Interview: Muhammad Bodhania – Managing Director, Medreich South Africa



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Muhammad Bodhania, Managing Director of Medreich South Africa discusses potential strategic implications of the recent acquisition of Medreich by Meiji and the importance of local partnerships for global success.

Can you please give an overview of Medreich's activites in South Africa, and how the Meiji acquisition has affected the company's strategic outlook?

The acquisition of Medreich by Japanese Meiji Seika Pharma in February 2015 also meant that the company was under new leadership. This may have an impact in terms of strategic outlook of the company but at the moment, we are conducting business as usual. However, this acquisition means that there is an opportunity to get involved in other areas of healthcare but that depends on internal global agreements. There is the opportunity to get involved in the medical device sector as Medreich South Africa established an excellent understanding of the industry landscape as well as good infrastructure and network that Meiji can benefit from. Although South Africans are presumptuous sometimes and label the country the "gateway to Africa", doing business here is very attractive because we have a modern financial infrastructure that gives companies a certain level of confidence, comfort and safety. From Medreich South Africa's perspective, I can confirm that we are excited about the future: we are a thriving business have seen year-on-year growth in the last 12 years. The acquisition allows us to evaluate our current business model and determine

whether it is still relevant. We are looking forward to take the business to the next level in order to grow, add more services and cover a greater market area. Ultimately, we want to increase our market share.

Besides having Adcock as a big client, have you pursued other client opportunities to diversify your client portfolio?

Our relationship with Adcock has a certain level of exclusivity. Therefore, we had some constraints of developing the business beyond Adcock. However, we have two major customers on the pharmaceutical side: Adcock Ingram and Sandoz, which we both service with contract manufacturing. Over the last five years we have also been involved in complementary medicines. We produced some major lines that we supplied as private label products to Dis-Chem and Clicks.

However, despite opportunities that have come up along the way, evaluating Medreich's core competencies we have decided to not pursue this niche any further to not get distracted from what we should be focusing on.

On the other hand, an area that we traditionally avoided due to our existing relationships with Adcock and Sandoz was product pipeline development. We thought that developing our own products might imply that we aim to compete with our own customers. It was never our intention to compete with our customers, we rather wanted to complement their product offering.

As a result, we put effort into building a pipeline on the product development side, combining simple and unique generics and under the Meiji umbrella we are also looking at new chemical entities (NCEs) now. This could offer potential for in-licensing and out-licensing opportunities.

What opportunities do you see in South Africa and what potential does it serve in the context of emerging markets?

Many countries have learned lessons from our foray into compulsory licensing. Moreover, we are unique in South Africa because we have a unique healthcare system. Even though numbers may not support this next statement we could support a first world healthcare system. It is always a matter of supplying a cost-effective and efficient healthcare solution in a very diverse market.

The pharma world is a global world. Today, the ownership and geographical location of companies don't characterize these companies. What makes successful companies stand out is how well they have adapted to the markets they are operating in.

At Medreich, we achieve a global reach reach through local partnerships. Our local partners understand specific market needs and comprehend how the core competencies of Medreich can serve these needs.

What is unique about the Medreich model? What sets the busines apart from its competitors in the market?

First and foremost, the local partnerships are unique in the Medreich model. The company's success in South Africa is due to its partnership with myself. They knew I understood the market as well as their core competencies and subsequently wanted my input regarding a vision for the South African market. I recommended to partner with some of the biggest pharma companies here in order for Medreich to grow. That's how our strategy for contract-manufacturing was born. In Australia for example, their local partner understood that the market was more geared toward intellecutal property and thus Medreich is predominantly focused on IP in down under.

When Medreich enters a market, they really specialise for those market needs rather than imposing their vision on every market. This is really what makes us unique. Moreover, listening and responding to customer needs with tailor-made solutions has brought about success for Medreich.

What entry barriers does Meidrich face in terms of establishing manufaturing faciliites in SA? What incentives would be required for you to do that?

While short-term government incentives may help set-up an initial manufacturing facility in South Africa, it is questionable whether it would be sustainable and viable once these incentives end. If Medreich moves into a market, we need to be certain that we are able to generate enough volume to make it financially stable.

There are multiple factors that influence that decision. First of all, there is the cost of manufacturing including the cost of electricity and utility which are both very high in South Africa. In addition you have to comply to numerous labour regulations. Next to these general issues, in pharmaceuticals specifically, there is a lot of uncertainty on the government side, for example in terms of price control or forecasting. Furthermore, there are industry barriers, such as the time it takes to build a plant and register a product, which are specifically high for generic manufacturers.

Spanning your tenure as managing director, what would you highlight as your proudest achievements or accomplishments?

Being a small subsidiary despite being part of the Medreich network has its challenges. A simple, tangible measure of success would be the increase in turnover over the last 12 years. However, for

me personally, the challenge and achievement is to stay up to date with market developments, to understand how the landscape is changing and to advise clients and principal accordingly. It is a matter of staying consistent, being persistent and continuously advise on the near future of the respective market, looking at the next three years ahead. The fact I've been able to do that and have stayed for 12 years is a testament to me being able to manage that process successfully. My industry involvement is important: that's where I observe trends in life sciences.

What kind of legacy do you want to leave on a personal level?

When I eventually look back I want to say "I made a difference". When Medreich South Africa first looked at contract manufacturing out of India, we were probably the first company to do so on a significant scale. For me, this started a revolution in the way other companies looked at manufacturing. Even if I don't get the financial benefit out of it, I want to be able to say I made a difference to millions of peoples' live and changed the way people think.

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