Interview: Ufuk Kumrulu – Chairman, Polifarma – Turkey



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Polifarma is Turkey's largest producer of basic parenteral IV solutions with a 41 percent market share the country and growing exports across the region. According to the Chairman and CEO Ufuk Kumrulu, the company is expanding into medicated hospital solutions, and is aiming to become a "market leader in hospital IV products."

How did Polifarma become the leading producer of parenteral solutions in Turkey?

My father founded Polifarma in 1986, and in 1995 we bought EN Ilaç's parenteral solution business, including licenses and equipment, and from 1995 onwards Polifarma produced parenteral solutions. At the time, EN Ilaç had only four parenteral products in glass bottles with about two percent market share, so from 1995 through 2009 we worked to expand our portfolio of basic IV solutions, and kept growing every year with sound steps. Following my father's death in 2011, we made a difficult transition to our new facility, as our original facility was unable to continue to meet GMP requirements. Up until 2011 our business was focused on basic parenteral solutions, but with our new facility we started to expand into hospital IV products, as we saw there was a need for locally produced IV solutions since most of these products were being imported, so we started to develop new products and apply for regulatory approvals.

Today, Polifarma produces a range of basic IV parenteral solutions and hospital IV solutions in a variety of forms and volumes, including polypropylene (PP) bags, PP bottles, polyvinyl chloride (PVC) bags, and glass bottles. We are the largest parenteral solution manufacturer in Turkey having achieved 41 percent market share last year, and have a 30 000 square meter

manufacturing facility that produces roughly 120 million units per year and has a capacity of 180 million units. Currently we are developing an aseptic production line at a cost of 10 million euros, which will support our expansion into hospital IV solutions.

Being a manufacturer and making this sort of investment in Turkey is difficult, as we receive no help from the government, the ministry of health, or even market incentives, as prices do not allow for substantial margins to reinvest. Maintaining our identity as a truly Turkish company is also quite difficult, as history has shown that many Turkish companies have been acquired by international companies or foreign investors. We are one of the few truly Turkish companies remaining, and Polifarma has a sister company in fact, Aroma Ilaç which we are trying to position as a contract manufacturer for injectable products.

Does Polifarma work with private sector hospitals as well as the state run hospitals?

In public hospitals the system is based on tenders; there are more than 900 hospitals, and for the most part each one organizes its own tender. This system has begun to change a bit in the last year, as in all cities hospital management systems, purchasing, and stock management have been consolidated underneath a single institution, which has raised the size of tenders and depressed prices.

The private healthcare sector has been growing strongly since the early 2000s, and Polifarma identified this trend early on, so we have sold and marketed to private hospitals for many years now. At present, there are four manufacturers producing basic parenteral solutions in Turkey and Polifarma is the only one with its own sales force in the field, visiting private hospitals; our competitors sell to the public system, and some distributors. Today 30 percent of total product consumption is in the private system, and we think the private sector’s share of the market will continue to grow over the next several years.

What is the strategic reason behind your expansion into hospital solutions, and how much progress have you made so far?

We have been trying to build up our hospital IV product portfolio for two years now, and now have several approved products with more on the way. However, the majority of our sales are still basic IV solutions, with almost ten percent of our turnover from the mixed IV solutions. Next year, once our new aseptic line is up and running, we will start to produce our own hospital solutions and with this capacity we will surely be able to increase our market share in this area.

The reasoning behind our expansion in this direction is to leverage our strong presence in hospitals; with 41 percent market share in basic IV solutions we have products and sales people in most hospitals, however these are very low margin products. Our goal is to transform Polifarma's image in hospitals, and become a market leader not just in basic IV solutions but in hospitals in general. To achieve this, we will expand our product offerings by registering more products including some pharmaceutical products, and use our position as an IV solutions provider to draw the attention of medical personnel. While we are now known in hospitals as a basic IV producer, hopefully they will start to say hospital solutions in the near future.

Competition is mostly from multinationals in the hospital solutions market; what is your strategy for competing with these companies?

Part of our strategy is to use our ability to produce a variety of products in terms of volume and form to change the demand of our customers by offering them new options that are currently unavailable on the market. We are the only company in Turkey that can produce products in PP bags, PP bottles, PVC bags, and glass, and we can do this in a wide variety of volumes; this means we are able to offer our clients the products they want in the size and form they want, which is something our competitors are unable to do.

We are applying this same principle in the hospital solutions business, as we are offering pre-mixed products that fit the precise needs of our clients. Traditionally, for a patient to be treated with most injectable products the hospital has to mix a solution themselves, which means increased stocks of ampoules of pharmaceutical products and basic IV solutions, and introducing the risk of incorrect dosage or contamination. Polifarma's pre-mixed products eliminate these risks, save medical practitioners time, and reduce stocks.

For example, all moxifloxacin products on the market were in glass vials prior to our launch of Moksilox, our pre-mixed PP IV bag solution containing moxifloxacin; hospitals liked this product and strongly adopted it, and we established a 70 percent market share in the first year. In total, we now have approvals for 13 new premixed products, and are seeking to offer our clients new product option that they need and want, but didn't know they could ask for.

Earlier you said you wanted to export 20 percent of turnover?

With the move into our new facility in 2011, we had the capacity to produce large enough volumes to start exporting, and the timing was right with respect to other factors. First we focused on neighboring countries in the Middle East, Balkans, and North Africa. Taking some first steps like adding an English version to our website was very important, and we began attending international

exhibitions such as CPHI and Arab Health in Dubai. This allowed us to establish contacts in these countries, and begin product registrations. So far we have passed inspections for Iraq, Libya, and Jordan, and last year we exported to more than 15 different countries. To the east, our biggest export markets are Azerbaijan, Iraq, Jordan, UAE, Iran, and Saudi Arabia, while on the Balkan side Kosovo, Macedonia, Albania, and Bosnia are all significant. In Africa we started with Libya, and now Algeria is starting to become a productive market for us; we have also sent some goods to countries like Nigeria and Somalia irregularly. These markets tend to know our products are of good quality as Turkish products have a good reputation, so we do well against Chinese and Indian products in terms of quality, while our prices are more attractive than those of European producers.

We are trying to increase the number of countries we export to, and will finish registrations of our products in another 12 countries by the end of this year. Next year, we want to get a EU GMP certificate so we can begin marketing and selling our products on the European market. Overall, our production capacity is 180 million units and we currently are producing about 120 million, so we have substantial room for sales growth. If we continue to invest in increasing our product range, moving more into higher-value hospital solutions, we will hopefully be able to develop our export business to about 20 percent of our turnover.

What is your vision for Polifarma in the future?

We have an R&D lab with 30 employees, who are all chemists and biologists, and in Ankara we also have an office for handling product registrations staffed by 12 pharmacists. Our first priority is to continue to increase our product portfolio day by day. At present we have many ongoing projects, and within the next year we will have a fairly attractive portfolio of hospital solutions that we can start to promote more strongly in the Turkish and foreign markets. We also want to see Polifarma continue as a 100 percent Turkish manufacturer, and are not interested in selling as many other firms have done in recent years. While we are open to working with international producers in the future, we would only be interested in doing this through joint ventures and separate projects, not under Polifarma itself. Also, for our other company Aroma Ilaç, we want to reposition the company as a contract manufacturer for IV drugs as there are not many IV drug producers in Turkey with excess capacity, and have a high-quality production platform.

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