

Emilio Sardi Aparicio - Executive Vice-President, Tecnoquímicas



There is trust in [Colombia], and regardless of which shade of government is in power, we will not stop investing in its future

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Tecnoquímicas recently invested over USD 250 million in its Colombian manufacturing plants, signifying the company's continuing faith in its home market. Executive Vice-President Emilio Sardi Aparicio outlines the regulatory and access landscape in Colombia today, how the firm's international footprint within Latin America has evolved, and its approach to the promising but complex biosimilars niche.

Could you start by outlining the panorama of the Colombian current socio-economic landscape, especially with a new government with a stronger social orientation?

I look at the situation from two perspectives, one as a Colombian citizen and the other as a pharmaceutical executive. In general terms, it seems that not all the members of the current government are experienced enough for the job at hand, which makes us all very nervous. The president and various ministers have made several unsettling statements, for example about the negative effects of the oil industry, and based upon that have made choices that have negatively affected the economy. However, I think that in the next year, they will gain more experience and begin to take a more conventional route.

As a pharmaceutical executive, I am broadly satisfied with the staffing and decisions at the Board of Health and INVIMA and feel that sufficient understanding exists not to harm the pharma industry

unduly. Our industry's relationships with these institutions rely on trust, and I am pleased to say that things seem to be moving in the right direction. As a company, we have been very transparent, and we are willing to talk very openly with the Government. We are open to showing how our prices have evolved, and the effects of generics on the market, and are ready to have rational discussions in all aspects of the industry. There is space to collaborate and develop policies that allow local manufacturing to grow. Colombian regulations need to be attractive for multinational companies to come and set up their production here as well.

Additionally, the minister of commerce is very knowledgeable and can help develop a new set of rules that will make our country even more enticing for manufacturers to establish their operations here. I am very hopeful for the future and the more transparent direction we are moving in.

From your personal experience at Tecnoquímicas, what makes Colombia a good place to manufacture pharmaceuticals?

Tecnoquímicas has been manufacturing in Colombia for over 50 years and recently invested USD 250 million in its plants. This shows that there is trust in the country, and regardless of which shade of government is in power, we will not stop investing in its future. Tecnoquímicas aims to compete internationally and even has some US Food and Drug Administration (FDA)-approved products.

Our Colombian management has continually prioritised in-country manufacturing, even when the market dipped and lacked maturity, which is now paying off. It is now helping us foster an environment that attracts even more manufacturing investment into Colombia. We do not fear competition, we fear bad rules.

What would categorise as bad rules in Colombia?

There are all sorts of bad rules, for example our regulatory agency INVIMA at times lacks clear guidelines, leading to a backlog of registrations and approvals that take much more than a year to be resolved. We just want a reliable, well-managed regulator, and we are now working towards that goal with INVIMA leadership.

Tecnoquímicas is a member of Asinfar – an association for local manufacturers – and also we are a member of the *Cámara Farmacéutica de la Andi*, where both multinational and local manufacturers are represented. In Andi we are financing a study for the Government with the Universidad de Los

Andes, a top-ranked Colombian University, on the reorganisation of INVIMA. We want to achieve transparency, efficiency and good governance and structure. Local manufacturers like Tecnoquímicas do not need special treatment. We just want support from the government and logical rules that protect and incentivise production. If we achieve this, this will lower drug supply prices within the country and generate high-quality employment. We all want the same things: it is fundamental that the government works with, and not against us.

Tecnoquímicas is probably the biggest local manufacturer in Colombia today. What is your position in the domestic market today and how important are the firm's international operations?

We are now in first position in the Colombian commercial pharmaceutical market and also have a strong positioning in the institutional market, although this only represents between ten and 15 percent of our turnover.

To keep fuelling growth is also key for us to expand outside Colombia – to do so Tecnoquímicas acquired a company from Bayer in Central America about five years ago. Today, our international business represents around 15 percent of global turnover, but we aim to increase this participation to 50 percent. We are currently planning to deploy all our local lines into other markets. However, we need to choose our target markets carefully; for example, Brazil is very enticing, but too big a prospect. Therefore, Tecnoquímicas is instead targeting smaller countries- we feel comfortable as big fish in a small pond. As we are not a big multinational, with our technical know-how and marketing we can face the markets individually in smaller countries and gain significant market share. We can bring our people to work in each country with similar value and operational agility as we do in Colombia, and within five to ten years develop a sound business. We are building up the structure in Colombia to make it more favourable to take our business and products internationally.

How attached are you to your Colombian market leadership? Most pan-American laboratories chose Colombia as a key step in their internationalisation journey...

Other large LatAm companies – such as the likes of Roemmers – are coming to Colombia as they expand. We are prepared to compete with these firms on even terms provided the playing field remains even. Imported products should not have preferential treatment. Given that, we consider that competition is healthy and we feel that we are well prepared to compete. I fear only a

regulatory authority that does not work well. Irrationality is not acceptable if you are to have fair competition.

