SECTOR UPDATE

Monday 13th April 2026

POSITIVE (Maintain)

Healthcare

Time to Strengthen Pharmaceutical Security

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HIGHLIGHTS

- US-Iran war triggered a spike in medicine prices and API prices, risking domestic pharmaceutical sector if prolonged beyond 6 months
- MOH implemented prudent distribution and SAP to prevent hoarding, but risks persist on substitution errors, legal disputes and shift from private to overburdened public sector
- MyMedSecure initiative introduced to end import dependency and accelerate local API production
- To achieve pharmaceutical sovereignty, a multi-pronged long-term strategy of localization of API and biosimilar production, as well as the establishment of a strategic buffer and adoption of advance digitalization must be considered
- TOP PICK is Pharmaniaga Bhd for its long-term concession and new biopharmaceutical arm

RECAP: US-IRAN WAR IMPACT ON PHARMACEUTICALS

Indirect impact of the US-Iran war on pharmaceuticals. Globally, the Strait of Hormuz is not a direct transit point for most finished drugs. However, the domino effect of the US-Iran war hits on hidden costs and raw material dependencies. For Malaysia, the situation lies between logistical stability and upstream vulnerability. A significant portion of Malaysia's supply chain safety rests on the geographic technicality. According to the Malaysian Association for Pharmaceutical Suppliers (MAPS), 30% of suppliers are from India, and others include South Korea and Germany. These shipments do not travel the Strait of Hormuz. However, India – being Malaysia's primary source for generic drugs – relies heavily on the Strait for petroleum-based inputs and energy to run its manufacturing arm. Should India's production costs spike due to the disruptions, the cost saving of approximately RM1b that Malaysia gained by switching to generics, could be earsed by price hikes of up to 50%.

Packaging, raw material plays additional role in increased cost. Beyond the pills, the crisis also affects the invisible components of the pharmaceutical industry. This includes aluminium and plastics. About 9% of global aluminium comes from the Middle East. Shortages of these two elements could affect the production of blister packs that housed most generic drugs. Pill bottles are also often made from #5 polypropylene, of which its raw material is derived from propane or naphtha – byproducts of petroleum refining and natural gas production. The sterilization processes of packaging, which uses petrochemical gases, is also tied to crude oil. With the oil and gas production and distribution disrupted by the US-Iran war, the potentiality of lower packaging production and price hikes of the containers is practically higher, making producers of drugs to increase the cost of the limited finished pharmaceutical products.

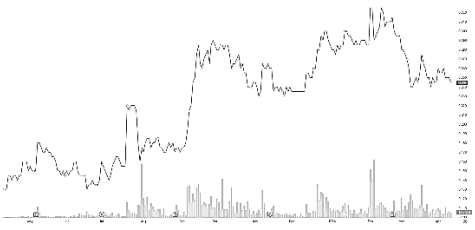
COMPANY *IN FOCUS*

Pharmaniaga Bhd

Maintain **BUY | Target Price: RM0.36**
Price @ 10 Apr 2026: RM0.25

- Successful PN17 exit
- Strategic biopharmaceuticals pivot
- Concession security
- First local human insulin manufacturer

SHARE PRICE CHART



Duopharma Biotech Bhd

Non-rated
Price @ 10 Apr 2026: RM1.32

- Dual supplier resilience
- High margin biosimilars
- Stable earnings growth
- Strong private sector penetration

SHARE PRICE CHART



RECENT DEVELOPMENT: PHARMACEUTICAL CRISIS MANAGEMENT

Moving into crisis management amid geopolitical conflicts.

