

VIETNAM PHARMACEUTICAL INDUSTRY REPORT Q4/2017



Content

Executive Summary	4	2.2.6	Consumption	32	
1. Business Environment	6	2.2.7	Export - Import	41	
1.1	Macroeconomic Situation	6	2.5.8	Price Movement	45
1.2	Legal Barriers	10	2.3	Industry Planning	48
2. Vietnam Pharmaceutical Industry Overview	18	2.4	Driving Forces and Forecast	50	
2.1	Global Pharmaceutical Industry	18	3. Enterprise Analysis	53	
2.1.1	Production - Consumption	19	3.1	Profitability Ratios	57
2.2	Vietnam Pharmaceutical Industry Overview	22	3.2	Cost Structure	60
2.2.1	History of Vietnam Pharmaceutical Industry	23	3.3	Asset Management Ratios	63
2.2.2	Industry Position	24	3.4	Capital Structure and the ability to repay	67
2.2.3	Industry Scale and Feature	25	3.5	Solvency Ratios	69
2.2.4	Value Chain of Vietnam Pharmaceutical Industry	28	3.6	Returns Ratios	71
2.2.5	Production	29			

Abbreviations

ETC	Ethical drugs	OTC	Over The Counter (nonprescription-drugs)
EU-GMP	Europe Good Manufacturing Practice	Patent Drug	Drugs under intellectual property rights
EVFTA	EU – Vietnam Free Trade Agreement	Pharmerging	Countries with emerging Pharmaceutical Industry
GDP	Good Distribution Practice	PIC/S - GMP	Pharmaceutical Inspection Co-operation Scheme on Good Manufacturing Practice (EU-GMP)
Generic Drug	Drug product that is comparable to a brand/reference listed drug product in dosage form, strength, quality and performance characteristics, and intended use."	GDC	General Department of Vietnam Custom
GLP	Good Laboratory Practice	GSO	General Statistic Office of Vietnam
GMP	Good Manufacturing Practice	TPP	Trans-Pacific Partnership
GMP - WHO	Good Manufacturing Practice recommended by the World Health Organization (WHO - GMP)	WHO	World Health Organization
GPP	Good Pharmacy Practice	WTO	World Trade Organization
GSP	Good Storage Practice	MOH	Ministry of Health
		DAV	Drug Administration of Vietnam

The country currently has about 178 drug manufacturers

Products of Vietnamese pharmaceutical companies are concentrated in the form of simple, generic, low value, overlap

Vietnam Pharmaceutical industry uses about 60,000 tons of medicines, of which about 80-90% is imported.

In 2016, according to VIRAC's estimation, Pharmaceutical industry value is expected to reach USD 4.9bn.

The market value of patented drugs in Vietnam tends to increase

Import value of pharmaceutical products in the first 9 months of 2017 reached USD 2.06 billion, up 7.3% over the same period in 2015.

Pharmaceutical exports in the first 9 months of 2017 reached USD 71.78 million, up 11.4% over the same period in 2016.

Content is intentionally removed for demo purpose

The ratio of Research and Development expenses in revenue at domestic companies is just about 5%

The growth of the prescription drug market will exceed the growth rate of Over-the-counter (OTC) market

Meanwhile, Vietnamese habit of self-medicating has caused to the increase

The biggest wholesale market systems in Vietnam pharmaceutical distribution in Ho Chi Minh City and Hanoi,

For the WTO, the Vietnamese pharmaceutical market has gradually opened

With higher level of opening after the TPP, domestic pharmaceutical companies will face the threat of more competition from FDI ones

Pharmaceutical products are necessities, thus, economic growth virtually has hardly any impact on the industry growth rate,

Most of the enterprises of pharmaceutical industry maintained positive operation with high levels of gross profit and net profit in the period 2015-2016

M&A trend between domestic and foreign enterprises takes place strongly in the form of franchise drug production and the field of distribution.

