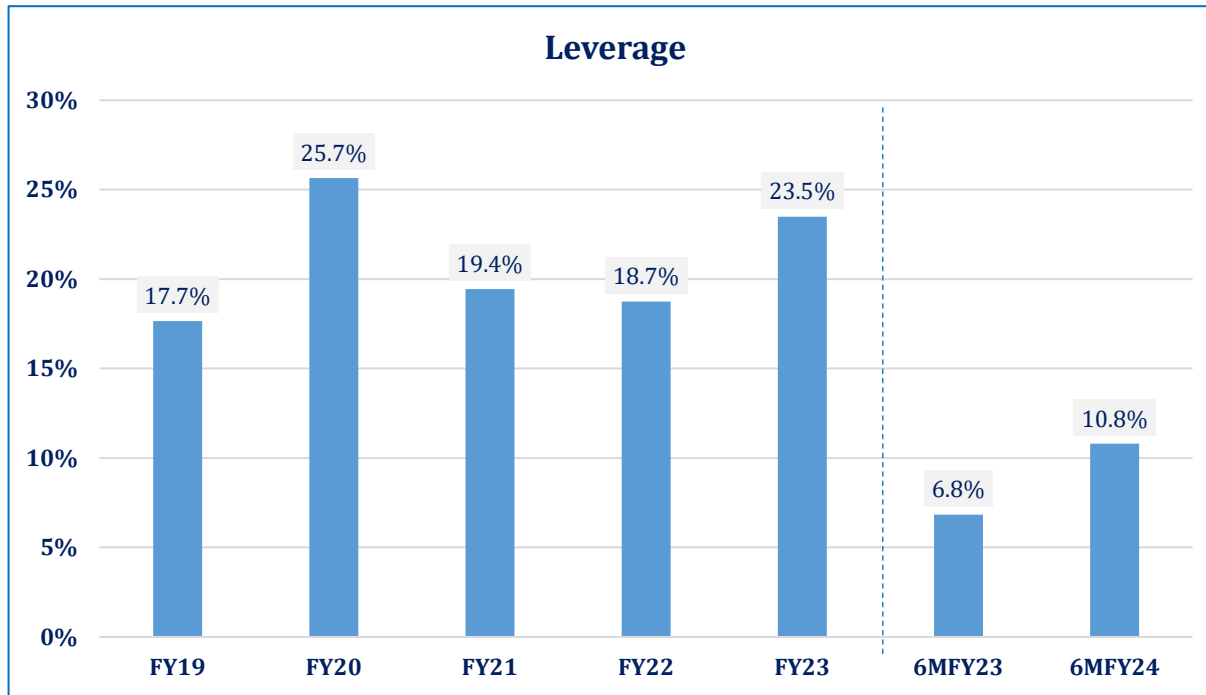


Note: Calculations based on PACRA-rated and selected PSX listed companies; prorations and adjustments made where needed. Margins are revenue-weighted. 6MFY24 data pertains to 9 PSX listed companies.

Pharmaceuticals

Financial Risk | Leverage

- In FY23, the sectors leverage remained at low at ~23.5%, and ~10.8% in 6MFY24 indicating sufficient cushion for borrowing. The sector’s interest coverage improved during FY19-22, however, it dropped to ~13.5x in FY23 owing to high interest rates. In 6MFY24, it improved slightly to ~14.9% (6MFY23: ~15.0%), when compared with FY23.
- The policy rate was increased from ~13.8% in Jun’22 to ~22.0% in Jun’23 which led to ~2.1x higher finance cost, on average, for sector players. Additionally, PKR depreciated ~39.0% YoY, increasing the input costs that had a trickle-down effect on operating profits. Average operating profits were down ~34.0% YoY (FY22: ~42.1%), hence explaining the resultant decline in sector’s average coverage.

