Hovid’s tough task to regain trust

Generic drug maker faces issue of consumers ditching the brand after licence revocation, and further strain from upcoming audits

with the manufacturing licences may have just wiped out its efforts to gain a stronger footing.

On Jan 9, the Pharmaceutical Services Division revoked Hovid’s manufacturing licences for its plants in Chemor and Salang Tunku Abdul Rahman in Ipoh following an audit by the National Pharmaceutical Regulatory Department. The company had to halt all its manufacturing activities.

According to the audit findings, Hovid’s current good manufacturing practice (cGMP) is not acceptable, and that its pharmaceutical quality system does not comply with the latest cGMP requirements. The company expects to revert to the necessary corrective actions by the end of this month and hopes to resume production by April 1.

A matter of confidence

Trading in Hovid’s shares was suspended on Jan 9. It recalled its Temnol 50mg film-coated tablets on Jan 6 due to mislabelling.

Prior to the suspension, Hovid’s shares were last traded at 34.9 sen, down 5% from a year ago. The counter closed at 30 sen on Jan 12. It fell to an intra-day low of 24 sen when it resumed trading on Jan 10 and closed at 30 sen.

The company’s largest shareholder is its chairman and managing director, David Ho Sue San, who controls 43% of the shares.

He declined to comment on how the company plans to restore investor confidence. “We want to focus on getting the licences back first,” he told FocusMJ.

Equities Tracker International Sdn Bhd director Alvin Yong believes market confidence in Hovid will be affected following the licence revocation.

“The confidence will be weak. The trust element for the products is very important, not only for investors but also for consumers,” Yong says, but he is optimistic that time will heal the company.

“People have no doubt the company will get back the licences. It is a matter of time. It is what happens after that,” says a investor.

He believes that investors need assurances from the company. “There are so many questions which Hovid needs to answer,” he says. “Hovid should be able to tell you how they are going to fix the problems.”

The company has stated that it will invest in new manufacturing facilities and update its quality systems. However, it has yet to provide a clear plan of action.

The impact of the loss of trust on the company’s ability to attract new investors is significant. The company’s stock price has fallen by 33% since the suspension.

Hovid’s earnings are already on a decline. For the financial year ended June 2016, the company managed to record only a marginal 0.3% increase in revenue to RM189 million, while net profit fell by 14.8% to RM17.9 million.

Hovid was formerly known as Ho Yan Hor. When it was first established some 70 years ago, its sole product was the Ho Yan Hor herbal tea. The drink, concocted by its founder Dr Ho Kai Cheong, became a household name.

During the 1990s, David Ho, a trained pharmacist, led Hovid into a new chapter of manufacturing excellence by venturing into mainstream medical approaches.