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# Piramal Dreams Big, Wants To Be In Top Five India-Listed Pharma

by Anju Ghangurde

Nandini Piramal, executive director, Piramal Enterprises, discusses how things have shaped in the group's pharma business, its continuing appetite for acquisitions, efforts to de-risk the supply chain for key starting materials and the outsourcing "framework" deployed by industry.

Acquisitions have been foundational to the ascent of India's Piramal group in pharma and that strategy appears set to stay pivotal in its latest avatar as well, as the multi-sector conglomerate demerges its pharmaceuticals business into an independent entity.

In an interview with *Scrip*, Nandini Piramal, executive director, [Piramal Enterprises Limited](#) (PEL), reinforced that the group will explore acquisitions to re-enter the domestic formulations segment and also in the contract development and manufacturing space, but underscored that it has to be "the right asset at the right price."

"We always had big ambitions, so it was not like we were never dreaming big. Obviously, it takes time to rebuild (since the mega deal with Abbott) to where you were before, but I think we've exceeded that. Domestic formulations is something that we'll consider, but it would be through an acquisition," Piramal said.

Snapping up niche capabilities for "large-scale biologics" in the contract development and manufacturing segment or adding new complex hospital generics through in-licensing or acquisitions are not off the table either.

She noted, however, that valuations are currently "very expensive" and deals that "you see right now in the market are at high prices."

"The strength of the group is in the ability to spot opportunities and capitalize on them and make the right acquisitions and also not make acquisitions when the price is not right," declared



the executive, who is the daughter of Ajay and Swati Piramal, PEL's chair and vice-chair respectively.

### Pharma Demerger

Nandini certainly knows a thing or two about deal-making – she played a key role in Piramal Healthcare's branded generic-medicines business sale to Abbott Laboratories at a record 30x EBITDA (earnings before interest, taxes, depreciation, and amortization) in 2010. Conversely, the Piramal group is also believed to have initially walked away from a deal to acquire a US-based company since the price was considered high, only to return a year later to snap up the firm at a much lower valuation.

More widely, though, things appear to have come a full circle for Piramal's pharma business trajectory, in some ways. It started out with a string of acquisitions including Nicholas Laboratories (1988), Boehringer Mannheim India (1996), Rhone Poulenc India (2000) and ICI Pharma (2002), and then went on to divest its domestic formulations to [Abbott](#) for \$3.8bn in 2010.

Nicholas Piramal India was renamed Piramal Healthcare in 2008, while in 2012 Piramal Healthcare was rechristened PEL (Piramal Realty was also formed in that year by Nandini's sibling Anand). Now, over a decade later, Piramal Pharma is set to strike it out as a distinct entity again.

PEL recently announced the demerger of the pharmaceuticals business and simplification of its corporate structure; this business is being consolidated under Piramal Pharma Limited (PPL), which post the demerger will emerge as one of the largest pharma companies listed on Indian stock markets. Two operating subsidiaries are also being amalgamated with PPL to further simplify the pharma corporate structure. Shareholders of PEL will receive four shares of PPL for each share in PEL, in addition to their existing holding in PEL.

### **APAC Life Sciences Valuation Trends: Chinese Firms Eclipse Japan, India Peers**

By [Anju Ghangurde](#)

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Chinese healthcare and life sciences firms now overshadow their peers in Japan and India in terms of key valuation metrics amid COVID-19 and China has also witnessed significant M&A activity at high revenue multiples.

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Last year, private equity group Carlyle acquired 20% of Piramal's pharma business for close to \$500m, with the Indian group expected to deploy the capital raise to bolster organic and inorganic growth and deleverage the balance sheet. (Also see "[Carlyle's 20% Stake Gives Piramal Pharma 'War Chest' For Growth](#)" - Scrip, 28 Jun, 2020.)

### 'We Have The Card To Play'

Nandini Piramal recounted how back around 2011 (post the Abbott deal) the company had to "reinvent" itself completely after it had "sold 65% of revenues and 95% of profits." It then handled certain smaller "sub-scale" businesses, such as the diagnostics or imaging operations, but soon realized "we were not the right owners" for those and went on to divest these to "someone who is the right owner." Those businesses have since done well, she observed.

The Piramal group then honed in on three businesses in pharma – Piramal Pharma Solutions (a contract development and manufacturing organization (CDMO)), complex hospital generics (Piramal Critical Care) and the over-the-counter/consumer healthcare business that it really wanted to focus on. (Also see "[Piramal Primes Hospital Injectables Play Via Janssen Products](#)" - Scrip, 11 Oct, 2016.) In addition, PPL has a joint venture with [Allergan](#).

It decided to double down and put in investments and "make them big, because we felt we have something unique in this; we have the card to play, whether it is our quality record, our record on intellectual property or actually delivering what we said we will do," Piramal explained.

