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BUSINESS PLAN AS A TOOL OF FINANCIAL PROVISION THE PROJECT OF DEVELOPMENT PHARMACEUTICAL COMPANY

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Свірідова С.С., Лівенцова А.М. Бізнес-план як інструмент фінансового забезпечення проекту розвитку фармацевтичного підприємства.

Громадянам України потрібні сучасні лікарські засоби, які б відповідали вимогам стандартів МОЗ і були б доступні. Темпи росту об'ємів зарубіжних ліків на ринку значно випереджають ріст об'ємів ліків вітчизняного виробництва. Тому потрібні зусилля із збереження внутрішнього фармацевтичного ринку України а також підтримка розвитку фармацевтичного виробництва сучасних ліків. Для фінансування інноваційних бізнес-проектів розвитку фармацевтичної промисловості країни пропонується розробляти бізнес-план, який є інструментом для отримання фінансування проекту.

Ключові слова: лікарські засоби, фармацевтичний ринок, виробництво, фінансування, бізнес-план

Свірідова С.С., Лівенцова А.М. Бизнес-план как инструмент финансового обеспечения проекта развития фармацевтического предприятия.

Гражданам Украины необходимы современные лекарственные средства, которые бы соответствовали требованиям стандартов МОЗ и были бы доступны. Темпы роста объемов зарубежных лекарств на рынке значительно опережают рост объемов лекарств отечественного производства. Поэтому необходимы усилия по сохранению внутреннего фармацевтического рынка Украины, а также поддержка развития фармацевтического производства современных лекарственных средств. Для финансирования инновационных бизнес-проектов развития фармацевтической промышленности страны предлагается разрабатывать бизнес-план, который является инструментом финансирования проекта.

Ключевые слова: лекарственные средства, фармацевтический рынок, производство, финансирование, бизнес-план

Sviridova S.S., Liventsova A.M. Business plan as a tool of financial provision the project of development pharmaceutical company.

The citizens of Ukraine need modern medicinal facilities that would conform to the requirements of standards IMHP and would be accessible. Rate of growth of foreign drugs on the market significantly outpace the growth of domestic production of medicines. Therefore, necessary efforts to maintain domestic pharmaceutical market of Ukraine and to support the development of pharmaceutical production modern medicines. To Finance innovative business projects the development of the pharmaceutical industry are encouraged to develop a business plan, which is a tool of project financing.

Keywords: medicinal facilities, pharmaceutical market, production, financing, business plan

The implementation in Ukraine of the constitutional guarantees on provision of essential medicinal drugs (MD), that to meet the specific needs of health the majority of the population in the required quantities and at prices that are affordable for individual citizens and society as a whole, requires the preservation of the domestic pharmaceutical market of Ukraine and strengthen it competitive position of domestic pharmaceutical manufacturers. Efficiency functioning of each enterprise in a market economy, its development prospects, primarily based on the ability to produce competitive products. This should take into account that in pharmacy there are higher requirements for product quality and strict system of internal and external control. To overcome these problems it is necessary to intensify innovation and investment processes in the Ukrainian chemical and pharmaceutical companies (CPC).

But the scientific and technical enterprise development is always accompanied by growth of costs associated with the development and introduction into production of new MD improvement of technologies of their production. This, in turn, necessitates raising prices, so that enterprises had the ability to recover increased costs and to ensure the accumulation of financial resources for their further development [1].

Products produced by the pharmaceutical industry is the products of high social significance and, therefore, more than any other industry, it should focus on principles of social and ethical marketing and availability prices for MD.

Analysis of recent researches and publications

To solve a problem you must have a new model financial provision of innovative business development projects in the pharmaceutical industry. The research stems from the fact that in works of domestic and foreign scientists such as: Volokh D.S., Zagoriy V.A., Kabachna A.V., Mnushko Z.M., Ponomarenko M.S., Talochka V.M., Rozsoha T.N., Strashniy V.V., Slobodyanyuk M.M. etc. although he highlighted some practical and theoretical aspects of organization and management of innovative activity in the field of pharmacy, to the financing mechanism of innovative-investment development of

pharmaceutical production is not sufficiently enough investigated.

