Myriam Lahlou Filali – CEO, Pharma 5 Group – Morocco



23.04.2015

Tags: export, manufacturing,

The CEO of one of Morocco's largest pharma companies discusses investment in production capacity, and the potential to export products to French and English-speaking Africa.

Can you introduce Pharma 5 and its organization in a few words?

The Pharma 5 group, a Moroccan pioneer in generic drug development and manufacturing, was created by Abdellah Lahlou-Filali in 1985. Today, the company's product portfolio includes over 350 specialties in 23 therapeutic areas, and in 2014, the company had a turnover of nearly USD 100 million. The company is 100 percent family owned: our father is the president, and my sister and I are deputy general managers. The group is composed of two companies, Pharma 5 and Pharmed. The original vision for the company was to keep it as a completely Moroccan company, which we have been faithful to: Pharma 5 today is a national champion of Moroccan self-sufficiency across the value chain, from R&D to production and marketing. We are strong supporters of local manufacturing, which we see as a source of wealth creation and independence for our country; we produce pretty much every product we sell. We also control a large part of our distribution in Morocco, with direct sales to pharmacies today accounting for over 40 percent of our volumes in the private market. The pharmaceutical sector in Morocco provides 10,000 direct jobs; Pharma 5 accounts for 10 percent of this total, with 1,145 employees.

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Dr. Lahlou-Filali’s goal was to make drugs available to the greatest possible number of people. Thus, we are the number one provider to Moroccan hospitals. We also export our products and are the leading Moroccan actor in francophone Africa, accounting for 50 percent of the growth of Moroccan pharma companies in the region in 2014 according to IMS. Our presence extends to the MENA region as well: we are the only Moroccan laboratory with both Saudi and GCC certifications. We are also very active in Iraq and Libya, and although sales have suffered as a result of the unrest in these countries, we have been able to compensate with development elsewhere.

Pharma 5 has recently invested MAD 250 million (USD 24.82 million) in a new plant. What is your production capacity today?

In 2014 we produced over 50 million packages. We are working to boost and adapt our production capacity, in order to better support RAMED – Morocco’s medical assistance program for the poorest – a very ambitious and vital program for the Moroccan citizen, which requires colossal financial outlay. This is the reason why our investments have been so significant over the last five years.

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We operate seven production units, distributed over two sites and totaling 21,000m^2, including a new cephalosporin unit that will soon be inaugurated and represents MAD 100 million (USD 9.93 million) in investment. This unit will enable us to meet international standards which now require separate manufacturing of betalactamin and cephalosporin to avoid cross-contamination.

We also run the Pharmed plant, which is a little high-tech gem oriented towards dry forms, in which we have invested about MAD 150 million dirhams (USD 14.89 million). Finally, we are about to complete a new extension, in which we plan to invest MAD 200 million (USD 19.86 million), where we will produce forms that we already have, as well as a new galenic form.

There is much talk about Morocco being a pharmaceutical hub for Africa. What are Morocco's strengths and weaknesses to become a true hub?

Morocco indeed has the potential to become a hub for the pharmaceutical industry in Africa, because it is endowed with considerable assets. Firstly, its strong industrial base makes the difference with Algeria and Tunisia. Morocco also enjoys an excellent reputation and the trust of our African partners. Moroccan drugs are well recognized for their quality; the professionalism of

the teams, the francophone culture, and the geographic proximity are also assets. Our African partners actually tell us that Morocco could eventually have the potential to supplant Indian and Chinese products, which suffer from an increasing deficit in trust.

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Yet, being a hub could turn against the country it the Moroccan industry is not protected by our authorities. Many foreign players are highly interested in our country for the reasons I just mentioned: our authorities will have to enforce the law, which requires having a production site in

the country to be granted pharmaceutical establishment status. But more and more foreign companies are establishing operations here without a production site: they are present in the country without investing in production, and often merely import their product or perform secondary packaging, while production capacities and the technology do exist in Morocco. We ourselves regularly get canvassed by these companies wanting to rent our facilities to import their products or pass them through to Sub-Saharan Africa. One telling statistic is the domestic production rate: according to data from the exchange office, Morocco secured 60 percent in production of drugs consumed in the country in 2008, against only 54 percent in 2013.

