

Interview: Ersan Kuçuk - General Manager, Drogsan, Turkey



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The general manager of Drogsan, Ersan Kuçuk elaborates on the company's efforts in shifting towards more value-added pharmaceutical products, specifically within the realm of biosimilars, while highlighting his ambitions in expanding the company's presence within OTC. He also illustrates the decision to move Drogsan's R&D department to the Gazi University Teknopark, and how this transition will enhance the company's innovative capabilities.

Mr. Kuçuk, when we last met you in 2012, you had several ambitions including establishing more international partnerships. Now in 2015, can you please provide an overview of where the company stands today in relation to those goals?

In the past three years, I can confidently say that we've met our goals. With the support of more international alliances, we've been able to significantly expand our export business - now accounting for approximately 15 percent of our annual turnover. By the end of last year, we were able to cover all of our imports with revenues generated from the products and services that we exported abroad. Considering the country's current trade deficit in pharmaceutical products, I view this as an excellent mark of our growth. In the next few years, we will continue growing our export business to diversify our profit margins and mitigate the downward pricing pressures faced in the domestic environment

I originally joined Drogan in 2008, at which point the company was still largely involved with generics. Since that time, however, we've also begun building up our capabilities in manufacturing OTC products and biopharmaceuticals – a higher value-added segment that will serve as a key area of interest for not just ourselves, but the broader Turkish pharmaceutical landscape in the coming years. In conjunction with LG Life Sciences, we completed the technology transfer, began production at Mefar, and eventually introduced Erythropoietin PFS to the market in April 2014 – the first locally manufactured biosimilar product in Turkey. Since the launch, we've managed to secure 8 percent market share in this particular segment. We've since added other biopharma products, specifically within nephrology dialysis, into our portfolio, and now accounting for approximately 12 percent of our turnover. Moving forward, we're also looking to expand the OTC segment of our business from 8 percent to 20 percent of our turnover. Although a seemingly large percentage, this move will allow us to preserve our profit margins, and in turn, competitive positioning in the market.

As a leading boutique manufacturer for pharmaceutical products in Turkey, Drogan Pharmaceuticals exports its domestic capabilities abroad to over 18 different countries. How do these foreign markets stand to benefit from the import of products from Turkish manufacturers such as Drogan? And what type of countries will you focus on moving forward?

Turkish manufacturers are able to compete on par with the quality of the West, while boasting the competitive prices of the East. For Drogan specifically, we are not a big company. Our value-proposition lies in providing tailor-made solutions for small to medium-sized market. Since obtaining GCC approval for our manufacturing plant, we've recently been able to launch our first product in Dubai, with the intention of penetrating the remaining GCC countries by early next year. We're also in the initial stages of establish partnerships to enter the African market, where we see significant opportunities. Other emerging markets within our scope include many CIS and Middle Eastern countries including Azerbaijan, Uzbekistan, Moldova, Russia, Jordan, Iraq, Afghanistan, and surprisingly also Syria, which has displayed very promising export potential. Although, we've obtained EU GMP approval, we currently lack sufficient resources and demand to enter a more developed market such as Europe, and even the US. That being said, however, we will continue building up our international capabilities by finding the right strategic partner with the appropriate level of local expertise to ultimately aid us in penetrating such markets.

Back in 2012, you also highlighted your hopes in positioning Drogan as the contract manufacturing hub for regional pharma companies. How much progress has been in

that regard?

Although not accelerating at astounding growth rates, our ambition in that regard has been progressing nonetheless. Our business development department has a plan to increase our contract manufacturing business year over year. We have ample capacity in our factories to accommodate a range of bulk sizes and volumes. We currently only have 1.5 shifts, but we're able to increase that rate to 3 shifts per day, if necessary.

Contract manufacturing is a space that requires adopting a certain mentality. Networking, customer relationship management, and flexible and robust services are imperative for sustainable development, especially with regards to technology transfers. I believe we've managed to integrate all of these factors into our day-to-day operations here at Drogosan. Unlike some of the larger companies such as Abdi Ibrahim or Bilim, we're able to provide tailored-solutions for small to medium-sized enterprises requiring smaller batches -spanning multiple formulations, spray forms, and timelines. Although it is quite a competitive space, contact manufacturing is an area in which Drogosan is able to truly provide unparalleled levels of value for our customers, and we hope to further enhance that competitive positioning in the regional market.

Drogosan prides itself on being a R&D-oriented generic pharmaceutical company. To this end, what type of value-adding R&D projects are currently in the company's developmental pipeline?

We recently moved our R&D department from our factory to Gazi University Teknopark. For both the company and employees, there are many advantages associated with this move, including the sheer proximity to the cluster of knowledge, enabling a more fluid stream of technology and information from public institutions to private entities. The Scientific and Technological Research Council of Turkey (TÜBİTAK) has been instrumental in supporting this transition, supporting 2 or 3 R&D projects a year. Next year, in the newly established R&D department, our business will work like a profit center, enabling us to pursue both TÜBİTAK-driven and client-driven R&D projects. We're hoping that this new facility will further enhance our innovative capabilities and help facilitate the introduction of more value-adding solutions to the market. In the following weeks, we will have a welcome ceremony inaugurating this new state-of-the-art facility.

We have a committee comprised of individuals from R&D, marketing, logistics, and plant management to determine which types of projects to pursue. Several projects have focused on refining our capabilities in liquid formulations and spray forms—that area that has proven of great value to our customers. As for our future plans, we intend on pursuing market segments that are

less crowded by nature—especially now with the Minister of Health announcing new product registration guidelines and constituting further market delays, in turn stressing our cash flow and operating margins. In spite of such an environment, we will focus on differentiating our products and service offerings to fortify Drogan's reputation and gain a stronger foothold in the industry.

In terms of reputation, performance, and capabilities, where would you like to have taken the company when we come back for the next report in 5 years?

In the coming years, our strategic priorities will involve increasing our export and contract manufacturing lines of business, while also streamlining our domestic portfolio to maximize profit margins. We also hope to increase our innovative capacities with the new R&D facility and add more high value products to our portfolio, especially in the area of biopharmaceuticals. Ultimately, we hope to position Drogan as a flexible provider of pharmaceutical products and contract manufacturing services, catering to varying customer requests and finding mutually agreeable solutions; that is our unique selling point.

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