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TARIKH: 21 JUN 2022 (SELASA)

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Duopharma relooks M&A opportunities to remain relevant and expand



21/06/2022 05:48 PM

KUALA LUMPUR, June 21 (Bernama) -- Duopharma Biotech Bhd will resume looking at mergers and acquisitions (M&A) opportunities especially within ASEAN to remain relevant over the longer term and grow.

Group managing director Leonard Ariff Abdul Shatar said the company has been relatively successful in penetrating the Malaysian market with a market share of seven per cent despite being the largest manufacturer.

"The market is highly fragmented in Malaysia and there is a limit in what you can achieve in this market. To grow over a long term, it could not just be organic, hence we needed to look at M&A.

"For the two-year period during the Movement Control Order (MCO) period, we actually suspended looking at international companies as we are not comfortable doing due diligent online, and focused on the domestic sector.

"But this year, we are starting to look internationally, particularly the ASEAN market, for potential acquisition targets," he told reporters after the company's annual general meeting here today.

Apart from the growth limitation in the Malaysian market, the company is also looking at balancing its portfolio to have a higher percentage of its sales denominated outside of the Malaysian currency, said Leonard Ariff.

Currently of the company's total share for business, about 43 per cent is contributed by the government sector, a further 47 per cent from the private and the balance is from export, he said.

"So we do want to increase the international component of it and it will be in the healthcare space which is actually quite broad," he added.

He said the company had recently invested in a local startup called Naluri Hidup Sdn Bhd in its digitalisation effort and as part of its Digital Health Strategy, crafted to identify opportunities that would allow the company to provide the best solution along the healthcare value chains.

"One thing that the pandemic showed us is that e-commerce is something that is not going to go away and we need to find out where Duopharma will eventually fit in the ecosystem of the segment," he said.

Leonard Ariff shared that the company has quite a large exposure to the government sector via multiple tenders and among the large ones is for the Approved Product Purchase List (APPL) generic medicine such as paracetamol, cough syrup and insulin, which constituted 40 per cent of government sales.

"The last time the government tendered for it was in 2017, since then it has actually rolled over the tenders with the current rollover expiring at the end of December this year.

"To renew, I think there will be challenges from inflation for sure. When we last tendered for this business, the exchange rate was circa 4.20 against US dollar but today's exchange rate is around 4.40 against the greenback," he said.

However, he highlighted that the impact of importing inflation is not specific for Duopharma but an industry phenomenon, which happened to those involved in a trading environment where the majority of raw materials are denominated in US dollar.

To mitigate the impact of the rising cost of raw materials, he said that is one reason why the company is focusing to have a larger percentage of export sales in its overall portfolio to act as a natural hedge against the buying of raw material in US dollar.

He added that Duopharma also keeps a high stock of raw materials, from three to six months, depending on the products by buying forward quite a fair bit, especially during the MCO amid concerns over the supply chain impact coming out of the pandemic.

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