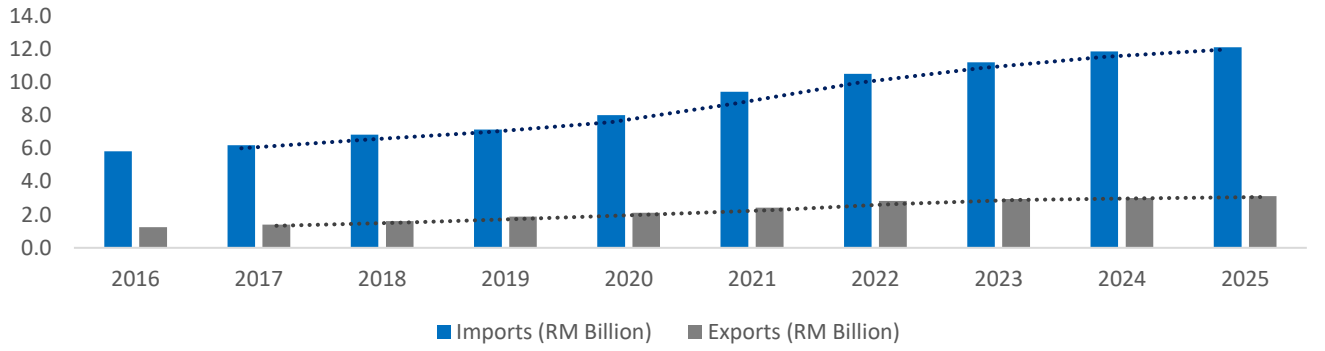
Recently, the Ministry of Health (MOH) had announced that Malaysia is heading to a critical pivot into crisis management, driven by the anticipated prolonged US-Iran conflict, which had shaken the global energy and supply chain. MOH confirmed that medicine prices have already risen by 30%-40%. The potential shift to prudent distribution is expected in the weeks to come, as MOH will be prioritizing clinical necessity over the usual standard stocking. Hospitals in the public sector had reported only receiving about 20% of their requested orders, as suppliers are struggling with petroleum-derived raw material shortages.

CONTEXT: IMPORTS AND EXPORTS OF DRUGS

Trade deficit as Malaysia continues to import more pharmaceutical products.

Based on 2025 trade numbers, Malaysia had reached a historic trade milestone although the deficit is still significant. Pharmaceutical imports were valued at roughly RM12.1b (+2%yoy), while exports totaled at about RM3.1b (+4%yoy). However, this still shows that Malaysia remains a net importer of drugs, notably since 2020 (during the Covid-19 pandemic) when the import bill nearly doubled. This was not only due to increased volume and demand, but also a turning point towards high-value biologics and oncology drugs. Meanwhile, exports had been in a steady growth – supported by halal-certified generics – but was not enough to balance out the trade deficit. This gap is the primary reason for MOH launching initiatives to move from simply buying pills from overseas manufacturers to making APIs locally to support domestic manufacturers.

CHART 1: IMPORT AND EXPORT OF PHARMACEUTICALS (2016-2025) (RM BILLION)



Source: MOH, DOSM, UN COMTRADE, MBSBR

TABLE 1: TOP 5 IMPORTED AND EXPORTED DRUG CATEGORIES (VALUE-BASED)

IMPORTED DRUGS				
CATEGORY	**TYPES**	**ESTIMATED VALUE IN 2025 (RM BIL)**	**% OF TOTAL IMPORTS**	**TREND**
Antineoplastics	Chemotherapy, immunotherapy	4.60	38%	Surging (imports grew from 15% in 2016 to 38% in 2025)
Cardiovascular	Statins, ACE inhibitors	2.18	18%	Stable (consistent sales volume)
Alimentary and Metabolism	Metformin, insulin, PPI	1.45	12%	Increasing (driven by high diabetes rate)
Biologics and vaccines	Insulin glargine, monoclonal antibodies	0.97	8%	Stable (consistent imports of 75% of total biologics)
Anti-infectives	High-end antibiotics, antivirals	0.85	7%	Stable (spiked during Covid-19 pandemic)