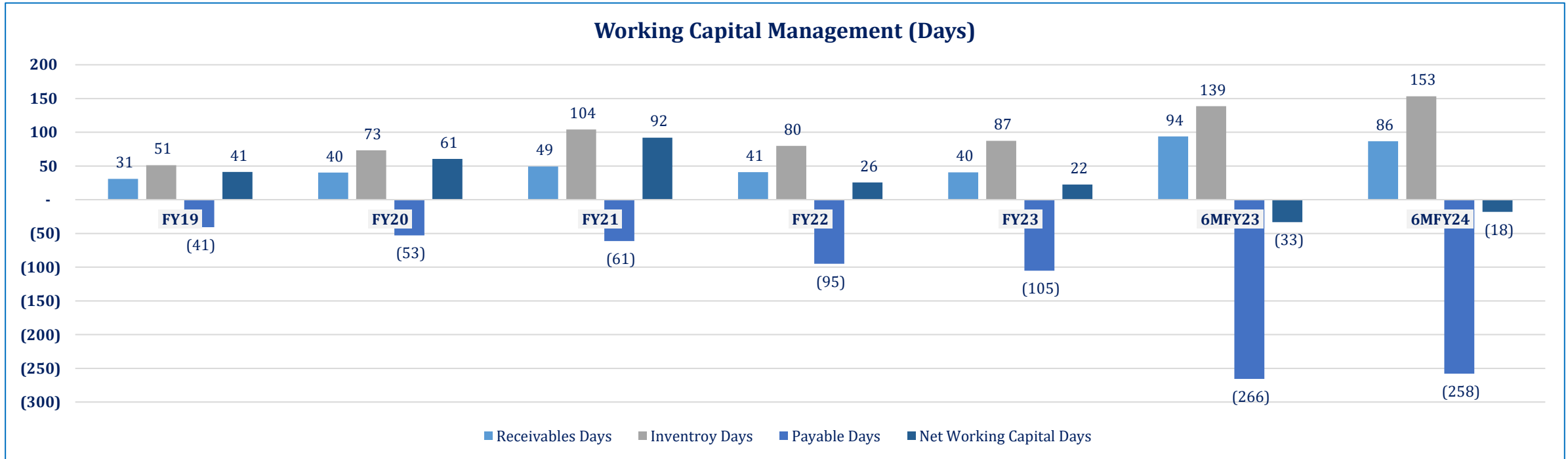


Note: Calculations are revenue-weighted and based on PACRA-rated/ listed companies;. 6MFY24 data pertains to 9 PSX listed companies.

