Muzzafer Bal â?? CEO, Ali Raif

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Muzaffer Bal, CEO of Ali Raif, a Turkish generics firm, highlights the companyâ??s new investment in a manufacturing plant, their refusal to follow the trend of Turkish local companies investing in biosimilars, and how the current pricing system is putting the sustainability of the Turkish pharma industry in danger.

Can you begin by introducing Ali Raif to our audience as one of the leading generics companies in Turkey?

Since 1963 we have been a pharmaceutical business producing locally in Turkey which we continue today as well as marketing and representing multinational companies from around the world. In the beginning, as Turkey was a closed economy, importing finished products was difficult and therefore almost all pharmaceuticals were produced here.

Following the liberalization of the economy in 1984, global activities became available for Turkey and many multinational partners were able to register and finish pharmaceutical products in the country. This grew our business in two areas, one part producing under license and the second importing finished products. By 1992, we began generic formulation and registered our generic product, with almost 50 percent of the business at that time being local manufacturing. As a result of the investment and growth of our R&D department, these generic products became part of our portfolio.

In the past 10 years, due to high pressures on prices, the manufacturing part side of our business is valued greater. This has changed our business completely as we now import less but market and produce more in our factory or use third party manufacturing.

As a small to medium-sized family company, we are flexible and can organize ourselves for a product to enter the market and be an important player in that space. Currently, we are operating in select areas, predominantly therapeutics associated with gastroenterology, cardiology, and diabetic CNS. Furthermore, we are building a new plant to increase the scale of our business. This will be FDA approved and increase our capacity for local production to further shift the focus to exports.

At the moment, we have strong financial capacity to make these investments however the challenges stem from the rapid devaluation of the infrastructure. The cost and maintenance of new machinery and the fluctuations of the Turkish lira also present challenges. However, the benefit of these investments is to centralize the business and move away from third party manufacturing.

At a moment when many leading Turkish companies are venturing into biosimilars, what was Ali Raifâ??s reasoning behind restraining from investing in the area?

We decided not to move into biosimilars because the margin was low from our point of view. We did not have certain tools for manufacturing nor the expertise to produce them. For now, we do not have any plans to involve biosimilars into the business and would prefer to stay where we are and be ready to move into new therapeutic areas which we believe will offer more opportunities for us in the long term.

What is the value proposition that Turkish generics companies bring to the export markets?

While other mass generic companies have big facilities, I believe the years of experience of Turkish companies and brands gives us an advantage with quality, customer service, and expertise. Furthermore, we are not able to compete with India and China on their prices and therefore must market these distinguishing features of our pharmaceutical business model to remain competitive.

Do you believe there is potential for unity between companies in Turkey to increase the value proposition in the local market?

Until now we did not have the satisfactory results or experience to band together. However, with many large corporations in the market as opposed to traditional small family businesses, it is an opportunity we should consider. While scaling our company by uniting with others would make us more competitive on a global scale, we still believe it is possible to be successful with good products and the ability to be flexible and grow as a family business.

Which geographic locations are the most suitable for your portfolio?

The generic products we are producing tend to be more competitive locally here in Turkey and in Europe. Our expertise is in making generic products and with patents expiring, it creates an opportunity for the business to enter more products into the market.

Furthermore, we do not foresee any drops in demand for our product in the future. In Turkey, social security covers 95 percent of the population and like other countries, we have an ageing population with a longer life expectancy and more people taking care of their health. I believe we have a good future in this industry as humans will always need medicine and always need good health, and the quality of our products will help us to further grow this business.

How does Ali Raif deal with the current pricing system in the Turkish market?

The main issue we are currently facing is price cutting. We need to develop sustainable measures with the government to prevent constant COST cutting issues. We had issues with cost cutting ourselves, losing many products in our manufacturing lines as well as money due to the cost of goods being greater than the selling price.

Should the government be more understanding of the economic realities of tenders for generics?

I believe so because if it is not economically viable to produce certain pharmaceuticals, it can create gaps for medicines in the market. As pharmaceutical companies face controls across the business from the registration to the marketing, and in the case of Turkey, the price, it can make it difficult to generate profits for certain medicines. However, if the price goes too low, our manufactured products will then be exported and the government will have to adjust its strategy with pharmaceuticals.

What are your strategic priorities for the next few years considering your investments in a new manufacturing plant?

We have been following the same road to success for at least 20 years therefore I believe we will continue along this path. The main strategy for us is to remain flexible. Although we have reached number one in growth on occasion, this is not the focus, and we are content being average in this regard. However, it is our investment and growth in R&D and the rich portfolio of products we possess that feeds this success. In the coming years, the aim is to saturate the market for generic therapeutics in Turkey and establish a complete portfolio in this area through good market performance and product selection.

Is there a plan to sell or list on the stock market part of the business?

Despite persistent interest from potential buyers and investors, we have remained conservative in our approach to the business and enjoy the size and type of family company we operate. Although our interest could be piqued if a company came forward and offered us a fortune, we currently have no intention of any aspect of the business being sold.

Is there a final message you would like to convey to our audience about Ali Raif as a partner in Turkey?

We believe we have become a reliable company through good experience in foreign relations and long-standing business partners. Both our partners and we believe in the business and its potential and see the benefit of lasting partnerships as key to cooperation and success.

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