

Mohal Sarabhai - Managing Director, ASE



We actively sought out synergies in the diagnostic business and view partnerships as a means to avoid reinventing the wheel

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Mohal Sarabhai, managing director of Ambalal Sarabhai Enterprises Limited (ASE) on transforming his family's failing century-old business and creating new companies beneath the ASE Holdings umbrella, including a joint venture with Co-Diagnostics, CoSara Diagnostics, that span areas from diagnostics to APIs. He highlights CoSara Diagnostics' tuberculosis (TB) and human papillomavirus (HPV) testing efforts and the need for more accurate diagnosis in India, and discusses subsidiary Asence Pharma's new API plant.

How has the company evolved since our last conversation in 2018?

Since our last discussion, there have been notable changes. I now lead ASE as its Managing Director, a publicly listed company on the Indian stock market. As I have mentioned in our previous interview back in 2018, this has been a restructuring journey that involved transforming our century-old family business which included a pharmaceutical company, initiated by my grandfather, Dr. Vikram Sarabhai, whose peak performance was back in the 1970s. We essentially had to start afresh, selling off assets to manage substantial liabilities. ASE now acts as the umbrella company overseeing eight subsidiaries, each operating independently with strategic interests in various sectors. We have two joint ventures, Vovantis Laboratories and CoSara Diagnostics, with US investments and technical partnerships. Apart from these, everything else is 100 percent owned by ASE, creating a structure resembling a holding company with subsidiaries that have significant assets, differentiated business strategies and purposes.

Rebuilding a family-owned business in this manner not only involves making tough decisions but also requires humility and a willingness to challenge established ways of thinking. How did you find the process?

The journey of rebuilding was indeed intricate. When I returned from the US, the business was performing poorly. Our historical company Calico Mills which was in textiles had already collapsed and it seemed like history might repeat itself for ASE. Given my background as a mechanical engineer, educated and having worked in the US, I recognized the need for a transformation. The company, ASE, still possessed some key technologies and valuable real estate, a crucial asset in land-expensive India, and we decided to leverage that as a way of hedging the decline and to rebuild something new.

The entrepreneurial spirit within me desired to create value-based companies, particularly in the healthcare sector. The challenge was considerable, but the advantage lay in the company's remaining assets and the commitment of a few stalwarts from the old guard who refused to let it perish. Leveraging the available real estate and incorporating both old and new talents, we began the journey of restructuring.

To address the financial hurdles, I had to make tough decisions. Selling a significant portion of the land and parting with the old brand names became a necessity to settle liabilities and avoid a financial collapse. It was akin to a surgical decision: amputating to save the essence. The process involved significant challenges, and few believed that the company could emerge successful.

Through a meticulous restructuring process, settling liabilities, bringing in investments, and transforming the company into a boutique holding corporation with various technologies, we not only survived but thrived.

Can you delve into the strategy behind the multiple companies under ASE's umbrella?

The initial phase of our growth was focused on survival, a pivotal period where the primary concern was whether the company could endure or succumb under the weight of debts and liabilities. At that stage, nuances for investors took a back seat as the immediate priority was to clear existing obligations to make the company a viable entity. The decision to create fresh companies with a clean history was driven by the necessity to alleviate the burden of liabilities and present a more attractive proposition to potential investors.

Although from an investor perspective, consolidating everything under one entity is a preferred strategy, the circumstances demanded a different approach. Creating separate entities allowed us to compartmentalize liabilities and build fresh narratives for each business arm. However, it is important to note that under Indian legislation, despite the unconventional strategy, the consolidated financial statements are mandatory and we provide through this a comprehensive view for investors to assess the overall health and performance of the entire portfolio.

What are some of the key companies that are currently part of ASE Holdings?

For the last few years, we have ventured into the diagnostic business stemming from a personal conviction that certain treatable diseases in India, like tuberculosis (TB) and human papillomavirus (HPV), were not receiving accurate diagnoses. TB, for instance, still claims a significant number of lives despite being treatable, indicating a gap in diagnostic accuracy. The partnership with a US-based entity specialising in diagnostics provided a focused avenue to address these endemic diseases prevalent in India and Asia. This is why we built CoSara Diagnostics.

The commitment to tackling these issues is further underscored by a research grant from the Bill and Melinda Gates Foundation through our US partners. This grant supports projects aimed at developing accurate and affordable diagnostic tests for TB and HPV. The focus is not only on accuracy but also on portability and affordability, especially crucial for reaching remote areas and villages in a country as diverse and vast as India.

For TB, the emphasis is on a portable PCR machine, leveraging the gold standard PCR test technology in a device that can be utilized even in the remotest corners. This molecular diagnostic solution aims to bridge the gap in healthcare access, making accurate testing more widely available. The goal is not just technological advancement but also practical implementation in regions with diverse healthcare needs.

In the broader context of India's monumental achievement in delivering 2.2 billion COVID vaccine doses, the success story unfolds at the intersection of robust healthcare infrastructure and governmental initiatives, and we feel this is something that can be repeated for TB and HPV. Also, the recent endorsements from global figures like Bill Gates, allocating substantial funding for transformative solutions, highlight the global recognition of India's efforts. As we await regulatory clearances and anticipate the completion of diagnostic solutions by the end of the year, it positions us not just as a win-win proposition for the market but as contributors to global health objectives, extending beyond India to regions like Southeast Asia and potentially Africa, where the need for

upgraded diagnostic systems is paramount.