Our position is clear: we are not opposed to new entrants. But this should not jeopardize the Moroccan industry and local production. Our country's independence is at stake. Foreign players are most welcome, provided they invest in plants, produce drugs here, and create wealth and employment.

You operate in 35 countries to date. What is your strategy to invest new markets?

We are present in all of francophone Africa, and we are starting operations in Anglophone Africa. There are countries with great potential, such as Nigeria and Kenya, but political instability makes things a bit more complicated.

In African countries, we have our own dedicated sales teams, over 100 people to promote and market our products. Our priority is to consolidate our positions there. We aim to become the 15th laboratory in each African market within three years. In Senegal, we are already 17th. For now, we operate primarily in private markets because our priority is to establish our brand. In 2015, we are starting to respond to public tenders.

The next step will be to set up a unit in one of our key countries, Ivory Coast, Senegal or Cameroon, and then to move progressively and secure technology transfer: first with secondary packaging, then implementing production units in easily duplicable forms, and finally injectable penicillin, the most difficult in terms of pharmaceutical technology.

Regarding the MENA region, our approach is a bit different: we have a partner in each country – there is no centralized distribution like in Africa – but in the same way as Africa, eventually we will set up our own sales teams in the region.

African markets are highly fragmented and quite small, with bureaucracy and corruption issues in many markets. How do you manage your strategy in this context?

We worked our way through by building trust with people, establishing our reliability and backing this up with the security of our certifications. Being from Morocco is a trump card; we are all African and share the same francophone culture. We work on a true South-South partnership.

What about the US: will Pharma 5 ever export there?

There is a lot of growth potential for us in the US, where over 80 percent of drugs consumed are generics. This is far from the case in Morocco, where generic consumption only stands at 30 percent, including public markets – there are huge steps to be made in this area by the authorities. We are currently working with an FDA team that is auditing us, targeting FDA certification in 2016.

Pharma 5 has its own in-house R&D laboratory. How do you manage to find the necessary human resources in Morocco to develop your R&D ambitions?

It is true that skills are hard to find in Morocco. Yet we manage to recruit, and key to this is the training and retention of this human capital. We work with European experts who accompany our Moroccan teams.

Is there still potential left in the Moroccan market?

The potential of the Moroccan generics market is linked to the development of our citizens' living standards, of social coverage and of RAMED. The motto of Pharma 5 is "quality of care begins with access to care", and this refers to both financial and geographic access. We were frontrunners, going into areas previously neglected by others. These people still have huge needs. The state has made great progress towards the territorial opening up of rural populations, thanks to the INDH programs inaugurated by His Majesty the King to develop access roads and infrastructure. This plays and will play a key role in the access to health for all citizens.

In addition, Pharma 5 has a foundation that works on access to care through medical caravans in rural areas. There are fortunately many volunteer doctors and staff, and we support all logistics and drug supply. Last week, we went on a caravan with 70 doctors. 3,600 prescriptions were issued over a day and a half! The need is gigantic. RAMED is bringing the beginnings of an answer, but this issue is still huge. It will take time of course, but people are now aware of this right to healthcare. Covering it is crucial for our country, and it will be leverage for national independence.

You will celebrate the thirtieth anniversary of Pharma 5 very soon. What is your vision for the next five or ten years?

We are ambitious: to become number one in Morocco, and a leading regional player. In terms of local production, we are already clearly a leader in the market. In terms of turnover, we are in the top five companies. Our goal for the next three years is to increase local sales by one and a half, and continue to conquer new markets.

Finally, we will continue to fight for local production, because preserving it is in the interest of all. It creates value and jobs, limits the trade balance deficit, develops local know-how and increases our influence in the region, all in the service of Morocco’s independence with regards to drug supply, and therefore towards social peace.

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