

Interview: Honesti Basyir - President Director, Kimia Farma, Indonesia



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Honesti Basyir, president director at

Kimia Farma, explains the transition towards digitalization in the healthcare industry and his plans to take Kimia Farma from the top six to the top three in the Indonesian pharmaceutical industry by 2019.

Mr. Honesti, you were appointed president director of Kimia Farma in April 2017. After having spent the majority of your career in telecommunications, how do you believe your background will help you succeed in Kimia Farma?

Digitalization is a common topic within the global healthcare industry and therefore, in Indonesia as well. In addition, digitalization era is already well underway in IT sectors such as telecommunications.

The 30 years of experience I have accumulated in the leading national telecommunication company - Telkom Indonesia - is certainly helping me to better understand as well as to implement this strategic transition at Kimia Farma by applying my previously acquired knowledge to the current context.

What are your key areas of focus as new president director?

My three main areas of focus are: people, digitalization, and partnerships.

Firstly, I have to enhance my team's capabilities to bring them and subsequently the company to the next level. This is supported by a solid human resources plan focused on continuous feedback and self-improvement.

Secondly, digitalization is a must in the industry and Kimia Farma is fully aligned with this step. As aforementioned, this is one of the main reasons of my appointment.

Thirdly, the Indonesian pharma industry is highly fragmented with more than 200 players. The top player Kalbe only has 6.5 percent of market share while Kimia Farma is currently positioned as the top six company with 2.5 percent of market share. I truly believe that we have to collaborate with the rest of the industry as well as other stakeholders to develop the market and gain size in terms of value.

Kimia contains well-established and diversified business units: raw materials and pharmaceutical manufacturing, healthcare distribution, and healthcare retail. What is the breakdown of revenues per division and where do you foresee the most growth?

The pharmaceutical manufacturing unit is the main contributor to our P&L, representing 34.25 percent of our revenues and growing more than 30 percent last year. Indeed, Kimia Farma was the top performer in the Indonesian pharmaceutical industry in 2016, according to QuintilesIMS. As a consequence of the outstanding results of this business line, we expect strong growth in the future coming from our pharmaceuticals business.

Regarding our other businesses, distribution represents 20 percent of our business; our pharmacies chain division takes up the remaining share.

The performance of the company over the last few years has been fantastic. What steps are you going to put in place to continue such incredible performance in the future?

We experienced tremendous growth last year and it is not going to be an easy journey to replicate this performance in 2017. Even though the market is growing in terms of volume, this is not exactly reflected in the value, primarily due to the implementation of the Indonesian Universal Healthcare Coverage (JKN), which is highly driven by cost containment but also exposed to the fluctuation of the exchange rate, among others.

Our short-term strategy is going to focus on strengthening our position in the pharmaceutical manufacturing division. We have recently built up a new cutting-edge manufacturing plant in Bandung (West Java) that has tripled our manufacturing capabilities. Our objectives in this regard are to support the government in the implementation of JKN, which is expected to cover the entire

Indonesian population by 2019, and take advantage of other existing opportunities in the national and overseas pharmaceutical industry.

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In the mid-term, I have to strategically identify different business paths that will allow Kimia Farma to experience strong growth while surpassing the profit margin threats. My intention is to enter into different segments within the healthcare eco-system such as health insurance, in which we already have an ongoing project, as well as cosmetics. In fact, our domestic cosmetic segment grew around 40 percent last year and Indonesia is expected to become a top ten cosmetic market worldwide. Furthermore, and aligned with the government's goal of reducing the high dependence of Indonesia on APIs imports, we are building up the first APIs manufacturing plant in Indonesia expected to be completed by mid-2018, which will also drive our growth in the long-term.

The Indonesian Universal Healthcare Program (JKN), aiming to cover every Indonesian citizen by 2019, is going to be one of the main growth drivers of the Indonesian healthcare industry. As the largest State-Owned-Enterprise (SOE) and a top six pharmaceutical player in the country, what is the role of Kimia Farma in this promising program?

I would like to highlight that JKN has been one of our main growth drivers. It already represents 60 percent of our sales. Indeed, as the largest pharmaceutical SOE we have a duty to support our government in this journey.

In terms of manufacturing, one of the main reasons we built up our new manufacturing plant in Bandung was to be able to cope with the growing demand coming from JKN. In addition, we are improving the industry's operations, moving towards digitalization both in back-end and front-end processes that not only enhance product quality but also improve overall efficiency. Finally, our API manufacturing plant will also back up the government in achieving financial sustainability within the JKN scheme, as it will drastically reduce the costs of production.

As the leading pharmaceutical SOE, how is Kimia Farma driving synergies amongst the different SOEs within the healthcare sector?

Kimia Farma is strongly supporting other SOEs, such as hospitals. In this sense, we are developing a platform related to digitalization that connects not only our internal structure but also external enterprises, hospitals in this case. Eventually, it will interconnect other stakeholders as well, creating an integral communication amongst different healthcare players in Indonesia.

Nevertheless, this interconnectivity is still in its inception but, step-by-step, it will be adopted amongst all SOEs. I strongly believe that it will raise the bar of the industry – both in terms of quality but also efficiency.

We are not alone in this journey and we are developing this outstanding project in partnership with one of the biggest information and communications technology (ICT) players in the country – Telekomunikasi Indonesia. Our internal team is working tirelessly in speeding up the digitalization of Kimia's operations before starting any outbound rollout. In terms of timeline, we are currently developing this software from within our manufacturing and supply operations and next month, we will start a pilot in our healthcare retail business.

How are you planning to drive this convergence considering the fragmented ecosystem?

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We are already in a process of creating one solid healthcare SOE, compared to the existing four independent Indonesian pharmaceutical SOEs. Considering that Kimia Farma is the biggest SOE amongst them, and upon our government's request, we are currently assessing the possibility of positioning Kimia Farma as the umbrella that under which the other pharmaceutical SOEs operate. This will strengthen our business by aligning all SOEs towards the same direction while equally taking advantage of the enormous synergies amongst them.

Kimia Farma is taking steps towards internationalization, already serving several regional markets while also developing commercial operations in countries such as Japan, Taiwan, New Zealand and even Europe. Can you talk about the next steps for the company's internationalization?

Our approach is "market first" and it means that above all, we have to cover the Indonesian population wherever they are. Aligned with this, the Ministry of Health is giving us some guidance in this internationalization process, for example requesting Kimia to cover Indonesian citizens that are outside their home country. To this end, we are currently in the final stages of acquiring 30 pharmacies in Jeddah (Saudi Arabia) because of the high flux of Indonesians going to that specific region every year.

South East Asia is a natural and very attractive market for Kimia Farma and we already have ongoing projects to expand our commercial international footprint in the near future. In fact, we expect that 70 percent of the production coming from our new API manufacturing plant will target overseas markets such as Korea, Japan and Europe.

We are looking to different ways and markets to strengthen Kimia Farma's positioning overseas but everything has to start in Indonesia.

What are the main goals that you would like to achieve in the upcoming years?

The main priority on my agenda is align our organization to our "market first" approach, meaning that Kimia Farma is fully capable of serving the Indonesian people, especially considering the growing demand coming from JKN. Secondly, I aim to position Kimia Farma as the top three company in the Indonesian pharmaceutical market by 2019. I am convinced that is totally doable given our manufacturing capabilities and product portfolio as well as our increasingly efficient digital systems. Finally I want to develop my team of highly qualified professionals to support the success of our operations.

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