

Interview with Handoko Soetrisno, President Director, Pyridam Farma

01.02.2011

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Pyridam Farma has achieved and maintained the leading position in terms of growth in the Indonesian pharmaceutical industry for two years. What strategic choices have caused Pyridam to outperform its peers?

Our strategy has three pillars: marketing, human resources, and quality. Three years ago Pyridam Farma redesigned its marketing strategies, understanding the importance of investing in image enhancement and market-wide brand recognition. As you can see, we are already reaping its benefits. In addition, the company is focusing more on human resources, especially on our sales representatives, enhancing their ability to better understand our clients' needs. The sales team has gelled over the past three years to become an incredibly effective force driving Pyridam's growth. Pyridam now able to run faster and sales growth has been experiencing a snowball effect. On the production side, Pyridam Farma made considerable investments in order to guarantee the high quality and safety of our products. As a result of these combined strategies, our plant in Cianjur is consistently running at full capacity due to the great demand for Pyridam products. Pyridam Farma is a medium scale company that is rapidly growing to become a leader in the industry. Last year Pyridam Farma made major upgrades to its manufacturing plant in Cianjur, investing almost IDR 2 billions.

How have you allocated this new capacity? Even though Pyridam Farma already has GMP certification, it needs to continuously upgrade its manufacturing facility, both in terms of quality

and capacity in order to get other important certificates such as the PICS or TGA plant certification from Australia. Therefore, this new investment was intended to both boost production capacity and enhance quality standards.

In your opinion, what will be the real impact of the 10/10 decree on your company; given Pyridam's excellent credentials as a toll manufacturer?

Pyridam has built up considerable experience through multiple partnerships with international companies. For instance, we are currently importing diagnostic products and materials from countries such as the UK, Italy and Australia and we are aiming to expand the providers' network even further. Pyridam Farma is open and actively searching for various kinds of partnerships with companies willing to enter the local market, providing them with a privileged position in Indonesia through joint ventures, toll manufacturing, in-licensing agreements and any other type of partnership. In other words, Pyridam Farma is a partner of choice in Indonesia.

What makes Pyridam Farma the partner of choice for those companies willing to enter the Indonesian market?

Thanks to the successful relationship of trust and mutual benefit that Pyridam built with its current partners, the company now enjoys an excellent reputation in the local market. This is what positions Pyridam as the best partner for those companies seeking safe and long term partnerships in Indonesia. For instance, Pyridam Farma does toll-manufacturing for a series of products with delicate technology and our partners can completely trust in our capacity to honour both the final quality of the products and the safety of their technologies.

These are our main commitments towards our partners and final clients. How will your product portfolio develop in the coming years?

Pyridam Farma is increasingly focusing on ethical products. The company is moving away from OTC and the cosmetic business is not our main priority for the moment. Currently, the company has more than 100 products in the form of tablets, caplets, capsules, syrup, cream and ointment. As mentioned, the main focus for the present and future is on ethical products such as penicillin and non-penicillin antibiotics, anti-tuberculosis, painkillers, and many others. Last but not least, a booming and profitable part of Pyridam Farma's business is contract manufacturing services, which contributed to only 3% of revenue last year but thanks to its considerable margins and increasing demand, it will represent an important part of our business in the future.

Which new markets are you looking to enter?

Pyridam already covers all the major cities and regions in Indonesia, reaching more than 90% of the domestic market. The company is rapidly adding staff to increase sales capacity in order to better serve this market. In the international markets we already export to Hong Kong, a very competitive market, and last month Pyridam shipped its first products to the Philippines which is a very promising market due to its size and market characteristics that are similar to Indonesia. The company wants to launch many different products in the Philippines, but the process takes time due to the long list of bureaucratic approval procedures. Pyridam is also consolidating its interests in countries like Cambodia and Yemen and it is indirectly exporting its products to many different countries through toll-manufacturing, reaching Thailand and Malaysia, for example. In the past, Pyridam Farma has been seeking to acquire other companies to further accelerate its growth.

Are you still actively looking at acquisition prospects?

Organic growth is the fastest way to keep expanding our activities and at the moment our facility is running out of capacity due to swiftly increasing demand. Therefore, we are still considering acquisition based expansion, as long as we find companies that are complementary to our strengths. Pyridam Farma is aware that new acquisitions will probably require further investment to upgrade the new capacity and integrate it with existing infrastructure. However, this doesn't pose a challenge to the company and is understood as an opportunity rather than an impediment. Mergers and acquisitions are not common in Indonesia. Most local companies belong to the first generation and as such, the owners are still those who built the company and are emotionally attached.

These market realities make M&A far more challenging than in many other markets. Can we expect another five years of further impressive growth for Pyridam Farma?

Pyridam's future depends primarily on its human resources. Therefore, in order to continue growing quickly, the company needs to continue developing expertise and share its success with those who build it – Pyridam's employees. Since the company is investing considerably in HR and on the quality of its products, I strongly believe it is still possible to generate incredible growth over the next five years. As a consequence of its increasing competitiveness in price and quality, Pyridam will certainly improve its position in international markets in addition to domestic growth. The company is already penetrating markets in the ASEAN region and partnering with multinationals willing to be present in Indonesia. In addition, in the medium term, I want to see Pyridam Farma entering sophisticated markets such as Europe. As the company grows, it becomes more difficult to maintain high growth rates. However, we are expecting a minimum of solid double digit growth over the next year. My aim is that in five years time Pyridam Farma will be amongst the top ten

local pharmaceutical companies.

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