Vietnam Pharmaceutical industry is forecast to continue the double-digit growth

Some main industry driving forces are the protection from state policies

1. Business Environment

1.1 Macroeconomic Situation

1.2 Legal Barriers

Content is intentionally removed for demo purpose

Source: VIRAC, GSO

Consumer Price Index for Medicines and Health Services, 2012
– 9M/2017

Source: VIRAC, GSO

VND/USD exchange rate, 2016-9/2017

VND/CNY exchange rate, 2016 – 9/2017

Content is intentionally removed for demo purpose

Source: VIRAC, SBV

Source: VIRAC

Population and growth, 2006 -2016

Million people

Content is intentionally removed for demo purpose

Source: VIRAC, GSO

Population structure, 1999 - 2016

Source: VIRAC, GSO

1. Business Environment

1.1 Macroeconomic Situation

1.2 Legal Barriers

Regulations on standards of Pharmaceutical Industry

Content is intentionally removed for demo purpose

Standard of Good Manufacturing Practice recommended by the World Health Organization (WHO - GMP)

Standard of Good Storing Practice (GSP)

Regulations on drug registration

Regulations on control of drug price

Content is intentionally removed for demo purpose

Content is intentionally removed for demo purpose

Regulations on drug advertising information

1. Business Environment

1.2 Legal Barriers

Regulations on drug promotion

Distribution

Decision No.10/2007/QĐ-BTM and Circular 34/2013/TT-BCT:

Content is intentionally removed for demo purpose

Bidding

Content is intentionally removed for demo purpose

Regulations on importing pharmaceutical materials

Circular No. 03/2016/TT-BYT taking effective from Mar 6th 2016.

1. Business Environment

1.2 Legal Barriers

On Apr 6th 2016, Draft Law on Pharmacy (amended) was passed and this Law will take effect from Jan 1st 2017

Controlling the rising price of brand-name drugs

Controlling the drug prescription for commissions,

Content is intentionally removed for demo purpose

Pharmaceutical Law 2016 contains regulations on preferential domestically produced medicines consistent with the Law on Bidding,

Allowing the sales of drugs in supermarkets

Prohibiting the advertising, prescription of products which are not drugs

1. Business Environment

1.2 Legal Barriers

On August 05, 2017, the Prime Minister signed Decree No. 54/2017/ND-CP detailing some articles and measures to enforce the Pharmaceutical Law 2016. The decree takes effect from July 01, 2017.