The aim of the article is to determine the state of the pharmaceutical industry and search for the sources of financing its development with the use of modern tools.

The main part

The pharmaceutical market is a powerful industrial sector, which is among the five most profitable industries in the world economy. The pharmaceutical sector occupies a significant place in the economy of Ukraine, as an important segment of the national market, largely determines the national defense and security of the country, characterized by high knowledge intensity and developed cooperation [1].

In the last years, the pharmaceutical market of Ukraine was characterized by high growth rates (an average of 20-25% annually), and low levels of consumption of medicines per capita (expenditure on drugs takes 4-5 place in the expenditures of an average Ukrainian). Thus, according to the results of 2013, Ukraine occupies 4th position on the level of spending on pharmaceuticals in per capita terms among the CIS countries (after Russia, Belarus and Kazakhstan) [2].

In the early XXI century in the pharmaceutical market of Ukraine there are about 200 pharmaceutical firms. A characteristic feature of modern Ukrainian pharmaceutical market is the delivery of a significant amount of drugs imported without a specific system based on the ability to meet the needs of the population and medical institutions.

Today Ukraine has registered about 5,000 drugs, including 1150 domestic production. Market saturation occurs primarily not by offering new original drugs, and due to the already known means that are hidden behind various brand names [3].

The government of Ukraine in 2014 ushered in health care reform. The draft National strategy for building a new health system based on international experience (Strategy) in the fall of 2014 was approved by the Government of Ukraine and its main provisions have been made in the Coalition agreement of the majority of the newly elected Verkhovna Rada [4].

The Strategy envisages that in 2015-2017 radical changes in the law (including the Constitution), the introduction of new financing mechanisms of the industry, structural and organizational changes of the system of medical institutions, etc. A crucial element of the new healthcare system of Ukraine should become a compulsory health insurance, which provides compensation to patients the cost of medicines, which will become an additional stimulus for the development of the pharmaceutical market. It is obvious that the implementation of this Strategy will require strong political will from the leadership of the country and large financial costs.

At the same time, the Strategy lacks any goal of reforming the pharmaceutical sector, with only a brief mention of the need of decentralization and deregulation. Stated in the Strategy and the Coalition agreement 3 jobs in the pharmaceutical sector – the creation of a single regulatory authority, prohibition of advertising of medicines and procurement of medicines through international organizations are seen trying to imitate the reform or (in the worst case) a simple way to solve complex problems [4].

One of the main methods in respect to the provision of investment and financing development of pharmaceutical enterprises in market conditions of self-financing of innovative projects. This does not mean the absolute independence and rejection of borrowed funds. This is the motivation to develop actions and create the conditions that will increase and accelerate the reproduction process.

Ukraine remains quite stable over a long period. Against the trends of structural dynamics sources of investment in the domestic OP, we discovered that they differ from global trends and tendencies that are inherent, for example, the pharmaceutical industry in Russia, which is characterized by a gradual reduction in the share of profits in the total amount of investment resources and significant growth in recent years of specific weight of depreciation [1].

As of July-June 2015 the situation on the pharmaceutical market of Ukraine is as follows will examine the cost for 1 package of medicines domestic and foreign production (Fig. 1).

