Joaquim Chaves, CEO, Basi Laboratories, Portugal

> "***Consequently, we increased production output from 4,000,000 units to roughly 100,000,000. For a small company, this is a vast increase regarding production.***"

04.09.2018

Tags: Portugal, Basi, Pharma, Manufacturing, Strategy, Internationalization

Joaquim Chaves, CEO of Basi Laboratories, presents the Basi production success story to readers. Located in Mortágua, two hours north of Portugal's third city, Coimbra, the vast production site recently received 40 million euros of investment for manufacturing expansion and has strong intentions to increase the scope of their internationalization offering. Joaquim explains why Portugal can compete with Indo-Chinese pricing and the art of keeping things simple in business.

Can you introduce Basi to our international readers?

We founded the company in Coimbra in early 2004 when we took over the operations of a former factory based in the area. We remained in the same building, with refurbishments that we carried out for three years, before realizing that we needed more space for installing greater infrastructure. After a series of changes and moves, we moved to the current location in Mortágua in 2010.

Having consulted every option, especially buying out the company in Porto and refurbishing it to Mortágua standards, we decided to shift part of this production to Mortágua. At this point, we divided the project into two parts: quality control and production. The quality control laboratory is enormous, with high-quality equipment allowing for high-level analysis; and we are pre-qualified by the WHO which is one advantage of credibility.
We have since strengthened manufacturing here, where we know we can adhere to our strict quality standards and ramp up production to levels not seen before. We already had the synergies, the quality control, the people, and therefore sought out the investment for a vast sum of money.

We intended to make large volume productions to increase production to 60 million bottles, and we also focused on a line of small volume injectables. We were successful in receiving 20 million euros loan from EIB Bank. This is the most significant investment that the pharmaceutical industry in Portugal has seen, last years, and we are the first mid-cap sized Portuguese company to receive funding from EIB.

Consequently, we increased production output from 4,000,000 units to roughly 100,000,000. For a small company, this is a vast increase regarding production. We have managed to increase the Basi standards with this astronomical increase.

What is the Basi business model?

At Basi laboratories, we have consistently targeted the innovation of older medications. Initially, we realized that this business model worked well on old medications, before realizing that there is massive potential for this type of creation onto all medicines. We seek to innovate beyond the pure dosage form and consider the packaging, the impurities, the taste, even down to the preservatives and colorants of the products. The key example that demonstrates this transformation of old medicines is that which we carried out medicine, a brand Panadol style syrup for children that we registered in more than 10 countries in Europe, making a difference in markets, like Poland and others.

Very few pharmaceutical companies are in the business of re-registering old products, because they do not see the potential for rejuvenating old dossiers and bringing them to modern standards. Therefore, we have sustained an evolution within the company by bringing old developments to prevailing standards. Although many factories are dependent on contract manufacturing, it only represents roughly 20 percent of our capabilities. We focus more on our products and distribution across economies.

To what extent do you feel that there is a responsibility to give back to the local region of Mortágua given the impact of this investment?

Firstly, we are not alone in Mortágua and develop our project with the municipality and the people to take care of the whole ecosystem. Mortágua faces many challenges that Lisbon or Porto do not suffer. We lack the infrastructure to provide transport to the industrial park here. Therefore, we ensure employees have carpooling incentives and in some cases, their cars. There are few houses here, so we collaborate with local councils and the municipality, to develop housing estates not too far away from Mortágua. In fact, we intend to take over a relatively deserted village located near to Mortágua. In total, 500 employees are working in the group, and the new investment will create

more work for the local community, bolstering the local infrastructure and ensuring that life in Mortágua develops.

Creating jobs is one thing, but surely manufacturing is in the direction of automation?

Naturally, we aim to be leaders in the field of digitization and above all, manufacturing automation. In European standards, we have excellent output per hour; 10,000 bottles per hour comparative to 4,000 bottles per hour as a European average. For these sorts of tasks, a robot must take over as the human eye cannot keep up with such a rate of production. However, with the investment, 100 job positions have opened up.

We have to bring product manufacturing in line with prices in Indo-China. We reduced manpower, automatize as much as we can, ensure our employees have excellent expertise so that human interference is low and can then compete on global markets. When quality is high, and prices are low, we know that we can always find a market for our products. If Portugal's demand wanes, we can sell to Spain, if Spain struggles, we can sell to Africa, because we know that there will always be a demand for our products when we drive such high quality and keep low prices.
Other European countries as well emerging markets in Africa.

