

Interview: Salomon Rayek Sacal - CEO, Sinbiotik, Mexico

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Salomon Rayek, CEO at Sinbiotik, explains how the company managed to adapt its business model to the industry trends and showcases the added value of Sinbiotik when offering high quality, cost-effective and fully regulated APIs manufactured locally.

Could you please introduce yourself to our international audience as well as the key activities and operations of Sinbiotik?

Sinbiotik is a 100 percent Mexican family business with more than 40 years of history and I am the person in charge of the management of the company since 2000. We currently have more than 230 employees and our operations are mainly focused on two business lines: distribution of APIs and manufacturing of our own branded APIs.

It is not common to see in Mexico a local API manufacturer because of the fierce competition coming from Indian and Chinese APIs manufacturers. Indeed, a substantial number of local APIs manufacturers have had to close their business throughout the last 10 years.

Following the economical opening of Mexico to international markets, we managed to survive because I decided to create "Sinbiotik International" in 1990 and become also a distributor for leading multinationals manufacturing APIs that were looking to launch their products in Mexico. Such business line grew by 15 percent on a yearly basis from 1990 to 2008 and it became the main contributor to our turnover representing 90 percent of our total revenues; at that time, our own APIs represented the remaining 10 percent.

However, when I took over the position back in 2000 I heavily started to invest in developing again our own manufacturing and R&D capabilities in Mexico. It was my vision and we have been enlarging our local manufacturing plants during the last 15 years. I am proud to confirm that the results obtained have been quite positive so far and we currently enjoy a healthy mix of revenues with 50 percent of our business coming from distribution and the other half coming from our own manufactured APIs.

What have been the milestones of Sinbiotik during the last five years?

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Sinbiotik has a quite broad portfolio sorted out in four different businesses: Sinbiotik International, Sinbiotik S.A., Sinbiotik Pharma and Sinbiotik Beauty. Could you expand on the specific activities of each one of them?

As aforementioned our main business lines are the manufacturing of our own APIs and the commercialization of both the APIs from other companies and our products. In this sense, “Sinbiotik S.A.” refers to the manufacturing of our own APIs and “Sinbiotik international” is our distribution company for the imports of APIs coming from foreign companies as well as the exports of our own branded APIs.

The other two business lines have been recently created and their contribution to our entire business is therefore still minor. “Sinbiotik Pharma” is targeted to distribute some finished medicines that we are commercializing from other companies and “Sinbiotik beauty” is distributing some personal care solutions.

Sinbiotik is serving different industries such as veterinary, pharmaceutical and cosmetics. How strategically important is the pharmaceutical industry distribution within your business?

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The pharmaceutical business represents around 75 percent of our total incomes and the remaining 25 percent comes from animal health. As aforesaid, cosmetics are still in its initial phase and its economical contribution is not representative yet.

It is important to consider that 100 percent of our own manufacturing plants and 50 percent of our APIs commercialized are targeted to offer solutions to the pharmaceutical industry.

One of your objectives is to enlarge your business in the pharmaceutical industry through APIs' and drugs' manufacturing. What has been your strategy to ensure such objective considering the high dynamism of the industry?

We have been highly focused on meeting with all the Mexican regulation standards that Cofepris has been determining during the last five years. Indeed, the fact that Cofepris started to strengthen the national pharmaceutical regulation created a challenge to us but also an opportunity; Sinbiotik has managed to take advantage of that and the fact that we fully comply with the Mexican regulation has turned out to be one of our key competitive advantages.

Indeed, Sinbiotik is currently positioned as the partner of choice for the Mexican pharmaceutical industry thanks to its regulation compliance. The added value of our business proposal is that our clients do not have to check if all their international APIs suppliers located in India or China have the documentation needed to compete in the Mexican market. It makes a lot of sense to our customers contracting a local producer such as Sinbiotik that have the national documentations and the GMP certification.

How have you managed to keep your margins considering the strong pressure from Indian and Chinese APIs providers?

Five years ago, we started to focus a lot on enhancing our productivity and efficiency ratios and the advancements achieved have been quite positive. We have heavily invested in capacitating our team and upgrading our manufacturing plants acquiring top-notch machineries and systems. Such investment plan has ensured that we can now compete against any of the international players. In addition, we have also a well-positioned R&D department in charge of adapting our product portfolio to the local needs.

We have perceived and epidemiologic (chronic and non-communicable) and demographic (ageing population) transition in Mexico, how has it impacted to your clients' needs?

We are already targeting diabetes, which is one of the main national health challenges and second cause of death in Mexico, with metformin solutions. Such pharmaceutical component is used to produce oral diabetes drugs that help controlling the level of sugar in the blood. In fact, we have recently enlarged our manufacturing capabilities to specifically foster the manufacturing of

metformin.

When we had the pleasure to meet with Mikel Arriola, he told us his main objective is to ensure the financial sustainability of the institution while focusing its efforts on chronic, non-communicable diseases. As the leading Mexican pharmaceutical company, how is Sinbiotik helping the government to meet such objectives?

Sinbiotik is offering high quality solutions manufactured locally that truly support the government to attend the national patients' needs and the national health institutions such as IMSS and ISSSTE have been historically demanding them.

Additionally, we are helping our customers to enhance their profitability offering them cost-effective APIs that fully comply with the national regulations; it is important to mention that our clients are the main providers of the social health institutions.

Considering that Cofepris aspires to be the standard of quality in the region, meeting the standards set by the EMA and FDA, what are your conclusions on that and how can it be a lever to continue driving the internationalization process of the company within the region?

Obviously, it is positively affecting our business and it will substantially ease our internationalization process. Indeed, we are preparing ourselves to start applying to international regulations in order to develop our business in countries such as Colombia, Chile, Argentina, Taiwan and the US, where we expect to enter within the next two years.

What is the investment plan that will encompass such internationalization or business development strategy?

We have recently invested in enlarging our manufacturing capabilities building up a new production plant to fulfill the national demand and any other international demand that may arise in the future.

What are your competitive advantages that make you the provider and partner of choice for the different industries that you are serving?

Reliability and our product portfolio are our main competitive advantages. Consequently, we are positioned as one of the most reliable APIs manufacturers within the industry offering high quality and cost-effective solutions to our clients that fully comply with the national and international regulations.

What are the key objectives that you would like to achieve in the upcoming three years?

We are currently in the last stage of some R&D developments of five new products that we expect to launch by the end of 2017. Such new pharmaceutical forms are highly strategic for us since it will enlarge the business portfolio of Sinbiotik to semi-finished drugs, which is a new category for us.

In addition, I would like to have developed our own-branded APIS strengthening our manufacturing capabilities as well as developing our business in new markets such as the US.

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