Pharmaceuticals

Financial Risk | Working Capital Management

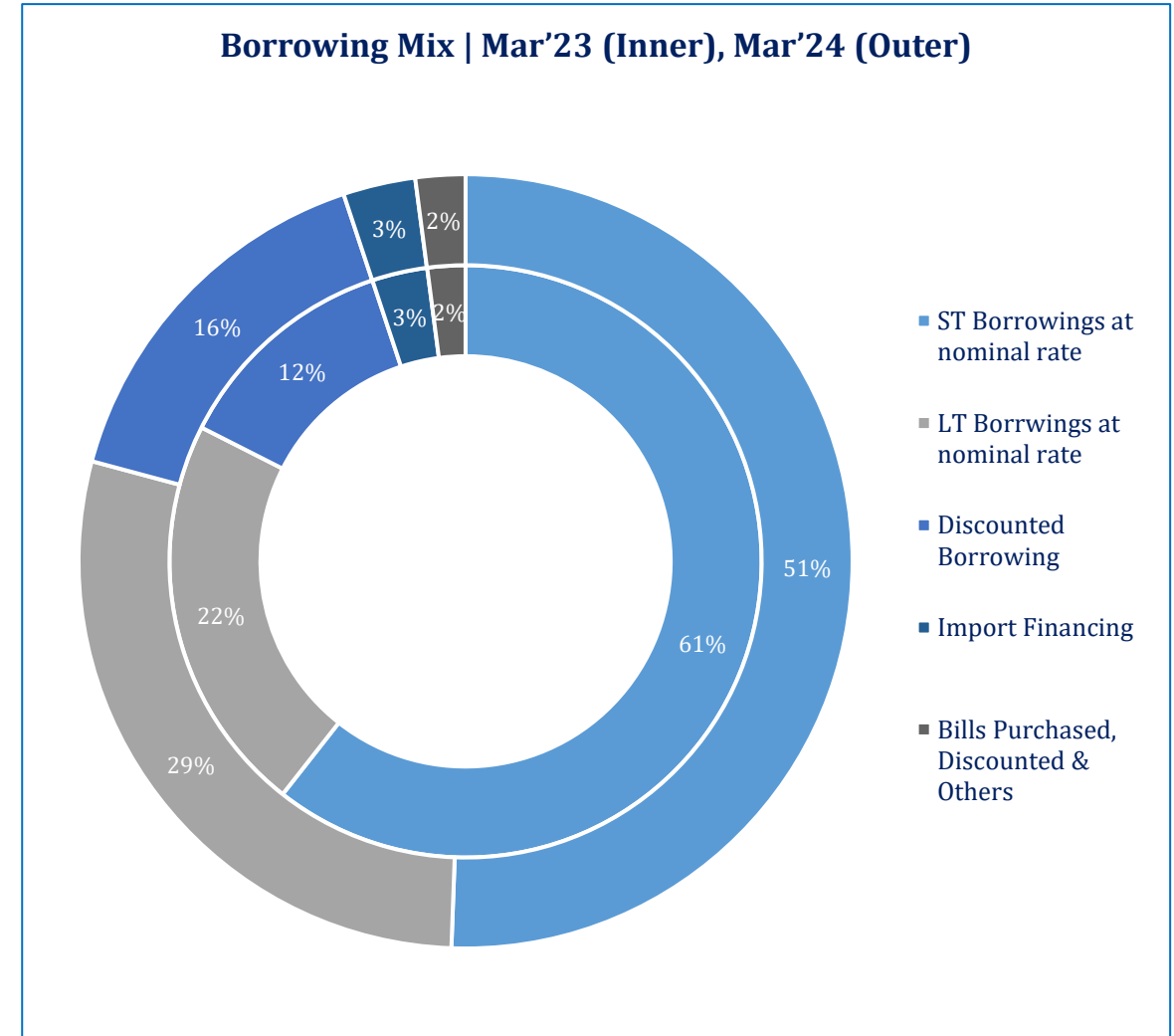
- The sector's working capital structure is characterized by high inventory days. In FY23, average working capital days of the sector declined to ~22 days (FY22: ~26 days), depicting an improved working capital cycle. However, the average working capital days declined to ~-18 days in 6MFY24 (6MFY23: ~33 days).
- A breakdown of the working capital cycle reveals that average inventory days increased to ~87 days (FY22: ~80 days) whereas average receivable days only marginally decreased to ~40 days (FY22: ~41 days). Meanwhile, average payable days increased to ~105 days (FY22: ~95 days). For 6MFY24, the average inventory days increased to ~153 days (6MFY23: ~139 days) whereas average receivable days decreased to ~86 days (6MFY23: ~94 days) and average payable days decreased to ~258 days (6MFY23: ~266 days).



Pharmaceuticals

Financial Risk | Borrowing Mix

- As of End-Mar'24, the sector's overall borrowings stood at PKR~104.0bln, up ~2.0% YoY (End-Mar'23: PKR~102.4bln).
- Short-term borrowings (STBs) at nominal rate stood at PKR~52.7bln, down ~15.0% YoY and held the largest share in the sector's borrowing mix at ~51.0% (SPLY: ~61.0%).
- Long-term borrowings (LTBs) at nominal rate stood at PKR~29.8bln, up ~33.0% YoY and held a share of ~29.0% in overall borrowings (End-Mar'23: ~22.0%).
- Discounted borrowing (LTFF & EFS) stood at PKR~16.4bln (End-Mar'23: ~12.8bln), up ~28.0% YoY and held a share of ~16.0% in the overall borrowing mix.
- Import financing stood at PKR~3.2bln (End-Mar'23: PKR~3.1bln) and held ~2.0% share in the total borrowing mix and registered a small increase of ~2.0% as at End-Mar'24.



Pharmaceuticals

Duty Structure

HS Code	Description	Custom Duty		Additional Custom Duty		Income Tax		Sales Tax	
		FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24
2933.5990, 7990, 9900; 3004.9099, 2916.3990	APIs	0-5%	0-11%	0-2%	0-2%	0-11%	0-12%	0-18%	0-18%
1104.2900, 2710.1995, 2810.0020, 2915.2100, 3402.4200	Excipients	0-5%	0-16%	2-7%	2-4%	0-11%	0-12%	0-18%	0-18%
3002.4190, 9010, 9090	Drugs	0-10%	0-10%	2-6%	2-6%	0-11%	0-12%	0-18%	0-18%

A few APIs and Excipients (other than those depicted above) also attract custom duties ranging from ~5%-25%. Where custom duty is ~25%, additional custom duty is also levied ranging from ~0%-4% on APIs/Excipients and ~2%-6% on drugs. Certain categories such as Oncology (cancer products) have 0% custom duty.

