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INTERNSHIP REPORT ON
“FACTORS BEHIND EXITING FROM THE BANGLADESH PHARMACEUTICAL
INDUSTRY AND CLOSING DOWN THE PHARMA BUSINESS UNIT OF
GLAXOSMITHKLINE BANGLADESH LTD”

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LETTER OF SUBMISSION

December 15, 2018

Mr. N.M. Baki Billah

Lecturer, BRAC Business School

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Subject: Submission of Internship Report

Dear Sir,

This is my great honor to submit the internship report that I have prepared for the last 3 months at GlaxoSmithKline Limited Bangladesh, under finance and marketing department. The title of the report is **“Factors behind exiting from the Bangladesh Pharmaceutical Industry and closing down the Pharma Businesses Unit of GlaxoSmithKline Bangladesh Ltd”**. The report is the outcome of successful completion of my internship program at the GSK Bangladesh Ltd. In my report, I have tried to identify the factors behind the closing down of GSK Bangladesh pharma business, industry aspects, and the process of closing down their business as a multinational drug manufacturer and tried to analyze its implication on the pharmaceutical industry and GSK as well.

I would like to articulate my gratitude for your excellent guidance in preparing the report. It would be a great achievement for me if you find this report informative enough to fulfill the requirements.

I am grateful to you.

Sincerely Yours,

.....

Md. Saiful Islam

ID: 16104124

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BRAC University

LETTER OF ENDORSEMENT

This Internship Report titled as “**Factors behind exiting from the Bangladesh Pharmaceutical Industry and closing down the Pharmaceutical Businesses Unit of GlaxoSmithKline Bangladesh Ltd**” has been submitted to the BRAC Business School, for the partial fulfillment of the requirements of Bachelor of Business Administration, Major in Finance and Minor in Marketing from BRAC University by Md Saiful Islam, ID: 16104124. The report has been accepted and may be presented to the Internship Defense Committee for evaluation.

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ACKNOWLEDGMENT

I would like to start with expressing my deepest gratitude to the Almighty who had allowed and help me to perform this research paper. Next, I would like to recognize with gratefulness our parents who have provided us with unconditional support and inspiration throughout this course of time.

I would like to express my deepest appreciation to all those who provided me with the opportunity to complete this report. The accomplishment and completion of this report would not have been viable without the contribution of some accommodative people, who gave their valuable time from their busy schedule to guide me in preparing this paper. I wish to extend my heartfelt gratitude to all those who contribute directly or indirectly to the completion of report.

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Furthermore, I would like to acknowledge with much appreciation to my supervisor Mr. Mredul Kanti Barua, Commercial Excellence Executive of GSK Bangladesh, Md Khalid Hossain, Head of Regulatory Affairs of GSK Bangladesh and Ms. Tahera Hossain, Vaccine Manager of GSK Bangladesh for their intimate and tremendous support and cooperation in preparing this report.

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EXECUTIVE SUMMARY

The pharmaceutical industry in Bangladesh has been increasing in recent years and currently, the market stands at 142 billion BDT. Demand for good quality drugs is on the rise and the local market demand will reach BD 160 billion BDT by 2018. Bangladesh pharmaceutical companies supply generic products and can charge premiums for their products. The top 10 companies have about 67% of the market. It is very complicated to enter this sector due to a high investment.

GlaxoSmithKline Bangladesh Ltd is one of the renowned pharmaceutical company, listed on the Dhaka Stock Exchange, and has been successful in the stock market. The company has a very high dividend payment rate that primarily attracts the company's shareholders. The profitability of this company declined from 2016 to 2017. The company has a very low current ratio that could pose a threat to it. Therefore, the company should focus more on this problem and should be careful to monitor the debts. Although, after comparing the financial report with other pharmaceuticals found that GSK had a good financial performance because of the performance of their consumer health sector. On the other hand, sales of the pharmaceutical unit are shrinking as they could not cope up with the rivals and failure to match the current market demand leads to a decrease in sales. Therefore, that may lead their pharmaceutical business unsustainable. The pharmaceutical unit is incurring losses for the last three years consecutively. Hence, the GSK shareholders and board of directors decide to close the pharmaceutical business unit and continue their operation in Bangladesh with consumer healthcare business, which is profitable.

Therefore, the aims are to identify the factors that influence GSK Bangladesh Ltd. to close down its pharmaceutical business unit in Bangladesh although the industry is growing at 15% more than GDP growth rate of the country. It also focuses on the processes that need to give attention as a multinational pharmaceutical company while existing from Bangladeshi market.

LIST OF ABBREVIATIONS

API	Active Pharmaceutical Ingredient
CTI	Center for Trade and Investment
DGDA	Directorate General of Drug Administration
DMO	District Marketing Office
EPI	Expanded Program on Immunization
FDA	Food and Drug Administration
FGD	Focus Group Discussion
GAVI	Global Alliance for Vaccines and Immunization
GMP	Good Manufacturing Practice
IMS	Intercontinental Marketing Services
NDP	National Drug Policy
R&D	Research and Development
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UNICEF	United Nations Children’s Fund
USAID	United States Agency for International Development
WHO	World Health Organization
WTO	World Trade Organization

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CHAPTER 1: ORGANIZATIONAL OVERVIEW

1.1 INTRODUCTION

As of 2018, GlaxoSmithKline plc, a British pharmaceutical company is the world's ninth best pharmaceutical company after Gilead, Novartis, Merck, Sanofi, and Johnson & Johnson on the basis of 7 criteria including revenue, growth, R&D investment, and others (Luca, 2018). It is estimated that the global pharmaceutical market is USD 1.11 trillion in the year 2017 and expected to reach USD 1.43 trillion by the year 2020. GSK pharmaceutical business has an encyclopedic portfolio of innovative and established medicines and holds up leading market position in respiratory disease and HIV. Almost 80% of their research spending is focusing on two current therapy areas: respiratory and HIV infectious diseases and two potential areas: oncology and immuno-inflammation. Although the global pharmaceuticals market is stupendous, the company's main priority market is the US for growth along with emerging markets and Asia Pacific regions. The main strategy of the company is to research and produce innovative, high quality and needed medicines and making these as accessible as possible to countries at all levels of income and development. In order to the implementation of their strategy, the company is focusing on to create a strong differentiated product pipeline such as in HIV and respiratory area. Over the 40 years, the company has been a leader in respiratory disease in the global pharmaceutical market.

The HIV business of the company is managed through ViiV health care, a global specialist company in HIV that is majority own by GlaxoSmithKline with other leading pharmaceutical companies Pfizer and Shionogi as shareholders. Along with the HIV and respiratory, the company also building a portfolio of other innovative pharmaceutical products for the treatment of conditions such as lupus, urology, and anti-infectives. Following a number of merger and acquisition GSK Bangladesh operating almost 7 decades in Bangladesh pharmaceutical industry. A subsidy of GSK plc, GSK Bangladesh limited started its business in 2002. Manufacturing and marketing of pharmaceutical products, vaccines, consumer healthcare products, nutrition, and oral healthcare products remain the main activities of the GSK Bangladesh Limited. In Bangladesh, the company's pharmaceutical business include inhaled respiratory medicines such as Seretide and allergic rhinitis medication brands for example Avamys. However, the vaccines of this company provide a whole range of disease prevention for both infants and adults in Bangladesh. In addition

to that, the company has the highest market in dermatology, which is dominated by flagship brands such as Betnovate-N and cosmeceuticals brands like Acne-Aid and Physiogel.

1.2 HISTORY OF GSK

GlaxoSmithKline (GSK) has formed by the merger of two companies- Glaxo Wellcome and SmithKline Beecham in 2000. The origin of both of these companies is in USA and United Kingdom. Some history and milestone of GSK has given below-

Year	History
1715	Plough Court pharmacy is established, the forerunner of Allen and Hanburys, in London by Silvanus Bevan. The A&H name continues today.
1830	1830 John K Smith opens his first drugstore in Philadelphia. John's younger brother, George, joins him in 1841 to form John K Smith & Co.
1842	Thomas Beecham launches the Beecham's Pills business in England. One of Beecham's first products, a laxative made from aloe, ginger, and soap, became very successful.
1865	Together Smith and Kline acquired numerous companies, like a vaccines business and, most notably, French Richards and Company, another well-respected drug wholesaler.
1880	1880 Burroughs Wellcome & Company is established in London by American pharmacists Henry Wellcome and Silas Burroughs, four years after Joseph Nathan opened a London office
1891	Smith, Kline, and Company acquire French, Richards and Company. The original company that John K Smith founded. Probably the most important was the company's absorption in of French, Richards and Company, another respected drug wholesaler
1963	Betnovate was launched. Betnovate was the first of Glaxo's range of steroid skin disease treatments. In the mid-1960s, Smith Kline & French also acquired RIT (Recherché et Industrie Therapeutics), a vaccines business.
1995	Glaxo acquired 100% share, of Wellcome PLC on May 01, 1995 and formed Glaxo Wellcome PLC.
1995	Glaxo Wellcome attained a number of regulatory milestones for several of its key projects, such as ZEFFIX for the treatment of influenza.
2000	Glaxo Wellcome and SmithKline Beecham merged to form GlaxoSmithKline;

Figure 1. 1 History of GSK

1.3 PURPOSE, GOAL, AND STRATEGY

Purpose

Improve the quality of human life by enabling people to do more, feel better and live longer.

Goal

To be one of the world’s most innovative, best performing and trusted healthcare companies.

Strategy

Bring differentiated, high quality and needed healthcare products to as many people as possible, with three global businesses, scientific and technical know-how, and talented people.

1.4 CORPORATE GOVERNANCE STRUCTURE

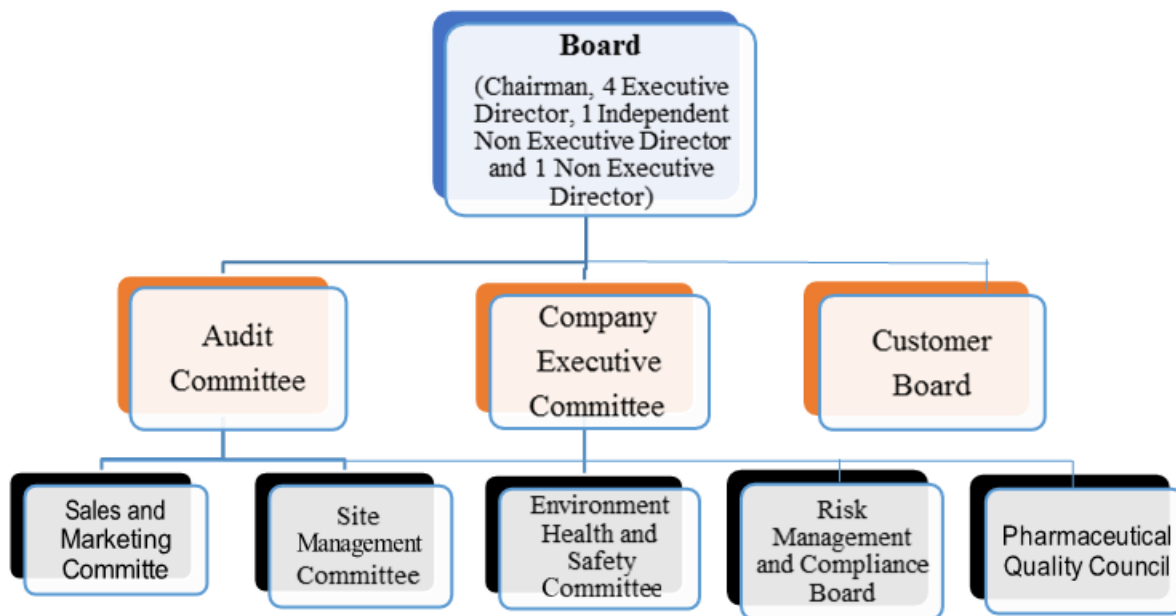


Figure 1. 2 Corporate Governance Structure

1.5 FUNCTIONAL DEPARTMENT OF GSK

GlaxoSmithKline Bangladesh Limited has 6 major functional departments. They are-

- Sales Department
- Marketing Department
- Finance and Accounts Department

- IT Department
- Human Resource Department

1.6 GLAXOSMITHKLINE OPERATION IN BANGLADESH

To reach the maximum number of outlets for achieving business growth, GSK maintains a distribution process. For gaining maximum service coverage GSK Bangladesh Ltd is working relentlessly. So that they have established 12 District Marketing Offices (DMO) throughout the whole country and those are divided by 5 zones, where GSK products are sold and maintained.