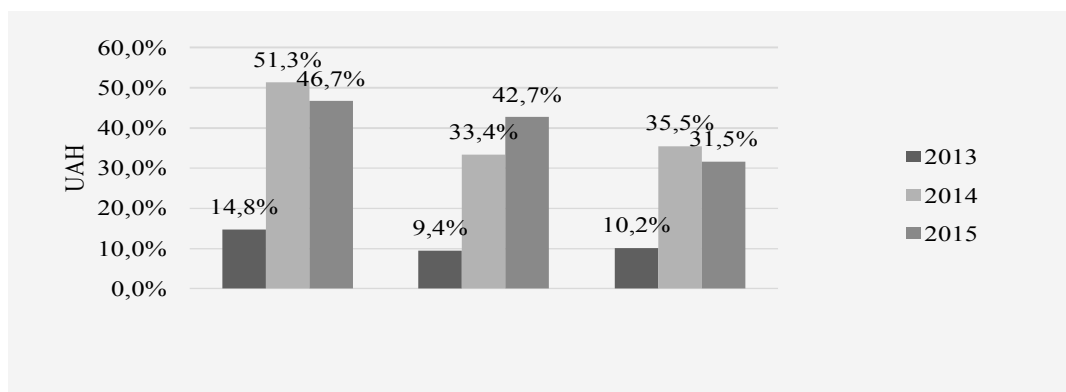


Fig. 1. The weighted average cost of 1 package drugs of foreign and domestic production [6]

Given this, we can trace the dynamics of changes (Fig. 2).

The growth rate of foreign drugs in the domestic market significantly prevents the increase in the volume of medicines of a domestic production. And

dynamics of the sales of the top 10 pharmaceutical groups PBX has increased by more than 25%.

Statistical data show that Ukraine can provide themselves with their own medication without assistance, only 28%. The rest (72%) owned by foreign firms [7].

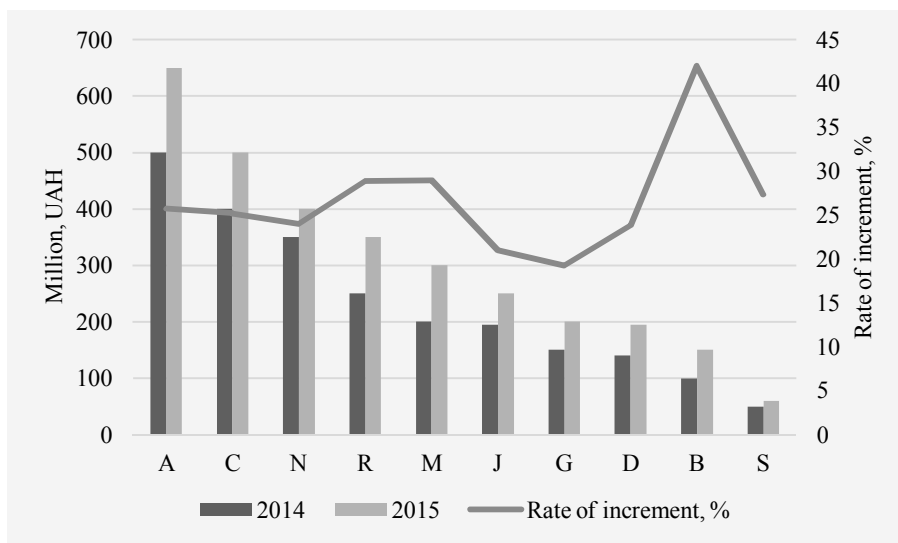


Fig. 2. Sales dynamics of top-10 pharmacy group ATC classification level 1 in money terms for the period July-June 2015 with the growth rate of their implementation comparing with the previous period [6]

This suggests that the Ukrainian pharmaceutical market is owned by foreign pharmaceutical companies with which domestic companies could not compete even in their own market, not to mention the global pharmaceutical market.

Given the projections of experts, the global pharmaceutical market following the results of the current year shows an increase of 4-6% to 975 billion dollars [7].

Modern trends in the allocation of funding for NDCR in directions and performers showed that over the past period, the priority is the funding of scientific research (49,2-90,8%) and the cost of upgrading production equipment (7,0-40,0%). Despite the constant growth of expenses on marketing activities and promotional events, the figure is only from 0,3% to 6,3% of appropriations [8].

The generalization of the data about structure of expenses on creation of new medicinal products by artist suggests that the primacy belongs to public research organizations (bottom – 8,5%).

Sources of financing NDCR is the profit of the enterprises, extra-budgetary funds of the Fund for the financing of sectoral and inter-sectoral research projects to develop new technologies and manufacture of new types of products and export medicinal products [8].

