

Peter DeYoung - CEO, Global Pharma, Piramal Pharma Limited



Leading Indian manufacturers are redefining their roles in global supply chains.

30.11.2023

Tags: [India](#), [Piramal](#), [Generics](#), [Strategy](#), [Global CEO](#)

Peter DeYoung shares the significance of Indian giant Piramal Pharma's recent demerger from its parent company and its current strategic focus on organic growth, brownfield expansions, and "complex hospital generics." DeYoung also touches on what brought him from the world of consulting and private equity to a family-owned Indian pharma company, and how he is steering the firm through current geopolitical uncertainties.

What led to your transition from consulting and private equity to an operating role in the pharmaceutical industry, especially within an Indian family-owned conglomerate, deviating from the usual trajectory of executives in multinational corporations?

While consulting and investing provided valuable experiences, the allure of an operating role fascinated me the most. Unlike consulting, where advice is given and investment roles that deliver change through management teams, the operating role presented the compelling challenge of working with a large team to set a vision, establish direction, and collectively achieve outcomes. This, to me, was immensely rewarding, particularly in the context of the pharmaceutical industry, where the focus on serving patients is paramount.

As an American, the decision to join a family-owned conglomerate in India, operating as a publicly traded entity, added another layer of complexity. This conglomerate, with its family-controlled

structure, provided a unique blend of entrepreneurship, professionalism, and values-driven leadership. Working in such an environment, where the Group is led by Mr. Ajay Piramal, a dynamic entrepreneur with a proven track record of innovation and transformation over multiple decades, was particularly enticing. The prospect of contributing to the entrepreneurial and transformational journey of Piramal Pharma Ltd, coupled with its commitment to both short and long-term perspectives and a strong values orientation, made it an enticing choice for the next phase of my career. The emphasis on not only achieving financial success but also making a positive impact on society aligned with my professional values, making the decision I took, both exciting and meaningful.

Were there specific aspects of the Indian family-owned company that stood out to you when transitioning from your previous experiences, and did you observe notable differences in the operational dynamics compared to companies you had previously worked with?

Transitioning from different companies, each with its unique culture, is always accompanied by a recognition of distinct characteristics. In the case of the Indian family-owned company, the notable aspect was its embrace of diversity and a dispersed leadership model. Operating across multiple continents and countries, the company integrates the cultural nuances of each location, fostering a global outlook. What stands out is our leadership team's composition, spread across the US, Canada, UK, and India, showcasing a diverse blend of nationalities and backgrounds. This leadership approach enables us to tap into the best talent from various regions, contributing to a professionally oriented, globally aware organizational culture. While every company has its own flavor, the transition brought no major shocks or surprises, highlighting the seamless integration of diverse elements within the company's operational dynamics.

The company's most recent annual report emphasizes a significant milestone; the successful demerger of Piramal Pharma from Piramal Enterprises earlier this year describing it as a momentous event. Could you elaborate on the historical context leading to this milestone and how it positions the company for future success?

To contextualize this milestone, consider the history of Piramal Enterprises, until recently our parent company. Historically a pharmaceutical firm, it evolved into one of the country's largest domestic branded generics players. A pivotal decision was made to divest the branded generics

business to Abbott, leaving several sub-scale pharma ventures. The company, then, embarked on a dual-front strategy—diversifying into financial services while strategically focusing on scaling select pharma businesses.

In this journey, we honed our focus on three core areas within pharma: Contract Development and Manufacturing (CDMO), complex hospital generics (Critical Care), and consumer healthcare (Consumer Products in India). Through meticulous evaluation, we divested or closed less-promising ventures and focused our efforts on these three, which we believe were relevant, had the best potential, and we had a differentiated strategy. Simultaneously, the company cultivated strength in financial services, delving into both wholesale and retail lending.

As both the pharma and financial services businesses grew, we recognized the need to demerge to optimize performance. This separation provides distinct boards with industry specialists for each business, offering investors the choice to focus on either pharma or financial services. This restructuring enhances transparency in reporting, aligning metrics, and governance with the specifics of each industry. The de-merger allows for strategic decisions tailored to the unique needs of each business, avoiding conflicts that may benefit one while hindering the other.

