Interview with José Tombazzi, President, Denver Farma

21.02.2012

Tags: Denver Farma

Could you give us an overview of the generics sector in Argentina as it stands at the moment?

The generics market in Argentina was started immediately after the regulation regarding generic prescription was introduced in 2002. However, this law didn’t include approval for products of generic denomination. Because of this, those of us involved in this sector understand that the situation is halfway there, because the country will need general law that includes identification of products of generic denomination, and in this way allow identification of generic products. Many times in Argentina, the production of the generics has been very successful, particularly for the national companies.

After the crisis of 2001, the government went to some lengths to educate the population on the concept of generic drugs, and this really boosted sales within the sector. Generics allow many to gain access to medication that they could not before. This step was also important for the industry, because previously the only people using generics had been those that were accessing medicine through social security. The law of 2001 put the power in the hands of the pharmacist, and the patient, and this led to more people adopting the use of generics. Generics had been used in the country for many years, but they had never actually been called as much.

We see that Denver started as a generic provider, and now you have transformed into another type of company. Was it 2001 that made you make this change?

Denver Farma started their activities in the late 1980s, and their activity was mainly concerned with covering the demand of the government, which in turn came from social security, but we had no real activity in the pharmacy. But after 2001, the company's activity in the pharmacy increased a lot. People began buying generics because the commercial advantage compared to branded products was significant. Returning to the central concept, if we analyse the history of the pharmaceutical industry, for at least 50 years, local companies have been producing generic products, but have recently become a lot better at branding their products for the market. If you look at sales figures, the top three medicines in this country are all generics. The companies that own these drugs aren't particularly innovative, but have done very good work in the promotional aspect of their brands.

What is Denver's current positioning within the pharmaceutical market?

We have a very good image, and have grown a lot in the last eight years. Our company is in the top 10-20 local companies. We produce very important quantities of medicine, which is more important to us than turnover.

We see today that you are producing for export as well now. What made you take that decision and how did you put that into place?

Our business is volume, which makes export a good prospect for us. We decided five years ago to develop one special line of generic bioproducts. That turned out to be a very important decision, both for Denver and for Argentina, because today discussion of generic bioproducts is very important around the world. In 2006, we launched the first recombinant human insulin in Argentina. This launch was possible through a joint venture with a European company, Diosynth.

We had the knowledge at Denver of insulin production. When the company had the positioning in the market, we analysed the possibility of launching one a niche product. Insulin was a natural choice, due to our knowledge, and the fact that the pathology of diabetes is very important worldwide, and it's a pathology that unfortunately is increasing. In Argentina, there was no-one producing recombinant human insulin. We decided to launch a product formulated here. Diosynth are specialists in bioproduction, and so we focused on producing the pharmaceutical products. The pharmaceutical formulation is our creation. Thanks to this development, we are in the process of technology transfer to other Latin American nations.

How do you find the competition from multinationals in the diabetes sector?

There are two giants, Eli Lilly and Novo Nordisk. These are two very important companies that are present worldwide. Sanofi-Aventis also cover a percentage of the market, but during the last five years, after launching production of these products, we have seen interest from China and India. Biological production with a recombinant weight dramatically changed future possibilities in this field, and it’s very important for pharmaceutical companies to position themselves well.

At first it was very hard to get the physicians to consider any insulin other than the products they were used to, because the physician identifies the medicine with import products, which made it very difficult to introduce our product. But by talking to doctors and explaining, it was possible to get a good position.

This was equally due to the fact that our first presentation of the product was in vials. Vials have a lower ease of use than most insulin patients are used to today, as most people use a special device like a pen to deliver the product. However in vial form, we were able to answer the demand from social security, and increase access to insulin. That was very intelligent decision, because the physician began to identify the products in the hospital with the patient. Last year we launched a cartridge system that works in a pen. At the moment we are using a British device that uses our cartridges, but we are preparing to launch our own version soon.

Denver recognised that there is great potential in the future with insulin-based products, not only commercially, but because there is a demand for future investigation and R&D into future applications in the diabetic field. This is very interesting for us.

How is Denver Farma positioning within Latin America?

Within Latin America Denver has an image as a generics producer. But step-by-step we are changing this with launches and registrations of recombinant human insulin, because not all countries in the region accept the concept of biological generics.

What’s Denver’s strategy for future growth? Are we going to see organic growth, or mergers and acquisitions?

We understand that it is very important to complete our lines: we have a different line of therapeutic products. When Denver first started, we had many diverse products not organised effectively. Now we are working to restructure, and organise different lines under therapeutics. In the same way, we have a line for neurological products and cardiological products. We have a very good line of ophthalmological products, which have shown the company that’s it’s possible to develop niche lines. When we launched our eye drops, we identified how profitable this product

was for us, and so we have extended this line.

If you had to assess, how much of your production goes to local markets, and which percentage goes to exports?

Between 10 and 12% goes to exports, and we are looking to expand this number. Our new plan is to expand throughout Latin America.

Denver is a great example of an Argentinean pharmaceutical success story. What advice would you give to small, local Argentinean companies now looking to make a name for themselves in the future like Denver?

If we analyse the possibilities for a new pharmaceutical company now, its different to 10-15 years ago when Denver began, because healthcare regulations are different. It is possible to develop if the company has an established background. I think it is the same in all of Latin America, because the requirement to register in all the countries is key. Our possibility now to increase exports, including to Latin America, is possible because Denver is already an established company.

This is not just a capital-intensive industry but a human-intensive one. You have multiplied your capacity by five since you began Denver, which is huge growth for a pharmaceutical company. How have you managed the human resources?

This is the core business for us – to create and form professionals. Human resources and highly-qualified staff are very important in this industry. For more than 25 years I was a university professor, and I have applied many of the lessons I learned during that time at Denver Farma, in order to establish a group of young people that will provide us with opportunities in the future. The pharmaceutical industry is a very good opportunity to develop professional capacity in many disciplines: engineers, lawyers, and accountants, as well as the scientists you traditionally think of.

If we came back to Denver in five years time, what could we expect to find? What would you like to achieve in the next five years?

We have two factories now, so moving all the production to our new plant is a high priority. All the structures are in place for this to happen, and this project will be completed very soon. The Munro plant will be a logistics centre. We are very clear that our new facility will be the only factory. In all our projects, we have included some space for future development. After this is done, we want to increase exports, as the new facility will help us do this. We will be able to increase our exports if our production is competitive.

Three years ago, we developed a line of MDIs – back then, we were the third company in Argentina that produced this kind of product, and we are currently in the process of registering these products in Latin America for export. These will be very important possibilities. In some cases, we decided to start small in these markets, because it is important to establish a successful presence. We will make larger exports to the bigger countries such as Brazil, who have larger demands than other markets. We have the capacity to do this – we are only working at 50% of our potential capacity. This is the future for Denver. We consider that the step for exports is very important. Fortunately our target to cover the demand in Latin America is very reachable, because the situation in big countries like Brazil is the inverse of Argentina. They have a market where participation of local companies is small, and with multinational companies large. This gives us one advantage in comparison to other companies.

What is your final message to Pharmaceutical Executive readers about Denver Farma, and the Argentinean pharmaceutical sector?

First, that the Latin American market is very interesting. There is huge potential to increase participation, because many parts of the population don’t yet have access to medicine, and so this market is constantly growing. Social security is also growing to cover more of the population, and this is a great development for the Argentinean pharmaceutical industry. Argentina has a very good reputation for the quality of our medication. There are good opportunities for the near future.

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