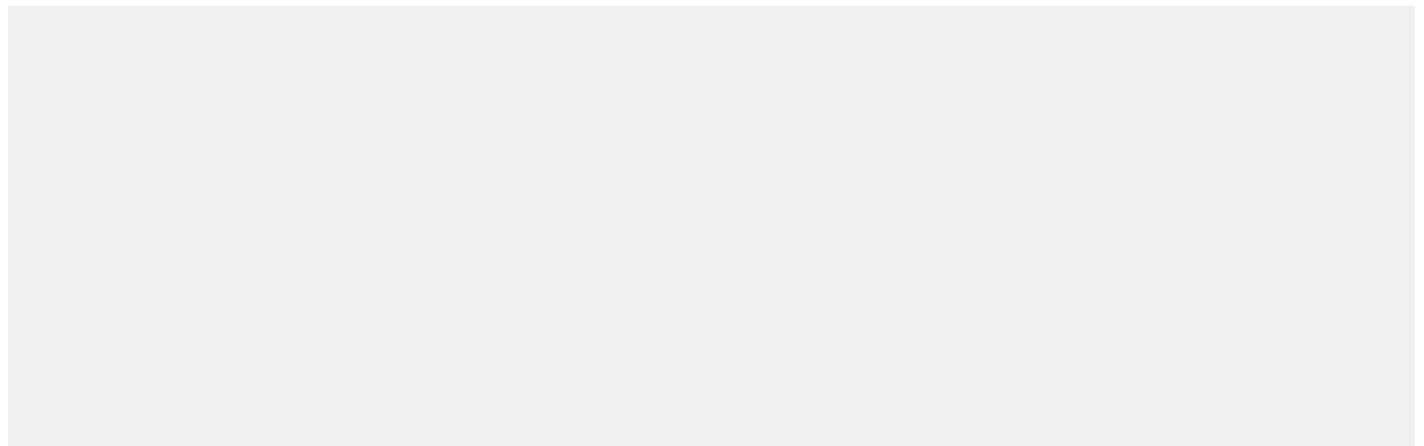


Interview with Nicolás Rubió, Vice President, Industria Farmacéutica Andrómaco



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First of all, can you tell us about the history of Andromaco and what have been its major milestones and challenges over the years?

This year marks the eightieth anniversary of Andromaco in Mexico. The company was founded by my grandfather, Fernando Rubió, and his business partner Raul Roviralta in Spain in 1923. The two entrepreneurs made a great businesswise combination because my grandfather was a pharmacist and wanted to start his own company, and Raul had the capital, so they started it together. In Spain, the first product Andromaco manufactured was Glefina – a cod liver oil product in the form of a sweet syrup designed for children. The product was a huge success.

They started exporting to Argentina, Chile, Colombia, Brazil and Mexico in the late 1920s and early 1930's. Subsequently manufacturing facilities were established in each country. In the 1940's after the Spanish Civil War, both partners decided to separate and split the facilities. My grandfather took over Andromaco in Spain, Mexico and Colombia.

In 1961 my father, Enrique Rubió, was put in charge of Andromaco Mexico. In the 1980's, we went through an economic crisis and in order to survive, Andromaco's operations downsized and my father focused on the company's main product: Hipoglos; which enabled him to survive the downtrodden decade.

My father bought 51% of the company shares of Andromaco Mexico at the beginning of the 1990's and a few years later he bought the rest.

Around the same time, I started working in marketing for the business, since then I've been getting more involved each day. The first thing I did was to implement an ERP management system; a huge project, but necessary. After that we decided to get rid of the closed family-orientated structure, and left the operational side to professionals in the industry. The remaining part of the family that contributed to the business would remain as part of the executive board.

Currently we have a great managing director that has been with us for more than twenty years and has helped steer us through all the bad times; he is someone that deserves all our confidence. At the moment I am trying to professionalize the company more day by day, and also pushing to have better qualified employees on board by providing them with more educational opportunities and training, so that they can make a new team and make Andromaco grow.

