

Interview: Ismail Yormaz - VP and Regional Director South East, Recordati - Turkey



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Recordati's South East regional VP, based in Istanbul, discusses Recordati Turkey's key role as a manufacturing hub for Recordati, the importance of the Turkish market (fourth largest globally for the group) to the global organization, and current initiative to increase investment and develop a new manufacturing facility in the country.

What is Recordati Turkey's role within the Recordati global organization, and, more specifically, within the South East region?

Recordati is a very entrepreneurial company, which is evidenced by our 15 acquisitions in the last decade. During these acquisitions, my region was, and remains, one of the key areas of focus for the company as three of the 15 acquisitions were in this region; Yeni Ilaç and Frik in Turkey, and Opalia in Tunisia. The Turkish approach to business has been a good fit for Recordati, and Turkey is a country that is very friendly to those with an entrepreneurial spirit. The importance of Turkey's role within Recordati can be seen in our 2014 financial results, where Turkey is ranked fourth in turnover within the Recordati global organization.

Globally, Recordati's top therapeutic area is cardiology, followed by urology as well as rare diseases following the acquisition of Orphan Europe in 2007 and the acquisition of the Lundbeck portfolio in the US in 2013. How are these strengths reflected in the Turkish market?

In the Turkish market place, our strong presence in cardiology and urology is continuing with new product launches in our cardiovascular and urology portfolio; we have not yet brought our rare disease portfolio to Turkey. Parallel to this, there is also a significant presence of our acquired companies Yeni İlaç and Frik, whose portfolios are contributing to our organic growth. Recordati İlaç has been moving up in the pharmaceutical sales rankings since 2009, moving and from 64th to 25th in Turkey. Our average growth rate during this period has been around 36% while the market growth is only 2.3 percent. Just a reminder, this period has been one of the darkest periods in the history of the Turkish pharmaceutical industry due to the significant price cuts in 2009 to 2011, and fixed foreign exchange rate. In fact, it was a very short time after Recordati made the Yeni İlaç acquisition in 2009 that the government introduced the first series of price cuts, and the second round of cuts occurred just after the acquisition of Frik in 2011.

Given the falling pharmaceutical prices, how have you stimulated organic growth in this environment?

My management style is based on simplicity: I believe that commitment and hard work are the keys to everything. However, it's important to stress that commitment and hard work must be a team effort. This is the most important factor for success. If you are hard working and committed, you will be successful in any industry or country.

Which segments of your portfolio will you look to for growth in Turkey moving forward, and what role will new innovative products such as Livazo/Alipza (pitavastatin) play?

Livazo/Alipza is a new and innovative statin, which we hope to get reimbursement for shortly. This product has already received market authorization in Turkey, we have already submitted to reimbursement office, and we are now awaiting their answer. This product is quite important, because it's one of our new chemical entities, which we would like to penetrate into the Turkish market as a new statin. This product has some very specific benefits for the patients; for example, its can be used to treat diabetic patients, and helps to increase HDL cholesterol levels. Because of the high percentage of diabetic people in Turkey, we believe that it will be of particular benefit to the Turkish population, and we are now waiting for an evaluation from our social security institution (SGK) in Turkey.

Recordati has recently decided to invest USD 50 million to develop a second plant in Turkey; why is this the right time for Recordati to invest in Turkey?

Turkey's entrepreneurship-friendly environment is one of the two main reasons why it is the right time for Recordati to invest here. The other reason is the demand, the need that currently exists in

Turkey and will grow in the coming years. I do not know what will happen in the short term for the Turkish pharmaceutical environment, but I am quite certain of what will happen in the mid to long term; the Turkish pharmaceutical market will continue to grow, because Turkey has a young growing population, one of the youngest populations in Europe, and as this population ages their medical needs will increase, particularly in chronic areas. For the last 12 months Turkish pharmaceutical consumption has grown in the double digits. Furthermore, Turkey has strong human resources for pharmaceutical production with a lot of expertise, experience, and know-how. Lastly, the surrounding region also has growing needs for medication, and given the political situation in some nearby countries, Turkey is optimally positioned to supply these markets.

Regardless of what happens in the short term, in the long term Turkey will be an important regional power and leader, and an important hub for pharmaceutical manufacturing in the region, like India to some extent. Therefore, for middle to long-term investors this is the best time to invest, because if you look at the major demographic trends and long run economic needs domestically, Turkey will continue to be the center of the region because of the human resources, excellent education system, and technological infrastructure.

The other key factor is the Turkish government, which has been interested in supporting local manufacturing since 2010, although it still hasn't done so in a significant way thus far. It is critical that Turkey decreases import-export deficit, particularly within the medical goods market, so with or without explicit incentives and financial supports, developing pharmaceutical manufacturing and exports from Turkey will earn the goodwill for the government.

What are the specific capabilities of this facility, and will it play a strong role as a contract manufacturer?

Recordati has also experienced significant growth in volume in Turkey, and need additional local production capacity; so we are developing a new facility that will nearly double our Turkish production capacity from 43 million units to 80 million units per year. This facility will feature much more automation than our current facility and will allow us to continue to launch new products in Turkey, export to our affiliates in the region, and to continue to offer contract manufacturing services to other multinational pharmaceutical companies.

The fact that there is excess capacity in Turkey is often repeated, but I would like to point out that there are varying degrees of quality in Turkey. Manufacturers that can produce high-quality products are able to utilize the majority of their capacity for the most part, and as our platform will produce high-quality products there will be demand for our services.

After five years with Recordati as general manager, you were made vice president and regional director for the south east region last September. What have been your key priorities since taking on these new responsibilities?

My top priority and biggest challenge is to understand the markets I work in. I have worked to try and understand the Turkish market for many years, and for the last year my top priority has been to learn about and come to understand the other markets I must now oversee. If you look at the countries within my region, you will see that I am responsible for operations in several different cultures, as we are at the crossroads of culture now where European, Western European, Turkish, and African mindsets intersect. All these countries have different dynamics, different ways of conducting business, and different portfolios. This is why it is important for me to have an understanding of the various countries and cultures within my region, as well as well as the specific business details for each affiliate. Despite these differences, we all have the common thread of wanting to be successful, which is what helps us maintain such strong relationships.

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