



2011 Frost & Sullivan Malaysian Pharmaceutical Company of Year - Generics Drug Category





Frost & Sullivan's Global Research Platform

Frost & Sullivan is entering its 50th year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The Company's research philosophy originates with the CEO's 360 Degree Perspective,* which in turn serves as the foundation of its TEAM Research** methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2011 Frost & Sullivan Malaysian Pharmaceutical Company of Year - Generics Drug Category Award to Kotra Pharma.

Significance of the 2011 Frost & Sullivan Malaysian Pharmaceutical Company of Year - Generics Drug Category

Key Industry Challenges Addressed by Generics Companies

Competition from Local & Multinational Generic Companies

One of the most challenging factors regarding the Malaysian generic drugs market is the high level of competition within it. Established companies, both local and multinational, that offer a wide product range compete for consumer loyalty and government contracts. A key to success in this market is for a company to differentiate itself from its competitors. Since the drugs being sold are generics, companies must instead focus on their marketing strategies, foster strong relationships with pharmacies, offer competitive prices, and build up their brand name.

Maintaining Customer Loyalty

Due to the high level of competition, customers and pharmacies have many options to choose from when deciding on their drug needs. Therefore, it is important to build a brand that inspires trust and quality so that buyers keep coming back to the company for a range of their products. Keeping in touch with consumer needs, investing in growth, and promoting the company name are essential elements to success in Malaysia's competitive generic drugs market.

Impact of Malaysian Pharmaceutical Company of the Year - Generics Drug Category Award on Key Stakeholders

The Award for Malaysian Pharmaceutical Company of the year—Generics Drug Category is a prestigious

recognition of Kotra Pharma's accomplishments in the Malaysian Generics Drug market. An unbiased, 3rd party recognition can provide a profound impact in enhancing the brand value and thereby accelerating Kotra Pharma's growth. As captured in Chart 1 below, by researching, ranking, and recognizing those who deliver excellence and best practices in their respective endeavors, Frost & Sullivan hopes to inspire, influence, and impact three specific constituencies:

- **Investors**

Investors and shareholders always welcome unbiased and impartial third party recognition. Similarly, prospective investors and shareholders are drawn to companies with a well-established reputation for excellence. Unbiased validation is the best and most credible way to showcase an organization worthy of investment.

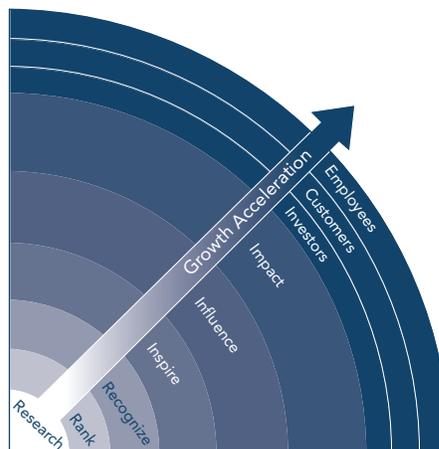
- **Customers**

3rd party industry recognition has been proven to be the most effective way to assure customers that they are partnering with an organization that is leading in its field.

- **Employees**

This Award represents the creativity and dedication of Kotra Pharma's executive team and employees. Such public recognition can boost morale and inspire your team to continue its best-in-class pursuit of a strong competitive position for Kotra Pharma.

Chart 1: Best Practices Leverage for Growth Acceleration



Key Benchmarking Criteria for Company of the Year Award

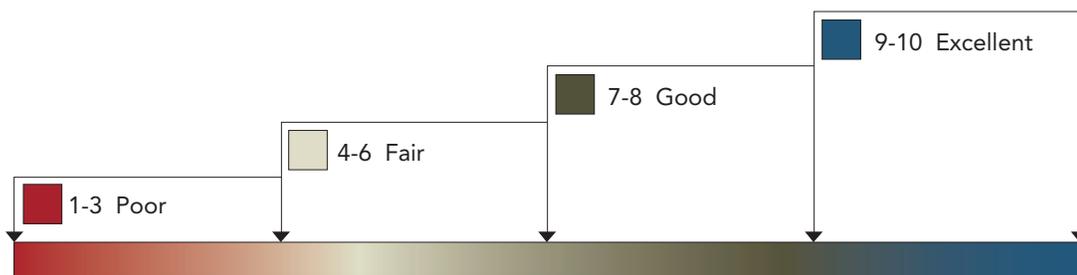
For the Company of the Year Award, the following criteria were used to benchmark Kotra Pharma's performance against key competitors:

