

As Demand for Faster, Cheaper CSM Booms, PI Industries Takes Off

By: [Jackie Pucci](#) | August 15, 2014



PI Industries — headquartered in Gurgaon, the financial and industrial center outside of New Delhi — says CSM sales are expected to jump 25% in the coming years. Photo courtesy PI Industries

As pressure to bring new crop protection solutions to market increases and with many molecules coming off patent in the coming years, multinational companies are striving to get newly discovered molecules to commercial scale as quickly as possible, or risk losing market share. Enter Asia's rising custom synthesis and manufacturing (CSM) businesses.

“In the value chain, the [multinational] innovators are happily focusing on discovery and marketing. They are outsourcing these in-between processes from process research to commercial manufacturing more and more,” said Rajnish Sarna, executive director of Gurgaon, India-based PI Industries, in an interview with *Farm Chemicals International*. This is exactly where it comes in to support the large agchem companies.

PI has emerged as one of the leading CSM players in Asia, whose reliability and lower costs have stolen much of the allure of traditional CSM enterprises in Europe and Japan over the past 15 years. Having risen steadily since China forced it to innovate from its roots as a manufacturer in the 1990s, PI's business has been better than good.

PI's CSM exports now make up 60% of the company with revenue soaring almost 50% over the past four to five years, easily outpacing strong 25% growth in its domestic marketing and distribution business.



“A lot of opportunities are flowing to India and some other Asian countries. Key customers are trying to shift their manufacturing base.” –Rajnish Sarna

In fact, according to Sarna, “the biggest challenge today is the high expectations of our stakeholders. Everyone has high expectations because we have been doing very well for the last several years.”

With current CSM orders totaling more than \$400 million, PI expects sales to climb 25% in the coming years as multinationals and Japanese companies increasingly look to outsourcing. An added bonus: They gain an edge on breaking into the attractive Indian market. At any given time, PI is working on close to 20 molecules in the pipeline. Currently, the company is manufacturing 15 to 16 products at commercial scale.

How does CSM give companies a leg up? “We reduce the time to bring the product to the market by quickly undertaking process research, and rapidly scaling up and ramping up manufacturing capacities to deliver commercial supplies to the customer,” Sarna explained. In the process, he added, the economics of manufacturing along with balancing the environmental, health and safety concerns is meticulously addressed.

Closing the Gap



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Typically, it takes between one and two years to complete the synthesis work and process development and take a molecule to commercial scale. If a company aims to launch a molecule in a shorter timeframe, it works to accommodate that plan. Sarna offered an example of an unnamed major player inquiring about process development for an herbicide in 2010. By 2012, PI rolled out the commercial manufacturing at close to 100 metric tonnes, and by 2014 the product has become a blockbuster on the global market, he said.

The enormous potential of the domestic market, on top of the advantage of access to India's talent pool and lower manufacturing costs, give multinationals more reason to do business with a proven player like PI. The country's crop protection market – estimated at \$3.8 billion in 2012 with exports constituting about half of that – is expected to grow at around 12% annually to reach \$6.8 billion by fiscal 2017, driven largely by both export and domestic demand, according to a June report in *Business Standard*.

“There is a huge gap given the size of agriculture in India versus the current market value of agri-inputs,” Sarna said. “I see huge opportunity within India, and at the same time in our CSM export business there is huge opportunity.”

PI claims the spot as the largest global manufacturer of ethion and phorate, sold in the domestic input market.

For its domestic input business, the company licenses and registers products it considers to have major potential in India from Japanese players such as Kumiai, Mitsui and Nichino, and markets them on an exclusive basis. Additionally, PI works with

multinationals that already have a presence in India, such as Bayer CropScience, Syngenta and BASF, and co-markets their products under the PI brand.



The Indian chemical industry is set to benefit from China's supply uncertainties.

PI has faced tougher challenges of late, to be sure. The Chinese raw material shortage situation is among them. The company's plan of attack, according to Sarna, involves turning to backward integration, scouting for sources in new geographies such as Korea and Japan and developing new sources directly and through partnerships.

In addition, the company insulates itself from the control it lacks over things such as raw material prices by employing a price structure that passes down risks to the customer. "This is a transparent situation with our customers, so tomorrow if the price goes up or down, that benefit or cost is passed through to the customer. It's the same with currency," Sarna explained.

How recent uncertainties in China will play out may not be realized soon, Sarna said. The shortages may have long-term effects on the chemical industry as a whole: Existing supply flows will get rationalized and new supply chains will form globally. While the Indian chemical industry is set to benefit, it will take a few years to materialize.

"I believe in the long run [the raw material shortage situation] will all settle down. But yes, temporarily these challenges are there, and as a result a lot of opportunities are flowing to India and some other Asian countries. Key customers are trying to shift their manufacturing base."