Interview with Anatoliy Reder, General Director, Interchem

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Let us start with the history of InterChem which is quite unique and started as a chemical company with a very small group from the National Academy of Sciences. Please tell our readers about the evolution of InterChem.

In 1989 we were five postgraduate students who started the company under a different name and we eventually registered it as “InterChem” on December 11, 1992. Back then we were the ones doing everything in the company since there were only five of us. InterChem first started by producing fine chemicals. Our first order, which was a set of new chemical compounds, was sold to one of the Universities of the former Soviet Union. We gradually entered the pharmaceutical area, as a producer of APIs due to the fact that we were dealing with a lot of biological chemistry. APIs are still a part of our activity and this makes us quite unique from other producers in Ukraine. Another reason of our uniqueness is that we hold the full drug control license for drug controlled compounds. Due to our chemical backgrounds, we were discovering new compounds of APIs and strived to introduce new innovative products.

The fall of the Soviet Union did not allow us at first to promote these activities. Therefore, we started working in very modest facilities where it was -12°C in the building and we practically only had walls and a roof! We started with the production of Phenazepam, the only Soviet equivalent of Valium during the Cold War. However, this was not a marginable business so we had to complement our activity with things we knew how to do. In the beginning of the 1990s we restarted some chemical production units in Ukraine. We were working with chemical plants that called us

when they had some technology or supply problems. We also supplied chemicals to Europe but never stopped our activity in pharmaceuticals, even though most of our APIs were sold in Russia and Ukraine. But shortage of money made bartering our only way to survive. Over time we gained experience to promote and sell bartered finished medicines and started our own R&D unit. It was only in 2003 that we started our own unit of production for finished products, which explains why we only started this late.

Today, we have one of the best levels of finish medicines production in this country and have GMP certification. Initially we were producing 100 million tablets a year. We very quickly multiplied our production fourfold by 2007, working 7 days a week, 24/7, without any holidays. At this point we realized had to expand, so we halted production for 5 weeks for renovation, and when the workers came they were very impressed by the new facilities.

Initially we were selling 100% of the manufactured API's, however, after starting our own solid dosages production we are utilizing about 80% of the API's produced and selling only the rest quantity as the API's.

Today, we are still a small to mid-size producer with 500 employees and a turnover of US$63 million. Our growth since 2003 has never been less than 35%, and in 2011 we even experienced 42% growth. It is quite a hard task to keep the KPIs so high.

Last week, we started the expansion of our production facilities once again, representing a total investment of about 30 million euros. We are adding 4 more buildings, one of which will be eight stories high, and overall the expansion will make our power four times of its current figure. We will also have a new chemical building which will allow us to have GMP certification for APIs. All the laboratory facilities will be under one roof which is quite a task since they are currently all situated in different parts of Odessa. The total area of the new facilities will be around 15 000 m2.

We see that many international companies are partnering with local companies. Is this something you are considering?

To be honest, we are quite satisfied by our business and our facilities for the moment. We are in class D of GMP now. But who knows what will happen in the future!

We are exporting to Georgia, Azerbaijan and Russia. However, we are not too focused on exports yet since there are so many opportunities in Ukraine today.

Are you planning new product launches for next year?

We are indeed planning on launching more innovative products but these are the most difficult to get registered. Indeed registration is one of the most difficult tasks in Ukraine because it is not common for a local company to register an original product. Nevertheless, InterChem is

responsible for 1.7% share of the local pharmaceutical market.

Given that you are a very unique company fulfilling the entire value chain from R&D to distribution, what would you say are the main challenges of the Ukrainian market today?

This is a difficult question, since there are indeed many challenges. First of all, the market is growing very quickly, the market is very open and InterChem has no government contracts or tenders. This is a choice that we made at the very beginning and I think it was a good one. Also, the consumption of medicines is still very low in Ukraine, but we notice that wages are increasing steadily. We feel the immediate effects of the population's wealth.

How did you go about attracting your 500 employees and especially retaining them?

Overall, our employees are very happy. We are offering the highest wages of the city. We started as a "family" company and we are trying to keep this culture through social events and activities. We support families, and even encourage births. Indeed, our birth rate is about twice that of Ukraine's! We also value good education and half of our employees have higher education, with 29 of them possessing PhDs. We also offer training courses to students.

If you have to define InterChem in three words or values, which would they be?

People, educational and cultural background, legacy, and solidarity.

We see that foreign companies are rushing to Ukraine to grasp the opportunities the market has to offer. How are you going to tackle this foreign competition?

Actually, I consider that foreign competition has decreased. I believe we are offering to our patients products of the highest quality which are comparable to those of the international players. The only element missing which makes it more challenging is to set up the public opinion which is formed both by the Government and public associations explaining to people that our quality is equal to that of foreign companies.

The government declared it is supporting local producers and it is making international producers very angry. However, I do not believe that they should be upset since this doesn't in fact change much!

If we were to come back in 5 years, what can we expect to find? What would InterChem represent for Ukraine at that time?

This is again a very difficult question since the Ukrainian market is unpredictable. If we count on the same growth that we have benefitted from since the last 9 years, we will be doing very well! Also, we hope to be much more active in exports.

Do you have a final message?

The Ukrainian pharmaceutical market is one of the fastest growing markets with many opportunities to offer anyone who is interested in. Political instability is the only issue that truly presents a risk, but I believe that this will be solved and the future will be excellent.

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