By aligning regulators, investors, employees, customers, and patients (in the case of pharma), this strategic milestone sets the stage for a more focused, transparent, and efficient operation, enhancing our ability to make decisions that best serve the interests of each business independently.

With the establishment of Piramal Pharma Ltd as an independent pharma business, what areas are you currently focusing on for future development, and what strategies are in place to ensure success in these areas?

Our current strategic focus revolves around maximizing success in the three main verticals within Piramal Pharma—CDMO, Complex Hospital Generics, and Consumer Healthcare. We chose these areas based on their significant market size, growth potential, and our strong position to thrive. These sectors, which we consider “sunrise sectors,” offer substantial runway for growth.

In the short term, our emphasis is on organic growth and brownfield expansions within these three verticals. However, looking ahead to the medium and long term, we are open to inorganic growth opportunities, building on our track record of successful ventures in the past.

In terms of portfolio focus, with the CHG segment, our strategy sets us apart. Unlike many generic players, we exclusively operate in what we term as “complex hospital generics.” Our portfolio is tailored for professionals in medical care facilities, concentrating on products for this specific customer segment. Unlike broader generics approaches, we don’t diversify into retail or other sectors. Instead, we specialize in more complex, differentiated, and challenging generics and specialty products within the hospital segment. This niche focus, particularly in products like inhalation anesthetics, intrathecal therapy, and injectable pain relief, positions us uniquely with fewer competitors due to the higher level of difficulty and specific barriers to entry. Looking forward, our commitment is to continue focusing on this specialized customer segment within generics, exploring opportunities for limited competition, difficult-to-make or distribute generics, and certain specialty products aligned with our expertise. It’s essential to clarify that our approach is not a standard generics play, but rather a strategic emphasis on targeted and challenging segments within the healthcare industry. The distribution split between our segments is 60 percent for CDMO, 30 percent for complex hospital generics, and 10 percent for consumer healthcare.

Piramal’s international revenue, constituting 78 percent of the total from the fiscal year 2022, is primarily derived from North America, Europe (including the UK), and Japan. Could you elaborate on Piramal’s internationalization strategy?

Piramal’s internationalization strategy is most relevant for our CDMO business and centers on serving customer needs in regions that present significant opportunities for innovation and value. Our primary markets are North America, including the US and Canada, the UK and Europe, and Japan. These regions align with customer preferences and financial capacities for innovation and value creation. About half of our facilities are in India, while the other half are in the West.

When deciding on facility locations, we prioritize capabilities that customers desire but that we may not possess. Location is crucial, considering whether it serves customers effectively and the cost implications of meeting customer needs. The majority of our facilities, 15 out of 17, were acquired and later expanded, showcasing our customer-led approach to strategy rather than being solely country-focused.

Our approach is not country-centric but is driven by the democratic stability, ease of doing business, and customer comfort associated with specific locations. Our selected countries, including the US, Canada, the UK, and India, meet these criteria. We believe these locations instill confidence in customers regarding the sustained quality and reliability of products manufactured

there. The decision-making process also considers economic attractiveness in terms of serving customer needs with the acquired capabilities.

Our differentiated capabilities acquired through strategic investments are relevant to our customers. We sometimes replicate similar capabilities in multiple countries to cater to customers who prefer proximity (“nearshoring”) and those who prioritize the value equation (“offshoring”). This flexibility allows us to meet varying customer needs in an ever-changing global landscape.

In summary, our internationalization strategy revolves around a customer-centric approach, facility locations guided by customer demand, and a flexible approach to meet the diverse needs of our clientele in different regions.

Given the ongoing global geopolitical conflicts, how is the company navigating uncertainties, especially with the current realities of war and inflation?

Navigating geopolitical uncertainties is a complex task, and it’s true that war and inflation pose challenges for businesses. . However, it’s a reality of the current business environment. Despite these challenges, our company is well-structured, well-financed, and is fortunately situated in locations across regions that provide a level of safety and stability. India, in particular, offers a solid and reliable atmosphere compared to many other parts of the world, including China.