- Growth Strategy and Implementation Excellence
- Degree of Innovation into Business Processes
- Leadership in Customer Value and Market Penetration

Decision Support Matrix and Measurement Criteria

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Matrix (DSM). The DSM is an analytical tool that compares companies' performance relative to each other with an integration of quantitative and qualitative metrics. The DSM features criteria unique to each award category and ranks importance by assigning weights to each criterion. The relative weighting reflects current market conditions and illustrates the associated importance of each criterion according to Frost & Sullivan. Fundamentally, each DSM is distinct for each market and award category. The DSM allows our research and consulting teams to objectively analyze each company's performance on each criterion relative to its top competitors and assign performance ratings on that basis. The DSM follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are shown in Chart 2.

Chart 2: Performance-based Ratings for Decision Support Matrix



This exercise encompasses all criteria, leading to a weighted average ranking of each company. Researchers can then easily identify the company with the highest ranking. As a final step, the research team confirms the veracity of the model by ensuring that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

Chart 3: Frost & Sullivan's 10-Step Process for Identifying Award-Recipients



Best Practice Award Analysis for Kotra Pharma

The Decision Support Matrix, shown in Chart 4, illustrates the relative importance of each criterion for the Company of the Year Award and the ratings for each company under evaluation. To remain unbiased while also protecting the interests of the other organizations reviewed, we have chosen to refer to the other key players as Competitor 1 and Competitor 2.

Chart 4: Decision Support Matrix for 2011 Frost & Sullivan Malaysian Pharmaceutical Company of Year - Generics Drug Category Award

Measurement of 1–10 (1 = lowest; 10 = highest)					
	Growth Strategy & Implementation Excellence	Degree of Innovation in Business Process	Revenue Growth	Leadership in Customer Value and Market Penetration	Weighted Rating
Relative Weight (%)	40%	15%	15%	30%	100%
Kotra Pharma	7	5	9	5	6.40
Competitor 1	5	5	5	4	4.85
Competitor 2	6	7	6	6	6.15

Criterion 1: Growth Strategy & Implementation Excellence

Kotra Pharma has been committed to a 3-pronged approach to growth, with a focus on customer needs, marketing, and technology. From its humble beginnings in 1982, the company has grown from strength to strength to become public listed in 2007 on the main market of the Bursa Malaysia.

Kotra Pharma has exhibited an excellent double digit growth rate over the past three years. More than 80% percent of the revenue comes from the private market sales.

Retail pharmacies and general practitioner clinics are strong service providers that treat the bulk of patients in the primary care setting. Kotra Pharma has a strong private market strategy, which provides growth opportunities as it is not only dependant on Government tenders.

Kotra Pharma currently has over 200 products registered with the National Pharmaceutical Control Board, although it plans to continue to strengthen this existing product portfolio to enhance customer loyalty. The company has increased its product pipeline by introducing 3 new drugs in 2010, two for the Axcel line (which specialises in paediatric care and primary care therapies) and the third for the Vaxcel line, which consists of

sterile injectable antibiotics, another fast growing therapy area. In the next 5 years, Kotra Pharma will introduce new products in the gastroenterology, cardiovascular, anti-diabetic, and anti-infective therapeutic areas due to the more than 20 off-patent molecules in its pipeline.

Other than business focused initiatives, Kotra Pharma is also promoting the Malaysian local pharmaceutical industry. In 2002, the company also played a role in Malaysia's admission to the Pharmaceutical Inspection Convention Scheme (PICS). The company also has a strong Corporate and Social Responsibility programme. As a part of its continuous development of pharmaceutical research and education, Kotra Pharma has been championing education for medical and pharmacy students in Malaysia through a series of academic grants and awards since 2007.

Criterion 2: Degree of Innovation into Business Processes

Kotra Pharma's Technology Centre also represents an investment in new technology and high-tech manufacturing processes. In a market that is driven by innovation and research, this major undertaking includes technologies and processes that are the first to be used in Malaysia and in the ASEAN regions too.

