

Thembalath Ramachandran – Chairman and MD, Bristol Laboratories UK



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25.07.2018

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Thembalath Ramachandran, chairman and managing director of one of the UK's fastest growing generics manufacturers, Bristol Laboratories, describes why he chose to relocate from India to start his business, the company's significant manufacturing footprint in the UK, and how the British government could be doing more to support homegrown manufacturers.

Initially starting out as a small, family-run entrepreneurial venture in North London during the late 1990s, Bristol Laboratories has since blossomed into one of the UK's standout generics manufacturers and now boasts an annual turnover in excess of GBP 100 million. Could you please start by introducing the company?

Bristol Laboratories is one of the UK's fastest-growing manufacturers of generic medicines and our products are distributed widely through pharmacies across the country and the NHS. We develop, manufacture and distribute a wide range of affordable, but high-quality pharmaceutical products treating conditions such as hypertension, diabetes and depression. As such, we play an important role both in increasing access to treatment and in contributing to the reduction of public healthcare costs. Our portfolio contains a broad range of different molecules, presentations and dosage forms, with many more in development.

The story started back in 1997 when I took the decision to move from India to the UK and establish my very own pharmaceutical company in Harrow, North London. Previously I had been an executive director at the Mumbai-based pharmaceutical giant, Ipca Laboratories, where I had acquired over 20

yearsâ?? experience in manufacturing, marketing, R&D and various other parts of the pharma value chain. Given this accumulated experience, I considered the time was ripe for stepping up a gear and going it alone.

I selected Britain for a variety of reasons. Firstly, being Indian, there was no language barrier. Secondly it seemed a decent location for the ease of setting up a new business in the sense of not having to wade through too much bureaucracy or be waiting too long for decisions. There were personal factors as well such as the fact that my two daughters happened to be studying here. Last but not least, I am a man who loves to take on challenges and wanted to do something perceived as difficult. As we all know, the UK has the reputation of being an especially tough and competitive generics market.

What is the composition of your product portfolio and how has it evolved over time?

There has been a clear progression from pure manufacturing of generics to developing our own products and ramping up our presence in the OTC market as well. Our initial focus was on the cardiovascular therapeutic area and we subsequently expanded that out to include CNS, diabetes and antibiotics. In the OTC segment we have some well performing products for allergies and for migraines. On top of that, we have an exciting pipeline and intend to launch 50 to 60 new molecules within only the next couple of years.

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At what stage did Bristol Labs make the leap to manufacturing?

Our maiden move into manufacturing was in 2004 when we acquired a facility in Luton from Wallis Laboratories, an entity that was ultimately subsumed into Wockhardt. This was perceived as a very bold step at the time. Many people could not understand why we were investing in factory space in the UK at a moment when the general trend was to relocate the production part of the value chain to India or the Far East where labour costs were, and still are, considerably lower. We seemed to be swimming against the tide. Moreover Wallisâ?? Luton facility was essentially a sick plant that had been underperforming for many years. Nevertheless I am the sort of person who thrives under pressure so set to work figuring out how we could turn this into a profitable and sustainable business.

Looking back, 2004 to 2007 was an incredibly challenging time for Bristol Labs, but it was a necessary step that served as the foundation for many of our subsequent achievements. The learning curve was very steep indeed. There is a fundamental difference between trading and manufacturing. In manufacturing, once the button is on there is a running cost. You have to be making money or you are going to swiftly end up with deeper and deeper losses. I am very proud to say that our turnaround attempt of this sick facility ended up being a massive success. We have managed to convert the facility into a highly efficient unit that has 15 times more capacity.

How was such an achievement possible?

When you are going head-to-head with low labour cost countries such as China or India, and wages in the UK market are on average 10 times more expensive, it is essential to absorb that difference in operating costs through much higher productivity. That comes about partly through doing our research and coming up with an optimum selection of products. We have to be very attentive in our initial identification of which molecules to run with. Beyond that, our great track record on productivity hinges upon the excellence of our manufacturing equipment and our streamlined, rationalized operating procedures.

