

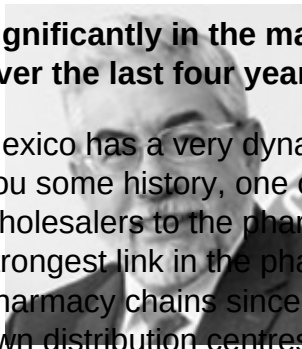
Interview with Hector Carillo, General Director Mexico and LATAM, APOTEX Mexico

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roduction, launched 16 new products last March, and grown significantly in the market. What would you say has been the biggest change in the market over the last four years?



Mexico has a very dynamic pharmaceutical industry that changes one day to the next, and to give you some history, one of the biggest changes of power has been from the pharmaceutical wholesalers to the pharmacy chains themselves. About five years ago the wholesalers were the strongest link in the pharmaceutical chain, and now distribution has jumped into the hands of the pharmacy chains since they started buying directly from pharmaceutical companies and using their own distribution centres. Pharmacies are also going into the new private label business which is growing faster than the prescription market, and the generic market as a whole, so they have found a segment for themselves providing them with higher growth margins avoiding the wholesalers and the intermediaries, and now they are selling their own products. To close the circle, pharmacy chains now offer physician services on site: they have the point of sale, they have the products, and they generate the demand.

This is great for Apotex because we manufacture the products- either locally or in Canada- and right now we have more than 300 products on the market with the best availability for this market. Surviving as a company means adapting to the changing market conditions. Competition from both India and other Latin American countries is entering the Mexican market, and there is even competition from big multi-national companies stepping into the generic market establishing their own generic lines too, so although this shift in market power is good for Apotex, we are facing competition from everybody.

Today's market is a price war, and with our commitment to quality it makes it difficult for us to compete. Apotex is totally integrated into generics in Mexico: we have our own manufacturing and raw materials so we know exactly what goes into our products, and we know we cannot drop our prices as low as some of the other companies, who sell very cheaply.

Rogelio Ambrosi the President of CANIFARMA told us that often prices that the Government demands pose a challenge for companies wanting to get a slice of the institutional market: how has Apotex tackled this issue and take advantage of growth potential in that area?

Normally we lose around 60% of our Government tenders because of pricing, but where other fail is precisely where we succeed. When companies supplying the Government do not deliver either the quality they promised, or the medications on time, the Government comes to us because they know

we can deliver fast, on time, and with excellent quality. Unfortunately they don't learn from experience and continue to bid for the lowest prices each time, and again when the company with the lowest prices does not deliver, they request the product from us again. For Apotex, the Government continues to be a good business but we cannot supply at their requested benchmark prices. On the other hand supplying on time is becoming increasingly important in the institutional market which is one of the main reasons for Apotex being so successful in this area, not just for Mexico, but for the rest of Latin America. When it comes to timely and high quality product delivery, they know we can do it.

Seguro Popular now covers 50 million Mexicans and has been described as a revolutionary scheme for Mexico. How has this affected Apotex and how have you been able to capitalise on this?

We have around 250 of the products they use available and whenever they are in a situation where they need very fast delivery, they call us. But we face the same problem: pricing. They demand the lowest possible pricing from the market, and while we understand Seguro Popular has a limited budget and they are required to look for the lowest possible prices, Apotex cannot compromise on quality just to get the extra sale. We maintain our universal standards, and the product we sell in Mexico is the same product we sell in Australia, Canada, the United Kingdom, and the rest of Europe. So we maintain our position of being able to supply the Government, but only under certain conditions: if they demand other conditions that mean we have to compromise on quality, we will not do it. Apotex is respected for these policies- and we continue to grow strongly because we are recognised as company who supplies high quality products.

With this high quality, Apotex is exporting to 8 countries from their manufacturing base in Mexico. Why was Mexico chosen as a manufacturing hub?

We were the first manufacturing base for Apotex outside of Canada, and we have really proven our efficiency. Just last this month the decision was taken for Mexico to be the manufacturing hub for the whole of Latin America, the Middle East, and East Asia purely because of our cost and delivery efficiency.

Another reason Mexico was chosen is that we are very good at adapting ourselves to provide medications for different markets, with different cultures which is an added value. We supply five or six different pharmacy chains in Mexico, each with a different presentation adapted for our client. We can also provide medications fast and at the last minute because of our production capabilities- for example producing 6 million units in just 15-20 days is not something that any other national company can do. Apotex has the facilities; the ability; and the know-how to react to the market quickly and we have learnt how to manage the opportunity and market demand business.

Apotex has a strong history of partnering with other companies, and we are starting to see why, but if we were a company that you wanted to partner with here in Mexico, how would you sell yourself?

If you work with Apotex it will be a mutually beneficial situation, it will be on a long-term basis, and we will provide extra value in terms of advertising, staff training, and product quality. Our plants in Canada produce more than 30 billion dosages of medicine, which no other company will be able to offer you, and this also provides a competitive cost advantage through economies of scale, and high product availability.

On the other side of the coin, what qualities do you look for in a business partner?

I want a company who is not here just for a one-shot business, I want a company who is serious about growing with us, and one who is willing to sign a contract with us in order to prepare sales for the future. I want to know where they will be in 2020, or at least where they are planning to be: what are their objectives and how can we complement them in order to achieve them? I want the company to open up and tell me exactly what they expect from me, and I will do the same in order to maintain a very clear relationship. This philosophy has always worked very well for Apotex and every single one of our associates have helped us grow to the level we are today. Mexico is a 15 billion USD market, Latin America is a 55 billion USD market, and there is so much potential! Every day companies are contacting to do business with us, and to carry our products: it is a matter of negotiating a good deal for both parties, and to capitalise on our joint strengths.

So the sky is the limit in terms of growth- if we come back to Mexico in 5 years, where will we find Apotex?

We will triple sales. Why? Because now we are only doing business in 20% of the market- OTC medication and generics- but we are developing both our prescription medication division and our innovation division in the biotechnology segment. Here in Mexico we have a Research and Development area which has locally developed more than 55 products for the Mexican and Latin American markets, and these products will constitute more than 50% of our gross margins because weâ??ve been able to adapt them for local demand in Latin America. At the moment we only sell to pharmacies and provide information to clients, but we are structuring ourselves to sell biotechnology products that we have developed ourselves directly for medical retailing.

Do you have a final message for the readers of Pharmaceutical Executive?

I believe that for years, the medical culture in Mexico has been trending towards the innovation market because thatâ??s the way the large multi-national companies have developed it, but now it needs to change. Many people do not know they have an option to treat their illnesses, especially chronic disorders, in a much more economical way by using generic treatments often at around 25% of the traditional cost. Many doctors do not even analyse the cost benefit options, or they are simply not aware that there are generics available to treat particular diseases, which effectively makes people pay for their ignorance- and a huge percentage of the Mexican population cannot pay. My message is to encourage the Mexican population to learn something about generics and the benefits it can provide to Mexican families, especially for those who require treatment for chronic diseases. It took Apotex a long time to start getting the message across, and need to continue.

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