Investment planning of innovative business projects in the pharmaceutical industry is the development of complex technical documents containing feasibility study (engineering drawings, notes, business plan of the investment project and other materials), as well as a detailed estimate that identifies the cost of the investment project on the

development of new drugs. Any investment project passes through three main phases of development: pre-investment phase, investment phase and operational phase. Project planning is carried out in the pre-investment stage the following structure:

- analysis of investment opportunities,
- analysis of project alternatives and preliminary determination,
- pre-feasibility study,
- business plan.

A business plan is a document that describes all major aspects of the future activity of the enterprise for the production of new drug, including investment, analyzes all the problems that may arise, and identifies ways of solving these problems.

The business plan is considered a tool for obtaining financing, but he performs the functions of a much deeper:

- identification of business objectives (in our case, the production of new drugs),
- help formulate strategies and operational tactics to achieve business goals,
- establishment of a system for measuring performance,
- providing tools for business management,
- identify alternative lines of development [9].

In Fig. 3 shows the overall structure the business plan of the investment project.

A business plan is a standard for most countries with developed market economies a document which contains detailed conception is intended for the implementation of real investment project and describes its main characteristics [10].

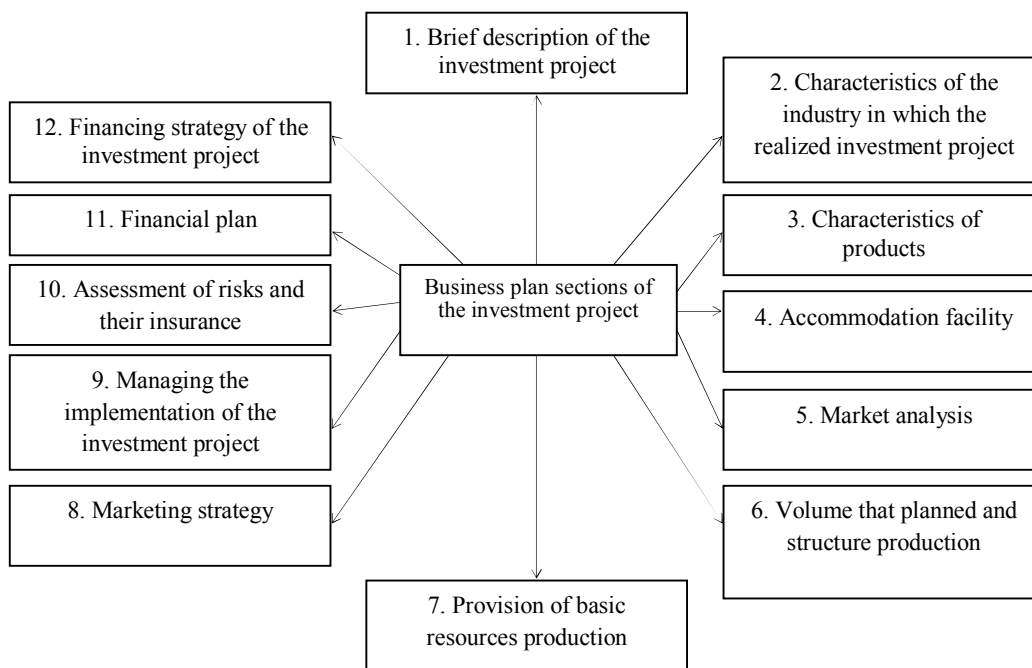


Fig. 3. Recommended structure the business plan of the investment project [10]

Financial section – one of the most important sections of the business plan, because that is the main criterion of acceptance of the investment project to implementation. Financial plan necessary for monitoring financial status of the investment project at all stages of its implementation, and reflects the coming financial costs, sources of their coverage and expected financial results, and the results of calculations executed during its development in a certain sequence [9].

The financial section of the business plan addresses issues of financial provision of activity of the enterprises, firms, organizations, and the most efficient use of available financial resources based on the assessment of current financial information and forecast the sales volumes of goods and services in the markets in subsequent periods.

The financial plan is developed in the following forecast financial documents:

- forecast of financial results;
- designing motion cash flow;
- forecast balance of the enterprises.