District Marketing Offices (DMO)

Zone	DMO
Dhaka	Dhaka, Mymensingh
Chittagong	Chittagong, Maijdee
Comilla	Comilla, Sylhet
Bogra	Bogra, Rajshahi, Rangpur
Khulna	Khulna, Jessore
Barishal	Barisal

Distribution Channel

Zuellig Pharma: Zuellig pharma is the distributor for pharmaceutical products of GSK.

Mutual Food: The responsivity of mutual food is making GSK consumer healthcare product available all over the country. They are the mother distributor of GSK consumer healthcare business.

1.7 GSK PRODUCTS IN BANGLADESH

For Bangladesh, GSK offers pharmaceutical and consumer healthcare products. But here, the consumer healthcare business is achieving higher growth and response from customers than the pharmaceutical business. Since, in Bangladesh, the domination of local companies is higher than multinational pharmaceutical companies because they can offer products at a comparatively lower price for lower operational cost. On the other hand, GSK has some well-

renowned consumer healthcare brands like Horlicks, Boost, and Sensodyne etc. Which have a huge demand in sub-continent.

Pharmaceutical: GSK has some pharmaceutical items including antibiotic, antidepressant, and gastrointestinal, cardiovascular prescriptions. Some popular pharmaceutical products of GSK in sub-continent are Augmentin, Ceftum, Calpol, Phexin, Betnesol, Eltroxin Zinetac, Neosporin and Cetzine. Vaccines like Vaccines like Havrix, Varilrix, Rotarix, Hiberix, and Cervarix are also famous in sub-continent, especially in India.

Consumer Healthcare Products: GSK has a moderate range of consumer healthcare product in Bangladesh. Though they have a few brands in their healthcare business, the brands are very powerful and customer attachment is identical with those brands. For example, in HFD, 93% market share gained by Horlicks. They have three categories of products in the consumer healthcare business. They are-

1. Health Food Drink (HFD)
2. Instant Power Drink (IPD)
3. Oral Healthcare (OHC)

CHAPTER 2: INTRODUCTION TO THE STUDY

2.1 ORIGIN OF THE STUDY

The BRAC Business School internship program is a postgraduate requirement for BBA students. This study is a partial requirement of the BBA curriculum internship program at the BRAC University. The main objective of this internship is to ensure that the student is exposed to the world of work. In addition, have many purposes for the internship program like

- To identify the job responsibility of the organization
- To achieve knowledge of the real world
- To comparing the lessons in BRAC Business School with the real business environment
- To meet of the BBA program

2.2 BACKGROUND OF THE STUDY

There pharmaceutical market of Bangladesh is a 2000 billion dollar market and the domestic market for pharmaceutical products has an upward trend over the past few years according to the Bangladesh Association of Pharmaceutical Industries (BAPI) (Mahmud, 2018). A new research found that, the pharmaceutical sector in Bangladesh could grow at 15 percent over the next five years on the expanded domestic market as well as on new export frontiers (Islam, Rahman, & Al-Mahmood, 2018). There are about 234 companies in this sector and the approximate total size of the market is about 30,000 million BDT a year, of which local companies create about 97% of the total medicines and the remaining 3% is imported (Mahmud, 2018). The imported medicines mainly include anticancer drugs, vaccines against viral diseases, hormones, etc.

Indeed, the true growth of local pharmaceutical industries began after the promulgation of the "Drug Control Act" in 1982 in Bangladesh to limit the massive import of drugs and encourage local drug production. Many multinational companies (multinationals) were dissatisfied with this development.

In Bangladesh, the pharmaceutical sector is now one of the fastest growing sectors. In 2004, the total size of the pharmaceutical market in Bangladesh was Tk. 28.416 million. With an annual growth rate of around 10%, the industry is now moving towards self-sufficiency to meet local demand. The Bangladeshi pharmaceutical industry is the second largest contributor to the national

treasure after garments and is the largest sector of intensive employment of white-collar workers in the country (Jalil, Analysis of Skill Levels in the Pharmaceutical Sector of Bangladesh, 2017).

There are about 450 generics registered in Bangladesh. Of these 450 generics, 117 are in the controlled category, that is, in the list of essential drugs. The remaining 333 generics are in the uncontrolled category. It is estimated that the total number of brands/items registered in Bangladesh is 5,300, while the total number of dosage forms and strengths is 8,300. Mainly domestic producers dominate the pharmaceutical industry in Bangladesh. On the total pharmaceutical market in Bangladesh, local companies have a market share of around 87%, while the multinationals have a market share of 10% rest of the 3% imported. Of the top ten pharmaceutical companies in Bangladesh, eight are local pharmaceutical companies, while only two are multinationals. The two main domestic producers, namely Square and BEXIMCO Pharmaceuticals, hold a combined market share of around 29% of the country's total pharmaceutical market.

Indeed the pharmaceutical industry in Bangladesh has experienced double-digit growth since the beginning of the decade, driven by a large consumer base, improved health consideration and a supportive regulatory framework. Further, the growth of the sector accelerated by two viable policies. One was the 1982 Drug Control Ordinance, which restricted the sale of imported pharmaceutical products in the country by foreign companies. The other was the relaxation of the Trade Agreement of the World Trade Organization on Trade-related Aspects of Intellectual Property Rights (TRIPS), which allowed Bangladesh to reverse generic drugs patented. The TRIPS relaxation extended to 2032 for the least developed countries (EBLSL, 2017).

This report thus tries to ascertain the factors that restrict the multinational pharmaceutical company's growth and sustainability and encourage them to exit from the Bangladeshi market by explaining those factors in the light of GSK Bangladesh Ltd.

2.3 IMPORTANCE OF THE STUDY

The pharmaceutical industry is one of the fastest growing sectors in Bangladesh and has a great impact on our national economy. Many initiatives have been taken by the government to develop this sector such as the Drug Ordinance Act 1982 that influence the rapid development of manufacturing capability of domestic firm. And no MNC's have position in the top ten companies according to their market share. The recent news about the closing decision of GSK Bangladesh Pharmaceutical unit creates a shocked in the industry as they quoted it "Unsustainable" (Correspondent, 2018). Though the global operation of GSK indicate that the company is among

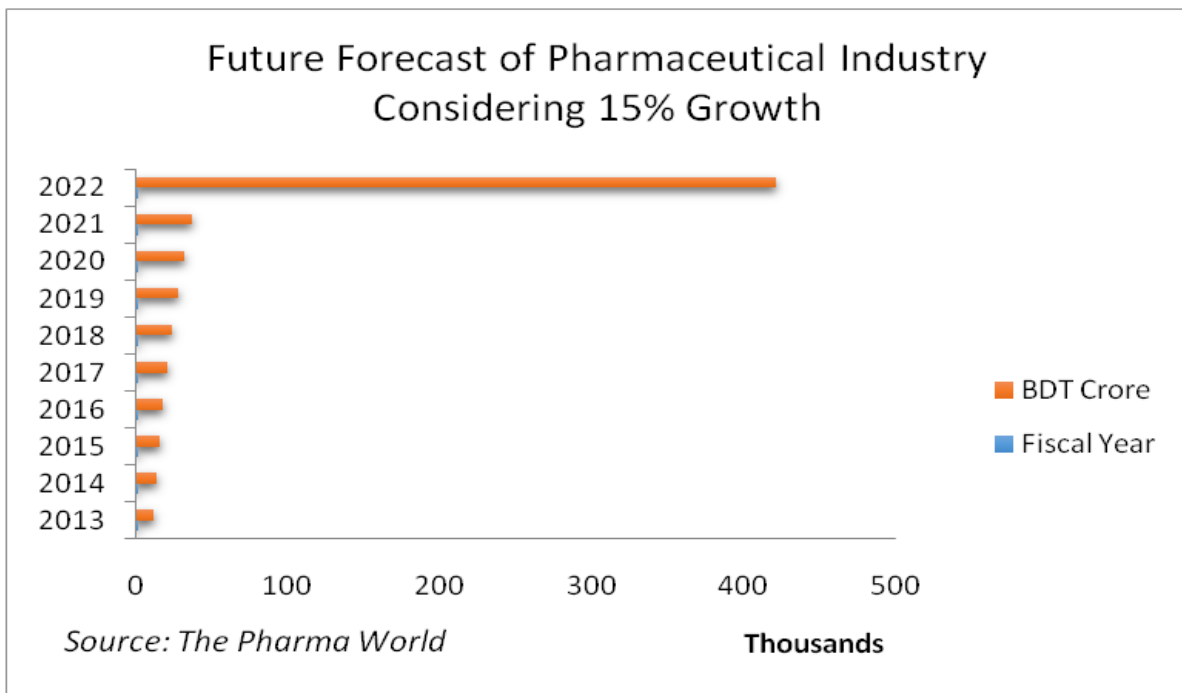


Figure 2. 1 Future Forecast of Pharmaceutical Industry

the top ten pharmaceutical companies in the world, they are not performing well in the Bangladeshi market. The company brings new products based on their research, however, in Bangladesh, the domestic pharmaceutical companies produce generic medicines (Habib, 2018).

Moreover, all the GSK's medicine is substitutable with generic medicine. On the other, the global product pipeline of GSK has a tremendous demand in the USA and European region but those products are not available in Bangladesh. However, the company believes that those products are not suitable for the Bangladeshi market. As a result, the company's last three years sales have been decreased, resulting in a huge loss on companies overall earnings. As we know that we have a very

vibrant and promising pharmaceutical industry that has huge growth prospects in the future, why GSK choose to exit from Bangladesh is remaining into a question mark. This paper tries to investigate those areas and identify the problems and challenges that GSK face while operating in Bangladesh. Why they could not survive in the market is a question for other MNCs who wants to enter into the Bangladesh pharmaceutical industry.

2.4 LIMITATION OF THE STUDY

This report faces several limitations:

- Time was not adequate to complete the study more perfectly.
- Another important limitation was "the inaccessibility in many sections of the organization".
- This report also suffered from inadequate secondary information.
- The results may not be generalized to the GSK as a whole.
- Records, publications, facts, and figures are not available. These restrictions have reduced the purpose of the actual analysis.
- Some useful information cannot be expressed in this report for reasons of confidentiality.

2.5 OBJECTIVES OF THE REPORT

The objective of the report can be classified into two forms:

- General Objective
- Specific Objective

GENERAL OBJECTIVE

This paper is mainly prepared to meet the Bachelor of Business Administration degree requirement under the supervision of BRAC Business School, BRAC University.

SPECIFIC OBJECTIVE

Considering the importance of pharmaceutical sector on the economy of Bangladesh, the present study aims to assess the risk factors of the pharmaceutical industry of the multinational companies operates in Bangladesh and for the foreign firms aim to enter in the Bangladeshi pharmaceutical industry. The specific objectives of the study are as follows:

- To give an overview of the pharmaceutical industry
- To give an overview of GSK Bangladesh Ltd.