We have invested substantially in developing our Luton site into a state-of-the-art, MHRA-approved facility that is highly automatized. This has entailed installing the best possible machinery for pharma manufacturing which in turn enables us to produce a great many types of tablets, capsules, and sachets. Moreover, our high-speed packaging machines markedly reduce turnaround time and generate greater efficiency in the working style of the staff. Much emphasis is also given over to the training of the personnel and to automation. You have to make the sure the operator or technician has effectively understood the process and has the wherewithal and resourcefulness to be able to optimize it even more when the opportunity arises.

Currently, Bristol Laboratories produces up to 9 billion tablets and capsules each year so it is critical to ensure that our packaging capabilities are able to keep pace while, all the time, diligently maintaining the highest standards of quality. I am proud to be able to say that we actually operate some of the most advanced packaging technology available on the market: Bristol Packs are designed to be patient friendly with distinct colour differentiation that enables ease of dispensing at the pharmacies.

We understand that you have also been expanding your manufacturing footprint through the acquisition of additional sites. Tell us more about your strategy with respect to hard assets.

That is absolutely correct. In line with our Vision 2020 strategy, we purchased a pharmaceutical plant previously owned by consumer health producer Reckitt Benckiser in Peterlee in County Durham. This was another landmark moment for us. While we do have a strong network of contract manufacturers supporting us so as to be able to respond to fluctuations in demand, I firmly believe in the importance of having our own in-house facilities as much as possible so as to really be able to run the show and determine our future trajectory.

In terms of our other assets, we have also established our own fully-fledged R&D lab and possess 7 distribution warehouses from which our goods are dispatched to the hospitals and to our customers throughout the country. Moreover, we are self-sufficient for testing the products that we manufacture and import. Our other decisive asset is, of course, our staff: right now, we draw upon a workforce of some 700 personnel all working with a full heart and real delivering growth to the company.

How supportive is the British government to homegrown manufacturers like Bristol Labs?

Quite frankly, I don't think they are supportive enough when you factor in the contribution we make in providing local jobs and bringing prosperity to the local community in cities like Luton. The UK is already one of the toughest generic markets in the world and the cost of labour is exorbitant so, ideally, there should be full support through grants towards R&D projects and relaxation of tax allowances to encourage the industry.

In what way, if any, will Brexit affect Bristol Labs?

Brexit may not necessarily make companies like ours weaker, but I don't see it making us stronger either. Certain things will clearly have to change. We used to employ a lot of East European workmen in our factories and we have noticed that that particular pool of talent has reduced considerably over the past year. It would appear that many East Europeans are returning back to the continent in the wake of the Brexit decision. Nor will it be easy to replace that affordable, but skilled labour with third country nationals because immigration regulations remain strict for that category as well.

I am very much expecting the sourcing and retention of human capital to become more difficult. The EU's population is more than 500 million whereas the UK population is a mere 65 million which means that the talent pool is reducing dramatically. We also have to make contingencies for workers

that we might lose as a result of Brexit, especially as it generally takes us between 3 and 12 months to train up our employees.

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How would you describe your footprint outside of the UK?

Our Spanish subsidiary, Brill Pharma, based in Barcelona, was established a couple of years ago. It markets innovative niche products as brands in dermatology, ophthalmology, gynecology, and rheumatology. The company employs over 70 sales representatives promoting brands across the country and has demonstrated very laudable growth in a fairly short span of time.

We also acquired a German subsidiary called Axcount Generika. That company has over 130 products registered and has successfully participated in a number of tenders. Germany is another highly competitive and challenging market and, so far, I haven't been able to devote quite as much time as I would like to getting this business to reach full potential, but that is very much going to be one of priorities for the coming months.

You may have noticed that we maintain an additional office in Mumbai, but that is very much for technical support functions. Its main role is in enhancing our sourcing capabilities from Asia and China and in coordinating our supply chain logistics and the procurement of raw materials. Incidentally our supply arrangements are one of our differentiating factors. Over the years, we have managed to such a credible reputation for reliability and responsibility that our raw materials, including APIs from China, come on credit by which I mean without the need for a bank guarantee or letter of credit. That, in turn, has enabled us to be financially self-sustaining and not to have to resort to external capital.

What are your primary objectives looking forwards?

My aim is very much to materialize our 2020 vision. We are already well on the way to achieving this. We have managed to upgrade our manufacturing base and are making headway with advancing our product pipeline ready for upcoming launches. The next step will be to expand our export market out into places like the Middle East and Africa, by concluding deals with local distributors.

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