Incepta on a roll

Man behind the pharma company's 20-year-old success story sees a remarkable leap in global market by local companies within 10 years

Md Fazlur Rahman And Ahsan Habib

WHEN Abdul Muktadir decided to set up a pharmaceutical company to manufacture high-quality and advanced drugs, his relatives and close family members did not accept without objecting, because he had already been well-settled and had earned famed in the industry.

"Everybody objected that it will not be a wise decision to leave such a good position," he said, recollecting his decision to step down from the position of chief operating officer of Beximco Pharmaceuticals Ltd.

But Muktadir, who studied pharmacy at the University of Dhaka and industrial pharmacy at Long Island University in the US and was 15 years in the field already, was confident that the company would be successful.

He clearly saw the opportunity for such a company that would produce high-quality and advanced drugs for the growing market at home and abroad.

"The growth potential of Bangladesh offered the courage and hope. We had strongly believed at the time that Bangladesh has a tremendous future. That belief has gradually materialised."

His conviction proved right and within eight years of inception of Incepta Pharmaceuticals Ltd, the company Muktadir founded in 1999 with financial backing from Impress Group, a garments and media conglomerate, to become the second-largest medicine-maker in Bangladesh.

From the beginning, Incepta has focused on rolling out newer and innovative products. High investment in research and development and advanced technology has allowed the company to launch 455 generics with 843 presentations, 167 of which were "first" in Bangladesh.

Today, Incepta and its sister concerns manufacture human vaccines, monoclonal antibodies, biotech products, hormones, natural products, animal health products, hygiene products, and hospital devices.

"We are just crossing 20 years of operation. This has been a wonderful time for us and we have been able to succeed in every sphere of our activities," said Muktadir, who is the chairman and managing director of the company.

Abdul Muktadir

As he had been in the marketing department of Beximco for such a long time, he was well-known in the medical community, and the professional upbringing helped him in steering the company in the right direction.

He also credited a government policy that allowed companies to go for US dollar borrowing at a very low cost.

"We utilised this particular facility and imported machinery and raw materials at lower cost. This was an excellent example of how a government policy can provide support to a growing industry."

Incepta's dramatic ascent coincided with the expansion of the domestic pharma market thanks to rising per capita income and people's access to health care, helped by steady economic growth of the country.

Once heavily dependent on imported medicines, Bangladesh is now self-sufficient with 98 percent of all medicines being locally made, whereas the local industry used to meet 15 to 20 percent of the demand in 1985.

"You can imagine how much progress the industry has made. Medicines are being exported to 130 countries. And you are only watching a tip of the iceberg."

"The progress will come to such an extent that Bangladesh will be known as a producer of high quality medicines for the world. This is going to be one of the identities of Bangladesh."

The entrepreneur said it would take six to 10 years for the local industry to make the next big jump and the top 10 companies are gearing up for this by putting in place right technologies, human resources and capacities and international connections.

Diversification has put Incepta on a strong footing. It started overseas marketing operation in May 2006 and is currently exporting products to 67 countries.

With hundreds of brands registered in different countries, and many more in the pipeline, Incepta is gradually expanding its global footprint across all the continents.

The western world is a major pharmaceutical market for now. But with economic progress in China, India and other emerging countries in Latin America and Africa, the emerging market is also big, according to Muktadir.

"Incepta is active in both developed markets and the emerging markets."

The country's Active Pharmaceutical Ingredient (API) Industrial Park has just started and he thinks within two to three years, the country is going to be almost self-sufficient in this area. Now 90 percent of the APIs, the active component of any medicine that produces its effects, are imported.

Incepta is going to start producing APIs and plans are underway to get into reverse engineering and analogue research in order to produce new APIs.

Speaking about entrepreneurship, he said an entrepreneur needs to have patriotism, take risk, and work hard.

"This is a work involving 24 hours. You have to constantly think how to do things well. Only then you can succeed. And you have to be thoroughly honest in your life and ensure quality. Otherwise, success would be very, very short-lived."

He said no pharmaceutical business would succeed until and unless it benefits patients. "If we can bring in new products, people will accept it. That's how we have progressed."

"We all thought this is possible and we tried and it started happening. There is nothing extraordinary. If you try hard, it comes naturally."

