Ufuk Kumrulu – General Manager and Vildan Kumrulu – Member of the Board, Polifarma, Turkey

Since 2015, Polifarma has undergone a major transformation

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Ufuk S. Kumrulu, general manager of Polifarma, and Vildan Kumrulu, member of the board, share how the company has strategized its internal investments in recent years and how it plans to take its portfolio into new markets as well as propel the development of its contract manufacturing arm, AIS Pharma.

When we met you in 2015, Polifarma was consolidating its leadership in parenteral solutions and expanding into medicated hospital solutions. What have been the recent developments of the company over the past years?

Ufuk S. Kumrulu (UK): Since 2015, Polifarma has undergone a major transformation by increasing our product portfolio and production capacity while simultaneously focusing investments in the IV liquid and aseptic areas. Parallel to the government, these initiatives are part of our own Vision 2023 that we have created for Polifarma. In 2014, Polifarma launched its first seven IV liquid vials and became the leader in parenteral and IV fluids in Turkey, holding 50 percent of market share.

In 2015, Polifarma began and completed phase I investments in the aseptic area. Two years later, the Polifarma Research & Development Center was established in 2017 with the approval of the Ministry of Science, Technology, and Industry. This year we have completed phase II aseptic, phase I peritoneal dialysis, and parenteral nutrition investments. Starting next month, Polifarma will begin

production as the first domestic manufacturer of parenteral nutrition products. Additionally, by adding medical devices to our portfolio we are proud to say in 2019 we will be the first domestic manufacturer of peritoneal dialysis therapies in Turkey as well.

As the Ministry of Health is trying to leverage manufacturing localization, we have elected to offer contract manufacturing services through the set up of a sister company AIS Pharma. There are not many contract manufacturers in Turkey, so we believe we can establish ourselves as leaders in this area. In 2016, we started national and international contract manufacturing, operating within EU-GMP standards.

What was the rationale behind adding medtech products to Polifarma's portfolio?

Vildan Kumrulu (VK): Although 96 percent of Turkish patients use hemodialysis therapies, peritoneal dialysis will revolutionize kidney disease care. Patients using hemodialysis methods have to visit a center three times a week to receive care. However, with this investment, we aim to provide patients with convenient home therapies. As the first local producer, Polifarma's commitment is to encourage patients with medical solutions and technical support.

How do you see the hospital market evolving in Turkey? What impacts will emerging city hospitals have on the healthcare system?

UK: The formation of city hospitals is a major area of development for Turkey. Looking back at public hospitals several years ago, conditions were not always adequate. There were more than 800 public institutions with varying degrees of health services. With the new investment into the public sector, the government has formulated a plan to consolidate services by opening city hospitals across the country while liquidating smaller institutions. Their main objective is to better allocate resources and deliver consistent health care to all patients through several main centres. Patients will have better access to treatments within the hospitals and medicines will be supplied by the government through tenders.

On the other hand, these new hospitals will increase competition between the public and private sectors. While the construction of private hospitals has been promoted by the government since 2011, enhanced city hospitals will draw patients back to the public sector. This is good because there will be pressure on both sides to improve performance in order to retain patients, which will foster process efficiency.

Many companies in Turkey are considering entering the medicated hospital product sector. As an earlier mover in this area, what advantages does Polifarma have and what factors will help you compete in the challenging industry?

UK: Our strongest competitive advantage is the quality of our products and manufacturing process. Polifarma has 30 years of experience in the field and as the manufacturer of our own products, we have full control of our portfolio from start to finish. We are segment specialists with 420 products in our portfolio; 85 percent of which are hospital products.

Polifarma is a recognized player in Turkey among both multinational and local companies. There are about 1,500 hospitals in Turkey consisting of public, private, and the emerging city hospitals; almost all of which carry Polifarma products.

Now that Polifarma has distinguished itself in the Turkish market, what are the next steps for the company?

VK: Looking to the future, our ambitions lie in the export industry. Polifarma has already established a strong reputation in the MENA region and our new priority markets are in Europe and South America. Although we already operate under GMP standards, achieving European certification in the next year will create a gateway that will eliminate the need for additional inspections and excess documentation, effectively cutting down product registration time.

Beginning in 2013, we have been increasing our percentage of sales coming from export activities. In 2017, Polifarma participated in its first international exposition experience which was a point that encouraged us to apply for European GMP. As we develop our portfolio, we must accelerate the process of registration in target economies, but the common denominator among these markets is the requirement of the GMP certification, which we shall obtain within the next twelve months.

It seems that the government is placing a high priority on localization, but not necessarily on exporting Turkish pharma products abroad…

UK: The Turkish market, especially regarding pharmaceuticals, is without a doubt a consumption economy. The country has a staggering trade deficit of USD 4.5 billion per year in the pharma

industry, that’s why the government has initially been pushing localization programs and there was not a priority on exporting. However, this dynamic has changed in recent years.

In the meantime, the strict pricing policies in Turkey have driven down the costs of pharmaceutical products not only for multinational companies but for local producers as well. Against the devalued lira, producing for only domestic consumption has become more unsustainable than ever before. The only way for local companies like Polifarma to survive is by adapting to sell products internationally. In this regard, we need the support of the Ministry of Health in streamlining inspection and certification processes.

What message would you like to deliver about Polifarma’s positioning as a multidisciplinary company?

VK: We are not only a supplier of IV fluids but rather all hospital products as we continue to formulate new product lines. Internationally, we are launching the company to the quality standard of Europe with a competitive price and service offering, first through our contract manufacturing arm AIS Pharma and then via Polifarma’s own portfolio.

The next step for Polifarma is to enter the biotechnology segment. In the upcoming year, we will be creating a new business entity with a technology partner to leverage biosimilar, biobetter, and cytotoxic oncology products. Although regulations in this area are still rather unclear in Turkey, we will learn alongside our international partner.

You have been very successful in taking over and progressing Polifarma as a family business. What advice can you offer to young executives aspiring to follow your path?

UK: If they want to be successful they need to feel a connection to the company. Special focus must be placed on values, not just position titles and income. First, a company needs to have a strong base for success sourced from all angles – employees, clients, and ambitions. When my father started the company in the 1980s Polifarma was only a small group of about 100 people. Since then we have grown into a family of over 800 team members. We want our employees to feel involved in the company; as Polifarma grows they will grow with us. It is important to appreciate the team and help them to feel empowered as part of the organization. Success is not achievable as an individual, it is a team effort.

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