EXPORTED DRUGS				
CATEGORY	**TYPES**	**ESTIMATED VALUE IN 2025 (RM BIL)**	**% OF TOTAL EXPORTS**	**TREND**
Standard Generics	Paracetamol, amoxicillin	1.40	45%	Stable (core export)
Halal Pharmaceuticals	Vitamins, supplements, cold meds	0.78	25%	Surging (Malaysia as halal hub leader)
Health Supplements	Palm-based vitamin E, fish oils	0.31	10%	Increasing (high demand in ASEAN and China)
Ophthalmic Preps	Eye drops, contact lens solutions	0.16	5%	Increasing (specialized and niched)
Dermatologicals	Steroid creams, antifungal ointments	0.13	4%	Stable (strong regional market share)

Source: MOH, DOSM, UN COMTRADE, MSOM, MATRADE, MBSBR

ISSUE: THE PHARMA RIFT BETWEEN PRIVATE AND PUBLIC

Stable inventory in private sector.

In late March/early April, we noted a growing rift between the public and private sectors in Malaysia regarding the impact of the West Asia conflict – notably in the pharmaceutical subsector. According to the Association of Private Hospitals Malaysia (APHM), private healthcare providers are generally stable, as they are in a wait-and-see phase. This is due to private sectors often having more flexible procurement budgets that allowed them to absorb minor cost increases better than price-controlled public sector. The public healthcare providers, meanwhile, faced warnings that suggest a significant financial and supply crisis may be brewing. Major MOH drug suppliers had since voiced concerns, indicating that a 50% increase in raw material costs could make MOH's fixed-price contracts economically unviable for suppliers, potentially leading to the use of force majeure to exit or renegotiate agreements.

Suppliers warned to restock early before a potential shortage.

The most worrying development for the public sector Is the advice from suppliers for hospitals to order early. This potentially could create a pre-emptive shortage scenario. If district hospitals, especially in East Malaysia, begin stockpiling to avoid the price hike, it would deplete the national 5-month buffer stock faster than initially expected. Meanwhile, suppliers are now moving towards an allocation model that allows them to be selective on which hospitals would get the drugs based on availability rather than relying on patient volume. This would risk critical shortages in rural areas.

SOLUTION: SHORT TERM FAST-TRACKING

Fast-tracking usage of unregistered drugs that could prevent shortages in a short-term.

The immediate action taken by the MOH is applying the Special Access Pathway (SAP), which allows the ministry to fast-track and use unregistered medicines that haven't gone through the multi-year regulatory process of being listed in the Approved Pharmaceutical Product List (APPL). This pathway is an interim emergency solution to ensure that crucial drugs don't run out entirely. By rationing, MOH would prevent hoarding by larger urban hospitals and force clinical staff to reduce medicine wastage, while stretching the buffer longer than just 5 months. However, we also noted that the short-term solution should not be prolonged past 6 months, due to the potentiality of:

(i) substitution risk when doctors are forced to use alternative clinical treatment plans and second-line drugs that may introduce newer or worse side effects on patients, subsequently adding to the workload of healthcare workers,

(ii) suppliers not being able to fulfill the fixed-price government contracts after the price hikes without incurring losses, consequently leading to force majeure claims and delays in delivery, and

(iii) passing the additional cost of the price hikes directly to patients, causing a crowding out of private patients into the already shaky public sector and putting further strain into the national rationed medicine stock.

SOLUTION: LONG TERM MYMEDSECURE

MyMedSecure assured the separation of the sector from oil price volatility.

The Malaysian Organization of Pharmaceutical Industries (MOPI) and certain members of the private sector had stated that Malaysia can no longer rely on importing finished goods. Hence, MOH is currently utilizing this crisis to accelerate the move away from import-dependency through an initiative called MyMedSecure. Through this initiative, MOH is pushing for a transition to polymers and local manufacturing to decouple the healthcare sector from oil price volatility, more so when most medical plastics are resin-based (i.e. highly oil-dependent). By 2HCY26, Malaysia will be mandating that all pharmaceutical players to report potential shortages early – transitioning the nation toward a more anticipatory healthcare system. The future viability of the system depends on:

(i) Increasing the local API capacity by building the right facilities to accommodate the demand for the raw material from local manufacturers,
(ii) Diversifying partnerships beyond the few giant supplier nations to mitigate regional war risks, and
(iii) Using digitalization to ensure that not a single pill is wasted during the period of prudent distribution.

