

Interview: Dr. Ahmed Borhan El-Din Ismail â?? Chairman, EIPICO, Egypt



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The founder of the Middle Eastâ??s largest pharmaceutical company, EIPICO, discusses the evolution of the Egyptian pharmaceutical industry over the last 50 years, and his hopes for the industry over the coming decades.

Dr. Borhan, you became Chairman of El Kahira Pharmaceuticals in 1962, and established EIPICO in 1980. In what ways does the Egyptian pharmaceutical industry of today resemble the one in which you started?

The opportunities and problems before us have not changed.

When I started working in the pharmaceutical industry in 1957, I was an officer in the Egyptian Army serving as a pharmacist, the total market for pharmaceuticals was approximately USD 10 million, with only half going into finished dosage forms, and we knew the market could only grow. Today the total market is close to USD 5 billion and the market is still growing close to 15 percent per year! The Egyptian pharmaceutical market was full of potential then and is full of potential today.

However, by the early 1970s the government had begun to depress prices to a great extent. The argument went that many Egyptian people are very poor and they needed access to very low cost medications. As such, as long as we earn some small profit margin and remain solvent and operational, the government is usually not responsive to requests for price increases. Occasionally they will give some small price increases for a few products and then freeze prices for another ten years.

Throughout your long career, what do you consider your greatest accomplishment?

Egypt was the pioneer of pharmaceutical manufacturing in the Middle East and our industry was quite advanced on a global scale, far more sophisticated than that in India at the time. In 1980, I made it my goal to establish an Egyptian company that fully met international GMP standards with

the target of becoming a regional leader. Despite the challenges, I did this; today EIPICO is the largest pharmaceutical manufacturer in the Middle East and North Africa by volume and ranks fifth in value with EGP 1.8 billion (USD 230 million) in revenue. We make all of the necessary investment to keep our facilities up to date with cGMP requirements and we just opened a factory last year that is designed to meet the GMP requirements of tomorrow as well as today.

How do you expect the next decade to compare to decades past?

I am very optimistic about the market. Egypt's population is growing by two million people each year and the pharma market has been growing, and will continue to grow, over ten percent per year, sometimes 13 or 14 percent. There is strong and growing demand for all product types, distribution infrastructure is better than ever before and we are able to reach a large proportion of Egyptian patients.

The only challenge is still the fixed pricing system and as EIPICO is a significantly older company than many of our competitors, we are significantly disadvantaged in this regard. Much of our capacity is tied up in maintaining the supply of older products that have very low prices, whereas newer companies have been able to build portfolios with a greater proportion of newer, marginally higher priced products. For example, we are the market leader in ophthalmic products by a wide margin in terms of volume. However, we are fifth in terms of value because four newer companies with much lower volumes were able to get their products registered at higher prices. Many of our products are in fact making losses, and only through a delicate balancing act are we able to keep most of our products available and on the market.

Over the last six months, the Ministry of Health has indicated that they are open to adjusting some prices. However, there has been no solid commitment yet, or any real progress, but they are speaking to us regarding increasing some prices, and we shall wait and see what transpires.

When Focus Reports interviewed you in 2006, you were planning to internationalize the business by building manufacturing facilities outside of Egypt. How much progress has been made in the past decade?

From the beginning, EIPICO has had a significant export business to other countries in the region. Today we export to 61 different countries, and of course our biggest challenge in this issue is country of origin reference pricing, which makes it very difficult to find profitable export opportunities.

We now have a manufacturing plant in Saudi Arabia, came very close to establishing one in Sudan. Currently we are considering establishing a facility in Algeria, and we are also studying the possibility of investing in the United Arab Emirates. When and if we are able to negotiate somewhat higher prices with the government here in Egypt and increase our gross margins so we can invest more readily, we are already well positioned to expand into a variety of markets; we have the products, technology, and expertise.

Politically and geographically, Egypt is well positioned to supply African countries with pharmaceuticals; what role do you see African markets playing in EIPICO's growth strategy going forward?

In general, I am not particularly optimistic about the future of African markets, other than those in North Africa. Most African countries lack substantial resources to fuel economic growth, unlike the MENA region. That said, we currently export to 6 African countries, and have considered building facilities in Ethiopia and Sudan, but the potential revenues are quite low. Generally, EIPICO is more oriented to European and Arabic markets, these are our targets.

What opportunities do you see for Egyptian pharmaceutical companies to engage in more sophisticated and higher value added manufacturing activities?

Many of my colleagues in the industry are discussing the development of API production here in Egypt, with the logic being that if we make them locally we can reduce the cost of our imports. The thing is that efficient raw material production relies on the availability of light chemicals, which are the byproduct of heavy chemical industry. Egypt has no heavy chemical industry and thus to manufacture APIs we would have to import large quantities of light chemicals from China and India, putting Egyptian producers at a competitive disadvantage.

What objectives would you like to set for the Egyptian industry for the next 20 to 25 years?

The scientific basis of modern medicine is completely different from traditional pharmaceutical. Therapeutic proteins, monoclonal antibodies, these therapies all use mechanisms and processes that are already present in the human body, manipulating them for the patients benefit. The vast majority of new drugs are to be discovered from within the human body or genome and a few innovative leaders like Roche have already abandoned traditional small molecule research.

In this system, value is created through research and bio-genetic engineering using biotechnologies. This is an area that requires immense scientific knowledge at all levels, as much on the innovative forefront as in the manufacturing process, and the availability of natural resources is not a significant competitive factor. Egypt must seek to develop knowledge and experience in this area if we are to be able to provide these new innovative medicines for our citizens domestically. We have a short time to organize our efforts and to begin to invest in this area, learn biotech-manufacturing techniques and develop genetic-engineering capabilities, and I am sure that in the short term we will see steps being taken in this direction.

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