

Essam Farouk - President, MS Pharma, Algeria



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Tags: [Algeria](#), [MS Pharma](#), [El Kendi](#), [Manufacturing](#), [Generics](#), [Internationalization](#)

Essam Farouk, President of MS Pharma provides insights on the success of its local manufacturing operations in Algeria, and the country's potential to become an export hub.

What recent changes have taken place within the MS Pharma group?

We are planning expansions both inside and outside the Middle East and North Africa. Within the MENA region, we are focused on expanding across the Gulf, setting up new manufacturing facilities in Saudi Arabia. We are also in the final stages of discussions for acquisitions in Morocco and the UAE. Following this, we will have completed our portfolio for that region.

By the beginning of next year, we will have conducted some M&A activity inside Europe, which will constitute our first ever expansion outside of the MENA. I cannot say which specific markets we are targeting, but we expect a headline announcement within around 3 months. The target will likely be in a niche area such as specialized medicines. You could say we are undergoing 3 types of simultaneous expansion: enhancing our geographic spread inside the MENA, broadening the portfolio into specialized medicines and oncology, and, of course, our very first foray into Europe.

We have also diversified our top-level management, with greater representation in terms of fields of specialism, nationality and skill sets. Sourcing new talent and fresh thinking is very important when you are seeking to remain ahead of the game and to maintain momentum.

Where do these developments leave the Algerian market in terms of strategic importance?

Algeria remains the most important market. It is the 'jewel in the crown' so to speak. About 70% of our total sales derive directly from Algeria. We fully expect the market to play a dominant role within our operations for years to come. This is essentially down to three factors. Firstly, Algeria is one of the most stable countries in the region. Secondly, the Algerian market is advancing rapidly because the population and corresponding demand continues to blossom. Thirdly, we possess a very talented pool of managers in Algeria. We don't feel any type of risk here in Algeria and are very confident about the market and the positioning of El Kendi [the affiliate of MS Pharma in Algeria that is aiming to expand into all Maghreb region and French-speaking Africa - Ed.] within it

What do you identify to have been the emerging trends in past 4 years since we last spoke to you?

Most importantly, the mindset of stakeholders about generics has changed and generics have now properly penetrated the market. When we started 10 years ago, it was very tough to get generics accepted by pharmacists, doctors, and patients. Now this is no longer the case. We are proud that El Kendi was one of those forces that helped to shape the vibrant generics landscape that you find today in the country.

The logical next step from generics is biosimilars. El Kendi is keen to proceed in this direction. What potential for biosimilars do you see here?

I think the potential is very high due to the limited budget for biological products. In order to increase the coverage for biological products, you should introduce affordable biosimilars. This is especially the case in cancer treatment. People understand the vital role that generics play in freeing up capital to spend on new innovative products and the same holds true for biosimilars in saving money that can then be invested on cutting edge biologics. Greater biosimilars penetration will be a prerequisite for a financially stable health system able to provide quality care for all citizens. There is ultimately no avoiding this path.

The biosimilar market in Algeria is around 200 million US dollar. It is used to cover for example 50,000 patients of all types of cancer in Algeria. Harnessing the same budget, we can cover 100,000 patients using biosimilars. Without this change, coverage will remain limited. The government needs to make the penetration of biosimilars more straightforward so that patients can benefit.

Is the infrastructure currently capable of achieving that? Most markets where biosimilars have been introduced have specific legislation for biosimilars, rather than treating them as generics. El Kendi was one of those companies that really shaped the

generics environment in the country. What is the potential for El Kendi to shape new legislation for this environment?

El Kendi, along with other industry stakeholders, has already discussed the subject of creating new legislation for biosimilars with the authorities. The picture is very clear for us about how we can best penetrate the market and the sorts of enabling contextual conditions that we will be seeking. This is thanks to collaboration with the regulatory authorities in the country. Predictably the country has experienced some delays in bringing this category of medicine on-stream, but this is only to be expected when the rulebook has to be partially re-written. Nonetheless we are seeing some decisive progress: next year a wave of biosimilars will be launched in Algeria, although not by El Kendi. Our participation in this field will happen later.

El Kendi has a great reputation for local manufacturing. Almost 95% of your portfolio is manufactured locally. Could you tell us about how El Kendi has helped move Algeria up the value chain for local manufacturing?

I think two points were very important in developing the strength in local manufacturing. First, it was maintaining the quality level of people, facilities, processes, and materials to match the imported products. Without quality, you cannot gain the trust of any of the key stakeholders. Secondly, we had a commitment, which we signed with the Ministry of Health to ensure a continuous availability of our product on the market after the import ban. Initially there were some concerns that the local manufacturing base could not satisfy the local needs. Companies like El Kendi were able to demonstrate otherwise. I think it is fair to say that we are one of the foremost champions of the “Made in Algeria” brand.

How is that brand perceived internationally?

We are now registering our company in 6 markets for export. These are: Jordan, Saudi Arabia, Europe, Sudan, Iraq, and Turkey. Crucially, we did not try to export our products to other African countries, unlike many of the other Algerian producers. We are conscious of our responsibility as role models and ambassadors for Algerian manufacturing and are confident in the quality of our products. Moreover, we are ideal actors to be performing this kind of function because we are already credible within many of these sophisticated markets via the MS Phama brand.

You talked about security of supply and the initial trepidation on the part of some stakeholders. However, many would say that there is an over investment in certain categories?

That is also true. When taken as a whole, the Algerian pharma manufacturing space needs to be better rationalized. For certain categories of drug or therapeutic area there is a surfeit of capacity and facilities are not running to their full potential. In other areas there is not enough supply to meet demand. It's a mix of duplication and gaps. Greater export orientation would, of course, represent one way of alleviating this situation. El Kendi started production one month ago in a new facility. We have a massive spare capacity and we need to find a way to use it. In our calculation, the only way to work at full capacity would be to export which is precisely the strategy that we have opted for.

What do you see as Algeria's potential as an export hub? Do you think the concept could gain traction?

When exporting, it is critical to have access points to other markets. Often Algerian companies do not possess this and thus struggle to make it onto the international stage. By contrast, El Kendi constitutes a large group with many access points, and a lot of knowledge and know-how in other markets. Right now, we maintain business in some 29 countries. We will use these combined experiences and the knowledge base that we have built up to secure smooth and speedy access for exports to those markets.

Many of the indigenous, home grown Algerian drug developers are family owned firms and tend to be reluctant to engage in the types of mergers and acquisitions required to develop the scale where they can export. Given that we possess sister companies abroad, for example in Jordan, should we seek to launch a product in Jordan, we simply must harness our local affiliate's apparatus to launch it. This is the beauty of the El Kendi business model which sets us apart from our peers.

Where do you identify the main barriers to exporting?

Currency controls can be an obstacle. For the companies without a presence in an export market, this can be problematic. We are not affected by this as El Kendi will deploy sister companies to promote its products and we will bring in foreign currency. For Algeria to become an export hub, we need to see some changes in regulation to achieve this. However, I believe the authorities are supportive of the general idea and have the desire for Algeria to export pharmaceuticals.

Now that El Kendi is leading in the market, how do you maintain momentum and innovate to maintain the leadership position that you've already established?

Occasionally we change the organizational structure according to the portfolio we are expanding, the therapeutic area we wish to penetrate, and the dynamics in the market. We are currently witnessing a shift in power inside the market from prescription products into over the counter products.

Accessibility of the patients and doctors to generics is enforced by all stakeholders. Behaviors, references and mindsets have changed, so we must too. We are differentiating El Kendi by bringing solutions to illnesses that have not been tackled by even the multinational companies. We are not simply a generics producer. We are introducing first to market products. This needs a lot of investment to create the idea, but we are not waiting for multinationals and then responding with the generics. This distinguishes us.

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