- To identify the pharmaceutical trend and growth
- Identifying the current marketing practices by the pharmaceutical companies
- Assess the risk factors for the multinational pharmaceutical companies in Bangladesh
- To make a recommendation for the pharmaceutical MNC's operation in Bangladesh in order to remain competitive in term of market share.
- Critically investigate the GSK Bangladesh issue and find out the factors through deeply analyzing the pharmaceutical industry.

CHAPTER 3: METHODOLOGY OF THE STUDY

3.1 RESEARCH PROCESS

The research approach in this study involves the use of qualitative methods. For a deeper understanding of the factors or the risks for the multinational pharmaceuticals companies in the pharmaceutical industry, qualitative methods including pilot interviews, pharmacy visits, focus group discussion (FGD), in-depth interviews, and group meetings were applied. In the following, the research process is outlined.

Step 1: Proposal presentation to the internship supervisor and faculty advisor

Step 2: Review of literature and preparing an interview schedule

Step 3: Conducting interviews with managerial level employees

Step 4: Visiting Dhaka DMO (Distribution Marketing Office) and discussion with the quality control manager.

Step 5: Conducting an in-depth interview with the internship supervisor

Step 6: Transcriptions and data analysis

Step 7: Conducting in-depth interview for validation of findings

Step 8: Preparation of final report

The study based on using primary and secondary data resources where Primary data collected by observing interviewing and discussing with employees and managers of GlaxoSmithKline Bangladesh Ltd. On the other hand, all the Secondary data collected from the Organization employee handbook, website, relevant books, and journals.

CHAPTER 4: LITERATURE REVIEW

The recent article that published in The Financial Express about the closing down of GSK's pharmaceuticals business after six decades as the management of GSK Bangladesh announced their closing of Pharmaceutical Business recently citing commercially unsustainable (Correspondence, 2018). The company believes that failure to match the Bangladesh market is the main reason behind the closing down their business. However, the factory employees believe that still there is a possibility to return on profit (Palmer, 2018). According to the Dhaka Tribune, after a board meeting, the management announced that they will close down the commercially unsustainable Bangladesh pharmaceutical operations but its main consumer healthcare products will stay in the market. This closing decision of GSK concerned other MNC pharmaceutical companies in Bangladesh as their market share is shrinking by the strong local pharmaceutical manufacturers. Many industry experts point out that the National Drug Policy objectives to protect the domestic firm, the ethical marketing practices of the pharmaceutical product and various import restrictions on foreign pharmaceutical companies lead loss in market share in Bangladesh Pharmaceutical Sector by foreign companies (Jalil, Analysis Skill Levels of in the Pharmaceutical Sector of Bangladesh, 2017) .

According to The Daily Star, GSK Bangladesh Chairman, Mr. M Azizul Huq mentions that the companies try to fill the portfolio gap but they could not do it as the global product pipeline of GSK does not match to the Bangladesh market (Rahman, 2018). Moreover, most of the products of GSK Bangladesh is substitutes by the local manufacturer's products and hence they do not have any unique product in Bangladesh. Therefore, the pharmaceutical unit of GSK Bangladesh is incurring losses during the last three years. However, the consumer healthcare unit that produces Horlicks, Glaxose D, and Sensodyne toothpaste remains in operation as its profit growth is increasing. To boost profits the Shareholders of GSK Bangladesh has taken the decision to close pharma unit and continue their business with consumer healthcare products in Bangladesh. A company that started operation in Bangladesh 60 years ago, the sudden close down has shocked the industry, the relevant study regarding this case is not available through the importance of research, and study about our pharmaceutical industry is undeniable.

However, the argument of unsustainable market comes as a surprise as Bangladesh is known to be an emerging market for drug producer with its 160 million populations, increasing purchasing power, a shift of diseases from acute to chronic, and rising aging population (Correspondent, 2018)

This above information suggests that, there is a gap in the market, a huge difference between the local and MNC pharmaceutical companies in terms of profitability and sustainability.

CHAPTER 5: ANALYSIS AND INTERPRETATION

5A INDUSTRY ANALYSIS

5.1 SPECIFICATION OF THE INDUSTRY

We can classify Bangladesh pharmaceutical industry into two categories,

1. **Patent**
2. **Generic**

Patent: Patent medicines are innovated by the companies who patent the formula of particular drugs and keep the rights of manufacturing those drugs. Patent holder drug companies enjoy the monopoly price in the drug market. However, after the years of business, the formulation sold in the market so that others can go into mass production. In Bangladesh, 20% of drugs are patent category medicines.

Generic: Generic medicines are the products manufactured on a mass scale. Many companies under different names manufacture these types of medicines, where the formulation of this product is almost the same. Over the past 20 years, generic drug production in Bangladesh has grown thirtyfold. Bangladesh is allowed to copy drugs that already on the market without having to pay costly fees to the patent holders. It is a concession given to the country by the WTO due to its least developed country status. Bangladesh now imports 3% of the drugs it needs far less than many other countries such as Pakistan imports 30% of its medicines, Vietnam 60%, and Singapore 80%. The government have imposed price caps on all medicines so that ordinary people can afford them and the plan now is to capture 10% of the global generic drug market within the next seven years a goal Bangladesh is well on the way to achieving.

5.2 REGULATORY BODY

Two regulatory bodies regulate the pharmaceutical industry in Bangladesh.

DIRECTORATE GENERAL OF DRUG ADMINISTRATION

Bangladesh's "Directorate General for Drug Administration (DGDA) Drug Regulatory Authority" operates under the Ministry of Health and Family Welfare of the Government of the People's Republic of Bangladesh. DGDA established in 1976 as an attached department under the Ministry of Health and Population control (EBLSL, 2017). The Directorate-General of the Drug Administration upgraded to a separate division on 17 January 2010. DGDA supervises and implements drug regulations and regulates the import, export, raw and packaging material procurement, sale and pricing of all types of medicines including allopathic, ayurvedic, unani, herbal and homeopathic medicines. DGDA also acts as the Medicines Licensing Authority for the issuance of licenses for the manufacture, storage, sale, import and export of medicines and drugs. DGDA has 55 District Offices in the country. At present, DGDA controls the price of 117 generic drugs in the prescribed form of dosage. The production of 1700 non - essential or harmful drugs has also been restricted.

DGDA has a number of committees to carry out the various DGDA functions. The following committees are:

- Drug Advisory Committee
- Drug Appellate Authority
- Drug Control Committee
- Drug Technical Sub- Committee Drug Pricing Committee
- Drug Pricing Technical Sub- Committee
- Manufacturing Project Evaluation Committee
- Standing Committee for Import
- Herbal Drug Advisory Committee
- Adverse Drug Reaction Advisory Committee

The following laws guide DGDA's activities.

1. The Drug Act 1940
2. The Drug Rules 1945 and their amendments

3. The Drug Rules 1946 and their amendments
4. The Drug (Control) Ordinance 1982 and its amendments
5. The Drug (Control) Ordinance Amendment Act 2006
6. National Drug Policy 2016

THE PHARMACY COUNCIL OF BANGLADESH

The Bangladesh Pharmacy Council (PCB) is a self - governing organization under the Government's Ministry of Health and Family Welfare. It was set up under the 1976 Pharmacy Ordinance. The main objective of the Bangladesh Pharmacy Council is to regulate the practice of pharmacy in Bangladesh. The main objective of the Bangladesh Pharmacy Council is to regulate the practice of pharmacy in Bangladesh. The Bangladesh Pharmacy Council is set up with the aim of ensuring the highest quality standards required for pharmacy training and practice in various academies (EBLSL, 2017).

KEY POINTS OF NATIONAL DRUG POLICY OF 1982

In 1982, the inception of NDP most of the multinationals sold their businesses to local pharmacists. This has stimulated the evolution of local pharmaceutical sectors. According to the website of the Directorate General of Drug Administration (DGDA), the value of the locally produced drug was 175 million rupees in 1981, which increased to 325 million rupees in 1985.

- Provide administrative and legislative support to ensure the quality of essential drugs that are relevant to national health needs
- Reduce the price of drugs, ensuring the lowest competitive price.
- Eliminate non-essential medicines from the market.
- Promote the production of drugs and local raw materials.
- Develop an appropriate drug monitoring and information system to prevent the misuse of waste and ensure the correct use of drugs.
- To guarantee GMP and qualified pharmacist in manufacturing companies

Most of the multinationals sold their businesses to local pharmacists since the 1982 NDP implemented; this has stimulated the evolution of local pharmaceutical sectors. According to the website of the Directorate General of Drug Administration (DGDA), the value of the locally produced drug was 175 million rupees in 1981, which increased to 325 million rupees in 1985.

5.3 OVERVIEW OF THE BANGLADESH PHARMACEUTICAL INDUSTRY

According to the Bangladesh Pharmaceutical Industries Association (BAPI) and the Drug Administration Directorate-General (DGDA), approximately 257 licensed pharmaceutical manufacturers function in Bangladesh and approximately 150 are functional. These manufacturers meet roughly 97 percent of local demand. Specialized products such as vaccines, anti-cancer products, and hormone medicines are imported to fulfill the remaining 3% of demand. 80% of Bangladesh's drugs are generic drugs, while the rest 20% of drugs are patented (EBLSL, 2017).

According to the Bangladesh Statistics Bureau, the industry contributed 1.85% of the GDP in 2016-17. Bangladesh's pharmaceutical industry largely protected from external competition, as there is a restriction on imports of similar drugs produced locally. It is the second largest contributor to national exchange rates. At the same time, the industry provides the largest intensive employment for white collars.

<p>Allopathic Manufacturer: 257 Registered Drugs: 28,508 Total Generic: 3,534 Retail Pharmacy: 107,446</p>
<p>Homeopathic Manufacturer: 42 Registered Drugs: 2,313 Retail Pharmacy: 2,152</p>
<p>Unani Manufacturer: 272 Total Registered Drugs: 5,771 Retail Pharmacy: 642</p>
<p>Ayurvedic Manufacturer: 201 Registered Drugs: 3,899 Retail Pharmacy: 367</p>
<p>Harbal Manufacturer: 451 Manufacturer: 32 Retail Pharmacy: 10</p>
<p><i>Source: Directorate General Of Drug Administration</i></p>

5.4 KEY DRIVERS FOR GROWTH OF PHARMACEUTICALS COMPANY IN BANGLADESH

Economic Growth:

According to the Bangladesh Bureau of Statistics, Bangladesh has achieved a GDP growth rate of 7.11% and 7.28% in the year 2015-2016 and 2016-2017 respectively. In 2017-2018 government, targeted GDP growth rate is 7.4%. Moreover, the World Bank forecast that Bangladesh would achieve a GDP growth rate of 6.7% and 7.05 for the year 2018 and 2019. Bangladesh has targeted to become Higher Middle Income Group and Higher Income Group by 2021 and 2041 respectively. Per capita income will rise, as GDP growth rate is higher than the population growth

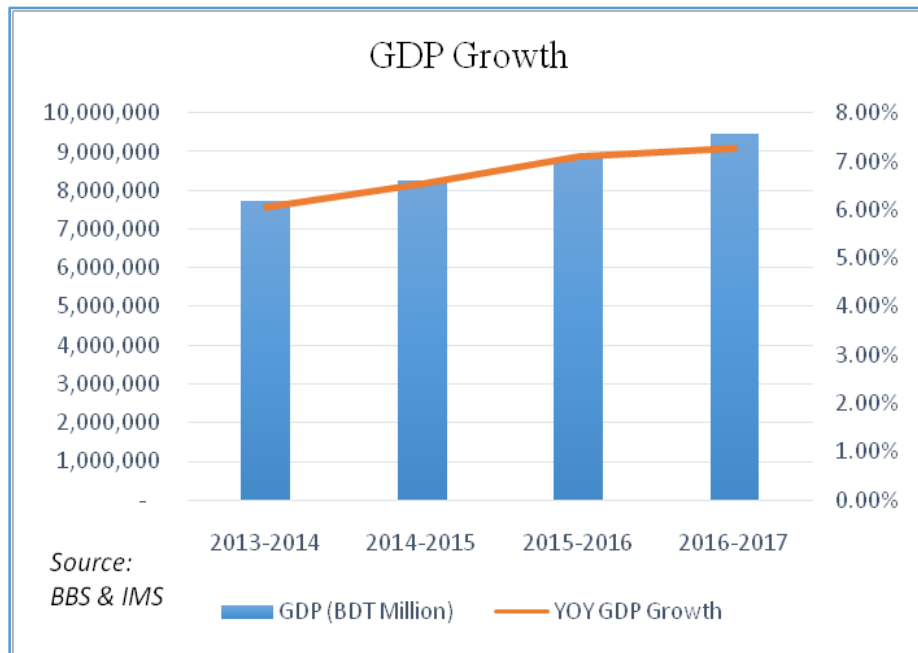


Figure 5. 1 GDP Growth

rate. As a result, there will be an increase in health expenditure by both individual and government (LRGlobal, 2017).