China, a key player in various industries, poses concerns on supply chain reliability. In contrast, our North American and UK sites are dealing with the impact of rising costs and supply chain issues, challenges that we are adept at managing.

Interestingly, we have observed an onshoring trend in North America, driven by the de-risking strategies of innovator companies. This shift could be a response to concerns over geopolitical stability and supply chain disruptions. However, the financial landscape also plays a role, with companies sometimes facing constraints in fully implementing their strategies due to tight cash flows. In some cases, those companies then look to offshore to India to more carefully manage their cash. We are well suited to meet either requirement depending on our client need. Despite these complexities, our company remains resilient and strategic in addressing the challenges posed by ongoing geopolitical situations.

How are the current megatrends, such as pricing negotiations in the US under the IRA, proposed IP window shortening in the EU, and global attempts to reshore raw material supplies, affecting leading Indian pharmaceutical manufacturers?

The ongoing megatrends in the pharmaceutical industry are indeed shaping the landscape, and their impact on leading Indian manufacturers is noteworthy. The dynamics include pricing negotiation challenges in the US, proposals to shorten the IP window for innovative medicines in the EU, and the global trend of reshoring raw material supplies.

In response to these tectonic shifts, leading Indian manufacturers are redefining their roles in global supply chains. The challenges associated with the biotech bubble, bankruptcies, and difficulties accessing cash are pressing concerns. While big pharma continues to be an M&A player, acquiring companies at distressed prices, Indian manufacturers are adopting a strategy of flexibility, capability, and specialization.

Flexibility is crucial, reflecting the adaptability required as market demands evolve. The nature of what is delivered, whether it be formulations, drug substances, or generics, is subject to change based on these shifting demands. Despite this, India remains a sought-after source for its ability to deliver quality at cost-effective prices.

Capability is essential to consistently deliver what customers demand, maintaining the necessary scientific standards and service levels within specified timelines. Specialization is another key aspect, with a focus on niche capabilities gaining importance as megatrends impact clients. Indian manufacturers are specializing in areas like oral solid dosage forms, peptide APIs, discovery, and biologics. This specialization extends to other regions, such as North America and the UK, where high potency APIs and antibody drug conjugates are emphasized. As a global organization, continuous evaluation of specialized services required by customers in different geographies remains a strategic imperative.

Establishing a presence in the highly competitive US market is a significant undertaking. Can you share insights into the challenges and learnings Piramal encountered while entering and expanding its footprint in the US?

Entering the US market is indeed a complex and highly competitive endeavor, marked by a thorough evaluation of numerous opportunities before making strategic decisions. Piramal Pharma follows a meticulous approach, assessing the potential of each opportunity based on specific

criteria outlined earlier. The focus is on identifying capabilities that align with customer needs and can be economically attractive.

In the case of our US operations, we currently have facilities in Pennsylvania, Kentucky, and Michigan. Each selection involved a comprehensive assessment of the existing capabilities, the potential for growth, and the alignment with our strategic objectives. Our strategy revolves around identifying facilities with untapped potential in terms of people, equipment, and business opportunities.

The critical care business, along with the pharma solutions and the CDMO business, have all witnessed substantial growth and increased value under our leadership. The key to success lies in recognizing facilities and teams with ample room for expansion and growth and addressing unmet needs that complement our existing portfolio or surpass competition.

By consistently making strategic choices that align with our long-term vision, we have observed positive outcomes in terms of business growth and enhanced value across our US operations. The journey involves a calculated approach, learning from each experience, and leveraging the unique strengths of each facility to strengthen our overall presence and competitiveness in the dynamic US market.

Can you provide more insights into Piramal Pharma Ltd's strategy and offerings in the CDMO business, considering its highly competitive nature?

In the CDMO business, Piramal Pharma offers a comprehensive range of services, including drug substance and drug product offerings in both Eastern and Western markets. The strategy involves a strong focus on serving innovative customers while also catering to generic, lifecycle management, and integrated offerings. This flexibility allows Piramal to customize solutions based on customer needs, providing support from early discovery to clinical development, commercial launch, and lifecycle management.