Content is intentionally removed for demo purpose

2. Vietnam Pharmaceutical Industry Overview

2.1 Global Pharmaceutical Industry

2.2 Vietnam Pharmaceutical Industry Overview

2.3 Industry Planning

2.4 Driving Forces

World medicine expenditure, 2010 - 2016e

USD billion

Content is intentionally removed for demo purpose

Source: VIRAC, IMS health

2. Vietnam Pharmaceutical Industry Overview

2.1 Global Pharmaceutical Industry – 2.1.1 Production – Consumption

USD billion **Worldwide prescription drug sales, 2010 - 2016**

Consumption share by drug type, 2011 - 2016

Content is intentionally removed for demo purpose

Source: VIRAC, EvaluatePharma

Source: VIRAC, IMS health

Consumption share by group, 2016

Source: VIRAC, IMS health

Top 10 pharmaceutical products consumed the most in the world, 2015

Content is intentionally removed for demo purpose

Source: VIRAC, IMS health

2. Vietnam Pharmaceutical Industry Overview

2.1 Global Pharmaceutical Industry

2.2 Vietnam Pharmaceutical Industry Overview

2.3 Industry Planning

2.4 Driving Forces and Forecast

Content is intentionally removed for demo purpose

1990

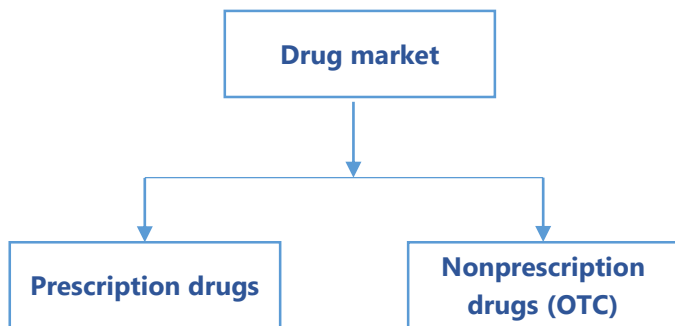
2005

Content is intentionally removed for demo purpose

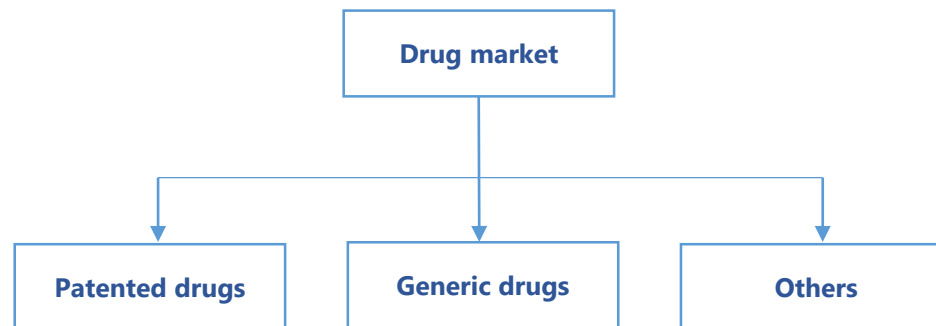
Content is intentionally removed for demo purpose

