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Seeing the light

Newsmaker: Ajay Piramal

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With the sale of his formulations business, Ajay Piramal has once again demonstrated his ability to think out of the box With the sale of his formulations business, Ajay Piramal has once again demonstrated his ability to think out of the box



In 1988, Ajay Piramal, then 33 years old, decided to bid for Nicholas Laboratories, the Australian multinational that was exiting India. Mike Barker, the man in charge of the divestment, told him he was too young and had no experience or track record.

“I have only a dream, an impossible dream of taking this company to become one of the top five companies in India,” Piramal recalled telling Barker in an autobiography titled *The Light Has Come to Me*, published five years ago.

Barker laughed with disbelief, as well he might have. At that time Nicholas Laboratories was ranked 48th in the Indian pharmaceutical industry and the top five slots were dominated by companies like Pfizer and Glaxo.

Eventually, Barker agreed to sell the company to the Piramals for Rs 16.5 crore.

A decade later, Ajay and his wife Swati Piramal went to see Mike Barker in retirement in Kenya, armed with Nicholas Piramal’s annual report that showed the company had reached number five in the Indian pharma ranking.

More than two decades later, 55- year-old Ajay Piramal has made another unexpected move, selling flagship company Piramal Healthcare’s domestic formulations business to US multinational Abbott for an unbelievable value of over Rs 17,000 crore. That puts the valuation of the company at nine times the size of the business.

That still leaves Piramal Healthcare with businesses worth Rs 1,700 crore, which includes contract manufacturing, healthcare-related products and diagnostics labs. Piramal Healthcare, after paying about 22 per cent of the transaction as capital gains tax (about Rs 3,740 crore) will invest the remaining funds to clear debts worth Rs 1,300 crore, pay shareholders a special dividend and invest in expanding in healthcare and in new and attractive sectors.

The sale to Abbott was surprising because Piramal had, by then, developed a reputation as an M&A artist. At a time when everyone thought economic liberalisation would result in Indian companies being swallowed up by multinationals, Piramal went on to acquire assets of other multinationals. In the 1990s and early part of this century, Nicholas Piramal acquired the Indian subsidiaries of F Hoffman La Roche of

Switzerland, Boehringer Mannheim of Germany, Rhone Poulenc India of France, ICI from the UK and the Hoechst Research Centre from Germany.

He says his flexible and contrarian business strategy stems from the wisdom he imbibed from the ancient Hindu spiritual text Bhagavad Gita. Perhaps it can also be attributed to sheer experience, since Piramal was precipitated into chairmanship of the Piramal group at the age of 29 in 1984.

His father Gopikrishna had come to Mumbai with a few rupees in his pocket from Bagar in Rajasthan and made enough money trading cotton to buy Morarjee Mills, which had been listed on the stock exchanges more than 140 years ago. Then Gopikrishna died suddenly at the age of 55 in New York in 1979 and Ajay's older brother Ashok took charge. Ashok, too, died early, at the age of 36, of cancer in 1984. Just before that, Ajay's other brother, Dilip, had gone his separate way with his luggage business.

Ajay Piramal took over Morarjee Mills at the worst possible time, when the textile industry was in the doldrums and workers in Mumbai led by trade union leader Datta Samant were at war with owners of organised textile mills.

"I decided to take my family and my people with me in the battle of our life — we had to make this company reach a target of hundred crore revenue and get out of the red" Piramal said in his autobiography. A few years later, he achieved that target but, quickly spotting the diminishing returns in textiles, exited the business in the early 2000s. Instead, he focused on a fast-growing next-generation business: retail. Crossroads, Mumbai's first modern retail mall, opened in 1999.

The group also entered glass packing in 1984 with the acquisition of Gujarat Glass and Ceylon Glass was acquired in 1999 and extended its businesses to real estate and private equity funding.

In his book, Piramal had talked about making "footprints in the sands of time" to describe the importance of dreams and goals in life. Now, armed with substantial funds from the Abbott buy, he is clearly looking for a place to make another footprint.