The integrated CDMO model positions Piramal Pharma to serve both large pharmaceutical companies and emerging biopharma players. The company emphasizes speed, simplicity, on-time delivery, and scientific excellence to guide customers through various stages of development. The ability to offer standalone or packaged solutions adds versatility to meet diverse customer requirements globally.

Our differentiated and niche offerings include expertise in antibody-drug conjugations (ADCs), a hot area for innovation. The company was one of the first CDMOs to provide end-to-end solutions for ADCs, covering everything from the starting monoclonal antibodies (mAb) to the finished product. Additionally, Piramal has made strategic investments, such as the expansion of its facility in Grangemouth, near Edinburgh, to enhance capabilities in this differentiated area.

Other areas of differentiation include expertise in peptides, particularly following the acquisition of a business in Turbhe, near Mumbai. Highly potent active pharmaceutical ingredients (HPAPIs) capabilities are highlighted, especially in North American facilities, where handling potent compounds, particularly in oncology, is a key strength. Our facility in Kentucky specializes in containment-oriented fill finish for sterile injectables, providing additional capabilities in this area.

Furthermore, Piramal Pharma has made strategic investments in gene therapy through its association with Yapan Bio in Hyderabad's Genome Valley. This investment enables Piramal to expand its capabilities in gene therapy and also support the manufacturing of ADCs.

In summary, our CDMO strategy revolves around offering a broad spectrum of services, differentiated capabilities, and strategic investments, positioning the company as a preferred partner for pharmaceutical and biopharmaceutical companies worldwide.

In light of global mega trends such as the Inflation Reduction Act, the decoupling of China, and the reshoring trend, how do you perceive these trends impacting your business?

We observe several trends influencing our clients, subsequently impacting our business. The Inflation Reduction Act, while having a minimal effect on overall innovation, might slightly dampen demand for less differentiated programs in the US. We anticipate increased pressure on being best-in-class or first-in-class due to this. The global rise in inflation and associated cost increases also adds complexity, requiring a thriftier approach to innovation at all stages. The aftermath of the COVID pandemic and geopolitical conflicts has prompted a reshoring trend, with companies considering moving operations closer to their home countries. However, this stands in contrast to the cost pressures, especially with China decoupling, which often involves shifting business to higher-cost locations.

Furthermore, funding challenges for emerging biotech have made securing investment more difficult, demanding careful consideration of resource allocation. In response to these trends,

businesses are adopting diverse strategies. Some opt for de-risking by concentrating operations in the US, prioritizing security of supply, while others explore alternatives like India to address cost pressures. The hybrid approach, involving collaboration with both Indian and Western sites, is gaining traction. This emphasizes the importance of having a multi-continental presence and varied capabilities, allowing us to tailor solutions to individual customer priorities, whether it be cost-effectiveness, security of supply, or other considerations. This flexibility aligns with our strategy of offering choices based on customer needs, avoiding a one-size-fits-all approach.

The recent trend of companies going public through IPOs in India has seen significant growth, with 2023 experiencing the highest numbers since 2014. Could you provide insights into the factors driving this trend in India, and how it presents opportunities for Piramal?

The trend of companies going public in India has been driven by several factors. From a global investor's perspective, India stands out as a viable option for profitable growth and investment opportunities outside the United States. With a democratic setup, rule of law, positive demographic trends, and the ability to attract and return private capital, India is among the limited number of countries other than the US offering geographic diversification for investment dollars. The stock exchanges in India have a long history, providing investor protections and assurances, making them attractive to foreign investors.

India's century, looking ahead, is characterized by demographic benefits, ongoing reforms, and groundwork laid for potential growth. While the country is yet to fully realize its potential, certain investors recognize the possibilities, contributing to the vibrant capital markets.

