

Interview: Muzaffer Bal – General Manager, Ali Raif İlaç Sanayi (ARİS), Turkey



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The general manager of Ali Raif, Muzaffer Bal illustrates the various success factors that allowed the company to secure market leading positions within Turkey and across Europe, while also highlighting how the company has adapted its portfolio to shifting market dynamics.

Muzaffer, as an introduction for our readers, please provide some insight into Ali Raif's longstanding history in Turkey, and describe how the company came to assume its current leading position in the market.

Ali Raif began in 1928, initially within the tobacco industry, and then later entering the mining and construction business as well. In the early 1950s, through a 50/50 joint venture with Pfizer, Ali Raif eventually began trading in the pharmaceuticals industry. The family has since sold its share back to Pfizer, and started focusing solely on human pharmaceutical production, marketing, and importation. By establishing strategic partnerships with several multinationals, ARİS began developing its manufacturing capabilities and launching in-licensed products within Turkey. For years, Ali Raif acted as a distributor for companies from the UK, Americas, France, and Israel—eventually becoming the leading importer of finished pharmaceutical products.

In the early 90s, we initiated the research and development of generic equivalent pharmaceuticals to produce and market ourselves—later establishing a state-of-the-art production facility in İkitelli Industrial Zone to accommodate the growing demands of the industry. Under the Turhan family, Ali Raif has been in this business for more than 50 years now—exhibiting consistent growth year-over-year and becoming one of the top 30 pharmaceutical companies in Turkey according to IMS Health.

What direction do you plan on taking Ali Raif now?

There have been many challenges for pharmaceutical companies operating in Turkey—further devaluation of the lira, reference pricing system, and regulatory pressures. In response to these factors, many of my leadership directives have focused on streamlining operations to improve our

bottom line, while also evaluating new market segments to enter that will ultimately bolster our competitive positioning in the long term. Despite the challenges in the Turkish landscape, I've always adopted a more optimistic mindset with regards to the future. The company has persevered through many up and down cycles because at the end of the day everyone needs medicine—specifically the people here in Turkey. Our population is aging, while simultaneously expanding. In line with the country's healthcare transformation programs, standards of living, overall quality of life, and access to medicinal treatments are improving everyday. Needless to say, pharmaceutical products have played a pivotal role in facilitating this transition, and we at Ali Raif pride ourselves in developing hand-in-hand with the people and the industry. My priorities now involve further enabling the company to continue serving the community and maximizing the value we bring to our customers.

Can you please break down the current composition of the company's portfolio and evaluate how you see this structure changing?

Traditionally it's been 50 percent in-licensing and 50 percent proprietary production. But as the local environment became increasingly accessible with less stringent import controls and more favorable incentives for FDI, many of our former licensors either acquired their own Turkish distributor or established an affiliate office in Turkey. We had the opportunity to work with upwards of 20 MNCs at one point—enabling us to obtain several market leading positions across Europe over the years. Now we've extensively pursued our own R&D and production initiatives—outputting approximately 75 percent of our own generics, with the remaining portion of our portfolio attributed to in-licensing.

Previously, Turkey's pharmaceutical landscape had been dominated by antibiotics—accounting for roughly 28 percent of industry-wide production output. During the company's early stages of development, we decided against antibiotics to avoid competing in a congested arena, along with the big pharma players already controlling this space. Instead, we selected and developed a rather comprehensive portfolio in key therapeutic areas including gastrointestinal, cardiovascular, CNS, diabetics, and anti-inflammatory—now encompassing nearly 150 products. We're also looking into potentially entering OTC, which we're now starting to build up our capabilities in.

With pricing and regulatory challenges common across all industry players today, we've seen many local pharma companies such as Drogan and Onko Koşşsel look to exports in hopes of unlocking demand, and in turn profitability. To what degree has this trend aligned with Ali Raif's strategic initiatives?

Approximately 10 years ago, we received European GMP approval for our manufacturing plant and subsequently released the first anti-diabetic generic into Europe. Since then, we've also been heavily exporting to several CIS and Balkan countries. Recently, we registered some products in Russia and Kazakhstan, but have yet to begin exporting. Admittedly, the amount of our exports is not proportionate to a company of our size and positioning, which is why my priorities in coming years will focus on expanding our export activity from the currently 3 percent of annual turnover to 10 percent.

Until only a few decades before, Turkey had paled in comparison to other emerging countries with regards to export volume. The economy was still in its early onset of globalization trends and exhibited more closed-border commerce—the pharmaceutical industry being no exception. I envy the companies that anticipated and capitalized on the growing export activity when the country began to embrace international trade and foreign interaction. In my opinion, success has always been sole function of pursuing the more difficult roads. At the moment, we don't have the ambitions in penetrating the US market, and but will instead, focus on expanding our presence into

the developed countries closer to us—namely within Western Europe. Given Turkey's reputation as a regional hub, and with the company's expansive portfolio of products and proper facilities equipped to meet all cGMP, I believe we're well poised to move forward in that regard—especially as a prominent Turkish pharmaceutical manufacturer.

R&D is perhaps the cornerstone of all players across the pharmaceutical value chain. To this end, can you elaborate on the type of R&D projects that the company is currently undertaking to enhance its competitive positioning?

Although the current market conditions have constrained our budgets, R&D has always been a fundamental component of our strategies. Especially given the intensified level of competition and the more crowded nature of the industry, it's imperative that pharmaceutical players, in addition to having robust infrastructures and fluid internal functions, differentiate themselves now more than ever. Although we've only begun significantly investing in R&D about 15 years ago, Ali Raif has always emphasized the importance of value-added pharmaceuticals—even with conventional molecules. Aside from our advancements in slow-release and combination products, I cannot disclose any specific projects currently in our pipeline; though, we are making significant strides in this year, including the evaluation of potential multinational partners for projects that align with our operational capacities and ambitions. Considering the more saturated nature of the market, we've had to adopt a more selective approach in allocating our capital for new ventures, as the current limitations in pricing and volatile demand prospects can effectively make or break a company's forward momentum if poorly strategized.

As the general manager of Ali Raif, how do you envision the company's role alongside Turkey's own ambitions in becoming a world-class economy for health services?

Despite the recent trends with other local pharmaceutical companies, we have no intention to sell. We like what we do, and we're experts in what we do. With respect to the country's vision, I believe it's crucial that we manage expectations and plan accordingly. We are not going to beat America—we'd simply be overreaching in that regard. But Turkey's pharmaceutical industry, especially considering the country's latent export potential and increasingly innovative drive, has the ability to surpass even more developed landscapes such as in the Netherlands or Switzerland—given the proper support. Although a medium-sized player, Ali Raif has a longstanding commitment to sustainable development and growth of this industry. We may be a relatively small in scale, but through our value-adding products and limitless ambitions, we possess the ability to materially improve the broader welfare of our fellow citizens. As general manager, I'm ultimately looking to position the company in a way that allows us to continue serving our community, while enhancing the quality and value that we bring our customers.

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