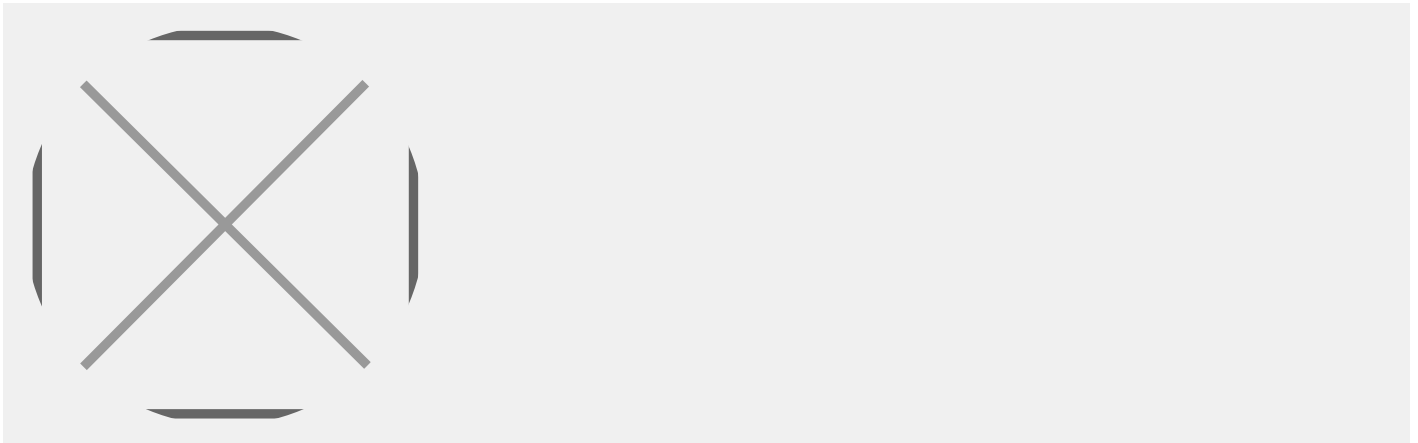


Interview: Lloyd D. Balajadia, MD Executive Director, Lloyd Laboratories, Philippines



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Lloyd D. Balajadia, Executive Director of Lloyd Laboratories talks about the advantages and disadvantages of the recent spike in generic medicine within the Philippine market, why despite a contract manufacturer being good for Lloyd Laboratories, it would be but bad for the job market and business opportunities in the Philippines, and how Lloyd Laboratories intends to extend it's reach into international markets.

In recent years, there has been an increase in generic medicines in the Philippine pharmaceutical market. As a result, the MNCs have gradually lost some market share to local pharmaceutical as well as international trading companies. As a local manufacturer with international activities, how have you observed this trend?

The Philippine pharmaceutical market is becoming increasingly difficult. Despite being classified as 'pharmerging', it is a crowded market space. When looking at macro figures and GDP growth, other industries in the Philippines would in fact look more attractive. One of the aspects making the Philippine pharmaceutical market more difficult is the fact that there are minimal regulatory barriers.

The country is becoming more and more dominated by imports while Philippine FDA becomes more and more stringent for local pharmaceutical manufacturers. Previously this has created an imbalance and a double standard because there were no counter checks for the quality of imports.

Just recently, our FDA has given a memorandum that they will start imposing audits for imported products.

The increased acceptability of generics and the increased number of players have caused the loss in market share of the multinational; not to mention that the competition in the retail channels have changed rapidly. We now have “franchise drugstore chains” which offer house brands for public purchase. This has created a tremendous price pressure to commodity products.

Will the much anticipated ASEAN harmonization improve the situation?

Harmonizing the ASEAN region in terms of documentation is a very good idea. However, we should not ignore the fact that economic objectives differ from country to country and remain an important factor in every decision-making process at the end of the day.

Harmonizing the ACTD document is a first step. Business-wise however, each country has its own commercial approach to pharma. The Philippines, for instance, is a very open market, which is also why there is so much competition. A country like Indonesia, however, is very protective and works very differently than the Philippines. Yet, when we look at the population levels, these markets play a very important role within Southeast Asia.