This will influence the pharmaceutical industry to grow further into achieving sustainably. Moreover, the government of Bangladesh has announced the pharmaceuticals product of the year that shows that the government is supporting the industry with a goal to capture the market share of global generic drug market by increasing export to different countries.

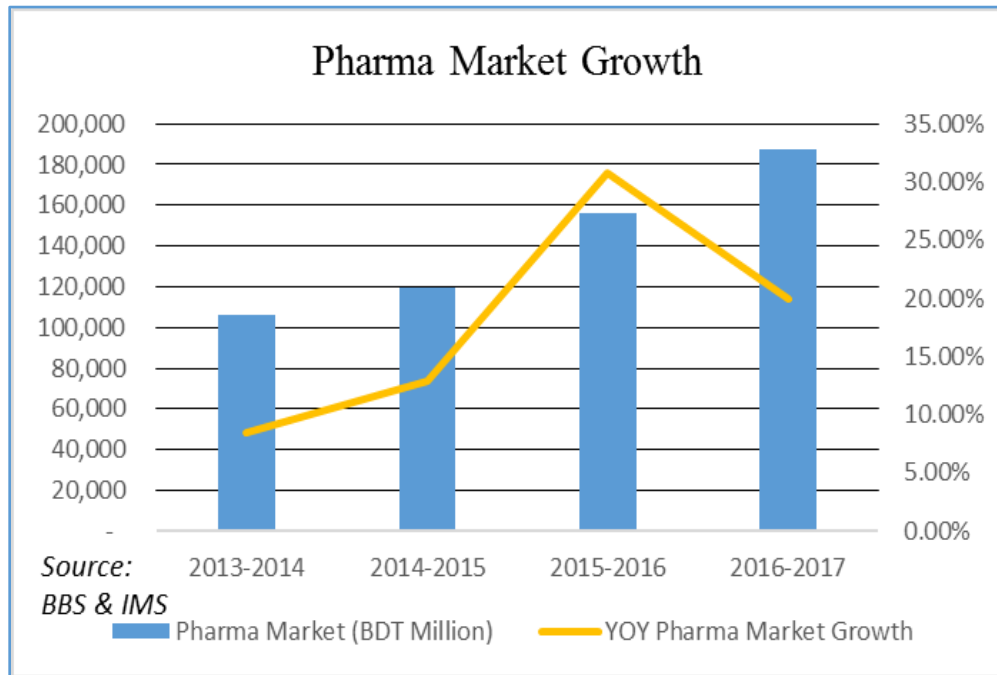


Figure 5. 2 Pharma Market Growth Rate

Population Growth Rate:

According to the World Bank, we found that the Average Population Growth Rate of Bangladesh is 1.1% annually from 2008 to 2017. In terms of population density, Bangladesh is ranked 13th in the world with 166 million people. Hence, this will influence the growth of the pharmaceutical sector of Bangladesh.

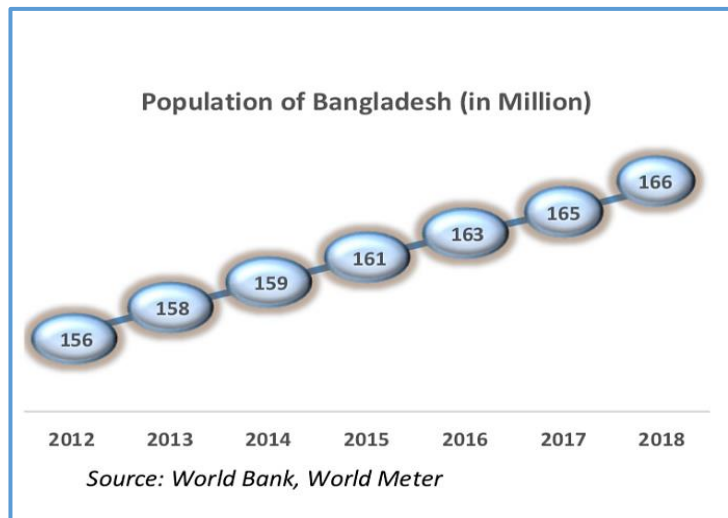


Figure 5. 3 Population Growth

Growing Income Level of the People:

People have more money as their income level is increasing. Estimation of BBS shows that average income has grown by 9.4% from 2015-2016 to 2016 -2017. Thus, people can save more money to manage their health expenditure (LRGlobal, 2017).

Increase in Modern Healthcare Facility:

Most of the medical and pharmaceutical companies are adopting modern technology and equipment plan. Therefore, it will largely bring a positive impact on the growth of the pharmaceutical; sector in Bangladesh.

Health Awareness of Mass People:

As the purchasing power of the people is increasing, people are becoming more health conscious. Increased health awareness will lead to the growth of the pharmaceutical sector.

Changing Life Style:

Due to the digitalization of the country, the lifestyle of urban and rural people is rapidly changing. Most the people lack proper nutrition and rest. At the same time, they are becoming a habitat to adulterate food and face lifestyle diseases. Thus, they have to rely on the advice of the physician regularly and medicine heavily.

High Life Expectancy:

In the year 2002, life expectancy at birth in Bangladesh was only 66.4 years, however in 2015 life expectancy at birth is 72.2 years. Life expectancy in Bangladesh has significantly changed due to the improvement in the health and increase in health expenditure. People use to go for a consultation with physicians regularly and take various medicines advised prescription by the doctors.

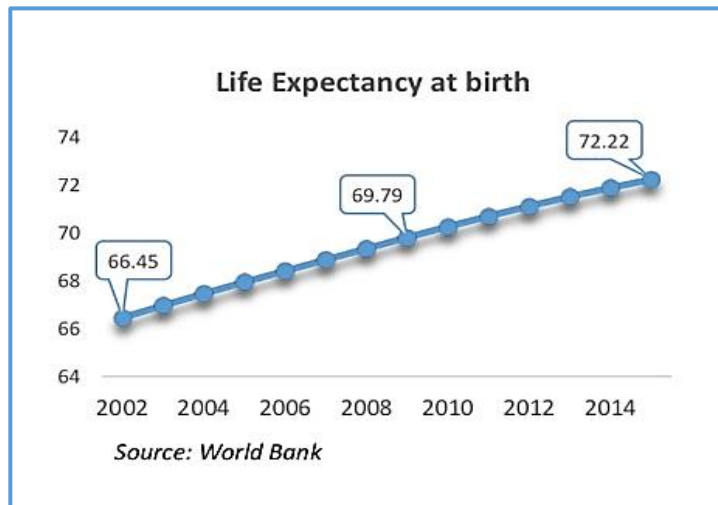


Figure 5. 4 Life Expectancy at Birth

5.5 COMPETITIVE STRUCTURE OF PHARMACEUTICAL INDUSTRY

The threat of new entrants: Low

A company that wishes to enter in a pharmaceuticals industry requires huge capital expenditure and regulatory permission from the drug authority; which creates a significant barrier to enter the industry. Furthermore, customer's loyalty to the drugs of established brands, access to distribution channel creates a further barrier. This causes a threat of new entrants in the industry significantly low. The key factors are –

- High brand development cost
- Unable to achieve economies of scale
- Customer acceptance risks
- Risk of the strong distribution network
- The risk to market capture

The threat of substitute product: High

The retail consumer of pharmaceuticals product often switches from one brand to another. There are many substitute brands of a single medicine. If the consumer does not find one brand, he switches to another brand very quickly. Thus, the threat of substitute product is very high.

The bargaining power of buyers: Very Low

The government strictly maintains the retail price of lifesaving drugs. Pharma companies are free to set up the price of other drugs. The patient typically depends on the prescription provided by physicians. Thus, they have no choice to take alternative medicine. Furthermore, the buyers are not concentrated and thus possess low bargaining power.

The bargaining power of the supplier: High

Currently, Bangladesh imports 99.5% of raw materials of the pharmaceuticals industry; mainly from China and India. Bangladesh can also import API from a European supplier. However, it will incur more cost if Bangladesh imports raw material from a European supplier. The concentration of the supplier and high switching cost creates high bargaining power of the supplier. However, commercial operation of API Park in Munshiganj will certainly decrease import dependency for

raw material. Hence, the bargaining power of the supplier would decrease in near future. The other reasons for which the suppliers bargaining power is high are –

- Concentrated buyer
- Low buyer switching cost
- Price sensitiveness of buyer
- Undifferentiated Products

Rivalry among the existing competitors: High

The pharmaceuticals market is highly concentrated. Top 20 players dominate the major portion of the market. Every company has the same medicine in different brands. The companies are competing with each other fiercely in order to grab market share.

5.6 MARKET POSITION OF DIFFERENT COMPANIES

According to the IMS health Report 2017, top 15 local companies hold 80% of the market share whereas top multinational companies hold only 9% and rest 11% market share held by others. Hence, it can be said that the Pharmaceutical companies in Bangladesh usually supply generic

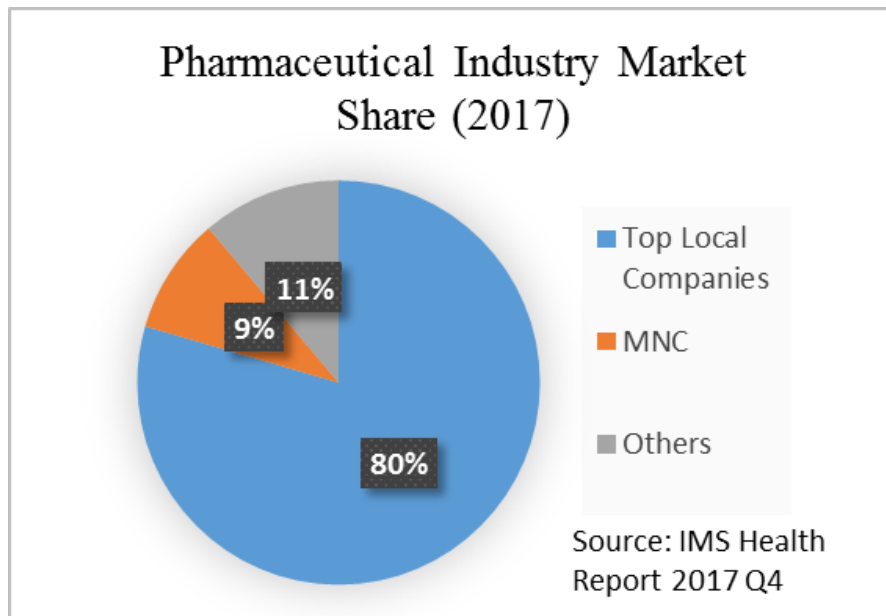


Figure 5. 5 Pharmaceutical Industry Market Share (2017)

branded products that enable established brands to charge premium prices for their products. Therefore, top six domestic companies along secured 51.2% market share. Interestingly, top 8

MNC's hold only 9.34% of market share makes them lower than the Square Pharma's market share which is 17.3% in 2017, according to the IMS Health Report 2017.