Classifying market of the Pharmaceutical industry

Classification by treatment approach



Classification by drug ownership

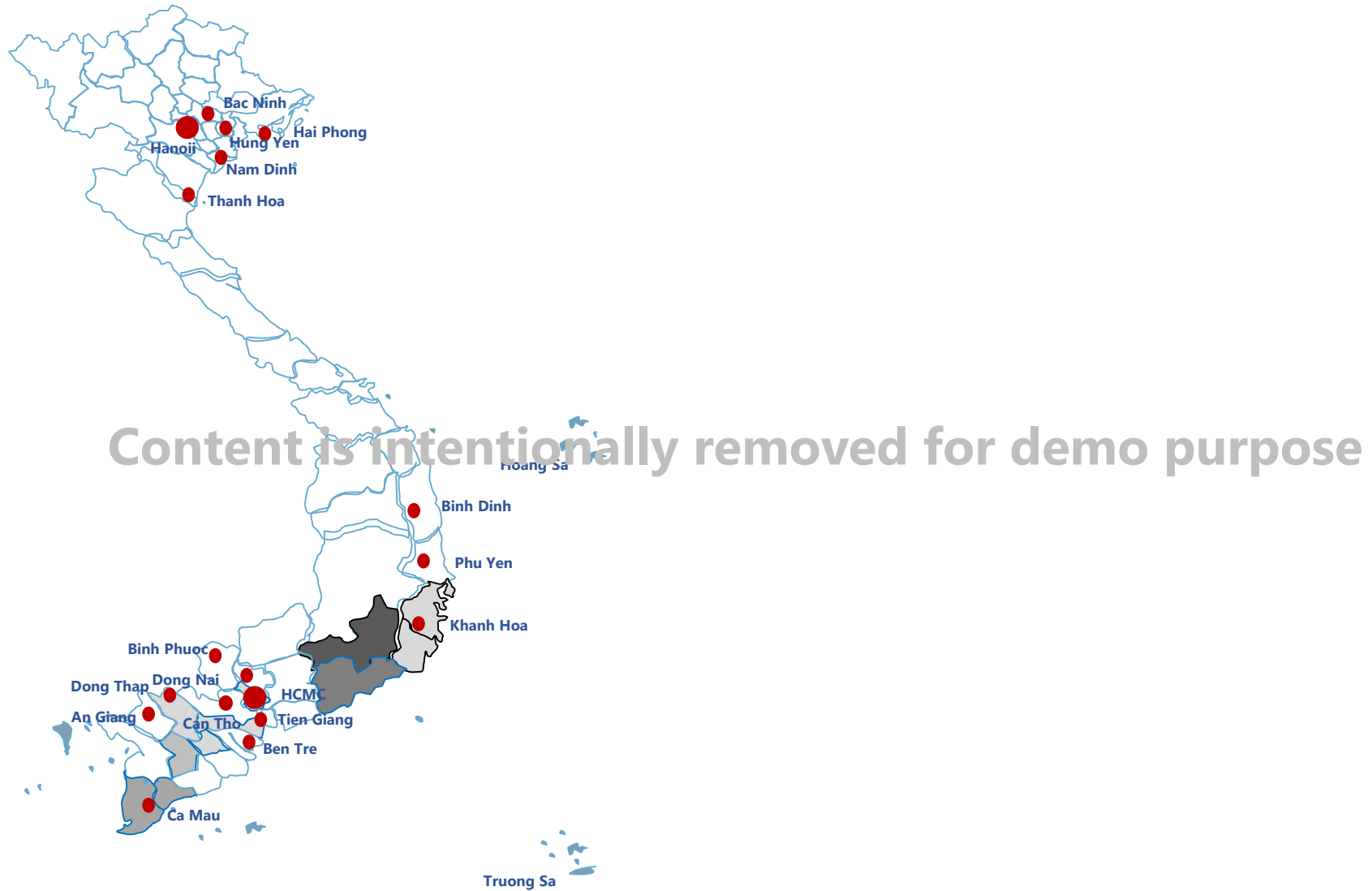


Content is intentionally removed for demo purpose

Sources: VIRAC, Hanoi University of Pharmacy

2. Vietnam Pharmaceutical Industry Overview

2.2 Vietnam Pharmaceutical Industry – 2.2.3 Industry Scale and Features

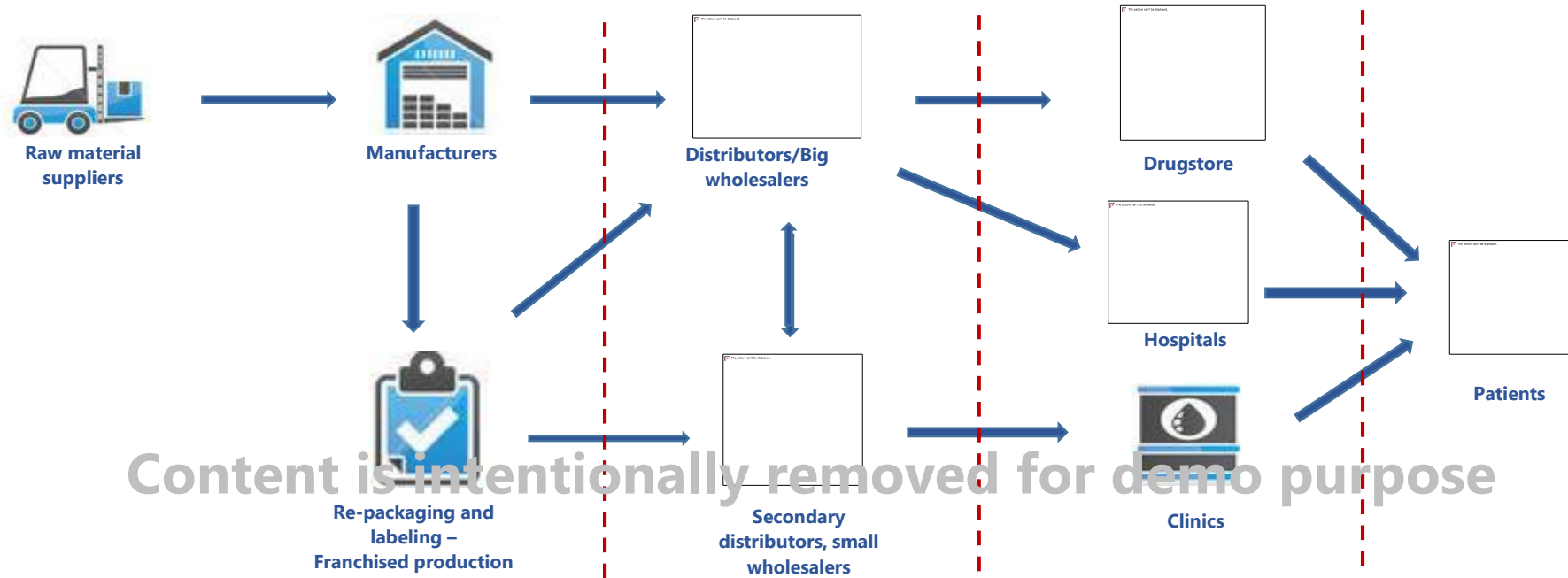


Source: VIRAC

2. Vietnam Pharmaceutical Industry Overview

2.2 Vietnam Pharmaceutical Industry – 2.2.4 Value Chain of Vietnam Pharmaceutical Industry

Value Chain of Vietnam Pharmaceutical Industry



Source: VIRAC

Content is intentionally removed for demo purpose

Domestic pharmaceutical production value, 2010 – 2016e

USD billion

Content is intentionally removed for demo purpose

Source: VIRAC, DAV

2. Vietnam Pharmaceutical Industry Overview

2.2 Vietnam Pharmaceutical Industry – 2.2.5 Production

Statistics of produced medicines by type, 2010 – 9 months/2017e

