

Court's decision in favour of the pharma sector

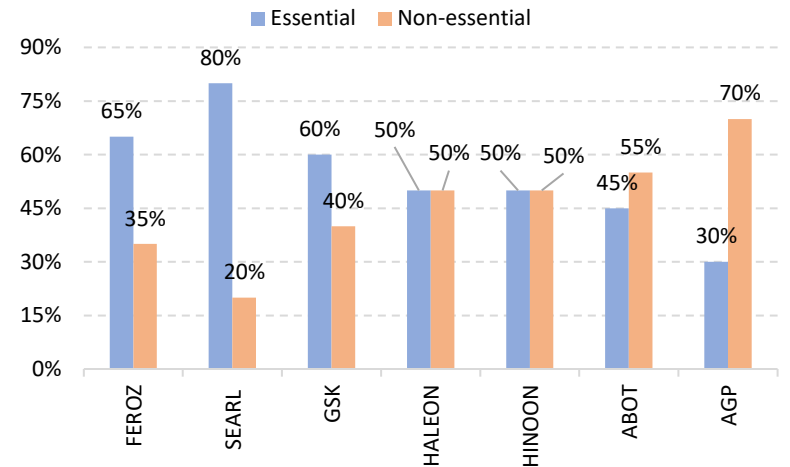
Stay order against the deregulation of non-essential medicines vacated

- The Lahore High Court on 02nd April 2024, ruled in favor of the pharmaceutical sector, nullifying the stay order against the deregulation of Maximum Retail Prices (MRPs) of non-essential drugs.
- We released an update regarding the deregulation of prices for non-essential drugs on 07th Feb'24. Please see the full report here ([Deregulated prices for non-essential drugs](#))

Recent developments

- The federal cabinet on the recommendation of the Ministry of National Health on 6th Feb'24 approved the proposals regarding deregulation of the prices of the medicines which were not included in the national list of essential medicines.
- Under these proposals, prices of medicines other than essential medicines in the national list will be exempted from the Drugs Act, 1976 and necessary amendments will be made in the Drug Pricing Policy 2018.
- As per the Drug Policy 2018, the market retail price of pharmaceutical products became linked to the Consumer Price Index (CPI) on July 1, 2018. This pricing mechanism enables pharmaceutical companies to notify the Drug Regulatory Authority of Pakistan (DRAP) of price increases 30 days in advance without the need for prior approval.
- The DRAP pricing policy 2018 classifies drugs into two categories: essential and non-essential. Essential drug prices can be increased by up to 70% of the annual CPI or a maximum of 7%. On the other hand, for non-essential drugs, prices can be increased by the full annual CPI, with a maximum allowable limit of 10%.

Exhibit: Sales mix essentials non-essentials



Source (s): Corporate Briefing, AHL Research

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- The pharma sector exhibited an impressive 5-year Compound Annual Growth Rate (CAGR) of 15% in its net sales. Anticipated price hikes, facilitated by the recent deregulation in the pharmaceutical sector, are expected to contribute to a surge in sector sales revenue.
- It is expected that the deregulation will have a positive impact on the profitability of pharmaceutical companies, especially companies with a significant proportion (+50%) of their revenue from non-essential medicines i.e. HALEON, ABOT, AGP and HINOON.

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