Company Name **: Pharmaniaga Berhad**
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Pharmaniaga To Finalise Saudi Arabia JV By May

Lodin (right) and managing director Datuk Farshila Emran at Pharmaniaga's AGM yesterday.

PETALING JAYA: Pharmaniaga Bhd has allocated RM60 million as capital outlay for its proposed joint venture to set up a manufacturing facility in Saudi Arabia, which will be finalised by May.

"We are negotiating with our partner Modern Group in Saudi Arabia to establish a manufacturing plant to produce various types of drugs to cater for the Middle Eastern and North African markets," said its chairman Tan Sri Lodin Wok Kamaruddin after the company's AGM here yesterday.

The company expects to fork out RM60 million over the next five years as an initial investment outlay for its 50% stake in the joint venture. Modern Group will hold the other 50%.

Construction work on the facility will take three years, and it is to be operational by 2017.

Lodin acknowledged that Saudi Arabia has an attractive policy to encourage foreign investment flows into the country.

"We believe we will get some support from the Saudi Arabian government to help establish the manufacturing facility. It is located in a special industrial complex area whereby incentives are given to investors who set up manufacturing facility in this area," he said.

He said the company will focus on its non-concession business and maintain a substantial revenue contribution from its overseas business this year.

"We hope the non-concession's revenue contribution will increase further from 21% as of 2013, but as we grow local business at the same time, the contribution from the overseas markets is likely to remain flat at around 20% in terms of revenue contribution percentage."

Concession business is still the biggest revenue contributor for the company and contributing nearly 60% of total revenue.

Pharmaniaga posted lower net profit of RM57 million last year, a drop of 9.52% compared with RM63 million a year ago, mainly due to amortisation and provisions for doubtful debts.

Lodin is hopeful that earnings for the financial year ending Dec 31, 2014 will be higher than last year on the back of its expansion plans, especially in Indonesia.

"Now we have completed the acquisition of PT Errita Pharma in Indonesia , allowing us to go big way into Indonesia."

When asked whether there are more expansion plans in the pipeline, Lodin said that the company is always lookout for opportunities, but currently confines it to South East Asia and the Middle East market.

"We believe that for Asean, the potential for various types of generic drugs or halal drugs and herb-based drugs is tremendous. We are looking into countries like Myanmar, possibly Vietnam, the Philippines or even Thailand ," he added.

Lodin also said that the company is looking at enhancing its retail pharmacy outlets by setting up their own outlets at BH petrol outlets.

He said that the company is still working out on the details."Having drug stores at petrol stations is something new, I don't think there are many drug stores at the petrol stations nationwide," Lodin said.

Its current arrangement to dispense ethical drugs is through alliances with standalone pharmacies.

"Currently we have 20 alliances and we're looking for more," said Lodin, adding that it helps individual pharmacy outlets to reduce operational costs by using the " Royal Pharma Pharmacy" brand.

Meanwhile, Pharmaniaga has budgeted a minimum of 5% of manufacturing revenue for reserach and development work on Kacip Fatimah phyto-medicine. "Clinical stage is important before we can distribute the product."

Pharmaniaga started planting Kacip Fatimah in 2011 at its landbank in Kedah.