Products	Unit	2012	2013	2014	2015e	2016e	9M/2017e
Content is intentionally removed for demo purpose							

Pharmaceutical market value, 2010 – 2016e

USD billion

Content is intentionally removed for demo purpose

Source: VIRAC, DAV

Content is intentionally removed for demo purpose

Source: VIRAC, DAV

Domestically produced medicine consumption, 2010 – 9M/2017e

VND trillion

Content is intentionally removed for demo purpose

Source: VIRAC, GSO

2. Pharmaceutical Industry Overview

2.2 Vietnam Pharmaceutical Industry Overview – 2.2.6 Consumption

**Drug expenditure per capita in Vietnam,
2009 – 2016e**

USD/person/year

USD/person/year

Drug expenditure per capita, 2016e

Content is intentionally removed for demo purpose

Source: VIRAC, DAV

Source: VIRAC, DAV

Structure of medicine consumption by channel, 2010 - 2016e

Content is intentionally removed for demo purpose

Source: VIRAC, DAV

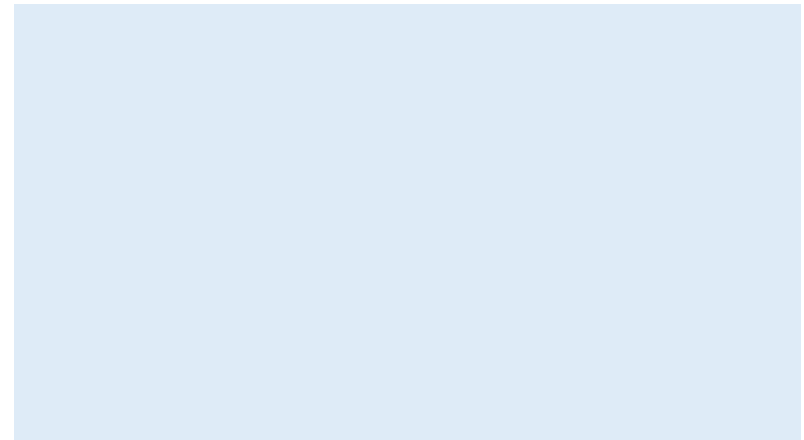
Patent and Generic medicines consumption structure, 2010 - 2016e

