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A World View At India's Dishman

Smart acquisitions and a knack for retaining foreign employees propel growth of drug ingredients producer

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WORLDSCALE Johnson gives a tour of Carbogen Amcis' new Ahmedabad plant

With headquarters in Ahmedabad in the state of Gujarat—where Mahatma Gandhi was born—Dishman Group is an unmistakably Indian company. But it's a fact that is easily forgotten. The custom pharmaceutical ingredients producer boasts a large number of foreigners in its management and workforce.

One reason for the high number of non-Indian employees at Dishman is that it has been able to retain key personnel after making a series of international acquisitions in recent years. Foreigners are set to play key roles in the firm as it pursues a goal of quadrupling sales to \$1 billion over the next five years. Out of Dishman's 1,380 employees, nearly 500 are based outside India.

For example, Dishman's head of technology transfer, Henk Pluim, once worked for Solvay.



Nick Green, head of the firm's contract research and manufacturing operation, is a Brit who earlier worked for Rhodia Pharma Solutions. Charlie Johnson, business manager for high-potency products at subsidiary Carbogen Amcis, is another Brit who lives in Switzerland.

"The upper tier of our management is from the Western world because they bring a sense, an inner knowledge, of what the expectations of international customers are," says J. R. Vyas, Dishman's chairman and managing director.

CELEBRATION Vyas (left) with Pluim at a party at one of Vyas' homes.

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Retaining and promoting employees of the companies Dishman acquires is essential to growth, Vyas adds. With a 64% stake in Dishman, Vyas remains unquestionably the boss of the firm he founded in 1987, initially as a producer of catalysts.

Back in 2002, when C&EN first interviewed Vyas, he contended that India's low costs would be enough to propel the growth of Dishman. Now, as Vyas envisions boosting annual sales to \$1 billion from the current \$230 million in a mere five years, his thinking has evolved. "It's not only the cost that matters," he says. "The human talent, the expertise, meeting the customers' expectations—everything matters."

Dishman's heavy reliance on a global talent pool was on full display a few weeks ago at a ceremony in Bavla, just outside Ahmedabad, to mark the inauguration of a new large-scale facility producing active ingredients for cancer drugs.

Construction of the new high-potency plant was largely managed by employees of Carbogen Amcis, a Switzerland-based custom producer of pharmaceutical chemicals, mostly for oncology drugs, that Dishman bought in 2006. Since it became part of Dishman, Carbogen has continued to operate as a subsidiary with its own identity, logo, and management.

"Dishman acquires profitable businesses, so it makes sense not to wreck the way they are managed," explains Christian Dowdeswell, who was at the Manchester, England-based contract research firm Synprotec until Dishman acquired it in 2005. Dowdeswell has since been promoted to his current position of director of Dishman's key accounts.

Construction of Carbogen's new facility in India went smoothly compared with facilities his company has worked on in Europe, says Maurice Pitcher, chief executive officer of Powder Systems, a British designer and manufacturer of high-containment production systems.

"Once our relationship with Dishman was established, it was an extremely efficient project in which we implemented our best technologies in India," Pitcher says. "They employ high-caliber people, and the lines of communication with the responsible persons are direct." Plants making cancer drugs require high-containment systems to shield employees from the toxic ingredients that are used.

The plant was built at a cost of \$14 million, about one-third of what it would have cost to build in Europe, Vyas figures. The savings came from using reaction vessels made in India and by having Dishman personnel perform most of the construction work instead of relying on outside contractors. Vyas says the facility's capacity can be doubled with an additional investment of only a few million dollars.

When Dishman bought Carbogen Amcis in 2006, many players in the pharmaceutical industry thought the idea was for Dishman to gain access to the Swiss unit's existing customers while transferring all the manufacturing to India. Under this scenario, Carbogen's operations in Switzerland would have been downsized or eliminated.

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This was never the plan, Vyas says. With Carbogen, Dishman has gained access to expertise and markets in which it had little exposure. Furthermore, Vyas saw that Dishman would enhance the Swiss company's business in small quantities of drug active ingredients, mainly for clinical trials, by giving it direct access to large-scale production facilities.

Indeed, he contends that the addition of a large-scale facility in India could actually bring Carbogen's Swiss operations new customers seeking a supplier with diverse capabilities. That the Swiss producer was not equipped with large-scale capabilities until now may have turned away some business. On the other hand, Vyas says, it makes little sense to manufacture Carbogen's smaller orders in India. "If Carbogen Amcis has a supply contract worth \$25,000, what benefits can we possibly provide in India? A \$100 savings?" he asks.

Demand for cancer drugs will soar in the near future, Nigel S. Courtenay-Luck told the international audience assembled in Ahmedabad for the opening ceremony. A professor at the Medical University of South Carolina who works with several biotech companies, Courtenay-Luck pointed to several recent research breakthroughs, particularly in the area of kinase inhibitors, that could yield new drugs that would help patients live longer—and consequently require treatment for a longer time.

The potential explosion in demand for cancer drugs is one reason for Vyas' optimistic growth projections for Dishman. In addition, he says, three customers have completed Phase III clinical trials for their drug candidates and are awaiting the U.S. Food & Drug Administration's approval for commercial launch. "Each of these projects could generate up to \$100 million in annual sales for us," he says.

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That's not all. Vyas also expects Dishman's sales in Japan to take off. He's on the hunt for an active drug ingredients facility in Japan that will perform the final manufacturing steps by processing advanced intermediates supplied from India. "A facility in Japan is something that would make Japanese talent available within our company and bring us closer to Japanese culture," Vyas says. Obtaining regulatory approvals in Japan would be simpler if the Dishman plant supplying Japan is located there, he adds.

An R&D facility located in Japan, meanwhile, would act both as a technical center for Japanese customers and a source of technology for the whole of Dishman. "I'm highly impressed with the capabilities of Japanese R&D scientists," Vyas says. "In the past, the processes we got from Japan have been very precise, easily replicable, and highly efficient in terms of yields and low waste."

Dishman is not in the drug formulation business, Vyas says, because customers might view Dishman as a potential competitor. Yet the firm is entering the business of formulating disinfectants for the Indian surgical market. This new business will be headed by Vyas' son Arpit, a 23-year-old British-educated chemical engineer. Managing the business will

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serve as a good training ground for his likely successor, Vyas says.

In China, Dishman is in the process of certifying a new facility at a 20-acre site in Shanghai. Vyas says the site will produce active pharmaceutical ingredients for multinational drug producers targeting the Chinese market. The Shanghai facility could also serve as an alternative production base if Dishman were unable to ship products from India as a result of an unforeseen event.

Somewhat improbably, Vyas is looking at Saudi Arabia as another source of growth. Dishman, he points out, is a 30% partner in a \$100 million pharmaceutical chemical facility planned for the kingdom. The facility will be cost-competitive with foreign producers, he expects, because of generous incentives from the Saudi government. Furthermore, the unit will be highly automated to help overcome the challenge of manning a drug manufacturing facility in a country where few people have industry experience.

To Pitcher, the Powder Systems CEO, it's obvious from Dishman's projects and the type of people the firm chooses to employ that it is geared for international growth. "They're not looking at the Indian market," he says. Vyas has come a long way from thinking that his key to success is simply to employ cheaper Indian workers.