Pharmaceuticals

Porters 5 Forces

POTENTIAL NEW ENTRY



- High barriers to entry
- High Capital cost of Drug development
- Extensive regulatory requirement to approve new drugs.

BUYERS



- Medium to low bargaining power
- Availability of alternatives between generic drugs and alternative treatments can increase bargaining power.

SUBSTITUTES



- Low threat of substitutes
- Essential drugs are mostly imported

SUPPLIERS



- Highly concentrated suppliers of APIs have significant bargaining power (~85% APIs imported, only ~15% locally manufactured)
- Suppliers provide highly differentiated products.

COMPETITIVE RIVALRY



- Competitive structure is Oligopolistic in nature.
- High levels of product differentiation, often achieved through branding, innovation, and patents.

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SWOT Analysis

- Steadily increasing demand
- High reliance of customer on the product
- High profit margins in non essential drugs
- Regulatory approvals from agencies like DRAP ensure drug safety and efficacy.

Strengths

Weaknesses

- Largely import dependent (APIs/Excipients)
- Exposure to exchange rate volatility
- Extensive regulatory requirements
- Inability to pass on increased cost of production to end consumers for drugs regulated by DRAP.
- Significant financial resources required for drug development and clinical trials.

- High level of competition
- Rising Interest rates
- Rising costs of imported raw material
- Changes in healthcare policies, pricing regulations can impact profitability.
- Difficulty in differentiating products and maintaining market share.

Threats

Opportunities

- Growing healthcare needs
- High profit margin opportunities in non essential drugs and products
- Room of research and drug development.
- Potential to develop more effective and targeted treatments.
- Chronic disease management and long-term care offer growth potential.

