Interview with TATYANA V. PECHAIEVA, General Director, Lekhim

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Tags: Lekhim

Lekhim group was one of the pioneers for establishing a national pharmaceutical industry in 1992. This year you will be celebrating 20th anniversary. Would you start by providing us with a short history of the group and what it has become in 20 years?

Lekhim was founded in 1992 as a closed merchandise company. The first project at hand after foundation was to purchase and obtain the proper documentation for medicine production. After receiving these documents, Lekhim became the first company to introduce generics production on the Ukrainian market.

The initial years were difficult for our company, because, just like the rest of the country, we were lacking money. Therefore we were focusing on providing pharmaceutical companies with raw materials, and receiving finished products in return. We also as a first in Ukraine initiated suppository production. As we still didn’t have our own production site, we started to lease them. In 1995, we were finally able to buy a suitable site in Kharkov, and quickly transferred our suppository production there, quickly adding tablet production. In 1995, another Ukrainian company, Technolog, joined our group, and in the same year we continued our expansion by purchasing another production site in Uman. Altogether our production sites nowadays produce more than 1 billion film coated tablets a year. Back in 1991, we started as a rather small producer, but nowadays it is one of the major players in the local market.

Lekhim does not stop developing however. Since 2008 we also produce injectables, on top of our tablets and suppositories. We produce more than 15 million ampules a year now, but we are expanding and soon we will be able to produce around 25 million ampules.

Today, Lekhim consists of three companies: two pharmaceutical companies and a headquarters where we set out the strategy. The three separate legal entities are connected by the controlling stock that Lekhim holds in them.

What do you consider to be the main achievements that define Lekhim as a Ukrainian success story today?

Thank you for mentioning us as a success. We are not a big company, which is one of the reasons for our success. We are constantly analyzing the Ukrainian market and looking for niches to fill, which our size allows us to do swiftly.

Most of pharmaceutical formulations produced by local companies are generic products and we hardly see any post-Soviet companies that produce innovative medicines. I don’t think this is connected with a lack of possibilities or capabilities, but the Soviet science complex did lose a lot of its strength, and the ties between the pharmaceutical industry and the scientific world suffered dearly in Ukraine. We are trying to further increase our ties with the Ukrainian scientific community to assist us in one of our main strategies, which is developing new versions of well established and proven products.

When a young scientist comes to us with good proposals for studies, we always support them, because we believe science is the key to stimulating our development.

An example is the Validol (a solution of menthol in isovalerianic acid mentyle aether), a typical USSR product, unknown in the West but sold by bulk in the former Soviet Union for a reasonable price. Today, Lekhim renewed this medicine by removing sugar from its ingredients and adding three new extracts. This is a good example of how we improve what is already good and well known – an important aspect of our strategy.

First product which we successfully marketed was Potentiale, generic form of a Pfizer urology medicine Viagra. As a result of a successful marketing strategy Potentiale became one of the top selling generic products in the same group. This achievement is remarkable especially when taking into consideration that in 1992, when we started production of this generic, we had nothing: no production facilities, no personnel, no know-how.

Despite of the many difficulties such as a tough competitive environment and constantly changing government regulation, Lekhim has been performing very well, often showing double digit growth. What has been the performance of Lekhim in 2011 compared to 2010?

We showed positive growth, not only in quantity, but also in money terms: 20 percent in the first nine months of 2011 compared with those of 2010. Nonetheless we were not entirely content with this; when we look at our growth numbers since 2008, we can boast a 30 percent average. But we understand that it is not always possible to reach those figures; sometimes you have to be happy with less than 30 percent!

Although our growth is higher than the growth of the market, we believe we could have performed better if the rules of the market were clear and favorable for producers, instead of slowing down our growth. This year for instance, development and introduction of many preparations to the Ukrainian market was halted because the absence of agreements among the authorities on the rules and amounts of specimen import. The fact that we have our second health minister of this year is a case in point; the constant changes in the Health Ministry are a true burden for both domestic and international producers.

We try to pass our vision to the authorities and lobby the legislation that would be suitable for them, us and our customers.

The current discussions on health care reform seem to point towards the introduction of reimbursement by 2014. Do you think the country is moving in the right direction and do you think the reforms will be finally introduced?

We cannot wait any longer with the introduction of these reforms, and I am confident that they will finally be passed. We will have to see in what form and quality they will come, but at least the first brick has been laid.

Reimbursement and medical insurance are connected to many other questions from which they cannot be seen separately. If we look at the reimbursement system for instance, it cannot go without production; production cannot go without science; and science cannot go without education. I hope the authorities fully understand this and tailor their reforms to the complexities of the health care system.

Considering your strong manufacturing base, what are Lekhim’s plans to further expand internationally?

Today, with the constantly increasing potential of the Ukrainian market, we are shifting our focus more and more to our home market. At the beginning of the 1990s, we strongly focused on export, paying less attention to the Ukrainian market. Our products were more popular outside Ukraine than inside the country. Despite this shift in focus, Lekhim still exports about 23 percent of total production, mainly to countries of the Commonwealth of Independent States (CIS).

We have joint ventures in Georgia and Turkmenistan, and are considering opportunities to establish joint ventures in other countries where we have a strong presence, such as Belarus, Kazakhstan and Uzbekistan.

We have experience exporting goods to the Baltic states and currently export women suppositories to Slovakia. We are considering extending our sales to the European markets and we plan to put more emphasis on this part of our development strategy in 2013 and 2014.

As an opportunity to expedite, has Lekhim considered partnering with a foreign company to obtain knowledge of them and increase production standards to their levels?

We offer contract manufacturing, which we have already developed through extensive cooperation with local companies. We are open and looking forward to working with foreign companies.

The Western companies that audited our production facilities positively assessed them. Our production facilities are up to GMP standards but we are still waiting to receive the certificate. We consciously decided not to spend too much money on receiving the certificate though, because our licensing conditions do correspond to them. In order to be able to enter the European markets, we also need to go through supplementary licensing procedures from the side of the European countries.

We now strongly focus on the CIS markets, and we are also increasing our attention towards Asian markets; we are in negotiation with Syria, Iran, and African countries to receive contracts.

Lekhim is also unique because of its wholesale and distribution activities. What is the breakdown of your retail services versus production?

In Ukraine, we exclusively distribute our own production to the major distributors in the country. We are distributing products of other pharmaceutical manufacturers, such as Arterium, Darnitsa, Farmak, to CIS markets and help them with registration and regulatory procedures there.

Besides production and distribution, we have a modest retail department consisting of eight retail points. We plan to increase this number but it is currently not a top priority.

If we would return in three years, what will the company look like, and what are your plans as a General Director?

In 2008, Lekhim was among the top twenty Ukrainian companies. Over the past three years, we continued to grow and entered the top ten. If we follow this development path, we will be among the top five in three years! To realize this we do not only continue to expand our production in Kharkov and Uman, but we plan to purchase another production site to be able to diversify our production. We have a relatively small company, with 700 employees, but it will expand due to our second launching of our second Technolog production site.

Does your father being the company founder share your vision on how the business should be run?

Yes, he does and we have the same approach: never stop developing and do not be afraid of hardships. If the shareholders are content with my work and reelect me as a General Director I will be happily working for the benefit of the company.

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