Thomas Broeer – MD UK and Ireland, Aurobindo



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Thomas Broeer, managing director UK and Ireland for Aurobindo, has been at the helm of Aurobindo's UK subsidiary, Milpharm Limited for almost two years and here discusses the UK market's strengths, the potential impact of Brexit on the pharmaceutical industry and the pricing structures in place in the UK.

The UK was the first European affiliate to be set up by Indian-headquartered Aurobindo. Can you explain why Aurobindo chose the UK as the first EU market?

Aurobindo is often regarded as a latecomer to the UK market because the market was already well-established at the time of our arrival. However, the strategy that the company's owner, PV Ramprasad Reddy, pursued from the outset was based on API manufacturing and organic growth drawing heavily on Aurobindo's international expertise. The initial strategy has been to focus on generics and, since arriving in the UK, it has rocketed to the top of the markets.

Aurobindo is now a global business with a strong presence worldwide. We are number seven in the US; in Europe, we are one of the leading five companies; in India, we are one of the top two generic companies. Aurobindo's success can be attributed to its focused and well thought out growth strategy, which targets the generics market. Its primary purpose is to make and distribute affordable medicine internationally. This approach is appreciated even in markets that are highly

competitive such as those in Germany and the Nordic countries, and we now see that this business model also works effectively in the UK.

The UK was the first European market that Aurobindo entered. The initial entry was followed by the acquisition of the local representative company, Milpharm Limited. Later on, it became clear that organic development would take time; indeed, creating a European footprint takes considerable effort.

When the opportunity came along to acquire some of the Actavis entities, Aurobindo seized the chance to create a European footprint. That was just the beginning, as from there Aurobindo developed into other markets. We are now seeing proof that the business model works and that Aurobindo is competitive; furthermore, Aurobindo's status as being an accepted and respected supplier of generics has been enhanced. This does not mean we are restricted from entering other strategic areas, for example the injectables business or cancer therapeutics, or focusing on Anti-Retro Virals and Biosimilars.

What is the strategic importance of the UK affiliate?

First of all, the UK's geographic position is very useful. The UK is an international bridge and provides access to Europe, America and Asia. Its Commonwealth history and global presence have substantial advantages. Besides its location and access, the UK is important in the financial world. London is a phenomenal financial centre; this predestines the UK as one of the financial centres around the world where companies should consider expanding operations.

Furthermore, British regulations are in line and sometimes stricter than world-wide existing rules in the pharmaceutical world. They often match the USA's FDA regulations, and closer to home, the BfArM qualities, and the UK's general regulatory practice is in line with European regulations. Consequently, approaching Asia after expanding in the UK markets is straightforward. Finally, despite the fact that the African states are often overlooked, their histories interlink with the UK, and for the most part, the language spoken is English. English rules are accepted all over the world, that predetermines the UK as one of the centres for economics, trade, and marketing worldwide.

In the pharmaceutical world, the UK offers market conditions that allow pharmaceutical companies to settle and present their molecules in an organised, structured, highly qualified and regulated environment. The regulated structure encourages competition and generates a good market place. As long as new products can be registered and will be approved, anybody can enter the market, given the nature of the visible barriers and the navigable market regulations.

If we compare the UK market with say the Nordics or Germany, where tendering drives prices, competition is more restricted because the supply awards are longer, and there is less chance of more players accessing the market. The same trends can be seen in the UK as well, since the ‘new’ tendering terms and conditions have been recently implemented, however, Aurobindo’s business model and its available portfolio are critical to success and growth.

Would you agree that the UK is a hub for new business?

The UK is regarded as a hub to such an extent that for Aurobindo Europe, the UK was the first centre we set up to build the European group. Aurobindo is headquartered in Hyderabad, India, and when Aurobindo enters a new market, it follows a responsible route. Aurobindo follows local regulation, the organisation is centralised with flat hierarchies. We respect the authority and the responsibilities in every local market.

What barriers to entry do you observe in the UK market?

My point of view comes from a generic perspective and, as such, the most prominent market attribute that I identify is that every business has the opportunity to enter this market and to build up their presence: there is no exclusion or barrier to entry, provided that one fulfills the quality and legal standards demanded. Quality standards align with GMP, and the British Pharmacopoeia defines how to align with such regulations. The MHRA and the Department of Health set regulations, and there is no special treatment dependent on size, nationality or any other differentiating feature.

The market structure is clear and visible. We see wholesale, retail, shop line, the hospital sector, pharmacists and doctors across the market spectrum and are well aware that the market is hugely genericised at a rate of at least 75 percent. The high rate means that brand loyalty in the generic sector is less impactful; the importance is, therefore, competitiveness and ensuring the possibility of supplying the market sustainably.

This is a freely priced market and selling prices set by businesses are individual prices in line with market regulations and dynamics. Indeed, market factors will ensure fair distribution of products. We, as an industry, are obliged to give full transparency to the authorities regarding stock availability or pricing, and we are always happy to comply.

Based on the visible nature of the market, and the consistent entry of products into the market, all manner of molecules are available to the 63 million people here, at affordable prices. Not cheap, but affordable. Despite current and future challenges, the UK healthcare system is one of the best,

and most developed in the world.

How far would you agree that pricing strategies in the UK market are too aggressive?

I would argue that characteristics like aggressive, fair and reasonable should not be discussed in an economic environment. I avoid describing market characteristics given the work and studies we carried out before entry in this market. Market conditions were created for patient safety, for excellent access to medication, and for the health system. For Aurobindo, the UK operates a level-playing field in which our wide and available portfolio and vertically integrated structure are given the opportunity to shine. Pricing is not necessarily aggressive if you take into consideration all aspects of a market structure before entry.

To what extent could Brexit undermine Britain's status as a hub?

Many people are considering this question and the implications of Brexit on the hub-like status the UK enjoys, and, unfortunately, no one can accurately answer this question. We can share personal opinions about the subject, and personally, I believe that Europe would never have been a burden for Britain but instead an addition for Britain.

Britain is always open for business whether it is in the economic zone or not. Britain will not lose its position as a sound investment destination in Europe, whether part of the EU or not. What will change is that the obligations within a European agreed law may mean that Britain may take an associated membership or a more singular position.

The achievements in the pharmaceutical industry, for example mutual recognition procedures and quality, will not be affected. The Brexit discussion centres on public and political discussions and, therefore, the economic reality will not be proven for a long time, and the markets will regulate how they react with one another.

We often compare Europe as a nation state to other continents and refer to its 500 million inhabitants as a sole market potential. India, China, the US and Africa all see Europe in such a way, but South Africa, Germany, France and the UK all see the UK as a separate entity; this view is shared by the US and its approach to the UK and Europe, separately. That will not change the dynamic of the market as such. Although Britain is leaving the building, they are still a member of the family.

What role does Aurobindo play in furthering the financial viability of the healthcare system?

Aurobindo’s intention is to serve the generic market, and all of our business activities focus on this end. We are required to generate a certain amount of profit, which we invest into other markets or our development in the UK, to sustain the variety of molecules that we manage.

In the last year, there was an unexpected number of molecules that were not available in this market, and it was time for Aurobindo to step in. This presented an opportunity to show Aurobindo’s ability to supply and offer solutions to supply problems, and we partnered effectively with the UK government.

Aurobindo’s long-term aim is to increase market share and to earn the title of being one of the leading suppliers in this market. Aurobindo itself has developed into a company with manufacturing capabilities in Portugal, Malta, and India. Based on that model, we have opened new manufacturing sites in India. We set our standards at the highest level, we consistently improve quality, and take pride in being able to sit around the table as one of the UK’s preferred generic suppliers.

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