In Tecnoquímicas' internationalisation journey, what is your strategy and your value proposition for these new markets?

This is a very conservative company, even though it is very forward-looking on social matters. Tecnoquímicas does a lot for the education of its employees and families, for example. However, on the business side, the owners prefer to grow organically and are very wary of acquisitions, mainly limiting our international expansion to the launch of our products in other countries and using our knowledge of those markets to grow as quickly as possible. Eventually, we will make some more acquisitions, if the deal is right, but as of now is not a requirement. Instead, we will stick with what we know and manage well, and bring our own, high-quality product lines to other countries in the region.

Our forte is developing good products, and we are not into basic research. Our products interest doctors and we know how to sell them to doctors and consumers alike. Additionally, we have something that most pharmaceutical companies do not: great knowledge of the commercial market. This company started as a distributor, and we also have products like disposable diapers (baby and adult) that help us develop good relationships with some of the commercial channels.

Given that Tecnoquímicas is a conservative company, how is the firm implementing new technological solutions and keeping up with digitalisation?

Some things will not change. Understanding the consumer and doctors will always be a priority, and we do that very well without the need for all the new technology. By having this understanding, you get to know two things: the products they want and what they want to hear. Technology comes to aid in the communication of these things. We have done research on the subject, therefore, we know how to connect with consumers and doctors in the field. For example, we know that no matter how digital the world gets doctors still like a real person to come and visit them to share the new products the company has to offer. For that reason, we have today over 350 medical representatives in Colombia, having started with only 42.

Does Tecnoquímicas still have the ambition to enter the biosimilars market?

We would like to get closer to companies that are good at developing biosimilars, but it is not easy. For many years, we were licensees for big multinational corporations, then in the 1990s there were many mergers in the industry and those big companies no longer needed to license their products. Nowadays, biosimilars companies are the type of businesses that would benefit from licenses and we would like to take advantage of this need. We want to have a good relationship with a couple of these companies so they can share that sort of technology with us, while we can help them bring these great products into the institutional market to Colombia and the region where we operate. We like to sell quality, therefore, we would only ally with the best. Going through all the hassle that is bringing a new product into the market is only worth it if it is up to our standards. As of today, we are in contact with two very respectable companies, but nothing has been agreed upon.

Is Colombia ready and capable of regulating and manufacturing biosimilars?

Yes, so much so that we are willing to invest. If there is a good opportunity to invest in biosimilars we will take it. We believe in being self-sufficient and having good manufacturing facilities. However, Tecnoquímicas will only work with a high-quality company, which is the reason that we have taken our time to make calls and get to know our options. For us, quality is the only way to keep our business sustainable in the long run.

Regarding the regulatory agency, it is a mixed situation. There is regulation in place that would allow a strong or well-documented biosimilar product to enter the Colombian market and do well. The problem? It has not yet been implemented. There is a fear within the agency that if they approve some biosimilars, multinationals will get angry and fight them. They have, in consequence, opted to say that the quality for most biosimilars is just not there yet. However, I am sure that a good product from a reputable company will be able to be registered; it will be hard and we will have to fight for it, but it is completely possible. I think INVIMA has given less than 10 registrations to biosimilars, so in a way, they are keeping good medical alternatives away from Colombians. The health system in Colombia provides medicine for all people regardless of their income, but, at great cost. It is not buying biosimilars because they are not being registered.

What are the initiatives that Tecnoquímicas is putting in place to ensure the continuing development of its business?

I am not at liberty to share our future plans, but I do know what the plans are for keeping the business going. We have a strong group of managers we work closely with and try to share all our knowledge and experiences. I feel confident that the company is well-managed and will continue to run smoothly when I am gone.

A few years ago Tecnoquímicas set up an internal “university”. We believe that when people go to college and graduate school, they receive a lot of good information, but do not get to learn specific techniques that we have developed through time in the real world. With this program, we go beyond this formal knowledge and try to make it a sort of postdoctoral-level collection of practical short courses focused on the specific abilities that we need. For us, education is vital.

On the other side of life, Tecnoquímicas also has a bilingual nursery that is open for the children of all workers, from machine operators to vice president and has six psychologists devoted to teaching those children. Once again, education is vital.

Is there a particular message that you want to share with our readers?

I just want to double down and highlight that competition is good and is what drives people to get better. Competition between companies is good for the population and should be stimulated by the government. A key point to having a good pharmaceutical industry in Colombia is a system where price determination is rational and is based on competition, which has not always been the case. Without this rational system, it has happened that the Board of Health on occasion has arbitrarily slashed the prices of products it deemed too expensive, leading to manufacturers stopping production and shortages or even unavailability of medicines. We are working on that rational system with the government. Pharmaceutical companies should be able to offer good products and be rewarded for their efforts, while the pricing should be reasonable for consumers to have access to their products.

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