As for Piramal Pharma Ltd, being a publicly listed company in India has provided opportunities to participate in this trend. The recent rights issue, where the company raised approximately \$125 million, reflects investor confidence and oversubscription by existing investors. The public market has allowed the company to leverage investor interest, strengthen its financial position, and access capital for strategic initiatives and business expansion.

In summary, the surge in IPOs in India aligns with the country's attractiveness to global investors, and Piramal has capitalized on this trend by utilizing the public market to raise capital and fortify its position in the dynamic business landscape.

How does Piramal Pharma Ltd balance the pursuit of profitable growth strategies with a commitment to sustainability?

“Growth and sustainability” for the pharma business encompasses a dual focus on pursuing profitable growth strategies while also prioritizing sustainable practices aligned with core values. The company has chosen three specific areas within the pharma business based on their potential for profitable growth, aligning with the company’s commitment to providing opportunities for employees and staying relevant to customers.

In terms of sustainability initiatives, the company has made significant commitments in environmental sustainability, particularly in areas such as carbon emissions, energy consumption, waste management (solid and liquid waste), and air quality. Commitments include aligning with science-based targets to reduce the environmental impact while continuing to grow.

Another critical dimension of sustainability is the focus on increasing gender participation in the workforce. The company has made commitments to enhance opportunities and remove barriers for women to participate in the workforce. Efforts are directed at increasing the percentage of women in the workforce, recognizing the value of diverse talent.

The company follows reporting frameworks such as the Global Reporting Initiative (GRI) to transparently communicate its sustainability efforts. Regular sustainability reports are published to track and report progress against key metrics and commitments.

With a significant presence in India, the company has committed to fostering more inclusive talent practices, recognizing the potential in increasing gender diversity within the workforce. Initiatives aim to create an environment that welcomes and benefits from a broader talent pool.

By integrating growth and sustainability, the pharma business is not only focused on financial success but is also dedicated to being a responsible corporate citizen, demonstrating values-driven practices and contributing positively to the environment and society.

What is Piramal Pharma’s approach to diversity and inclusion in the workplace, particularly in a country as populous as India?

The current primary focus at Piramal Pharma Ltd is to ensure that across all our businesses, everyone has a fair shot and opportunity for a role and career progression. We have established diversity, inclusion, belongingness, and accessibility (DIBA) policies, practices, and trainings to

eliminate conscious or unconscious discrimination. The company is dedicated to creating a level playing field for everyone, ensuring that anyone appropriate and fit for the job has a fair chance. Within this broad area of need and opportunity we have made a concerted focus on gender. We believe that improving gender participation across all locations, with a particular emphasis on India where the gap is most significant, can make a meaningful difference.

Any final thoughts or messages for our international audience?

I'd like to emphasize that at Piramal Pharma, we operate as a values-oriented company. In the pharmaceutical industry, we have long embraced patient centricity as a core ethos. This principle significantly influences how we think and act. While our location choices are made with a customer-centric perspective, we take it a step further by considering who our customer's customer is — the patient. Patient centricity is a central cultural priority for us, providing the guiding principles for why our employees come to work every day.

We encourage our employees to consider this patient component when faced with tough decisions. This focus on patients often brings clarity to the choices we make. To reinforce this connection, we have established patient awareness councils at each of our locations. These councils comprise volunteer members whose role is to engage our workforce by reminding and reinforcing how each individual's work directly impacts patients.

As part of this initiative, we bring patients into our facilities to share their stories. For instance, an employee involved in loading a reactor might understand that the product is destined for a migraine patient. Hearing the patient's story helps our workforce understand the real-world impact of their work, fostering a strong connection to the idea that, regardless of their role or location, they are all contributing to the well-being of patients. It's a meaningful initiative that underscores our commitment to serving patients and brings a sense of purpose to the entire organization.

Expansions in Core Areas are also key - we are strategically expanding in pivotal areas such as APIs, HPAPIs, and ADCs. Recognizing that the market requires not only increased capacity but also heightened expertise, we proudly deliver on both fronts. Our commitment to excellence extends beyond scale, ensuring that our offerings are marked by unparalleled proficiency and insight.

[See more interviews](#)