We're very interested in the manufacturing side of the business, because while many companies are down-sizing their manufacturing presence in Mexico, Andromaco actually inaugurated a new plant in December 2008. What was behind the decision?

Our original plant site became a residential area and made it impossible for us to expand and modernize the facilities. We moved to Toluca in 2008 with a brand new facility, and although at first I questioned the decision to keep manufacturing instead of outsourcing, it was a good decision, and it is really paying off.

Our long-term goal is to produce for companies in the United States. We have started the process by getting the FDA to come and inspect our facilities and to approve the process of one of our products, Pasta de Lassar; a skin ointment for diaper rash. We currently hold 94% of the Mexican market. Our success in this area can help explain the decision in expanding our manufacturing capabilities in recent years; the major advantage that we have is controlling the quality of our products. If you use a contract manufacturing service, you cannot ensure the use of first-class ingredients, or process quality. We have two high quality Italian reactors, and we are using them to produce both our Pasta de Lassar product, and our other major brand called Hipoglos. With this high quality product finish, we have now expanded our product range to sun blocks.

A year ago, we were able to start exporting Pasta de Lassar to the United States due to the high quality of the product. There is a big Latin population familiar with this product which has created a huge market for us over there. By the end of this year our product will be in 5,000 sales points across the country, including Walmart, and mainly focused on states with large Latin communities

including California and Texas, and major cities like Chicago and New York.

The packaging is bilingual and we are selling it through a distributor specialized in bringing Mexican products into the country. By the end of our first year we will have sold 150,000 units, and in two years we will be selling around 500,000 units.

How did you approach the distributor in order to form a partnership and sell your product through them?

We started thinking about exporting to the United States, and at the same time they were looking for brands in Mexico, so we just crossed paths at the right time and formed a great working relationship.

Do you think that the fact you have such high quality manufacturing equipment means you will soon be introducing other products onto the United States' market, using the qualities of manufacturing here in Mexico as a solid foundation?

At the moment I think we can only export our two major brands to the United States because they are so well-known. I think the level of quality in our manufacturing plant is extremely interesting for North American companies looking to produce here, and a few companies have already approached us with this in mind. There are many important companies in the United States selling products in Mexico, but without a manufacturing plant here, and when they have seen the level of quality in our manufacturing facilities, they evidently want to work with us.

I understand why many companies have stopped manufacturing in Mexico; having a plant here is a challenging proposition. But on the other hand, the fact that it is so complicated due to the stringent Good Manufacturing Practices put in place by COFEPRIS, foreign companies are now looking to us to take their place, and furthermore our competition is slowly reducing.

Are you also looking at going down this export route in Central and South America?

At the moment we are looking north, not south. The United States is such a huge export market for us, especially with so many Mexicans living there, as well the opportunity to manufacture other companies' products for the United States. Brazil is also taking a huge piece of the manufacturing market for the United States, and Argentina in some respect, but we can compete solidly with them from here in Mexico.

Moving forward, Andromaco Mexico is focusing on the United States market because of its size and potential, which includes contract manufacturing and exporting your number one product. On the

other side you also have the Mexican market plus the chance to in-license American products to complement your own. Where do you see the most profitable areas and the areas with the highest impact for the company in the coming years?

The United States present a great opportunity and for that we will continue to enhance our exports, but it is also a chance to show off our contract manufacturing. Andromaco will continue to concentrate on the Mexican market as our primary focus, and we will concentrate on our branded products as we have done in the past. There is also a huge opportunity to grow the ethical side of the business- more so than the OTC market; we are very strong on pain relief and have a unique product called Indaflex which is a cream for arthritis and also used for bruises, which penetrates the skin much faster than other creams. That is the kind of product on which we want to focus our growth in order to create another competitive edge.

Do you have a final message for the readers of Pharmaceutical Executive, perhaps where you want to be before you reach your 100th anniversary as a company?

For the 100th anniversary we hope to be five times as large as we are now, and we'll really have a strong foothold in the United States market.

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