Asked about any plan to go public, he said the stock market does not offer much advantage at this moment. The companies who were listed have to be more focused on profits and stock prices, compared to their core business.

"This distracts entrepreneurs from their core business. So, we would try to remain private as long as possible."

He said the core competency of any nation will depend on its abilities in innovation, science, and technology.

"So, it is extremely dissatisfying for me to see our younger generation are not studying pure sciences as much as they should."

He urged the current generation to concentrate more on science so that the country can be built on innovation and technology.

Incepta is active in many when it comes to corporate social responsibility, but Muktadir wants to keep these activities rather private.

"This is something we would like to do it in a humble manner. But at certain point in time, we would like to, if possible, plough back virtually everything to the society."

Although the local market has expanded hugely, exports have not accelerated as expected. Medicine exports fetched $130 million last fiscal year.

"The country needs to support pharmaceutical companies in such a manner with positivity and hand-holding that it becomes a world-class supplier to the whole world," Muktadir said.

He applauded the government for announcing the pharmaceutical "Product of the Year" for 2018 and giving 10 percent incentive for formulation product and 20 percent incentive for API.

"I would say all correct policies are there and we have to take it forward. Then we can make this industry a fantastic one."

The industry is not without limitations or challenges.

He called for bringing down duties on the imports of items used in manufacturing APIs and other chemicals consumed by the industry.

The government should come up with fiscal measures to encourage making machinery or equipment used in the pharmaceuticals sector locally in order to cut reliance on imports.

A company of Incepta produces machines used in pharmaceutical manufacturing in a joint venture machine manufacturing company with a Swiss and a German partner.

He said the agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) is giving Bangladeshi companies a lot of flexibilities and freedom to explore patented molecules. But by 2024, there would be some challenges.

"I think we can continue to enjoy this until 2027. That's not a long time. We have to utilise the facility as quickly as possible to maximise the benefit."

"By the time the facilities expire, the country and the industry would be on a firm footing and it would sustain and continue to grow," said Muktadir, also a senior vice president of the Bangladesh Association of Pharmaceutical Industries.

The company employs 10,000 people now and looks to become such a company within seven to 10 years where 50,000 people will be working.

Incepta Pharmaceuticals has been awarded the National Export Trophy for export excellence for four consecutive years, starting from 2013-14.

The company has intensified its focus to become a major player in supplying generic medicines to global markets, including highly regulated countries, and is emphasising backward integration so that products can be manufactured with full reliability of quality and cost.

The entrepreneur said Incepta has been growing at a reasonably good pace since its inception.

"We will see more growth in future. I think within four to five years, there would be hardly any country where Incepta's medicines will not be available."

"Our fellow companies are also working to go outside Bangladesh. And when we collectively succeed, Bangladesh will become a hub for the low-cost, high-quality medicines."

Tesla to take new $1.4b loan from Chinese banks for Shanghai factory

Reuters, *Beijing/Shanghai*

US electric vehicle maker Tesla Inc and a group of China banks have agreed a new 10 billion yuan ($1.4 billion), five-year loan facility for the automaker's Shanghai car plant, three sources familiar with the matter said, part of which will be used to roll over an existing loan.

China Construction Bank (CCB), Agricultural Bank of China (AgBank), Industrial and Commercial Bank of China (ICBC) and Shanghai Pudong Development Bank (SPDB) are among the banks which have agreed to give Tesla the financial support, one source with direct knowledge said.

The Chinese banks earlier this year already offered Tesla a 12-month facility of up to 3.5 billion yuan, which is due to be repaid on March 4, 2020, according to a filing the automaker made to the US Securities and Exchange Commission.

That new loan will be partially used to roll over the previous 3.5 billion yuan debt, according to the first source. The second source said the rest will be used on the factory and Tesla's China operations.

The new loan's interest rate will be pegged at 90% of China's one-year benchmark interest rate, the same as the 3.5 billion yuan loan, the first source said. This is a rate that China banks offer to their best clients.

Tesla, CCB, AgBank, ICBC and SPDB did not immediately respond to Reuters' requests for comment.

Tesla broke ground on the factory in January and has started producing vehicles from its Shanghai plant. It aims to build at least 1,000 Model 3 cars a week by the end of this year.