This creates a large gap between local and foreign companies in terms of market share. Furthermore, this gap adversely affects the market attractiveness for the foreign pharmaceutical companies as the existing foreign firms are struggling to secure a profitable market share. There

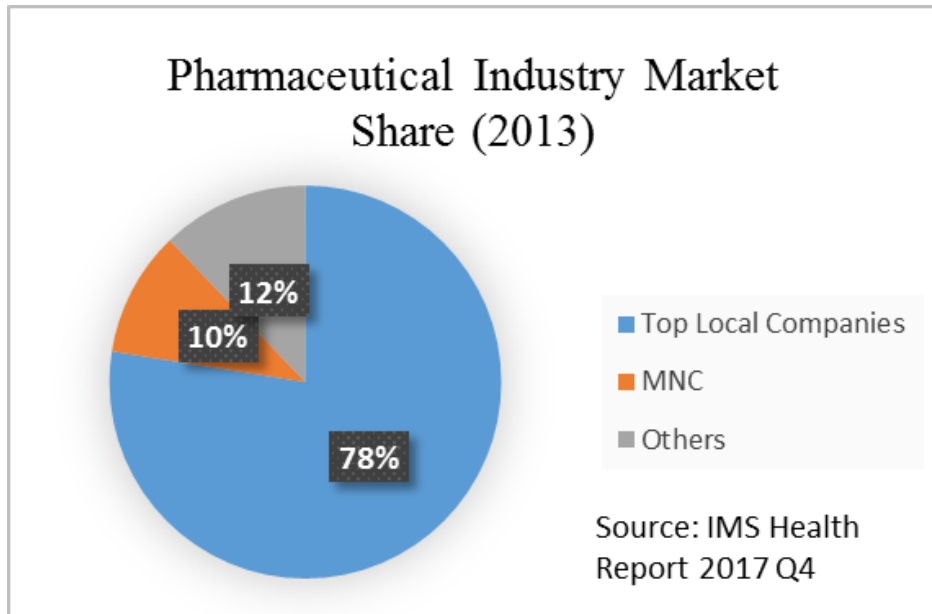


Figure 5. 6 Pharmaceutical Industry Market Share (2013)

are huge discrepancies not only with the market share but also with the regulatory barriers for which the local MNC's in pharmaceutical industries are not performing well to remain competitive with the local companies. If we compare the market share of 2017 with 2013, we see that MNC Company's market share is shrinking to 9% in 2017 from 10% in 2013. The pharmaceutical; the market is concentrated among a few local players and the entry barrier is higher due to large capital investment and legislative bindings.

5.7 MARKET SHARE OF DIFFERENT THERAPEUTIC CLASS

The therapeutic class is a set of medications that consist of similar chemical structures, the mechanism of action, and are used to treat the same disease. Among all the therapeutic classes, 53% of the total market share is captured by alimentary treatment and metabolism and systematic anti-infective according to the IMS Health Report 2017 Q4.

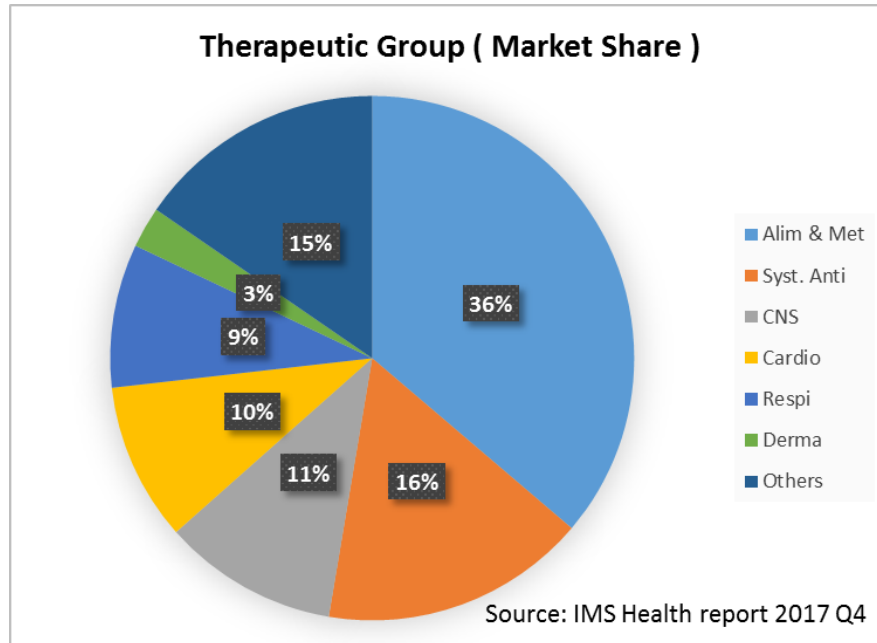


Figure 5. 7 Therapeutic Group (Market Share)

5.8 EXPORT PROSPECT

According to the Bangladesh Pharmaceutical Industries Association (BAPI), over the past two years, about 1,200 pharmaceutical products have been registered for export. In the fiscal year 2016-17, Bangladesh exported pharmaceuticals product to 107 countries according to Bangladesh Export Promotion Bureau. Of the 107 exporting countries, 60.32 percent of total pharmaceutical exports are in the top seven countries (Myanmar, Sri Lanka, the Philippines, Vietnam, Afghanistan, Kenya, and Slovenia) (EBLSL, 2017). The remainder comes from 39.68 percent from other countries. During this period, Bangladesh has exported pharmaceutical products worth USD 89.17 million as against USD 82.11 million in 2015-16 (Source: Bangladesh Export Promotion Bureau). Bangladesh exported USD 32.1 million pharmaceutical products between July and October 2017 - 18. From 2011 - 2012 to 2016 - 2017, the CAGR export revenue was 13.23%. However, export sales in 2015-16 compensated for only 4.59% of the pharmaceutical market

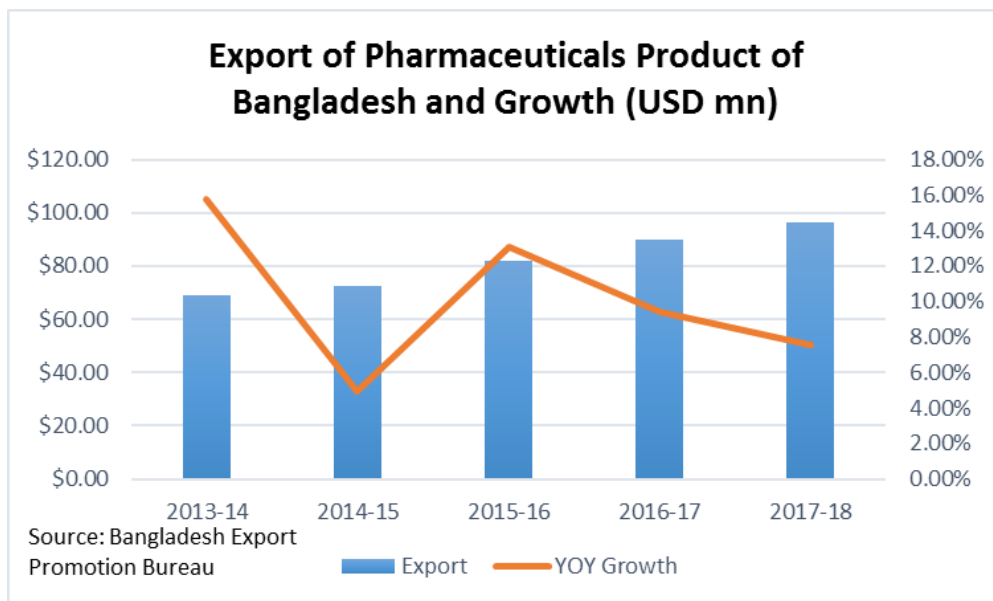


Figure 5. 8 Export of Pharmaceutical Product of Bangladesh and Growth

(taking into consideration USD 1= BDT 80). Furthermore, the export sales contribution to the pharmaceutical industry is low (EBLSL, 2017) (Jalil, Analysis Skill Levels of in the

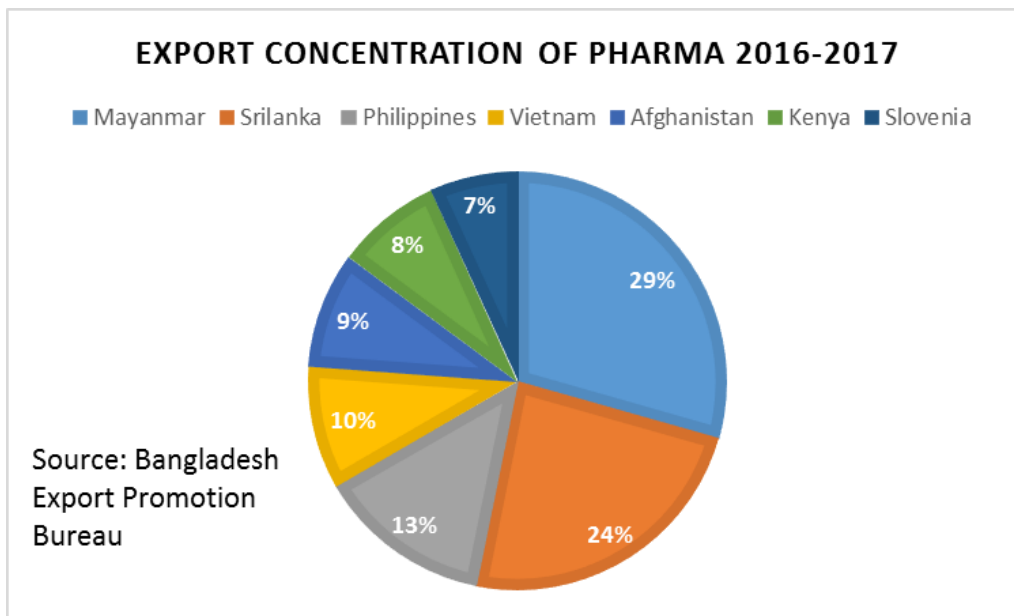


Figure 5. 9 Export Concentration of Pharma 2016-2017

Pharmaceutical Sector of Bangladesh, 2017).

Bangladesh’s Pharmaceutical Company can only sell different medicines to another country when it receives approval from the drug authority of that particular country. Approval from developed countries means that local medicine has international standards that help build a strong local market position. The Government of Bangladesh recently placed a great deal of emphasis on exports of pharmaceutical products from Bangladesh. Pharmaceutical is intended to be the second exporting product after ready-made clothes. The Government of Bangladesh has set a USD 100 million-export target for pharmaceutical products for 2017-18 (Source: Financial Express).

The industry accounts for a modest 3% of all exports, and revenues last year amounted to 125 million dollars. However, the foreign sales are growing at a rate of 24 % per year despite competition from India and China and a number of countries including the UK, US and Turkey have formally recognized Bangladesh rigorous testing process.

5.9 BACKWARD LINKAGE

One of the main drawbacks of the Bangladesh pharmaceutical industry is it has to depend on the imported raw materials. Pharmaceutical raw materials are known as API (Active Pharmaceutical Ingredients) and most of these raw materials are imported from India and China. Bangladesh import 99.5% raw materials from other countries (Source: Bangladesh Statistical Yearbook 2016).