What makes Basi the manufacturer whom international partners should consider in Portugal?

We have levels of flexibility; we operate a 'friendship' relationship, competitive prices and quality products all backed up by a simplistic, straightforward drive. We are recognized as being an innovator in our field, not in the classical sense of the word in that we develop new molecules, but we use our experience and our straightforward approach to modernize medicines. For instance, we revolutionized a paracetamol medicine for children and quickly became number one on the marketplace, in some markets. The process was simple; we took out the sugar, preservatives and harmful products to children, and ensured the medicine had an enjoyable, edible taste. Many medications are in need of this rejuvenation, and the Basi laboratories are on hand to provide that help.

In which markets does Basi commercialize its portfolio?

We run two strict lines of operations: we commercialize in streamlined, well-regulated markets in European regions where we operate strict policies, and we also run production and commercial in emerging markets where regulation is less tight, and we can have more 'firsts' registered. By and large, Portuguese companies are easier to access, given the regional ties; for example, in Angola,

where we are in the first position. Mozambique, Cap Verde, etc. are all important markets, too.

We also target international expansion, and as such, focus on development, marketing and sales in Africa: Cote d'Ivoire, Senegal, Ethiopia, Gabon, Ghana, Guinea Bissau, Guinea Conakry, etc. Each market provides a different experience, a learning curve, and challenges and opportunities which add to our current operations. It is interesting because each market offers a link to other markets, helping us build a secure network within what many outsiders consider an unnavigable field. In this way, we can expand our portfolio; for Europe, for CIS, for the Middle East, etc.

Our most important market is Europe, but the biggest market is Africa: there is vast potential in this market. We have been successful in maintaining a consistent revenue flow from Europe which provides us with the stability to explore emerging markets, and the risk that they can entail: from political problems to terrorism to regional instability, we have to be reactive and be able to quickly adapt and evolve to be ready for unpredictable circumstances. We are always on the lookout for new markets; those that provide us with margin and stability. We offset the reliable markets in Europe with the emerging markets of Africa and developing economies.

How do you maintain a corporate identity through so many partnerships and markets?

It is a challenge, but we work hard to maintain our identity through our excellent team, our strong-willed, resilient people and provide a level of autonomy which enables employees to follow our laid out strategies. Plus, Basi has lots of experience in emerging markets—the most difficult of playing fields; and if you can do business in emerging markets, then you can translate those learning tools to others. Often, the most crucial success factor in these countries is the partnerships we have in place in these countries. For instance, in Angola, we have a strong partnership, and without this, we would struggle to get projects off the ground. Since 1998, the collaboration and our businesses have grown together; we respect each other's business practices and are judged on our quality and competitiveness.

With a forward-thinking, realistic yet optimistic approach, we can drive forward process and ensures that we meet our goal—being one of the reference manufacturers of choice in Europe. We are on the right path, and individual producers in Europe know that we are already on the way to becoming a well-known brand in bringing simplified products to Europe. I often joke that I spend half my time insisting that people do not complicate procedures; if we keep things simple and focus on the vision of the product, then success is far more likely.

Where will we find Basi in five years' time?

We will have five to seven new products on the market, which will bring more added value, and will help the people to have better lives. Equally, this will assist healthcare professionals in ensuring their practices are carried out more simply. We target ready-to-use products and try eliminating healthcare professionals wasting their time in preparing solutions, or fixing together bottles, or mixing liquids when they could be actively treating patients. In the same breath, we are trying to develop new generation products, not real molecules per se, and a broad focus will be the provision of ready to use products. Not only does it simplify work at the hospital, and more importantly, safer, but these products will also reduce the amount of volume needed for logistics when transporting three products, instead of one, ready-to-use product.

We have a very long-term projection at Basi; I do not want our sons to arrive in 20 or 30 years and realize that there is very little space to expand. We have the time to grow and in a way, double or triple our output. Therefore, our projection is always towards long-term gain and a more thorough progression. We know that there is an appetite for manufacturing in Portugal, in particular, investors looking to buy manufacturing spaces or out-licensing in Portugal. Portugal is attractive due to its geographical location, its fiscal incentives and the relationship with ports; therefore, we need to be ready to meet that demand. The nature of capitalism is such that large markets in Asia, including China, for example are on the hunt for local manufacturing plants and to build upon their operations. We are, of course, not for sale but are aware that we must meet this international competition.

See more interviews