Pharmaceuticals

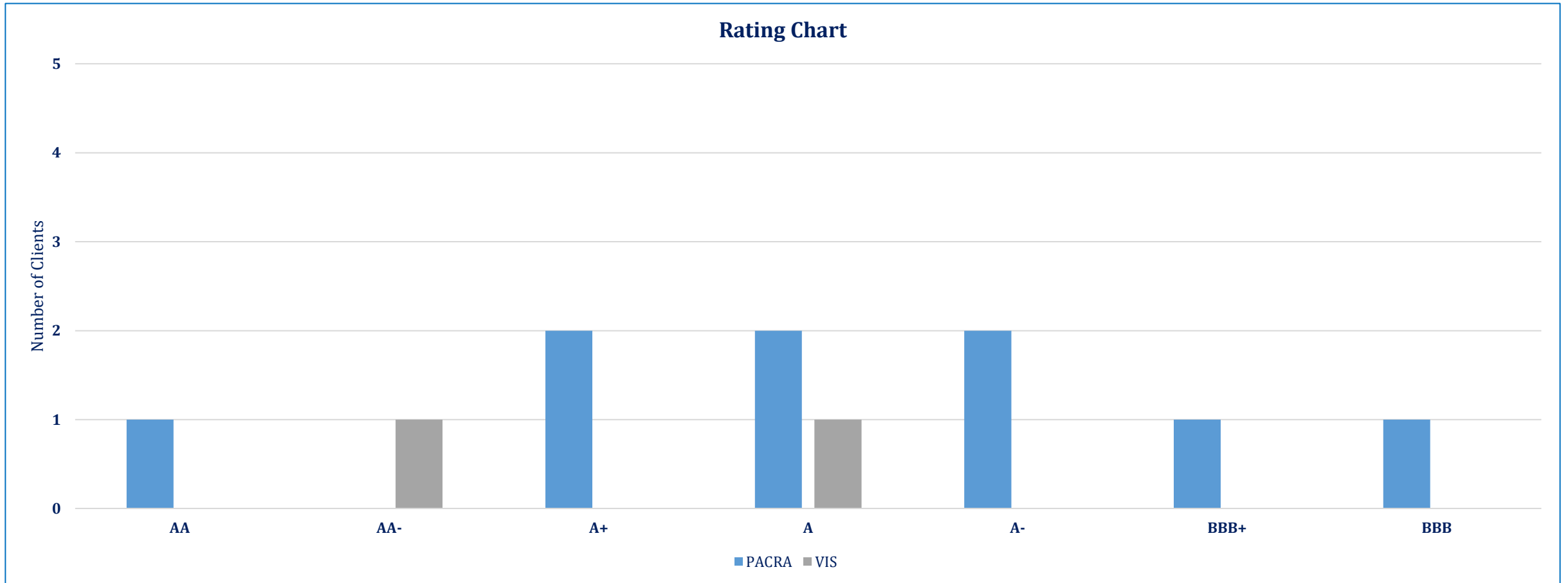
Outlook: Stable

- Pakistan's economy posted a real GDP contraction of ~0.17% in FY23 (FY22: ~6.1% growth), while the LSM shrank by ~10.3% YoY (FY22: ~11.7% YoY growth), owing to supply-chain disruptions which resulted from SBP-imposed import restrictions, along with the flash floods of Aug'22 and consequent sluggish demand across major industrial sectors of the country. In 3QFY24, the real GDP growth stood at ~2.1% (SPLY: ~-1.1%), signaling slight improvement in economic performance.
- However, the SBP estimates GDP growth at ~2-3% for FY24, while IMF's forecast for the same stands at ~2.0%. FY23 was also marred by significantly high levels of inflation with average national CPI recording at ~29.4% (SPLY: 21.3%). Additionally, the PKR depreciated ~39.0% YoY against the USD during FY23, while policy rate increased ~825bps during the year. As of May'24, the policy rate has stood steady at ~22.0% since Jun'23. Inflation has eased since and recorded at ~17.3% as at Apr'24 (SPLY: ~36.4%), while the PKR has appreciated ~21.0% YoY during 9MFY24. However, LSM activity was down ~0.10% YoY during 9MFY24 period.
- The Pharmaceutical sector in Pakistan recorded a revenue of PKR ~778bln in FY23, marking a ~10.0% YoY growth. The sector's weight in QIM was recorded at ~5.15% during FY23, while it experienced a growth of ~23.1% YoY in LSM during 9MFY24. Local companies dominate the sector, holding over ~67.0% of the market share in terms of revenue, with the top 10 companies accounting for ~48.7% share.
- In FY23, pharmaceutical imports were valued at PKR~348.5bln, a ~13.0% YoY increase, and accounted for ~3.0% of country's total imports in PKR terms. Meanwhile, exports grew significantly by ~69.0% YoY in FY23 in PKR terms (~22.0% YoY growth in USD terms), however, registered ~14.5% YoY decline in 9MFY24 (~5.5% YoY decline in USD terms).
- During FY23, sector's average net revenue grew by ~20.0% YoY (FY22: ~58.0%), given improved pricing and introduction of new products in the sales mix. Average gross profits declined by ~4.2% YoY and were recorded at ~28.6% (FY22: ~32.8%). For 6MFY24, average gross profit was recorded at ~19.0% (6MFY23: ~17.1%) with a ~32.5% YoY increase. A ~48.5% increase in expenses reduced operating margins to ~10.1% in FY23 from ~18.4% in FY22. Higher finance costs, up 2.1 times, reduced net margins to ~4.0% from ~6.7% in FY22 and further decreased to ~3.1% in 6MFY24 (6MFY23: ~4.3%). A breakdown of the working capital cycle reveals that average inventory days increased to ~87 days (FY22: ~80 days) whereas average receivable days only marginally decreased to ~40 days (FY22: ~41 days) and average payable days increased to ~105 days (FY22: ~95 days). However, the average working capital days declined to ~-18 days in 6MFY24 (6MFY23: ~33 days).
- Going forward, factors such as growing population, Government-imposed price interventions and lower forecast global raw material prices, along with stabilizing exchange rate, are likely to improve sector's performance, vis-à-vis lower raw material costs.

Pharmaceuticals

Rating Curve

PACRA rates 9 clients in the Pharmaceutical sector. Rating bandwidth of the sector is AA to BBB.



Pharmaceuticals

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