

Investment Opportunity

State Company for Drugs Industry and Medical Appliances (SDI)



Market context

Iraq has the potential to re-emerge as a regional healthcare hub, drawing on its long tradition of medical education and investment in infrastructure. The healthcare system deteriorated sharply in the past two turbulent decades, but the Iraqi market is again showing strong demand for pharmaceuticals and medical equipment as the peacetime economy rebuilds. The Government of Iraq is committed to rebuilding the sector, restoring healthcare to the position it once enjoyed as one of the best in the region. This is giving rise to a range of opportunities, notably for private investors to participate in

the pharmaceutical and medical equipment sector, in joint ventures to rehabilitate and upgrade existing factories, and in the establishment of new enterprises.

At an Iraqi health care sector business forum held in Istanbul in February 2009, Minister of Health Dr Salih Al-Hasnawi presented a four-year development plan outlining a greater role for commercial partners in key areas including public health, planning and procurement, construction, training and in pharmaceutical and medical supplies. At this event – which was attended by executives from global health

corporations and the World Health Organisation – Dr Al-Hasnawi observed that the central government budget had allocated just under £2.75 billion to the ministry for 2009.

The Minister strongly emphasised the need for private business to invest in healthcare and pharmaceuticals. He and his team were eager to meet with investors who could deliver a wide variety of solutions to the sector. This message is stronger than ever today, as the Government sees upgrading the healthcare of Iraqi citizens as one of the country's most urgent priorities.

The opportunity

The Ministry of Industry Minerals (MIM) and the National Investment Commission (NIC) are seeking an investor to rehabilitate the Samarra-based State Company for Drugs Industry and Medical Supplies (SDI). The company says it currently has a domestic market share of

approximately 40 per cent. It also has the capability of re-entering export markets where it was previously competitive. SDI's annual turnover is approximately \$40 million.

The MIM is looking for an investor to manage and operate the plant for a

fixed period, in return for a share of production. The aim is to rehabilitate and upgrade SDI's plant, introducing modern technology to reach targeted production capacity for all production lines.

Company background

SDI is one of two government-operated companies that manufacture a wide array of drugs and medical supplies. The two – SDI and Ninewah Company for Drugs and Medical Supplies – supply about 60 per cent of the Iraqi market for tablets, syrups, oral drops, IV fluid, eye drops, ointments, capsules, and other items.

SDI has a number of supply contracts with the Ministry of Health, with which it developed a productivity programme in 2008, signing contracts to establish modern production lines and supply some of the 850 types of pharmaceuticals which the MoH requires, including drugs for treating cancers. The ministry runs its medical procurement functions through

Kimadia, the official nationwide warehouse and distribution network for drugs and medical supplies. Kimadia has the authority to purchase and distribute on behalf of state-run medical institutions.

Most of SDI's products are generic versions of branded drugs. Its products are based on international pharmacopoeias, mainly British and American standards (BP&USP). The company applies firm quality control systems at all stages of production. It has a well-qualified workforce with a high level of technical and administrative experience. Most of its production machinery and instrumentation is of European manufacture. Its raw materials are

imported from a variety of international sources depending on the requirements of the particular drug being manufactured.

The company has maintained its operations over the past two decades in spite of the difficult political and security situation in Iraq. SDI has managed this thanks to its cadre of well-qualified employees. The company has a strong historical track record as a successful exporter of pharmaceuticals, as well as being the dominant force on the domestic market. During the 1980s it exported its products to more than eight countries including the huge market of the former Soviet Union.

The company has three main production units

Samarra unit

The Samarra-based pharmaceuticals manufacturing operation is SDI's core business. It produces 350 pharmaceutical preparations including tablets, capsules, suspensions, powders, oral drops, ointments and creams, ampoules suppositories eye drops and antiseptics. This unit currently operates at 46 per cent of its full capacity. The MIM has set target capacities for different production lines, which are all below the original design capacities of the plant.

The Baghdad and Babylon units which produce medical gases and glassware are currently not in operation. The Research and Development Department is based in Samarra. In addition, there are a number of research centres in Baghdad:

Design and target capacity (million units)

Item	Design capacity	Target capacity	% of design capacity
Tablets	1,500	1,200	80
Capsules	615	360	59
Syrups (bottles)	24	18	75
Ointments & creams (tubes)	15.6	12	77
Oral drops (bottles)	5	4	80
Eye drops (bottles)	7.5	6	80
Suspensions & powders (bottles)	9.5	7	74
Disinfectant solutions (bottles)	0.6	0.3	50
Oral rehydration salts (sachets)	9	7	78
Ampoules	10	8	80
Vials	20	12	60
Suppositories	12	7.5	63

The company's website is <http://sdisamarra.com/> (Arabic only).

Investment process

The Ministry of Industry and Minerals estimates that it will cost £32 million to rehabilitate SDI's plants.

It plans to invite all interest investors to send technical experts to visit the company's sites to carry out detailed investigations and to evaluate rehabilitation requirements. SDI's management will provide all necessary assistance, including the provision of technical data and drawings.

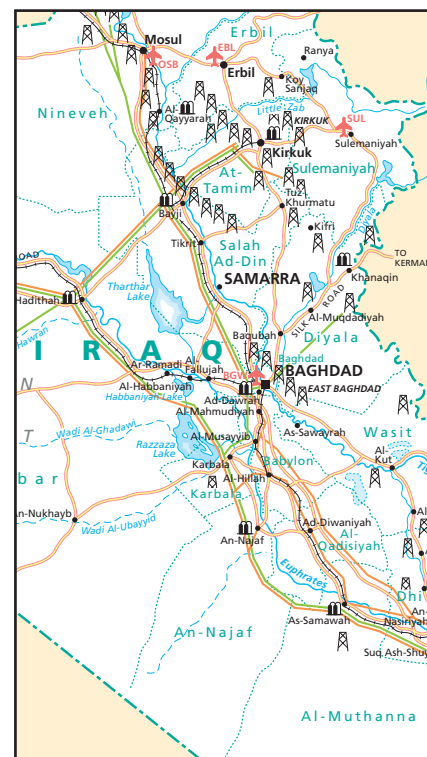
On the basis of these studies, candidate investors will be asked to present investments proposals containing the details of the rehabilitation work that they shall perform, the procedure for implementing the work, and targets for increases in production capacity. The investor will also propose a time period for the investment agreement and will stipulate what share of

production it will take and what to leave the ministry.

It will also lay out procedures for operating and managing the plant following its rehabilitation.

Investor proposals should also contain:

- An undertaking to supply, install, and operate at least one power generation unit, sufficient to meet the plant needs.
- Undertakings to keep the plant personnel and to pay their salaries and allowances throughout the agreement period.
- The proposals will be evaluated according to all the above listed criteria. Candidates will also be measured according to their financial strength and their track record in the sector.



Contacts: For general information about investment opportunities in Iraq or the investment process, please visit the Iraqi National Investment Commission website at www.investpromo.gov.iq or email at info@investpromo.gov.iq.

For information about specific sectors and opportunities, or to arrange a visit, please contact the National Investment Commission through one of the contacts below.

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