However, 15 companies of Bangladesh produce 40 APIs among which Active Fine is the only company that fully focused on producing API. Ganashastha Pharmaceuticals Limited (GPL) has produced 60% of the pharmaceuticals raw materials according to the report of Dhaka Tribune.

5B COMPANY FUNDAMENTALS

5.10 REVENUE GROWTH

In this graph, we see that there is a 6% revenue growth in the year 2014, which was close to the industry average. However, in the year 2015 the revenue shrink dramatically to negative revenue growth of 7% and in 2016 the revenue growth decreased further -6%. This indicates that one of

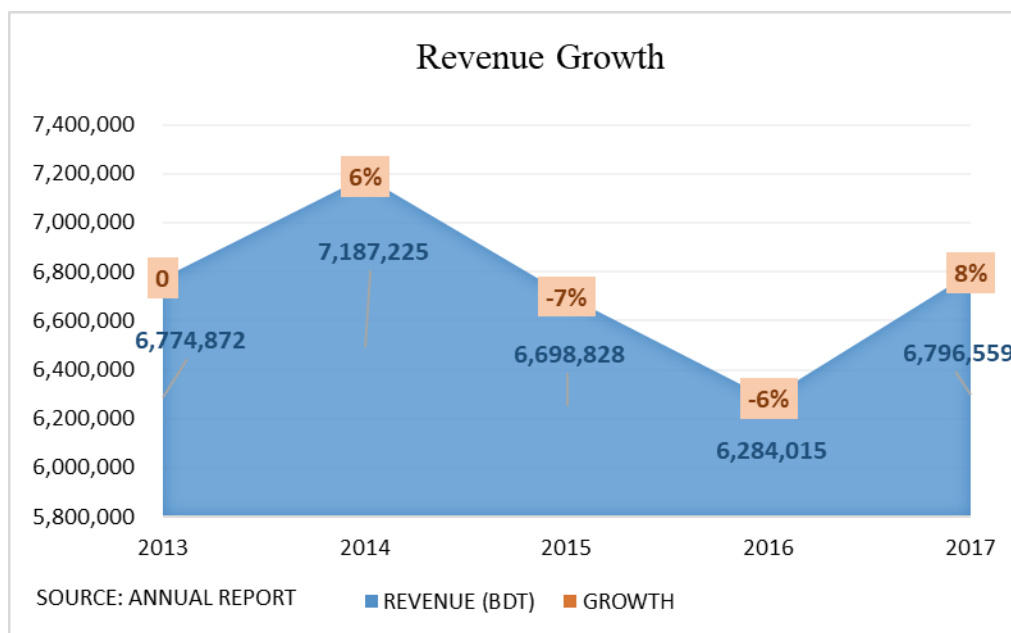


Figure 5. 10 Revenue Growth

the segments of their business is not performing well over the years. However, the revenue growth increases to 8% in the year 2017 because of the strong performance of their consumer healthcare products. Another reason would be the launch of new vaccines and therapeutic that contribute to the revenue growth in the year 2017.

5.11 EPS GROWTH

The company is also experiencing a negative EPS growth 22.41% in the year 2016 because of the fall of revenue during that period. As the revenue increases in the year 2017, the company have a

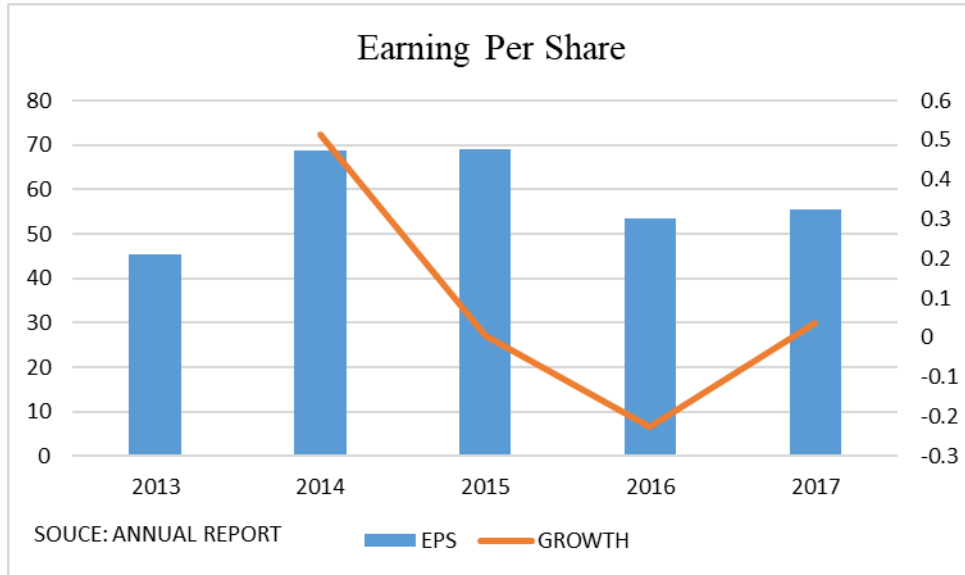


Figure 5. 11 EPS Growth

positive EPS growth of 3.83% and EPS is 55.56 BDT. A rapid decrease in EPS in consecutive 3 years the shareholders are speculating that the performance of the company has decreased and is less than the industry average. Therefore, we can conclude that the EPS of GlaxoSmithKline is not as good as its competitors.

5.12 ECONOMIC VALUE ADDED

Economic value added (EVA) gives a measurement of the economic success of a company over time. It helps the investors to find out how well the company added value for its investors. Moreover, it can be used to compare against a company's peers for an analysis of how well the company is operating in the industry. The positive number of EVA shows that the company has more than covered its cost of capital. However, in the figure, we see that the company EVA is decreasing over the last five years and its cost of capital is increasing. Hence, the company is not utilizing the investment properly as their NPAT is also decreasing over the last five years. Therefore, the company is not fully concentrating on the maximization of shareholders wealth.

	Taka in '000				
CALCULATION OF EVA	2013	2014	2015	2016	2017
Net Operating Profit After Tax (NPAT)	604,604	1,062,530	1,040,612	644,554	669,304
Total Capital Employed	1,977,377	2,455,215	2,652,552	2,595,403	2,653,881
Cost of capital in %	12.51%	14.85%	25.10%	23.28%	22.74%
Cost of capital (COC)	247,285	364,484	665,836	604,166	603,508
EVA = NPAT-COC	357,319	698,046	374,776	40,388	65,796

Figure 5. 12 Economic Value Added

5.13 PROFIT CONTRIBUTION

Gross profit distribution in pharma and healthcare business of the company indicates that pharma profit is less than the consumer healthcare business. In the year 2017, the gross profit of pharma is only 406,399 BDT, on the other hand, gross profit of consumer healthcare is almost five times of pharma that is 2,229,107 BDT. Moreover, over the last four years, we see that the healthcare business is generating more profit rather than the pharma business unit. Therefore, pharma business growth of this company is shrinking over the years through the industry is performing very well over the last four years.

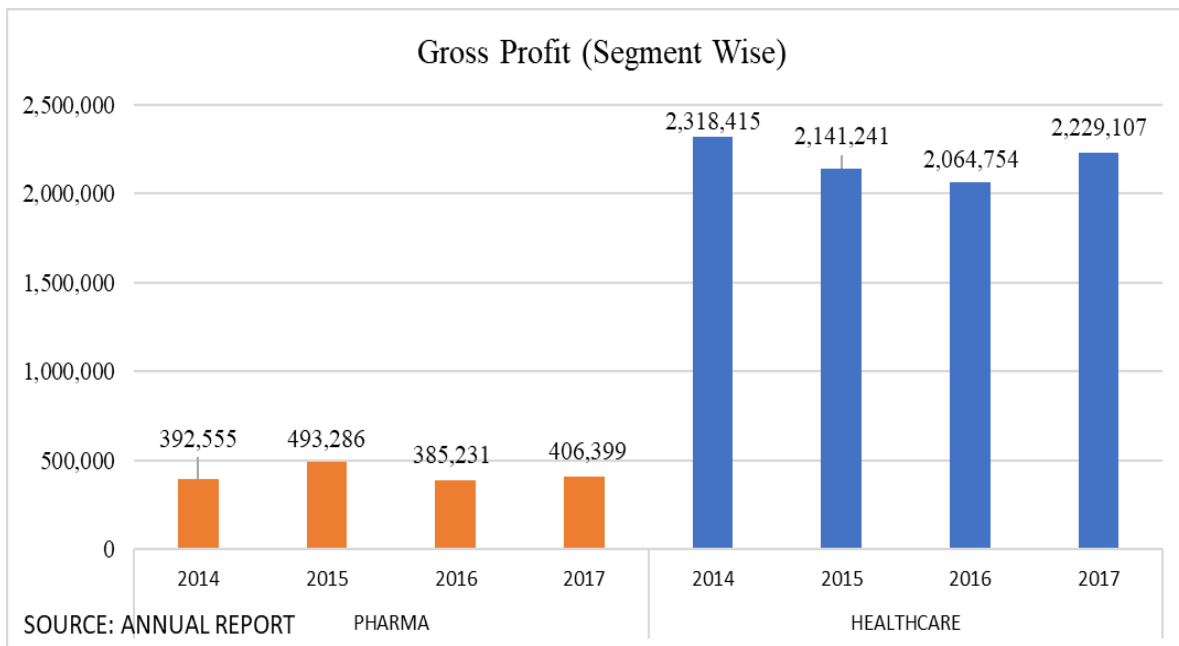


Figure 5. 13 Segment Wise Gross Profit

If we critically analyze the figure below, we found that over the last 4 years minimum 85% of the total gross profit comes from healthcare business of the company. On the other hand, the pharma

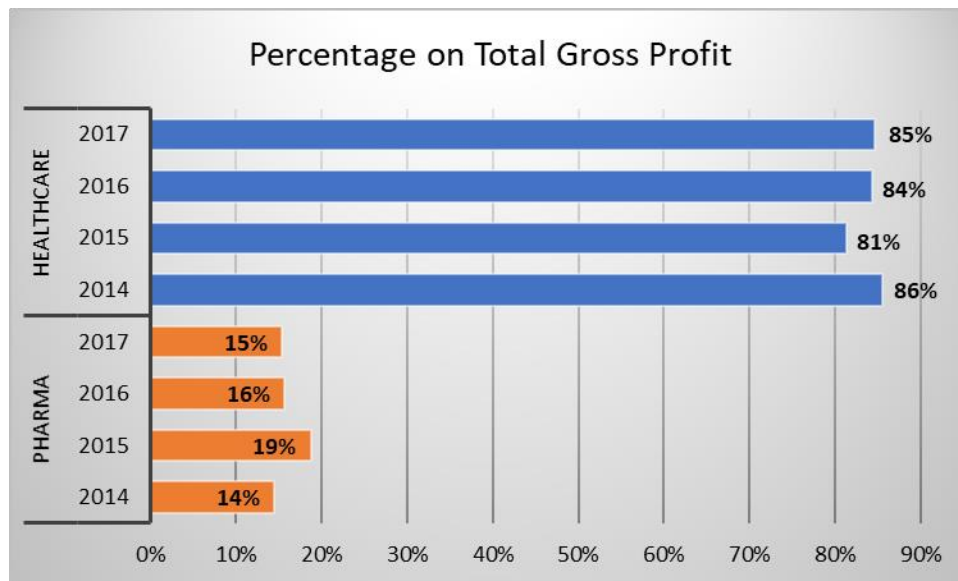


Figure 5. 14 Percentage on Total Profit

unit contributes on average 16% of total gross profit of the company. However, the pharma industry is more profitable than the healthcare business in Bangladesh. In addition, GSK strategy is to build its strong market share on emerging countries. However, in Bangladesh, it seems that they could not have growth and prospect in the future, as the profit from their pharmaceutical operation is not able to grab the market share.

