

Specialty chemical firms pivot to pharma

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Specialty chemical firms are actively looking at the pharmaceutical sector as their next growth opportunity and to diversify from agrochemicals and technical textiles. They are seeing a surge in demand for intermediates or raw materials used for producing active pharmaceutical ingredients, following the coronavirus pandemic.

"In pharma, we have received a lot of enquiries to develop intermediates, especially after the pandemic. We developed an intermediate for a covid-19 drug, favipiravir, for some Indian and Japanese firms," said PI Industries executive director Rajnish Sarna.

Specialty chemical firms, which were eyeing the intermediates business for the past few years, received a boost from the pandemic and the focus on localizing pharmaceutical supply chains.

PI Industries earns the bulk of its revenue from the agro-



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chemical business. However, in the past three to four years, the company began to look at diversifying into other specialty chemicals such as pharmaceutical intermediates and imaging until it entered the segment this fiscal.

SRF Ltd, which is focused on the technical textiles segment, has also been focusing on pharmaceutical intermediates, a spokesperson said. In its annual report for 2019-20, the company said its pharma intermediates business is

driven by its chemicals technology group division.

The global focus on a China Plus One strategy for investments will lead to a sharp rise in expansion of capacity in the chemicals sector in the coming years, said Deepak Nitrite Ltd CEO Maulik Mehta.

"Deepak Nitrite has several advanced intermediates that are used by the pharmaceutical industry. We are evaluating other chemical intermediates for the pharma segment and also plan brownfield invest-

ments to expand the existing business," Mehta said.

Indian pharmaceutical firms at present source about two-thirds of their bulk drug supplies from China. However, the supplies, comprising active pharmaceutical ingredients and intermediates, saw several disruptions over the past few years. Supplies almost came to a halt in February and March because of the lockdown in China following the outbreak of coronavirus.

Analysts, however, foresee challenges for these specialty chemical makers as they move higher up into the pharmaceutical supply chains.

"The jump from specialty chemicals to pharmaceuticals is not a big one in terms of technology, but meeting the stringent regulatory requirements in pharma will be a major hurdle. Also, because of India's history of legal cases involving IP, changing large foreign drugmakers' perspective would be a challenge for these firms," said Vishal Manchanda, an analyst with Nirmal Bang Institutional Equities.