Market value of prescription drugs, 2010 – 2016e

USD billion

Content is intentionally removed for demo purpose

Source: VIRAC, DAV



Non-prescription drug market – OTC, 2010 – 2016e

USD billion

Source: VIRAC, DAV

Content is intentionally removed for demo purpose

Patented drug, 2010 – 2016e

USD billion

Content is intentionally removed for demo purpose

Source: VIRAC, DAV

Generic drug market, 2010 – 2016e

USD billion

Content is intentionally removed for demo purpose

Source: VIRAC, DAV

USD million **Pharmaceutical imports, 2010 – 9M/2017e**

Content is intentionally removed for demo purpose Source: VIRAC, GDVC

USD million **Pharmaceutical imports, 9M/2016 – 9M/2017e**

Top Vietnam import partners, 9M/2017e

Partners	Proportion	Importers

Top importers, 9M/2017e

Content is intentionally removed for demo purpose

Source: VIRAC, GDVC

Source: VIRAC, GDVC

2. Pharmaceutical Industry Overview

2.2 Vietnam Pharmaceutical Industry Overview – 2.2.7. Export – Import

Pharmaceutical imports, 2012 – 9M/2017e

USD million

Content is intentionally removed for demo purpose

Source: VMMC, UN Comtrade, GDC

Major export structure by country, 9M/2017

Export structure by enterprise, 9M/2017e

Content is intentionally removed for demo purpose

Source: VIRAC, GDVC

Source: VIRAC, GDVC

Content is intentionally removed for demo purpose Source: VIRAC, DAV

2. Pharmaceutical Industry Overview

2.2 Vietnam Pharmaceutical Industry Overview – 2.2.8. Price Movement

Drug prices in the market in the first 6 months of 2017 continue to stabilize.

Price movements of some major drugs in the market, 3/2016 – 9/2017

Unit: VND1,000

No.	Drug	Units	Producers	6/2016	9/2016	12/2016	3/2017	9/2017	Compared to the beginning of the same period

Content is intentionally removed for demo purpose

Source: VIRAC, Agency for Price Management

2. Pharmaceutical Industry Overview

2.2 Vietnam Pharmaceutical Industry Overview – 2.2.8. Price Movement

The difference in the price of some drugs at Hapulico market, 2017

Unit: VND thousand

Drugs name	Highest price	Lowest price	Price Diference

The screenshot displays the product page for SIMULECT 20MG on the website thuocvienloi.vn. The page features two images of the product: a glass vial and a vial with a blue cap. Text on the page includes the company logo 'thuocvienloi.vn', contact information '0902 540 795' and '0909 610 736', a search bar, navigation menu items like 'DANH MỤC THUỐC', 'CHĂM SÓC CÁ NHÂN', 'LÀM ĐẸP', 'THỰC PHẨM CHỨC NĂNG', 'SINH LÝ', and 'KIẾN THỨC', and a 'ĐẶT MUA' button. A large watermark 'Content is intentionally removed for demo purpose' is overlaid on the image.

2. Pharmaceutical Industry Overview

2.1 Global Pharmaceutical Industry Overview

2.2 Vietnam Pharmaceutical Industry Overview

2.3 Industry Planning

2.4 Driving Forces

Content is intentionally removed for demo purpose

2. Pharmaceutical Industry Overview

2.1 Global Pharmaceutical Industry Overview

2.2 Vietnam Pharmaceutical Industry Overview

2.3 Industry Planning

2.4 Driving Forces

Content is intentionally removed for demo purpose

Total healthcare expenses, 2010 – 2016f

USD million

Population tower, 2016

Content is intentionally removed for demo purpose

Source: VIRAC, WHO

Source: VIRAC, GSO

Population motivation and healthcare awareness:

Over-60 population growth in the world, 1950 – 2050

Million people

3. Enterprise Analysis

3.1 Profitability Ratios

3.2 Cost Structure

3.3 Asset Management Ratios

3.4 Capital Structure

3.5 Solvency Ratios

3.6 Return Ratios

3. Enterprise Analysis

10 typical pharmaceutical enterprises in 2015

10 typical pharmaceutical enterprises in 2015

No.	Company	Major sector	Revenue (VND billion)	Main features
1				
2				
3				
4				
5				

Content is intentionally removed for demo purpose

3. Enterprise Analysis

10 typical pharmaceutical enterprises in 2015

No.	Company	Major sector	Revenue (VND billion)	Main features
6				
7				
8	Content is intentionally removed for demo purpose			
9				
10				

3. Enterprise Analysis

3.1 Profitability Ratios

3.2 Cost Structure

3.3 Asset Management Ratios

3.4 Capital Structure

3.5 Solvency Ratios

3.6 Return Ratios

3. Enterprise Analysis

3.1 Profitability Ratios

Pharmaceutical companies have a good business year when they have a positive profit margin, with the average group of producers having higher gross margins and ROS than the distribution group.