5.14 SWOT ANALYSIS OF GSK BANGLADESH LTD.

Strength

- Efficient, capable honest and hardworking workforce
- It has a great demand for their product nationally and internationally
- Availability of financial resource to grow the business
- Ability to take advantage of economies of scale
- Better product quality
- Goodwill
- Follows GMP-Good Manufacturing Practice

Weakness

- Plant capacity is not utilized properly
- Higher unit cost compare to key competitors
- The company has to import raw materials form the UK rather from neighboring countries
- Products Gap
- Lack of sufficient promotional activities

Opportunity

- Has an opportunity to expand its investment and has potential growth in Bangladeshi market.
- Expanding the company's product line to meet a broader range of customer needs.
- Target and acquire an untapped marketing for vaccines
- Proper promotion and marketing of vaccines may result in higher profit.
- Can get labors at a very cheap cost in Bangladesh
- High confidence brand name and quality

Threats

- Shifts in foreign exchange rates and trade policies
- Fast movement of rivals
- Decrease market growth
- High priced medicine are inconvenient for majority customers
- The new expensive regulatory requirement
- Lower prices competitor's products
- Increasing threats from local competitors

CHAPTER 6: FINDINGS

6.1 LOCAL DOMINANCE IN A HIGHLY CONCENTRATED MARKET

As of December 2017, top five local companies in the industry represented almost 50% of market share and the top ten local companies represented 80% market share. The industry is dominated by the local players, which have state-of-the-art manufacturing facilities, countrywide distribution network, and superior marketing team. Therefore outpace by the local players, MNCs enjoy only 9% of the total market share. Focusing on some specialized products, Radian, Sanofi, and Novo Nordisk have become the market leaders among the foreign companies. Among the foreign pharmaceutical companies, GSK has a market share of only 11%. On the other hand, GSK has

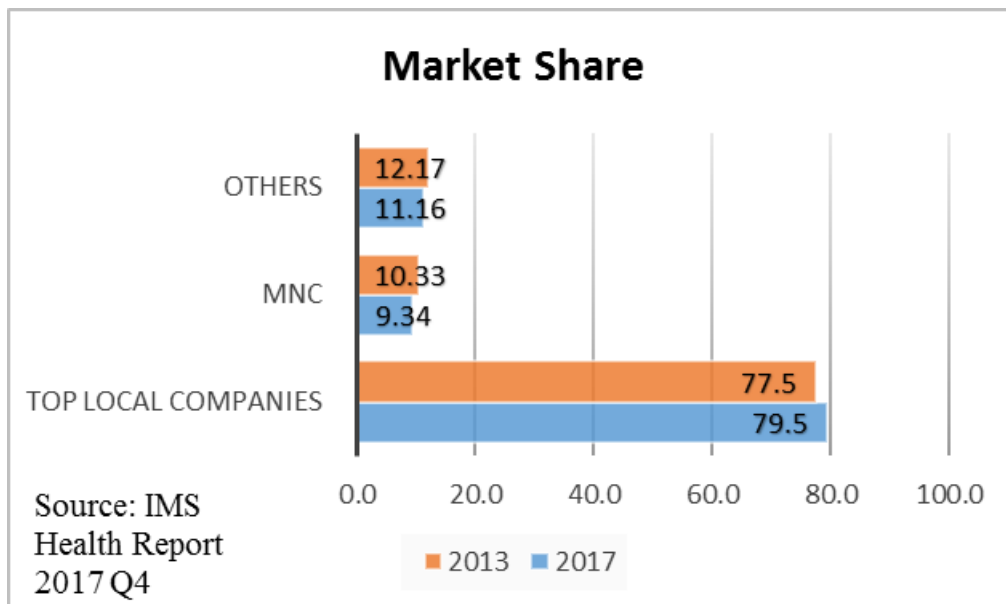


Figure 6. 1 Market Share of Local and MNC's

only 0.99% market share among all the pharmaceutical companies. Although they had almost 2% market share in the pharmaceutical industry, due to immanence competition of local manufacturer they could not maintain a healthy sales over the years. As a result, it becomes impossible for them to generate a healthy revenue from the operation in Bangladesh. Moreover, GSK has taken the initiative to increase their product standard and packaging which in turn increase the cost of producing drugs in Bangladeshi market will result in more loss in the future.

6.2 LOSS OF MARKET SHARE

Rapid loss of market share is the factor behind the closure of pharmaceutical unit GlaxoSmithKline Bangladesh Ltd. From the last 4 years, the company market share is decreasing in the pharmaceutical industry. Moreover, from the annual report of 2017, the company account for a loss during the last 5 years from 2013 to 2017 the company has accounted for a loss of 44 crore BDT in total. In addition, in 2013, the company has a market share of 1.80% but in 2017, the company has a market share of only 0.99%, a decrease in nearly 1% market share according to the IMS Health report 2017 Q4. Continuous loss of market share and loss of profit from the last five years in an emerging and growing pharmaceutical industry discourage the company to exit from the Bangladeshi market. However, they are continuing their healthcare business, which has a great growth rate in Bangladesh.

Top Companies Market Summary (MNC)					
Rank	Company Name	2017		2013	
		Value(Cr. BDT)	Share %	Value(Cr. BDT)	Share %
16	SANOBI BANGLADESH	380	1.94	203	1.99
17	NOVO NORDISK	377	1.92	208	2.04
18	NOVARTIS	231	1.18	119	1.17
19	SUN PHARMA	226	1.15	100	0.98
20	GLAXOSMITHKLINE	194	0.99	184	1.80
22	ROCHE	157	0.80	71	0.70
26	SANDOZ	154	0.79	123	1.21
27	SERVIER	111	0.57	45	0.44

Source: IMS Health Report 2017 Q4

Figure 6. 2 Top Multinational Pharmaceuticals Companies Market Share

6.3 INDUSTRY SALES DRIVEN BY GENERICS

Physician-driven branded generic products, particularly in three major therapeutic classes, have dominated Bangladesh pharmaceutical market: Gastro-intestinal, Antibiotics, and Antipyretics. As generics contribute to 90% of pharmaceutical products sold, price competitiveness and distribution efforts are two main drivers for the success of a product. The IMS health report 2017 shows that top 15 brands are generics drugs of which SECLO produced by Square Pharmaceutical alone has a value of 350 corers BDT.

TOP 15 BRAND			
RANK	BRAND NAME	PRODUCER	VALUE (BDT Crore)
1	SECLO	Square Pharma	350
2	SERGEL	Health Care Pharma	316
3	MAXPRO	Reneta Pharma	265
4	PANTONIX	Incepta Pharma	219
5	CEF-3	Square Pharma	161
6	MIXTARD 30	Novo Nordisk	146
7	NAPA EXTRA	Beximco Pharma	126
8	NAPA	Beximco Pharma	125
9	LOSECTIL	Eskayef	124
10	EXIUM	Radiant Pharma	114
11	FINIX	Opsonin Pharma	107
12	RIVOTIL	Roche Pharma	89
13	ZIMAX	Square Pharma	89
14	ATOVA	Beximco Pharma	84
15	MONAS	Acme Lab.	83
Source: IMS Health Report 2017 Q4			

Figure 6. 3 Top 15 Brands

There is no generic drug from GSK in top 15 Brands and most of their products can be easily substituted with generics from local producer except Vaccines.

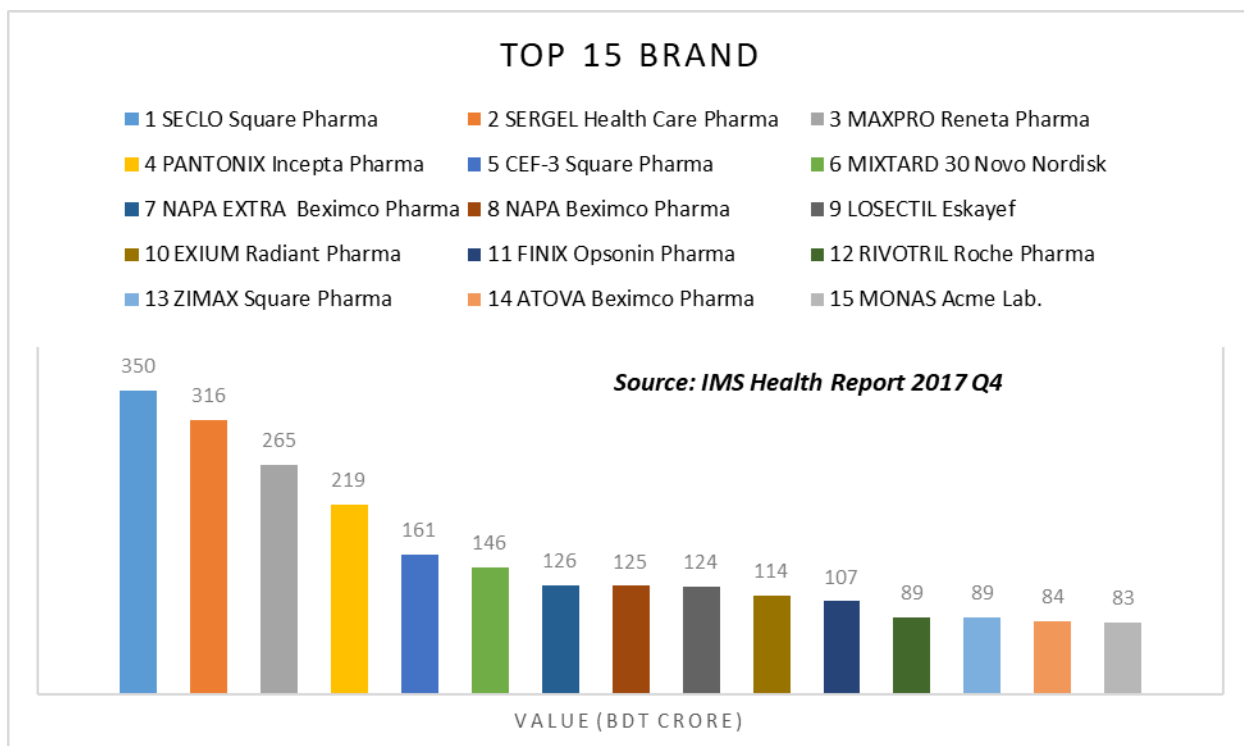


Figure 6. 4 Top 15 Brands 2017 Sales

6.4 COMPLIANCE ISSUE

The pharmaceutical industry previously dominated by MNC's but after 1982, the scenario has changed. The key driving forces behind this are -

1. National Drug policy, 1982
2. Drug Control Ordinance, 1982
3. Intellectual Property Legislation (Trade-Related Aspects of Intellectual Property Rights or TRIPS)

These key driving forces provided the local companies the necessary drives to take over the markets of Bangladesh.

Other Drives are

- Patent waiver extended till 2032 by WTO (World Trade Organization)

- No foreign drug brands are not allowed to be manufactured under license in Bangladesh if similar products are being manufactured in the country.
- 150 drugs were defined as essential drugs. For that level, the government for the finished drugs as well as for their corresponding raw materials fixes drug prices.

Due to restricted raw material supply, increased internal compliance and regulatory expectations for manufacturing and supply operations, in the recent years for GSK Bangladesh Ltd have faced unprecedented challenges in order to gain profit from the market. Thus, the regulatory issue has become one of the main factors for GSK Bangladesh to close down the pharmaceutical unit.

Any foreign pharmaceutical company if they want to introduce a new drug they need to approve the price for that Drug which takes a long time. For example, Varilrix and Rabipur have faced procedural complexity in pricing approval and lot release of vaccines from the regulatory authority according to the Annual Report 2017 of GSK Bangladesh Ltd.