The PCR test is anticipated to be available towards the end of the year. The manufacturing hub in India is poised to play a pivotal role as various manufacturers will need to leverage our infrastructure. We are working closely with CDSCO in India, ensuring compliance and adherence to the regulatory framework. Additionally, our US partner, Co-Diagnostics, Inc. (CODX), is a NASDAQ-listed company currently undergoing US FDA trials for the device, primarily focusing on COVID. However, we plan to adapt the same device for HPV and TB testing in India. This initiative aligns with our commitment to meeting WHO targets by 2030, and we anticipate having the tests ready for trials by 2025.

What other areas has ASE Holdings ventured into since 2018, specifically with respect to APIs?

We have established a new API plant at our subsidiary company Asence Pharma, playing a crucial role in addressing the evolving dynamics of the pharmaceutical supply chain. While acknowledging China's dominance in API production, we recognise the imperative for alternative strategies. Our plant in Gujarat not only caters to raw materials for API but strategically aligns with the emerging "China plus one" strategy, which is crucial for not only India but global manufacturers as well.

The plant, designed for oncology and synthetic chemistry API production, positions us to offer alternatives, meeting the growing demand for diversified supply chains.

Also complementary to our API strategy, we have been operating Synbiotics Limited, a fermentation-focused company which operates in a very promising area of antifungals. Our flagship product is Amphotericin B, a potent antifungal, approved for sale in Europe, the US, Latin America, and Japan amongst other markets. We have a true leadership position in this product, and the journey has been so far fantastic.

Diagnostics and API manufacturing are very different businesses. Could you elaborate on your decision-making process? What criteria do you consider for industrial investments?

My approach is disease-focused rather than driven solely by financial considerations. For example, I believe in the efficacy of older molecules, often referred to as vintage drugs, and their acceptance

in the market. Take Amphotericin B, for instance, the only drug effective against mucormycosis. Despite its vintage status, it became crucial during the COVID period due to its efficacy against the black fungus in India. My priority is finding solutions to diseases, such as leishmaniasis or scabies, where our products become a necessity rather than a choice. I believe that addressing challenges related to older drugs, whether due to side effects, toxicity, or production difficulties, opens up opportunities for innovation. By reducing toxicity and solving production issues, we can explore various indications, potentially creating new solutions like new drug delivery modalities, one example being nasal sprays for fungal infections. The driving force behind our decisions is the impact on diseases and the potential to make a difference.

In managing these diverse businesses, how do you approach leadership and team composition, which evidently require different sets of skills and capabilities?

I am actively involved in the hiring process and maintain accessibility to all team members across these companies. While each company has a Chief Operating Officer to run operations, they report directly to me as the MD. Financial matters are directly under my purview. When it comes to hiring, I prioritize individuals with passion and a human-centric approach. The business is run differently, emphasising ethical practices in both Indian and International operations. The team's diversity is a strength, valuing the unique skills and perspectives each individual brings. We have had success stories where women lead key operations, challenging conventional norms and showcasing the importance of passion and purpose in driving success.

How justified is the current optimism about India's current economic direction?

India's strength lies in its vibrant and young population, contributing to the dynamism in our current economic landscape. Stability, both politically and economically, has played a significant role, especially avoiding the severe global economic downturn. The previous government's foresight in establishing manufacturing and educational institutions has laid a robust foundation.

The current government is effectively leveraging this infrastructure, resulting in political stability. The success is evident in the impressive scale of digital transactions, surpassing even countries like the US and China. The widespread use of mobile phones and efficient financial systems has instilled confidence in the population.

There is a noticeable trend of individuals, including those with international degrees, returning to India. Many are driven by a desire for more meaningful scientific work and see the potential for growth within the country. Despite differences in pay scales, the appeal lies in contributing to the scientific community and being part of the evolving dynamics in India.

The brain drain, which was once a concern, is gradually reversing.

India, historically marked by regional individualism, is witnessing attempts by the current government to unify and streamline efforts through initiatives like "Make in India." However, challenges persist, with differences among states akin to navigating diverse countries within Europe.

In essence, India is on a trajectory of positive change, with a focus on unity, scientific collaboration, and a strategic approach to position itself globally in the life sciences industry. The shift is encouraging, emphasising collective efforts and a newfound recognition that an India strategy is crucial for long-term success.

How do you see the near future and what role will partnerships play for ASE Holding?

Our approach to partnerships is rooted in the belief that collaboration is key to success. We actively sought out synergies in the diagnostic business and view partnerships as a means to avoid reinventing the wheel. The purpose of a partnership, to us, holds more significance than ownership structures. With the infrastructure and dedicated teams across our various companies, we've become attractive candidates for potential partners interested in leveraging our capabilities across different technologies.

Our business focus spans electronics, pharmaceuticals, API, and diagnostics within the vast healthcare space. We are aware that the healthcare sector is expansive, and by being efficient, we believe there is significant potential to explore. As a company, we are not limited to a single focus, but rather, we are involved in diverse areas within the healthcare domain.

Looking ahead, we are also contemplating the idea of individual companies within our group going public, which could potentially unlock greater value for shareholders. This strategy involves allowing specific companies to raise capital individually, thereby optimizing their market potential.

In essence, our current focus involves seeking partnerships, exploring new technologies, and considering strategic moves like individual company public offerings to maximize the value for our shareholders and stakeholders.

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