The factory, which is Tesla's first car manufacturing site outside the United States, is the centerpiece of its ambitions to boost sales in the world's biggest auto market and avoid higher import tariffs imposed on US-made cars.

The Shanghai government has also thrown its support behind the Tesla project, which would be China's first wholly foreign-owned car plant and a reflection of the government's broader shift to open up its car market.

REUTERS

A Christmas tree stands lit at Rockefeller Center in Manhattan, New York City.

The Yankees are coming! US firms rush to euro debt markets

Reuters, *London*

FROM Harley Davidson to Colgate-Palmolive, US companies are flocking to borrow in euros and their record issuance is breathing life into a market where yields have been hammered by the European Central Bank's renewed stimulus push.

Offshore fundraising by US firms — dubbed the "reverse Yankee" in reference to Yankee bonds, which are sold by foreign entities in the United States — has been a regular feature of the euro debt market. But issuance by non-financial, investment-grade US firms has quadrupled this year from 2018 levels, to around 93 billion euros ($103 billion), Dealogic data shows.

That accounted for 27 percent of a total 346 billion euros ($383 billion) of euro-denominated investment-grade corporate bond issuance, according to the data.

From pharmaceuticals to consumer goods makers to fintech, the reverse Yankee has become the go-to market for US companies which are now the largest source of corporate bond sales in Europe, according to BofA.

And if the boom extends into 2020, the United States would become the largest country in the ICE-BofA euro zone corporate debt index, overtaking France, the bank says.

The rush is driven primarily by rock-bottom borrowing costs in the euro zone, where interest rates are at minus 0.5 percent and the average yield on corporate euro-denominated bonds has fallen to 0.48 percent — down from 1.25 percent at the start of 2019.

REUTERS/FILE

US and European Union flags are pictured during a visit by US Vice President Mike Pence to the European Commission headquarters in Brussels, Belgium.

European credit markets offer "the best funding conditions for global issuers" said BofA's head of credit strategy Barnaby Martin. "They're not going to be able to find that anywhere else."

Euro issuance allows US borrowers to replace high-coupon, shorter-dated dollar debt with longer, lower-coupon euro debt. That lowers financing costs and improves the results of companies with euro-denominated assets, said Marc Baigneres, head of Western Europe investment-grade finance at JPMorgan.

Mergers and acquisitions are another factor — fintech Fidelity National Information Services, for example, raised 5 billion euros back in May as part of a multi-currency deal to finance its purchase of card payment firm Worldpay.

From tinsel to turkey, shoppers dream of a 'guilt-free' Christmas

Reuters, *London*

MENSTRUAL cups or wormeries may not top everyone's Christmas wish lists but with the rising tide of anti-consumerism, ethical businesses are hoping to boost sales this year.

Nearly two-thirds of consumers globally prefer to buy from companies that reflect their personal values, according to research firm Accenture.

Social enterprises or businesses set up to tackle environmental or social problems such as homelessness or waste see this as an opportunity to cash in at this time of year.

"Any social product is removing the guilt from purchase, which is really the big problem of consumerism that guilty feeling," Dave Linton, founder of luggage social enterprise Madlug, told the Thompson Reuters Foundation.

Based in Armagh, Northern Ireland, the business was founded in 2015 to give bags to children in the care system bags to move their belongings between homes rather than using bin bags.

Madlug operates a buy-one-give-one model, with a piece of luggage given to a child or homeless person with every purchase.

"People are making choices, more and more, that if they're going to spend something then why not spend and make a difference," he said.

Whether it is renting Christmas trees, making decorations at home, buying experiences over objects, or choosing to forgo gifts altogether, attitudes towards gifts are shifting.

Almost a third of British consumers said they bought presents with lower environmental impact last year, while 38% said they thought it was important to buy ethically-sourced gifts, according to data from consumer research company Mintel.

About two thirds of consumers felt it was the retailers' responsibility to promote gifts with less waste.

"As people are becoming more aware of the toll mass consumerism can have on the environment, there is a push towards adopting less wasteful Christmas habits," Chana Baram, senior retail analyst at Mintel.

"Even though, for the most part, people will continue to partake in holiday purchasing, it is important for retailers and brands to encourage more ethical consumption." For retailers whose business models are based on selling as much stock as possible and creating desire through marketing, this change in attitudes can present a challenge.