Generally, the forecast period covers 3-5 years.

Forecast of financial results. Forecast purpose of financial results is a representation the future development of the enterprise from the point of view of profitability. In particular investors will be interested in the level of profitability in the future, because they can see what share of the profits of enterprises will receive.

1st, 2nd year and so on are the years of the forecast period, since subsequent to year development of a business plan (base year).

Sometimes financial plan placed a break-even analysis to show what should be the volume of sales that the company could produce break-even. This

analysis is of some importance for the potential creditors of an enterprise [10].

The starting point for the compilation of this forecast is the planning of sales volume in natural and monetary terms. The calculations are carried out on all types of products, and then are summed into the result.

The investment project of development of the pharmaceutical production is divided into 5 stages.

The first stage is calculated the necessary amount of financial resources for real investments. To do this, selected the required objects-analogues, which are used for calculating the cost of new construction, acquisition of machinery and equipment.

In the second stage of the life cycle of the investment project cash costs increase sharply in connection with the acquisition of fixed assets and working capital. Is the acquisition and installation of fixed assets, as well as, if necessary, for the acquisition of licenses, patents or know-how to ensure effective use of these fixed assets. Can be produced the cost of training for your staff, advertising campaign, legal registration of a new activity, etc that is necessary for the implementation of the investment project. Cash receipts at this stage, as before, no.

Stage ends at the point of maximum discharges (Fig. 4).

At the beginning of the third stage is the phased introduction of object into operation. This stage is characterized by a sharp decline in costs and the gradual increase in monetary receipts in connection with the receipt of the first proceeds from the sale. At the end of the third stage of the life cycle the investment project cash flows reach their maximum value (point P_{max}).

In the fourth stage of the life cycle of the investment project is carried out stable operation of

production facilities, what characterized the planned volume of production or services.

Amount of profit gradually stabilizing. At this stage there is complete utilization of production capacity, the production process debugged to automatism, achieved the minimum level of the cost of manufactured products.

At the fifth stage of the life cycle of the investment project (the elimination stage) of the observed depreciation of fixed assets.

In this case we are talking about the so-called "second birth" of the investment project (Fig. 5).