In the last 10 years, the pharma business has scaled, reporting a compound annual growth rate (CAGR) of 14% in revenues, with an EBITDA CAGR of 28%.

While the listing of Piramal Pharma is one milestone to look out for, surpassing \$1bn in sales will be another important one. "I think that's a good milestone to cross. I think that becomes quite significant," Piramal said.

She hopes the company can move up into the top five position among listed companies in India in around five years. Piramal's pharma business reported consolidated revenues of INR57.76bn (\$766m) for the fiscal year ended 31 March 2021. The CDMO business accounted for 62% of revenues, while complex hospital generics contributed 29% and OTC business (9%).

### Outsourcing 'Framework'

Meanwhile, Nandini Piramal also indicated that the company has seen "very good demand" in the CDMO business during the pandemic. "Demand has not stopped at all. We've grown revenues and I think we'll continue in the next half to see revenue growth," the executive predicted.

Some of the drugs being progressed include COVID-19 treatments, though nothing has been approved yet, she clarified.

Elaborating on the overall pharma contract development and manufacturing landscape, Piramal indicated that companies typically tend to have a kind of "framework" for outsourcing. (Also see "[Key Trends In CDMO Space As Dissected By Piramal Pharma Solutions CEO](#)" - Scrip, 6 Jan, 2019.)

For on-patent and maybe very expensive therapies, such as high-potency cancer drugs, big pharma may prefer not to outsource those to India or China, whereas for products where volumes are large and "price might end up being an issue" - for instance in diabetes, cardiovasculars or even COVID-19 therapies - they tend to consider the two Asian nations, she explained.

"They are being selective on how they think about outsourcing. What's good for us is that we're geographically balanced. So we can tell the customer, 'tell us what you want and then we'll help you do it. If you want it near shore, we can do it for you. If you want it offshore, we can also do it for you.'"

Piramal Pharma's CDMO manufacturing base is spread across the US, Canada, the UK and India. Additionally, it provides an integrated suite of services across drug substances and drug products. In FY2021, big pharma accounted for 38% of Piramal CDMO's revenue by customer type, followed by emerging biopharma with 28%, generics (25%) and others (9%). The company has over 500 customers across these customer types.

### Small Molecules Still Dominant Modality

On whether the Indian group would consider shoring up its CDMO capabilities in the area of biologics, where the broader biopharma market is headed, Piramal stressed that small molecules are still the dominant modality and while large molecules and vaccines are the "new wave, we shouldn't forget small molecules."

"Majority of research still is small molecules, which is where we have very good strengths and especially in the higher potency ones, where you need isolator technology or even the antibody drug conjugates. We are actually investing behind those - expansions in those facilities also, where we see very good customer interest".

Large scale biologics or vaccines are areas that the Piramal group continues to "look at" right now.

### **Piramal Snaps Up Peptide API Specialist Hemmo**

By [David Wallace](#)

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Piramal has announced a \$106m deal to take full ownership of peptide API specialist Hemmo Pharmaceuticals, expanding its CDMO capabilities.

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"We don't have the capability, but we continue to look at acquisitions and see where it goes," she added. Piramal's CDMO business already ranks among the top three in India and is the 13th largest globally.

### COVID-19-Related Supply Chain Challenges

The Piramal group has also taken measures to de-risk its supply chain over the past couple of years, moving to ensure that it has at least "a two-country option" for its key starting materials, though it depends on China for about 10-15% of requirements typically where there is no alternative.

"Logistics costs have gone up and China is prioritizing freight to the US and the developed world versus India, and that's a challenge a little bit. Shipping rates are increasing and all of that. We are paying much more attention to the supply chain," Piramal said. Challenges may vary on a product-by-product basis.

But one-country reliance is not the only supply chain challenge and COVID-19 has meant a whole new set of complexities for CDMOs. Piramal indicated how in one instance supplies to its antibody drug conjugates site, which uses "a lot of the things also used in vaccine manufacturing," couldn't be provided as the supplier indicated that a military general was directing where supplies ought to go.

"So it's not just China. Overall, obviously, vaccine production has expanded across the world and that's also taking inputs, which may have gone to other uses," Piramal noted.

*Scrip* recently reported how pharma could potentially witness another round of supply chain turbulence as China prepares to host the Winter Olympics and enforces measures to check pollution alongside a zero-COVID policy. The emergence of the Omicron SARS-CoV-2 variant just adds another layer of complexity to the situation (*see side bar*).

#### **Supply Chain Crunch Meets Olympics Shutdown: China, India Drug Makers Embrace For Perfect Storm**

By [Anju Ghangurde](#) and [Brian Yang](#)

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To ensure the Beijing Winter Olympics is a smooth affair, the Chinese government has ordered partial or complete halts in industrial production in some provinces from late November until mid-March, disrupting an already fragile global pharma active ingredient supply chain. The emergence of the Omicron coronavirus variant is just adding to the complexities.

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