The company has made significant investment into expanding its manufacturing capabilities with the recent completion of this new plant, which will begin production in mid-2011. Within the next 5 years, the total investment into the plant will reach US\$ 100 million, making the Technology Centre the largest private pharmaceutical investment made in Malaysia to date. The plant is likely to strengthen the status of Kotra Pharma as an example of a center of excellence in the local pharmaceutical industry and will ensure a high level of quality in the company's cost-effective product offerings. This pharmaceutical investment also supports Kotra Pharma's overall vision, called Humanizing Health, which is a belief that everyone deserves access to top quality products in order to live a healthy life.

The company on an average invests 5 percent of its turnover for Research and Development (R&D), which is significant in light of the fact that large multinational invests in R&D on an average of 10 to 15%. Kotra Pharma's R&D investments include setting up of new plants, adding new products to their pipeline in the areas of infectious diseases, gastrointestinal disorders, dermatology, and fertility care. These are strong growth therapy areas in the region, putting Kotra Pharma in the centre of a growth zone.

Additionally, Kotra Pharma has partnerships with leading multinationals for contract manufacturing, technology transfer, and co-marketing. The technology and increased capacity that the new plant provides would allow the company to attract more foreign partners and enable Kotra Pharma to become a greater regional market player.

Criterion 3: Revenue Growth

The South East Asian generic market in 2010 was estimated at close to US\$3 billion with a compound annual growth rate of 9% (2010 to 2012). Malaysia is one of the most attractive generic drug markets in South East Asia (SEA). With a market size of close to US\$500 million in 2010, which is estimated to be around 48% of the total pharmaceutical market. The generic markets are expected to continue to grow with a slew of patent expiries coming in the 2012 period ranging from cardiovascular therapeutics to central nervous system therapeutics and infectious diseases. This provides a strong opportunity for high quality generics to penetrate the market.

Kotra Pharma has experienced revenue growth rates in the double digits, above that of the market, which is approximately 9%. With the business & investment plan they have put in action, the company expects double digit growth rates for the next few years as well.

Kotra has expanded its wide range of products over the last few years, in premium generic products as well as over-the-counter (OTC). The expansion of Generic Drugs Division has managed a strong compounded annual revenue growth rate over the last four years due to its growth potential in the export market. The company is present in 25 countries, including key emerging markets, which are driving the growth of the industry globally like Africa, the Middle East, and the ASEAN region.

Criterion 4: Leadership in Customer Value and Market Penetration

Kotra Pharma has also made strides in building its brand through consumer research and marketing initiatives, which have resulted in a consistent increase in sales of its older products, and is evidence of growing brand loyalty.

Kotra Pharma is very unique, as it applies global multinational standards in its marketing efforts. It has invested in conducting customer and consumer research programs to understand their end users so that they can develop products to meet these needs, as well as tailor their strategies to satisfy end-user requirements.

Beyond Malaysia, Kotra Pharma has presence in 25 countries, which include key emerging markets in Africa, the Middle East, and the ASEAN region with high generics growth rates.

In 2010, Kotra Pharma entered the Nigerian market through a partnership with the local Dortemag and into the Sri Lankan market through a partnership alliance with Lewis Brown Pharmaceuticals.

Kotra Pharma derives more than 30% of its revenue from exports, and with its export strengths and focused marketing strategy, the company is set to increase its presence in these emerging and established markets.

About Kotra Pharma

Formed in 1982, Kotra Pharma is a Malaysia-based pharmaceutical company which offers both generic drugs and health supplements. While the corporate and R&D headquarters are in Malaysia, Kotra Pharma also has a geographic presence in 25 countries, which include the African, Middle Eastern, and ASEAN regions. Its' generics products fall under two lines, called Axcel, which is centered on generic drug products, and Vaxcel, which is centered on injectable drugs. The recent completion of the Kotra Technology Centre, a state-of-the-art manufacturing plant in Malaysia, will enable the company to continue to expand its product range and remain a key player in the generic drugs market, locally and regionally.

About Best Practices

Frost & Sullivan Best Practices Awards recognize companies in a variety of regional and global markets for demonstrating outstanding achievement and superior performance in areas such as leadership, technological innovation, customer service, and strategic product development. Industry analysts compare market participants and measure performance through in-depth interviews, analysis, and extensive secondary research in order to identify best practices in the industry. awards.frost.com

About Frost & Sullivan

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