Interview with Alfredo Rimoch, President Director, Liomont

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Tags: Liomont

The last time we interviewed you was in 2008. Please can you tell our readers a little bit more about Liomont’s growth drivers and changes over these last four years?

There has been a slowdown in Mexico in terms of market growth since 2008. There has been a lot of competition, and Mexico is in the eyes of the global industry at the moment so many companies from all over the world are coming here which has created a lot of changes in terms of growth drivers. There is more competition every year from companies all over the world especially in the generics market- they are coming from North America, South America, Europe and Asia. Our growth has increasingly lain in finding niche markets due to the fast price erosion that arose after the patent cliff. I think this is happening all over the world, not just here in Mexico.

When the deadline of the new drug registration law came into force in February 2010, how did you see it affect the industry as a whole, and specifically Liomont?

The drug registration law changed in 2005 when it was stated that the registration of the products would have a termination date in five years. Before that, registrations did not have an expiry date. Liomont has been very active since the year 2000 to get ready for this because we foresaw it happening and had all our products ready by 2010, when the first registrations had to be submitted. In this sense, the change in law didn’t really affect us in terms of losing products registrations, but we did abandon some of the old products that were of no interest to us any

longer. As a result of this change, there was a huge backlog for the regulation authorities and one of the main problems was the structure of COFEPRIS: it had not been changed since it started in 2000. There was simply not enough manpower or resources in order to carry out what was required in terms of the volume of work involved. I think it has taken the last two years to start getting up to date, and at last now some of the processes have been resolved, if not all.

How has all this activity changed the perception of generics in Mexico, both for the public and for the rest of the industry?

I think that the consumer still needs to be educated because there is still a lot of confusion surrounding generics within the public. There is also confusion with both ‘similares’ and other markets that have evolved around the mainstream sector, measured by IMS. People don’t know what is required for a product to be identified as a generic, and even though now the fact that all products have to comply with the requirements has promoted growth in the sector, there is still a lot of work to be done.

Liomont will be 75 years old next year and over recent years we have put particular focus on branded generics which we promote to doctors through a very strong sales force. We prepared well for the boom in pure generics, which took a lot of work, but we succeeded. Branded generics have existed for a long time in Mexico and we have worked for many years in promoting our vision of the company which is based on quality and trust through our services and our products. Prescriptions by doctors that rely on the quality of our products always choose us, and because there has been so much confusion surrounding the concept of generics, many doctors still cannot rely on the quality of pure generics.

In 2008 Liomont was number 9 in the country for prescriptions, and only 5% of your business came from the institutional market. Have you seen any more growth opportunities over the last few years, especially now that the Government has pushed health coverage as their biggest priority?

As of last year, we still officially rank number nine but by December 2011 we had moved up to position number eight. Liomont’s business in terms of value is made up of 75% sales from the prescription market, 15% from OTC- which is a very strong part of our business in terms of the image that we can promote to the consumer-and both our export business and institutional sales sit at about 5%. The situation with government sales varies from year to year and relies purely on price opportunities because that’s the only element that is valued by the government in Mexico. Personally I don’t think it is the best strategy for them because it has created a lot of problems in terms of product availability. When you rely solely on price, a company can win a tender but might

not be prepared to manufacture and deliver the products in a timely manner, which then creates a big problem for the Government in terms of product availability. Then that forces the Government to purchase products at a much higher price, outside of the tender organisation.

Please can you tell us more about Liomont's export activities?

In terms of value, our export is worth about 5% of our business, but 8% in terms of volume. At the moment we export some of our OTC products mainly to the Hispanic market in the United States, mainly California and Texas. We are also in the process of entering the United States generics market through a local partner and have several Abbreviated New Drug Applications (ANDAs) pending. One month ago we were inspected by the European authorities and obtained the GMP certificate for Europe, since then we have already filed our first ANDAs in Spain, Italy, France, Sweden and Germany. We have a strong partnership with a Spanish company Pensa Pharma, which is the generic brand of Esteve, and through this partnership we are working on more strategies to enter the European and US market.

What kind challenges has Liomont faced entering the Unites States, and do you expect to find the same challenges entering the European market?

The real challenge lies in documentation and bio-equivalency compliance. We had to carry out bio-equivalence tests outside of Mexico, in Canada, because the requirements are slightly different to here. There has been a policy of automatic recognition by the Mexican authorities to products which are registered by the FDA which I personally believe does not make for loyal competition. When it comes to recognizing drug registrations from other countries, I would agree with automatic registration, but only if there is mutual recognition which I think is a process that the authorities should seek and aim for.

I have been personally working with COFEPRIS, along with some other people from the industry, and participated in Washington with the PAHO talks. I was there as one of the industry representatives promoting this recognition and we are pushing it forward because we believe strongly that this is the way to go: if Mexico is not even certified by PAHO then we cannot move forward.

All the countries in South and Central America are very different, but which are the most important markets for Liomont and where do you see your competitive edge in each of these markets?

