

Formal sale of Indian unit to begin soon: Adcock

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SALE

In its year-end 2015 financial report, Adcock expressed concerns over the underperformance of Cosme.

"As time has evolved, management has recognized the difficulties of operating an enterprise in such a competitive pharmaceutical market (India), which, in relative terms is sub scale, requiring inter alia, and significant further investment.

"In 2014 financial year, given the losses incurred, after the obligatory internal intangible asset amortization, the Cosme Pharma investment was impaired by an amount of R278 million," Adcock revealed.

The trading loss of R56.8 million, incurred in the current financial year, dictated that a further impairment of R74.4 million would be appropriate, it said.

The Group's Cosme Pharma was acquired in early 2013 for Rs 480 crore.

"This related industry purchase was justified at the time by the perceived potential growth prospects of a pharma sales and distribution business, with quality, good margin products in a vast marketplace," Adcock said in a statement.

Adcock is a major manufacturer and supplier of branded and generic medicines, over-the-counter (OTC) and critical care products, while Cosme was in the finished pharmaceutical formulations space.

After much deliberation, Adcock's board has decided to [dispose Cosme Pharma](#).

"A formal sale process will soon be commenced..," Adcock held.

When *BioSpectrum* contacted Adcock's HQ in South Africa, probing about the set selling price for Cosme, Adcock's spokeswoman said, "We announced that the board had resolved to dispose of this investment. The formal sale process has not yet commenced and so we cannot comment on it now."

Adcock also said that its businesses in Zimbabwe, Kenya and Ghana remains a challenge.

The company's CEO Mr Kevin Wakeford, earlier said, "While all divisions in the South African business did well and showed improved profitability, the rest of Africa and Indian businesses continue to post losses."

"During the year under review, although the results suggest a positive turn of direction, these businesses still incurred losses of R13.2 million compared to R29.0 million in 2014," Adcock expressed.

According to its year-end 2015 financial statement, its OTC turnover stood at R1 454 million over R1 248 million in 2014, which is 16.6% ahead of the comparable period, supported by renewed focus and more aggressive marketing.

Its prescription turnover witnessed R1 813 million compared to R1 860 million in 2014, which is 2.6% behind the comparable period.

The company attributed this to the reduction in the low margin ARV, and tender portfolios, and repatriation of certain products to multinational partners.