OTHER RECOMMENDATIONS: BEYOND JUST SURVIVAL

The current geopolitical landscape and the recent energy crisis opened an opportunity for the local pharmaceutical subsector to transition from trading generic medicine to becoming a self-reliant manufacturer. The following table highlights additional recommendations – based on current policy directives and the recent industry changes – to navigate the domestic issues in the subsector, while keeping the subsector sustainable for the long term:

RECOMMENDATIONS	DESCRIPTION
Mandatory local API production	Government could provide double tax deductions and/or direct grants for companies that establish API synthesis plants locally, especially for the Top 5 essential drugs that are being imported *(see Table 1)*
Formalize a strategic national buffer	Federal-owned strategic reserves (similar to oil reserves) can be established specifically for high-risk imported products
Accelerate biosimilar production	The National Pharmaceutical Regulatory Agency (NPRA) could extend it fast-track approval for locally made biosimilars that had met strict global standards
Adopt UDI and digitalisation	Further implement Unique Device Identification (UDI) and QR-based e-labelling that allows for real-time stock re-allocation to monitor distribution during a crisis
Strengthening regional export alliance	Leveraging on the Halal Certification to expand further into the OIC and ASEAN markets as part of scaling up exports to achieve economies of scale
Focus on upstream players	High-margin manufacturing (biopharmaceuticals and vaccines) can be focused on to mitigate profit losses from issues pertaining the oil and API hiked prices
Formalize substitution protocols	Private and public hospitals can formalize an alternative treatment that allows the clinical team to instantly pivot to a locally available equivalent without a drop in patient safety
Energy decoupling	Install solar and green energy solutions to reduce the overhead costs of climate-controlled medicine storage

CONCLUSION: PHARMANIAGA AS A SHOCK ABSORBER

The paradox of being the shock absorber.

The immediate impact on a company level may be evident in **Pharmaniaga Bhd (BUY, TP: RM0.36)**, though we noted that it is a rather paradox situation of high strategic importance versus intense financial pressure. Pharmaniaga is seen to be the national shock absorber. Under the 10-year concession renewal (up to 2033), the group is contractually obligated to maintain at least 2 months of additional buffer stock beyond the hospitals' inventories. While Pharmaniaga holds adequate stock for now, the industry is currently debating who is the bearer of the cost for the higher buffers, as storing 3-6 months' worth of medicine requires consistent climate-controlled warehouses, as well as additional capital, which could strain the group's finances. The advantage to this, however, is that the group has a crucial role to fulfill, as the MOH would highly rely on Pharmaniaga's logistics network to manage the prudent distribution and rationing as suggested, consequently cementing the group's 10-year security in the market.

Contract rigidity and API inflation continues to be a risk.

The biggest long-term concern is contract rigidity and API inflation. Pharmaniaga supplies products under the Approved Products Purchase List (APPL) at pre-agreed prices. With API costs spiking up to 90% for some generics, the group is highly likely to absorb this cost unless the government allows a price revision. Additionally, the energy crisis creates a new drag on the group's core profit – something that should be considered as this would impact its utility and packaging costs in the long run.

Maintain POSITIVE.

Pharmaniaga's pivot from being simply a distributor to a biopharmaceutical manufacturer is crucial for its turnaround. The acceleration of its vaccine (PCV13, Hexavalent) and insulin manufacturing might be the factors that could reduce import dependency of non-generic drugs, further avoiding additional logistic surcharges and Strait of Hormuz risks associated with importing finished vials. To note, Pharmaniaga reported RM13m in its biopharmaceutical sales in 2025. This segment is expected to be a major profit driver by 2HCY26, which could offset the thin margins in logistics.

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STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology