

David Ho - Managing Director, Hovid, Malaysia



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David Ho, managing director of Hovid, introduces the success story of his family-owned company, which started at a Chinese herbal tea manufacturer and became one of the biggest local generic manufacturers in Malaysia. He also indicates his future plan to increase the company's international presence.

Hovid has a long history in Malaysia. Can you walk us through its main milestones?

Hovid is a very old company that started in the 1940s as a Chinese Herbal Tea company with commercial and production operations. From the 1960s to the 1980s, the company managed to grow in the country and I joined the family business in 1980 after coming back from my education in the UK. I started to transform the business from a very traditional medicine focus to a more modern business model that included the repackaging and remarketing of our herbal teas. At that moment, we also started our expansion towards pharmaceutical solutions and especially OTC products. It took us around ten years to develop our own formulations before we started its manufacturing, marketing, sales and distribution in Malaysia. In this period, the country was changing a lot as it was YAB Tun Dr Mahathir Mohammad's first time as Prime Minister. He opened up the pharmaceutical market in the mid-1980s and Malaysia became a very competitive market.

In the 1990s, drug registrations and GMP certifications started to be implemented in the market so we had upgraded our infrastructure to be up-to-date with the changes. It led to a lot of investment

being consumed to achieve the new quality standards. However, by the time we reached the year 2000, we were already exporting to six countries as the Malaysian market was even smaller than now with around 20 million inhabitants. The business in Malaysia was quite tough as we were very small and competing against a stiff and opened international competition playing on price and product selection. We first chose to enter countries such as Singapore, Vietnam or Cambodia as they were rather opened markets which would be easier for us. When we saw protectionist regulations appearing in the ASEAN region, we went even further West to Sri Lanka and eventually to African countries. We are now present in more than 20 African countries which represent our main export markets. Over the last two years, we opened two subsidiaries, in the Philippines and in Hong Kong.

What current strategy have you put in place to expand to other markets?

We have been pushing very much for more exports to our foreign markets as Malaysia is still very competitive and the regulation and patent laws are becoming more stringent. Many patent extensions get approvals which makes it more complicated for us to offer more products. Moreover, as we have been in Africa for many years, our brands are more recognized in these markets. Indeed, Hovid was one of the first Malaysian companies to go to Africa which was very unique at the time. Now, after many years, we have found niches of our own and we are in a leading position in these segments. Thus, it is better for us to increase our presence in this growth area and bring in new products as they will be more easily accepted. Logically, our next step is to increase our presence in Africa by entering new countries.

In the long term, we are planning to enter more developed markets such as Europe or the USA and for this reason, we have started building a new manufacturing plant that has been commissioned last year. We are now preparing the dossier for a European registration early next year. Therefore, we are looking for more partners in Europe and America to help us enter these markets.

What is your plan regarding the Malaysian market?

Most of the products that we are developing now are generic off-patent products. We are not able to compete with bigger generics players from India or China which have an important domestic market to support them. The unique way for us to position ourselves in the market was to bring innovations in the niche segments. We focused on developing different controlled release delivery

systems and combination products (dual or triple ingredient products) We are also already respecting European standards and ensuring that our products are perfect for patients by continuing clinical trials to secure the requirement of each product. Our main competitive advantage is really to have high quality and unique products backed up by clinical research. Thanks to this strategy we have created our own subsidiary clinical research centre in Penang where we conduct clinical trials and bioequivalent studies. It is helping us increase the activities of our R&D department and ensure that our investments are well spent in research. We have built our own expertise and our success rate is rather high.

What do you see as your main growth drivers in the market?

In the past, most of our driving products were for acute diseases as we were still producing products such as antibiotics, pain management and cough and cold products. Now that Malaysia is becoming a middle-income country, the main disease burdens have changed to cardiovascular diseases and diabetes. Therefore, Hovid aims to cater for Malaysian patients' needs and we are now highly focusing on these two therapeutic areas.

Indeed, due to secondary lifestyle habits, the country has seen more than 20 percent of its population suffering from Diabetes. Even though the Malaysian government encourages better habits such as more exercise and a healthier diet, the number of diabetics will keep increasing if the population is not ready to change. We believe that treating diabetes would be easier with a better education on the issue and the right emphasis to teach the population at a young age to live a healthier life. We really need a holistic approach to ameliorate the health condition of the population. The Ministry of Health cannot do it on its own. For example, they could collaborate as well with the Ministry of Science and Education. It is for this reason that 20 percent of Hovid's business remains in health supplements. Indeed, the demand has been increasing for such products as Malaysian citizens are becoming more educated on their health habits.

What are your main priorities for the upcoming years?

We are looking at marketing new products, especially in the health supplements segment. We are developing and producing a supplement locally that has proven to be very successful and we would like to register it as a pharmaceutical product after completing the clinical trials. The government also understood the need to buy locally to reduce their spending, which is helping Hovid increase

its presence in the local market.

In addition, we are working in the area of neuroprotection and neuro-degenerative diseases, as there is not a lot of drugs available in the Malaysian market. We are also entering biosimilars, but not investing in R&D. Indeed, we are in discussion with a few pharmaceutical players as we have a market of 50 countries in Africa and Asia, so we are a great distribution and marketing platform to enter these markets. With only 32 million people, it is not profitable to only do business within Malaysia. However, the country is very open to biosimilars. The main issue remains the high entry barriers. For the moment, the only biosimilar product available in Malaysia is insulin products made by Biocon, while in India and China, many other biosimilars in other therapeutic areas are already widely available.

Over these 35 years, what would highlight as your greatest personal achievement?

From our first day of operations, we emphasized on quality and in the late 1980s, we received the GMP certification at the time where there were no compulsory requirements for it in Malaysia. Hence, we are proud when people use Hovid's products as our solutions have always been synonymous with quality and efficiency, which helped us build a strong reputation around the globe. We are battling every day to ensure high quality standards, from the worker's mindset to our internal manufacturing system. Quality is not given as even high reputed multinationals encounter quality failure. It is an everyday battle and we are very committed to it.

Moreover, when I took over, our turnover was less than a million ringgits. We only had one product in the portfolio that was available only in Malaysia. Today, we are distributing our products in 50 countries, and on the way to enter European and American markets. There are too many generic players on the market, so we need a unique offering to differentiate ourselves from India and China for example. Tocovid which is a product of our own research has shown potential in being a therapeutic agent. It is a supplement now. Our research in animal, human, Phase I and Phase II studies has shown very positive results for therapy in the neuro disease space.

A few phase IIb trials are being planned to start and IND are being filed as a therapeutic agent for a number of neuro diseases that are up to now are without any treatment.

I am positive that in two or three years, it will be a very exciting time for Hovid, as once we receive the results of our clinical trials, we will enter developed markets with our neuro-disease drugs.

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