

Interview: Dr. Amr Morsy - CEO, Rameda, Egypt



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Five days before the January 25th revolution of 2011, Rameda changed ownership and CEO Amr Morsy set out to turn-around the mismanaged business. Five years later, revenues are up 4.5 times and the company is building a position as a regional leader in the Middle Eastern nutraceuticals market.

In 2011, Rameda was acquired by Compass Capital, and you were brought onboard to turn the company around. What were the weaknesses of the organization that you had to correct?

The strength of the business was the production facility. With a footprint of 35,000 square meters, and a total area of 44,000 square meters, it is one of the largest facilities in Egypt and features a wide range of production lines including sterile and non-sterile liquids, syrups, solids, penicillins, cephalosporins, and other lines. It was built in the early 1990s by Saudi investors with the purpose of acting as a hub for the Middle East and Africa, and was designed by a German consultancy to meet international standards.

Aside from these physical assets, the business had to be rebuilt from scratch. The management school of the company was weak, and completely ineffective in terms of sales action, recruitment, selection, deployment, and other aspects; the business was generally mismanaged. The portfolio was also quite poor, with some obsolete products and poor product selection within some therapeutic areas. Moreover, five days after the contract was signed, on January 20th 2011, the

January 25th revolution began. Shortly after, we received a warning from the MOH that certain sterile areas needed to be upgraded or closed within six months, and of course our financial constraints were quite tight as the investors were not willing to put more capital into the business given the external situation. Needless to say, making the necessary changes was challenging.

What were the first essential steps you took to implement the necessary changes?

I worked to implement a change management strategy in two ways; first, to upgrade the manufacturing facilities and processes from all angles, and second to completely reengineer the human side of the business. We filed an appeal with the Ministry of Health citing environmental challenges, and were granted an extra six months to make the necessary upgrades to our sterile areas. Second, I started recruiting the right team with the right mindset, and I was able to attract some people I had built good relationships with during my time at Pfizer.

Bringing in these individuals helped to establish the right mindset at Rameda. Together we started recruiting new product sales representatives, offering them a reasonable fixed salary with competitive variable income. We developed a new deployment strategy, and this started with acquiring a few products during 2012 and 2013 to strengthen our portfolio. I was able to convince our shareholders that such an investment was prudent, as it would create good equity for the company in the eyes of stakeholders, and improve our bottom line, cash flow, and production margins.

In the end, these changes were highly successful. Our initial target was to become one of the top 25 pharmaceutical companies in Egypt in the first five years, and since 2011 we have multiplied Rameda's revenue by 4.5 times and moved from 48th to 10th in units in the IMS rankings. Our EBITDA and valuation have both tripled.

Now we have set our targets for 2025, and the primary focus is to multiply our sales by at least eight times. This will be achieved through driving sales of our current portfolio, and launching products from the very strong pipeline that we have successfully built up over the last five years.

Increasing revenues by eight times is a tall order; how will you achieve this?

It will be difficult, but it is certainly achievable. The key element will be to continue to establish a strong presence in the nutraceutical market, which Rameda has successfully entered over the last ten years.

While I was at Pfizer, starting in 2008 I attended a large conference in the United States discussing the future of nutraceuticals globally; this is an area that the company was working to penetrate, to

compensate for patent expiries and a weaker pipeline. The nutraceuticals market is growing rapidly globally, and there is a gap as of yet in the Middle Eastern market. As such, we are working to position Rameda to fill this gap and take the leading position in the nutraceuticals market at the regional level.

How much progress have you made towards taking the leading position in the Middle Eastern nutraceuticals market?

So far, we have attended several international contracts and have already signed contracts with many of the leading European and American nutraceutical companies to introduce their products to Egypt and some other Middle Eastern markets. For example, we are now DSM's biggest partner in Egypt and are currently registering 25 new DSM products to launch in the Egyptian market. If we can penetrate the Middle Eastern market over the next few years, and sign more partnerships with global leaders, then we will certainly have a leading position in this market at the regional level.

The longer-term goal for our nutraceuticals business is to work to combine nutraceuticals with pharmaceuticals in the same prescription, and in some instances to establish these treatments as the first line treatment option. One potential product in this regard is DSM's Oatwell®, a nutraceutical product that has been shown to reduce cholesterol and weight; at a recent conference in London, this product was incorporated into the European guidelines for hypertension management. This is the first time a nutraceutical product has ever been incorporated into treatment guidelines and we will be introducing Oatwell® to Egypt next year; thus, we will be the first company to approach Egyptian physicians with a nutraceutical product that can be prescribed as a first line treatment option according to international guidelines.

Is Rameda's internationalization effort limited to the nutraceutical segment?

Our strategy to expand in the nutraceutical segment certainly has a strong regional component, and we are seeking to structure licensing agreements to this purpose.

Overall, exports currently account for 15 percent of our turnover. For generic pharmaceuticals, there are very strong generic brands in the Middle East and the registration cycle would take five years, so we are not planning to invest resources in this area. Instead, we are starting to penetrate several African markets, and so far we have succeed in registering a few products in 12 different African countries. Some others, such as Nigeria, are still in progress but it is quite challenging to do business there and to find trustworthy and effective partners to work with. Overall, my forecast is that we can hopefully have revenues of USD 3 million from sales in Africa, and that this could grow to represent 10 percent of our turnover by 2020.

Recruiting the right people has been a key factor in Rameda's success. How do you attract talented individuals in a competitive industry?

The key to recruiting the right people is the same as the key to retaining them; learning and development. Talented individuals want to see that the company they choose to work for will invest time and resources to help them develop their skills and career, and career development is a key factor to retention.

Thus, we founded the Rameda Training Academy, which is a unique organization in Egypt. Students at the academy are given a full curriculum for development for their given role, for product sales representatives, to district managers, sales managers and product managers. This organization was developed in collaboration with some local and international institutes, and additionally we sponsor some employees to study for their masters in business administration degrees and some other external academic activities. We also conduct quarterly seminars at our plant where professors or other speakers are invited from leading institutions to give a talk on recent developments in particular fields pertaining to business or pharmaceuticals. I also maintain a large library of different books on different business, leadership, marketing topics and use one each month to prepare a brief presentation for my management team, and anyone at our office is welcome to borrow these books.

These efforts are essential to building a strong management culture, and developing a coherent set of values and ideas for the organization that people aspire to follow. The most valuable asset you have when trying to accomplish any goal or overcome any challenge is your team, your human capital. Thus to succeed, it is essential to take good care of these assets, and to develop them from a financial and career perspective to retain and motivate them. Even more importantly, you must execute on the values and ideas that make up your company culture and practice the strategies and methods that you teach; you must walk the talk.

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