Interview with Jitirto Kusnadi, President, Mersifarma

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The Indonesian pharmaceutical market has gone through a series of developing phases which have ultimately led the domestic industry to gain the majority of the market share. In this respect what has been Mersi contribution to the development of the Indonesian pharmaceutical industry?

My original vision for the company was to create good quality products that can improve life's quality. Given the experience I matured in the pharmaceutical industry by working with both national and international companies I realized the Indonesian market had a lot of unmet needs where our company could have growth. The first area in which Mersi focused its attention was in the manufacturing of Central Nervous System (CNS) medicines to face Neuro-Psychiatric, Psychosomatic and Mental Health Diseases. The choice of CNS as target market matched the core competences of the partners and represented a relatively unexplored field for Indonesia. Mr. Kusumando Setyonegoro, one of our partners, is one of the main experts in the CNS therapeutic field. At present, although Mersi is the only Indonesian pharmaceutical company that covers the complete spectrum of CNS medicines, we have also expanded our activities in other therapeutic areas and our product portfolio counts over 100 products.

Currently what are the main target markets for Mersi?

As Indonesia has a large and growing population, Mersi's main growth driver still relies on the domestic market. In this respect, we expect to grow organically by extending our target base and through partnerships with multinational or local producers. Mersi is also planning to increase its international presence abroad in neighbouring countries within the ASEAN and in the Middle-East,

where we believe our products are suitable to meet best the local needs. However, the international expansion is a long-term strategic plan. Multinational companies assess that local companies have not run enough dissolution tests or bio-equivalent studies to prove the quality of their products is safe for the patients.

How would you assess on local pharmaceutical companies? level of quality and safety?

The production of pharmaceutical products in Indonesia has achieved a level of quality and safety for generic products which is comparable to the one of multinationals. The medical association and the doctors trust our products and so do the patients.In Mersi particular case, we have GMP accreditation and BPOM’s approval to produce proprietary products. Our manufacturing plant in Cikembar, Sukabumi, Indonesia are equipped with the latest manufacturing machineries which make Mersifarma an Indonesian pharmaceutical company able to supply global standard products. Therefore, we expect toll-in manufacturing or licensing-in from international research based companies or local players to be another potential source of revenues for the company.

Considering the strong and increasing competition in the industry, what are Mersi comparative advantages?

Indonesia is a very competitive market for the pharmaceutical industry. According to recent figures there are over 200 manufacturers and over 2,000 distributors across all the therapeutic areas. This market fragmentation reflects the Indonesian entrepreneurial spirit and the fact that in Indonesia everyone wants to be its own king. Therefore, conversely from what happens in Europe or in the US, I do not see a consolidation process in the following years, at least not in the manufacturing side. Given the competitive landscape of the industry, Mersi besides its product differentiation and deep knowledge of the market, built its competitive advantage on long term relationships with the stakeholders involved in the pharmaceutical industry. To maintain these relationships we are actively involved in national and international symposia with the medical and industrial associations. We deliver what we promise and we have high ethical standards that make Mersifarma a trustworthy partner.

Given the rising price of raw materials, the changes in the regulatory framework and the increasing competition that might derive from the ASEAN Harmonization 2015, how is Mersi’s strategy evolving to face those challenges?

Throughout its history, Mersi has proven its ability to adapt to the fast evolving scenarios and to maintain and increase its position in the market. Mersi has continuously adapted its strategy to the business environment and we are ready to face the different challenges and opportunities that

might arise from new regulatory frameworks. Those factors are not new to us. We have always done it and we will keep on growing. From the ASEAN Harmonization 2015, I do not know when and what is going to happen. This topic has been discussed for several years and at present time has not yet come through. However, as we have already initiated to have some international activities, we welcome the existence of a free trade zone as it will speed up our growth.

What are the ambitions you want to set for Mersi for the next five to ten years?

Mersi truly believes that that good quality improves life’s quality. We are committed to this vision and for the time being our ambition is to consolidate our position into the therapeutic segments where we have a competitive edge, mainly in the domestic market. Our objective is to have a growth rate which will permit the company to expand its business while maintaining a strong control over the quality and safety of our products. This represents our mayor assets and the company’s key differentiating factors.

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