Profit indicators, 2015 - 2016

VND billion

Content is intentionally removed for demo purpose

Source: VIRAC

Content is intentionally removed for demo purpose

Content is intentionally removed for demo purpose

3. Enterprise Analysis

3.1 Profitability Ratios

3.2 Cost Structure

3.3 Asset Management Ratios

3.4 Capital Structure

3.5 Solvency Ratios

3.6 Return Ratios

The group of manufacturing enterprises spent more on selling than the distribution group

Selling costs, 2015 - 2016

Content is intentionally removed for demo purpose

Source: VIRAC

Content is intentionally removed for demo purpose

General and administrative expenses, 2015 - 2016

3. Enterprise Analysis

3.1 Profitability Ratios

3.2 Cost Structure

3.3 Asset Management Ratios

3.4 Capital Structure

3.5 Solvency Ratios

3.6 Return Ratios

3. Enterprise Analysis

3.3. Asset Management Ratios

The total days in inventory of the whole pharmaceutical industry in 2014 – 2016 increased slightly.

Inventory days, 2016

Day

Content is intentionally removed for demo purpose

Source: VIRAC

Content is intentionally removed for demo purpose

Average collecting period, 2016

Days

Asset turnover, 2016

Content is intentionally removed for demo purpose

Source: VIRAC

3. Enterprise Analysis

3.1 Profitability Ratios

3.2 Cost Structure

3.3 Asset Management Ratios

3.4 Capital Structure

3.5 Solvency Ratios

3.6 Return Ratios

Self-funding ratio, 2015 - 2016

Content is intentionally removed for demo purpose

Source: VIRAC

3. Enterprise Analysis

3.1 Profitability Ratios

3.2 Cost Structure

3.3 Asset Management Ratios

3.4 Capital Structure

3.5 Solvency Ratios

3.6 Return Ratios

Solvency, 2015 - 2016

Content is intentionally removed for demo purpose

Source: VIRAC

3. Enterprise Analysis

3.1 Profitability Ratios

3.2 Cost Structure

3.3 Asset Management Ratios

3.4 Capital Structure

3.5 Solvency Ratios

3.6 Return Ratios

Profit ratio, 2015 - 2016

Content is intentionally removed for demo purpose

Source: VIRAC

REPORT DISCLAIMER

REPORT DISCLAIMER

This document has been prepared in good faith on the basis of information available at the date of publication without any independent verification. VIRAC has produced this report for private circulation to professional clients only. All information and statistical data herein have been obtained from sources we believe to be reliable and made to ensure the accuracy of the contents of the pages of the report at the time of preparation. Such information has not been independently verified and VIRAC makes no representation or warranty, whether express or implied, of any kind with respect to the document and its contents, information and materials. The content found in this report is proprietary to VIRAC and is provided solely for your personal and non-commercial use. You agree that you will not use this report for any purpose that is unlawful and that you will not reproduce the report or redistribute it outside your organisation, or place it on a website for public access without the express written permission of VIRAC.

SHOULD YOU NEED ANY ASSISTANCE, PLEASE CONTACT US:

VIETNAM INDUSTRY RESEARCH AND CONSULTANT (VIRAC JSC.,)

6th Floor, Anh Minh Building, 36 Hoang Cau, O Cho Dua, Dong Da, Hanoi, Vietnam

Website: <http://virac.com.vn/>

Email: viracresearch@virac.com.vn | Tel: +84 463289520

Thank you !