6.5 IMPORT RESTRICTIONS

Certain import restriction by the DGDA is the important factor that the market becomes unattractive for the foreign pharmaceutical companies. Hence, according to GSK's annual report 2017, the key therapy areas for GSK Bangladesh such as Respiratory and Allergy faced unprecedented challenges. As a result, the most demanded product in therapeutic area Seretide Evohaler and Engerix B has faced significant import restriction that resulting in a double-digit negative growth.

On the other hand, Vaccines, which contributed 50%, profit in GSK Bangladesh as the company has a strong vaccines portfolio and globally recognized vaccines manufacturer faced import

restriction. High sophisticated vaccines are not produced in Bangladesh; therefore, GSK



Figure 6. 5 Loss of GSK Pharmaceutical Unit

Bangladesh has to depend on import vaccines from their UK plant. One of their high value and higher equity vaccine brand known as Engerix B has faced similar import restriction from the regulatory authority.

6.6 PHARMACEUTICAL MARKETING PRACTICES

The regulatory authority does not monitor the marketing practices of most of the companies and therefore, most of the companies assigned Pharmaceutical sales Representative to influence physicians to generate prescription in order to boost up their sales (Islam, Rahman, & Al-Mahmood, 2018). The DGDA and Ministry of Health and Family Welfare has introduced the Code of Pharmaceutical Marketing Practices in order to control unethical marketing practices by the pharmaceutical companies. However, most of the companies are not properly following the guidelines of the Code of Pharmaceutical Marketing Practices. Therefore, the physicians are encouraged to prescribe the drugs by the sales representatives as they provide doctors unethical incentives such as money, expensive gifts, holiday tour packages etc (Islam, Rahman, & Al-Mahmood, 2018). These types of practices mostly done by most of the local pharmaceutical companies, as they do not have a global brand image like MNCs.

In contrast, GSK Bangladesh strictly follows the guidelines of the Code of Pharmaceuticals Marketing Practices. According to the guidelines, they provide the physician's brochure of the

products, small notepads, pen, tissue box and other small promotional materials such as Hand Wash. The global culture adaptation of GSK in order to keep the company out from any unethical practices the company has adopted ABAC (Anti Bribery and Corruption) program. This program follows a policy guideline against all the unethical practices in doing business no matter where operating. Therefore, GSK Bangladesh could not adopt the current pharmaceutical marketing practices of most of the pharmaceutical companies, as GSK Global Head Office will not approve it as it against the law. This is another reason that the company failed to generate a good number of prescribed drugs for their products as the other pharmaceutical companies attract most of the physicians.

6.7 OLD PRODUCTION FACILITY

Most of the domestic pharmaceutical companies have modern state of art technology plant where they can produce efficiently and thus this factor gives them a competitive advantage in the market and export to other countries. Bangladesh is allowed to copy drugs already on the market without having to pay costly fees to the patent holders. It is a concession given to the country by the WTO due to its least developed country status. As many as 600,000 tablets are produced in Incepta factory every hour using state of the art equipment and highly trained staff. In addition, top local pharmaceuticals have several modern production plants and efficient production facilities. As for example, More than 500 types of medicine are now made in Bangladesh including cancer drugs and insulin and prices are much lower than the originals. For example, Sofosbuvir originally made by Gilead Sciences is a drug used to treat hepatitis C each tablet costs a thousand dollars but the Bangladeshi version Hopetavir cost just five dollars and a single anti-cancer tablet Erlotinib originally manufactured by Roche cost 60 dollars. On the other hand, the Bangladeshi version Irlo Kent is just 3.50 dollars and many more drugs are on their way. On the other hand, GSK could not able to produce drugs in a cost-effective manner as they source raw materials from GSK's own global network mostly from the UK. Hence, the cost of producing drugs relatively high than the local pharmaceutical companies. Furthermore, due to the import limitation on raw materials make the production plan underutilized.

CHAPTER 7: RECOMMENDATIONS

The pharmaceutical industry is shifting towards to the maturity stage and dominated by the local players, GSK Bangladesh Ltd. may go for a Joint Venture with local pharmaceutical companies in order to remain in the market to protect themselves from the regulatory restrictions. The generic drugs and TRIPS benefits have been enjoyed by the local manufacturer dominate Bangladesh pharmaceutical industry. Therefore, if GSK could focus on generic medicines with an extensive marketing team to generate more physician prescriptions, thus increase the market share with the local pharmaceutical companies.

However, there is a huge concern about ethical marketing practices in the pharmaceutical industry, as most of the local companies are not maintained the guidelines of the government. Hence, the cost of promotion is increasing resulting in a large number of sales of drugs rather than investing in research and development and following GMP was given by the WHO in order to assure the quality of drugs.

The government should implement a new regulatory framework for making a level playing field for both local and MNC companies in order to ensure skill, knowledge and technology transfer. GSK pharmaceutical has performed well in the neighboring country India because of favorable Drug regulation Act and favorable access to the resources.

CHAPTER 8: CONCLUSION

To conclude, we cannot deny that the pharmaceutical industry is highly concentrated and competitive where the domestic companies are beneficiaries than the foreign companies. Furthermore, most of the medicines are generic and are waived patent law because of TRIPS. On top of that, the domestic companies are able to make a strong distribution channel all over the country than the foreign firms. Therefore, most of the physicians are prescribed drugs to their patients by motivating by the pharmaceutical sales representative as they offered more incentives and benefits to the physician in order to generate favorable prescriptions. Thus, ethical marketing practices by the pharmaceutical companies remain into question marks.

In addition, increase in import restrictions by the regulatory authority on various pharmaceutical products and raw materials of the foreign pharmaceutical companies make the industry more

vulnerable to risks. As they cannot increase their sales by importing products and raw materials, though they have market demand for those products.

Thus, the British pharmaceutical giant GSK that started its business in 1960 have to close its operations as there is no way for them rather than exiting from the market. First, local generic drugs substitute most of their products. Secondly, because of the import restrictions on raw materials and products, they cannot able to fill the product portfolio gap. Moreover, the other foreign companies are struggling too in order to remain competitive in with the local pharmaceutical companies.

As TRIPS agreement gives local firms an advantage over the foreign pharmaceutical companies for January 2033 and they got the opportunity to export their products into the other countries, it is quite difficult to foreign pharmaceutical firms to exist in the market with their patented products. This is one of the core factors behind the closing down GSK's pharmaceutical business in Bangladesh through the pharmaceutical market growth rate is attractive for the next 30 years.

GSK could have implemented another before they decided to quit their business, that goes for an acquisition or merger with local firms by overtaking their strong distributional network and overcome the regulatory barriers as they could operate as a local firm rather than as a foreign entity.

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APPENDIX

Year	2013-2014	2014-2015	2015-2016	2016-2017
GDP (BDT Million)	7,741,361	8,248,624	8,835,389	9,478,975
YOY GDP Growth	6.06%	6.55%	7.11%	7.28%
Pharma Market (BDT Million)	105,864	119,548	156,401	187,556
YOY Pharma Market Growth	8.48%	12.93%	30.83%	19.92%
<i>Source: Bangladesh Bureau of Statistics and IMS Health Report 2017 Q4</i>				

Top Companies Market Summary (Local)					
Rank	Company Name	2017		2013	
		Value(Cr. BDT)	Share %	Value(Cr. BDT)	Share %
1	SQUARE	3,386	17.3	1,974	19.3
2	INCEPTA PHARMA	2,019	10.3	1,019	10.0
3	BEXIMCO	1,630	8.3	888	8.7
4	OPSONIN PHARMA	1,066	5.4	530	5.2
5	RENATA	1,006	5.1	552	5.4
6	HEALTHCARE PHARMA	940	4.8	228	2.2
7	A.C.I	896	4.6	426	4.2
8	ESKAYEF	866	4.4	455	4.5
9	ARISTOPHARMA	839	4.3	438	4.3
10	ACME	736	3.8	395	3.9
11	RADIANT PHARMA	495	2.5	133	1.3
12	GENERAL	480	2.4	176	1.7
13	DRUG INTERNATIONAL	455	2.3	392	3.9
14	POPULAR PHARMA	393	2.0	162	1.6
15	UNIMED & UNIHEALTH	389	2.0	136	1.3
Source: IMS Health Report 2017 Q4					

**Future Forecast of Pharmaceutical Industry
Considering 15% Growth**

	Fiscal Year	BDT Crore
	2013	12,202
	2014	14,032
	2015	16,136
	2016	18,557
	2017	21,340
	2018	24,524
	2019	28,223
	2020	32,456
	2021	37,325
	2022	421,923
Source: The Pharma World		

**Export Concentration of
Pharma 2016-2017**

Mayanmar	18%
Srilanka	14%
Philippines	8%
Vietnam	6%
Afghanistan	5%
Kenya	5%
Slovenia	4%
<i>Source: Bangladesh Export Promotion Bureau</i>	

Top Companies Market Summary (MNC)					
Rank	Company Name	2017		2013	
		Value(Cr. BDT)	Share %	Value(Cr. BDT)	Share %
16	SANOBI BANGLADESH	380	1.94	203	1.99
17	NOVO NORDISK	377	1.92	208	2.04
18	NOVARTIS	231	1.18	119	1.17
19	SUN PHARMA	226	1.15	100	0.98
20	GLAXOSMITHKLINE	194	0.99	184	1.80
22	ROCHE	157	0.80	71	0.70
26	SANDOZ	154	0.79	123	1.21
27	SERVIER	111	0.57	45	0.44

Source: IMS Health Report 2017 Q4

Therapeutic Group (Market Share)		
Therapeutic Group	2017 VALUE (BDT Crore)	2013 Value (BDT Crore)
Alim & Met	7111	3501
Syst. Anti	3224	1991
CNS	2120	1089
Cardio	1912	959
Respi	1739	847
Derma	496	234
Others	3026	1580

Source: IMS Health Report 2017 Q4

TOP 15 BRAND			
RANK	BRAND NAME	PRODUCER	VALUE (BDT Crore)
1	SECLO	Square Pharma	350
2	SERGEL	Health Care Pharma	316
3	MAXPRO	Reneta Pharma	265
4	PANTONIX	Incepta Pharma	219
5	CEF-3	Square Pharma	161
6	MIXTARD 30	Novo Nordisk	146
7	NAPA EXTRA	Beximco Pharma	126
8	NAPA	Beximco Pharma	125
9	LOSECTIL	Eskayef	124
10	EXIUM	Radiant Pharma	114
11	FINIX	Opsonin Pharma	107
12	RIVOTRIL	Roche Pharma	89
13	ZIMAX	Square Pharma	89
14	ATOVA	Beximco Pharma	84
15	MONAS	Acme Lab.	83

Source: IMS Health Report 2017 Q4

REVENUE '000 (BDT)					
	2013	2014	2015	2016	2017
REVENUE (BDT)	6,774,872	7,187,225	6,698,828	6,284,015	6,796,559
GROWTH		6%	-7%	-6%	8%
Source: Annual Report					

EPS (BDT)					
	2013	2014	2015	2016	2017
EPS	45.35	68.63	68.99	53.51	55.56
GROWTH		51.3%	0.52%	-22.44%	3.83%
Source: Annual Report					

	Taka in '000				
	2013	2014	2015	2016	2017
CALCULATION OF EVA					
Net Operating Profit After Tax (NPAT)	604,604	1,062,530	1,040,612	644,554	669,304
Total Capital Employed	1,977,377	2,455,215	2,652,552	2,595,403	2,653,881
Cost of capital in %	12.51%	14.85%	25.10%	23.28%	22.74%
Cost of capital (COC)	247,285	364,484	665,836	604,166	603,508
EVA = NPAT-COC	357,319	698,046	374,776	40,388	65,796
Source: Annual Report					