Interview: Juris Hmelnickis – Chairman of the Board, JSC Kalceks, Latvia



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Juris Hmelnickis PhD, Chairman of the Board of JSC Kalceks, explains the story and the evolution of the company in Latvia, its

key products in the CNS therapeutic area and how they were able to piggyback on the established footprint of their mother company, JSC Grindeks, to launch products in many different regulatory requirements across Europe.

Can you give us a sense of Kalceks, the scope of its operations and what it is offering today?

JSC Kalceks is one of the oldest pharmaceutical companies in the Baltic states specializing in generics, mostly for the hospital segment. Our key products are life-saving medicines, especially in the CNS therapeutic group. We will celebrate the 100th anniversary of the company on 16 December 2020. Kalceks has undergone many changes since its creation back in the 1920s. During the Soviet Union times, we were called Riga 6 Chemical-pharmaceutical factory. Kalceks mainly produces injections and we used to have manufacturing plants in the center of Riga but in 2004 we stopped our production due to Latvia's entrance to the EU which also entailed a stricter GMP observance.

We started by selling our generic products here in Latvia as well as in Azerbaijan. 2012 was a big turning point for Kalceks as we started registering and launching our products in Georgia, Moldova and other countries in the region. In addition to this, we started developing new products with new volumes and strengths, which allowed us to open up to new markets, too. We currently have a strategy until 2025 that we are using to strengthen our market expansion and strategy of global reach.

You have been in your position for four and half years, what have been your priorities and your milestones up until now?

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I would say the increase in products within our portfolio and the major geographic expansion – at the moment we export to 21 countries, whereas in 2012 we only had two key markets. Quality is also a milestone that Kalceks has managed to achieve over the years. When it comes to contract manufacturing, we comply with full EU GMP requirements and we have a valid EU GMP certificate for related pharmaceutical activities. Currently, there are 16 products (injections) that are manufactured by Kalceks in contract manufacturing facilities in Lithuania and Slovakia.

What is the significance of heaving such a heavyweight actor like your mother company Grindeks, behind your back?

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On the one hand, Grindeks already had an established footprint in the country and we have been able to easily piggyback on that. Furthermore, they have representative offices in all CIS countries which makes it incredibly easier for us to communicate and register our own products in a regulatory regime other than Latvia and those in which we are present. Last but not least, Grindeks has a daughter company in Slovakia with which we closely collaborate and that enable us to leverage mutual synergies in that sense.

What do you identify as the greatest challenges that you have encountered during this experience?

I would say sourcing the right talent, because Latvia is not a big pharma hub at the end of the day and although we can make use of contract research organizations for some products, for some others specific knowledge and skills required and they are very difficult to be found.

In terms of product portfolio, what therapeutic areas are you currently focusing on and what are your key growth drivers?

We consider ourselves experts in the anesthetics & analgesics segment. To this purpose, we would like to grow and produce medicines used for anesthesia and analgesia mostly for hospitals during surgery and post-surgery period as well as during other medical manipulations. In terms of next challenges, we would like to increase and develop our generic production alongside our export production. Currently, our best performing market is Poland where we have some products awaiting approval for registration and the UK. Our portfolio is made up of 16 products and this year we would like to add additional five. Needless to say, that our internationalization strategy is very much focused on European markets due to the stability of the operating environment and the overall predictability moving forward.

Looking at the Latvia pharmaceutical market specifically, what are the trends that you identified for your products?

A problem that we constantly face in Latvia is the lack of investment on behalf of big pharmaceutical companies because of the small size of the market, the country's small population and some bureaucratic barriers such as the language – e.g. leaflets have to be translated into Latvian. Unfortunately, this is a problem that every small country faces.

Do authorities do enough to protect Latvian homegrown firms, in your opinion?

As a small country, I believe it is much more lucrative to focus on exports and on attracting foreign investment rather than merely focusing on the local market and on protecting local businesses. If anything, it is good to expand local businesses and grow them in a way to tap foreign markets.

Who are your main competitors?

We see the main competition within the different countries, rather than from companies with a similar business model. However, there are not many companies in the world that specifically target hospitals. It is safe to say that in many countries we are going head to head with Big Pharma players like Pfizer and Teva. However, our key selling points and the way we differentiate ourselves are by providing baskets of pharmaceutical products specifically for hospitals. We want to be seen as the experts in anesthesia and whatever is in our power we will do it. We also rebranded our logo and changed it to 'Kalcex' instead of 'Kalceks' to expand to more EU countries and make our name easier to pronounce to a wider audience.

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