At present we have expanded to Central and South America, specifically in Guatemala, El Salvador, Bolivia, Costa Rica, Panama, Peru, the Dominican Republic from where we distribute to the

Caribbean, Venezuela is one of our strongest markets, and finally Chile. There are some countries in South America that strongly look after their local industry, such as Brazil where the government has a very clear idea that the pharmaceutical industry is strategic for the country. The same thing also happens in Argentina, but in Mexico, unfortunately for local industries, that has not been the case. The Mexican authorities have strongly supported foreign industry entering Mexico, and there has been very little specific support for the local industry. We have not been looked at in terms of being strategic for the country, but we are working on changing that and working on making the government realise that it is important to be autonomous, and not to rely mainly on the industry coming from elsewhere.

We've heard from many people that the officials responsible for these areas in government are not from the health or pharmaceutical environment, but from finance. Do you think this has made a difference?

Yes absolutely. I regard Mikel Arriola very highly, and I think he's done a tremendous job considering his starting point in terms of COFEPRIS structure, and the fact that he faced an incredible challenge. He has very good people around him; however I do think that the pharmaceutical industry is seen from a different perspective by somebody who comes from a financial environment rather than a medical or pharmaceutical environment.

Changing tack slightly, Liomont has a very good track record in Research and Development. Please can you tell our readers more about your activities in this area?

About two months ago, we were reported as the 6th company in Mexico that carries out the most scientific research and production; the most publications; and the most scientific studies carried out in research and development. That is 6th in the entire country, not only in pharmaceuticals.

Where do you see the future for Liomont in Research and Development, where will you be positioned in the coming years?

For many years at Liomont it has been very clear for us that it is the way to go. We are down to earth in terms of what our limitations are; we know we are not going to be discovering new molecules in the short-term, but we do carry out a lot of research in terms of clinical research and in terms of developing new formulations and combinations, dosage forms, uses of medicines and delivery systems. We are in the process of building a new research and development facility which will be one of the largest research centres in the country to be inaugurated later in 2012, and at the moment we have almost 100 employees working for us in the area.

Do you think there is a sufficiently large talent pool in Mexico on the side of scientists? Do you ever have problems recruiting the right people?

I think there are very good scientists in Mexico, but for the industry it has been very difficult to find the right people that have the right philosophy in terms of science combined with business. There is a lot of talent in some of the academic research centres, but they are often comfortable where they are, and do not have the mind set to work in industry. In an academic environment you get incentives through the number of publications, whereas in industry it is important to be able to patent the research or product. When you publish something, it instantly loses the opportunity of being patented so I think we have to try to change the mind set to enable more people to work in industry. I also feel that there has not been a very strong relationship between academy and industry in Mexico and that has created a bit of an uncomfortable feeling between the two. At Liomont we are currently running about 15 on-going projects, mostly with talented researchers from UNAM or the polytechnic universities.

Liomont has a very strong corporate culture and has been awarded for its Corporate Social Responsibility for many years. How has that helped to shape Liomont’s culture and growth in terms of pushing it in the right direction?

Liomont has a very strong culture of social responsibility at its core, which originated from the founders of the company. Our founder was very concerned about “easing human pain”, and the company took it quite literally and it has been incorporated into the company’s mission statement.

Today I feel that a lot of companies move into social responsibility because it’s the ‘right thing to do’, in Liomont that is not the case and it has been part of the company’s essence from the very beginning. It is something I feel very strongly about. We have always run social programs, working with CEMEFI and UNICEF for example, and we have received many awards in the meantime.

We are Distintivo H and ISO 9001 certified, we received the CONCAMIN award for outstanding implementation of ethical values every year from 2005 until today. We have received two Best Corporate Practice awards from CEMEFI, and the ESR award for being a socially responsible company seven years in a row.

In terms of social projects, we have been awarding children from secondary schools for carrying out environmental projects in their area for the last 12 years- the prize giving for this is the funds to carry out the actual projects. We have also joined up with UNICEF since 1999 in order to carry out projects such as Friendly School, where we bring basic educational aid to small schools in very poor rural areas of Mexico. We are also carrying out a campaign in health centres across the

country for parents on how to stimulate their children’s learning from a very early age, and working on a project where we provide inserts in our paediatric products that give tips to parents on the same subject. We also have a campaign that helps with the treatment of infectious and parasitic diseases in very remote areas of the country where we provide the treatment for free.

But I want to emphasise my point again, we do this because it is part of the core of our company culture and we believe strongly in it.

Where do you see Liomont positioned, and what changes will we see when we come back in 2016?

I see Liomont more and more as a global company- the world is getting too small to rely solely on the local market. Overall the main growth of the company is in our export sales which are growing at a rate of 16%. We have truly international standards in the company which is one of our priorities, and as I mentioned before, we base our growth on quality and trust, and I believe if we base Liomont’s future on these two values, it will definitely pay off.

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