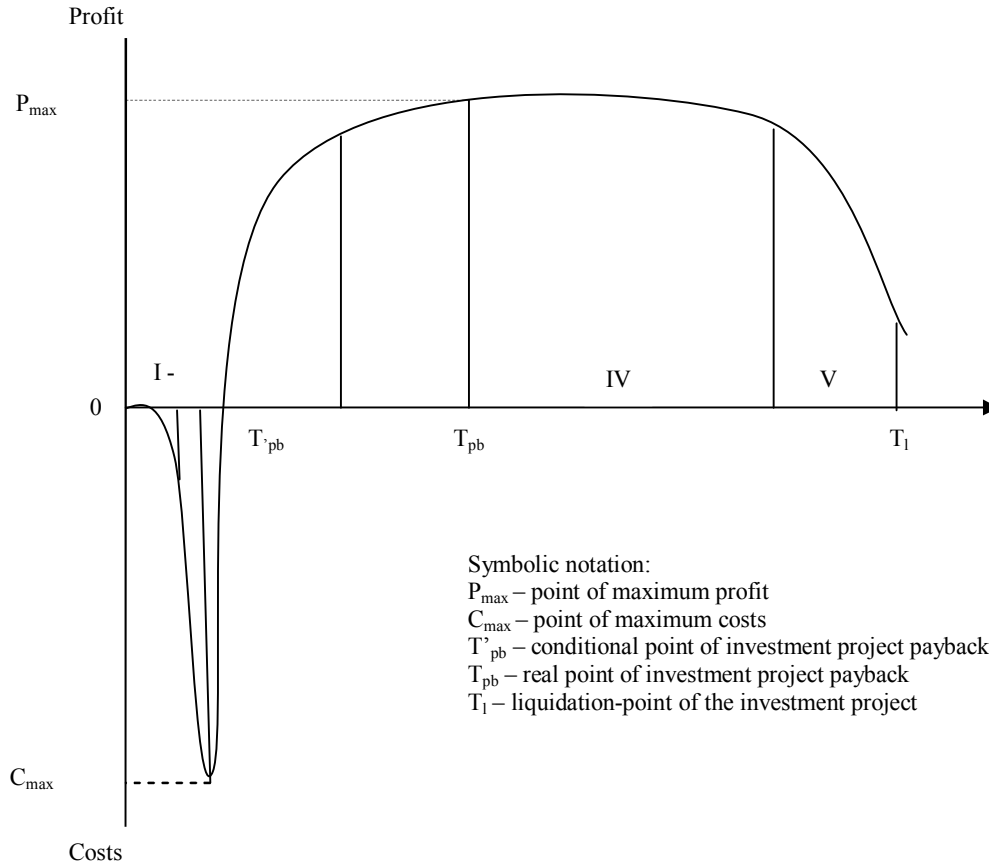


Fig. 4. The life cycle of the investment project [10]

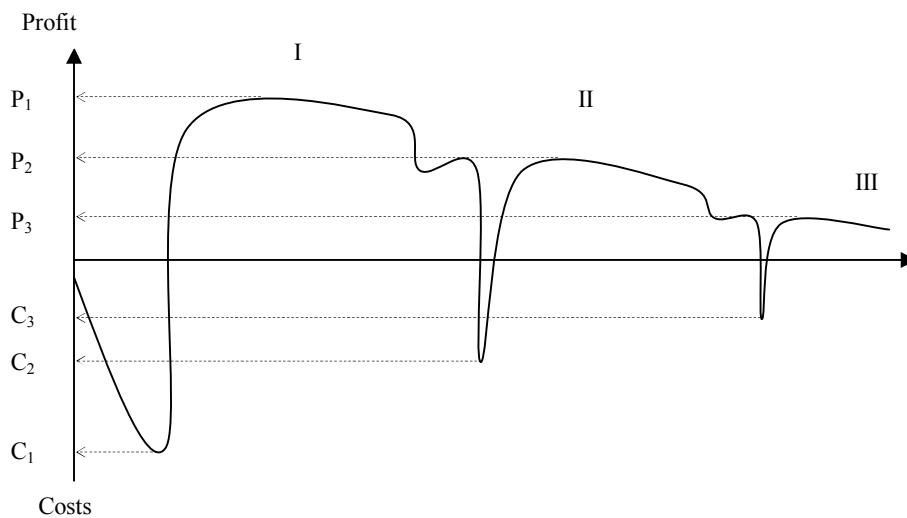


Fig. 5. The life cycle of the investment project with the SPT [10]

Support costs of production start to increase, while cash receipts declined continuously. However, at this point of time may be a decision made about re-investment, i.e. investment in new products or upgrades. That is, there comes a time when there is a need to use new, more modern, progressive scientific and technical achievements. In this case we are talking about the so-called "second birth" of the investment project [11].

Conclusions

Market orientation of innovative activity on creation and introduction in manufacture of new drugs is an important direction of development of pharmaceutical enterprises. The lack of reform of the health care system of Ukraine for 24 years of independence has become one of the main constraints for the development of the pharmaceutical market.

As a result, in 2015 compared with 2013, the pharmaceutical market of Ukraine decreased by 20% in units and 46% in dollar terms.

The new health strategy envisages that in 2015-2017 radical changes in the law (including the

Constitution), the introduction of new financing mechanisms of the industry, structural and organizational changes of the system of medical institutions, etc.

For the reform of the pharmaceutical sector, it is important to create a favorable business environment (legislation, courts, taxes, law enforcement, export promotion) to achieve the most comfortable conditions for business development.

One of the ways to solve these problems is investment planning of innovative business projects in the pharmaceutical industry to support the domestic manufacturer. But more important is the question of financing these projects. Financial section in the business plan considering the financial security of the investment project at all stages of its implementation, and reflects the coming financial costs and sources of their coverage and expected financial results.

Therefore, the development of a business plan for financing investment projects of production of new drugs is one of modern effective tools to attract investors.

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