Although all countries are evolving towards PIC/S, it will still take a while before we reach a certain harmony on standardized quality levels. There is still limited consistency in the way manufacturing facilities are being constructed in the region. At the same time, despite free trade agreements, the commercial approaches remain very different from country to country.

If companies would start closing down their manufacturing facilities in the Philippines, wouldn't that be an opportunity for a contract manufacturer to play a greater role?

In a way, the fact that there are only a few manufacturers remaining in the market could become an advantage to us. Nonetheless, we prefer a free market and as much as possible are in favor of having more factories in the Philippines. This is essential to create more jobs as well as business opportunities in the country.

The Philippines is a brand-conscious market. You mentioned that the consumers now accept generic medicines. Is there a role for Lloyd Laboratories to build greater awareness around quality differentiation?

As a toll manufacturer, our direct clientele are the pharmaceutical companies. Rather than enhancing awareness among consumers, our efforts are directed towards enhancing the

knowledge of our buyers. We show them how we manufacture and engage in research and development. As a toll manufacturer we often need to balance price and quality to provide tailored solutions that meet the specifications of our clients. When it comes to the actual consumer however, our reach remains limited in building awareness since the company's objective is to create and develop quality products.

Unlike most Philippine pharmaceutical manufacturers, Lloyd Laboratories has been successfully expanding internationally. Why is that so?

Increasing our international presence is a way of diversifying our business geographically. It is the direction of our company to slowly enter new markets that will enhance our global footprint as a Filipino company. We intend to touch the lives of more people by producing quality products at reasonable prices. Our objective internationally is to look for distributors who can benefit from our quality and fresh product pipeline.

In India, you established a joint facility with a local Indian manufacturer. As from December 2012, you completed the four manufacturing blocks there. How does this partnership benefit Lloyd Laboratories?

Our international expansion has been part of the long-term vision of the company chairman, Zenaida Balajadia. Although the Philippines is a good country to manufacture, when it comes to manufacturing technologies, knowhow and regulated accreditation, India has undergone this transition already ten years back.

The same learning curve can be achieved in the Philippines but it will take us time. If we use the Indian platform to expand internationally, it can help us achieve our objectives at a much faster pace.

You also have offices in Hanoi and Ho Chi Minh City, Vietnam. What is your vision for that specific market?

Initially, we served Vietnam by trading APIs through a small team. At present, we have established a field force in Vietnam of around 14 people, both in Hanoi and Ho Chi Minh City. We have the same vision for Vietnam and other markets. We are looking for companies who are strong in marketing in whom we can partner with. Our strength is in manufacturing and they can outsource their product requirements to us.

Other neighboring countries like Indonesia are not easy to penetrate but offer an immense potential. What is your approach there?

We have the desire to be in that market. We are now evaluating the opportunities there and are looking at possible acquisitions as well as greenfield investments. We have planned near future visits to study the opportunities on location. It is a very challenging market, but challenges drive us forward. We intend to preserve our business model of custom toll manufacturing with built in R/D facilities as part of our services to other pharmaceutical companies.

What will Lloyd Laboratories, both locally and internationally, look like in five years from now?

Beyond the Philippines, we see ourselves moving globally as a company. It is a challenge for us to convince other countries that we bring quality products as a Philippine company. We want to carry the flag of the Philippines around the globe, and show that we can provide the world with quality medicines. We are already exporting to smaller countries like Papua New Guinea. Now, we want to target larger more developed markets like Brazil through partnering with reputed companies.

We feel that business goes much faster through partnership. Companies and clients look after dependability and credibility, as well as heritage. We deem these factors as very important to succeed. The Philippine economy is driven by services and overseas workers (OFWs). To grow the Philippine economy, there should be a steady ratio of services, goods manufacturing and the people we send overseas. But we need to prevent a brain drain by sending too many people overseas. Hopefully, we will be able to find a healthy balance for our economy: half service-driven and half driven by value added manufacturing.

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