Chennai Floods Hit Small Drug Factories, Blow to US Exports

Production at factories hit as pharmaceutical cos need to follow strict air & water purity safety standards

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Chennai: The flood that ravaged Chennai and coastal Tamil Nadu has hurt small drug factories that are essential nodes in the Indian generic drug manufacturing ecosystem that addresses an USD 30 billion (3 trillion) market in the US. Drug makers along the Tamil Nadu coast ship tonnes of drugs for ailments from diabetes to diseases.

Most of these are unbranded drugs or their raw material contract manufactured in India.

One of the largest manufacturers of anti-inflammatory drug ibuprofen operates from Chennai. Production at factories was hit since Diwali as incessant rains flooded approach roads and cut off commuting options for workers. The consequences on the ground are damaging as a drug factory is no ordinary workshop.

The tiniest of factories needs to follow strict air and water purity safety standards because their output could be used by an upstream factory exporting to the US. While auto makers or a machine tools plant can get back quickly after the waterlogging, a medicine plant could need a minimum of 10 days, or even weeks, to reconstruct its clean-room environment.

“Besides IT and automobile, Chennai is also home to generic drug ingredients and finished dosage makers. These factories have little visibility because they are contract manufacturers, but many of them supply to known brands,” said J Jayaseelan, chairman for Tamil Nadu, Puducherry and Keras at the Indian Drug Manufacturers' Association. Besides supplying to Indian brands, Tamil Nadu exports over 90,000 crore worth of drugs, about 7% of India's total drug exports. A large portion of this goes to countries in Africa, Asia and Latin America, dubbed Rest of the World, where about 1,000 crore worth of medicines is shipped to Western markets.

Jayaseelan says that loss due to stoppage of production at ₹ 150-200 crore, keeping aside the expenditure small entrepreneurs need to make to get their machinery back in working order.

Chennai's industry clusters in Perumudivakkam, the industrial estate in Ambattur as well as factories in Puducherry and Cuddalore have been flooded. There are nearly 200 drug plants in and around Chennai and along the coastal belt including Cuddalore. There are nearly 160 in Puducherry.

Though a formulation hub, Chennai also hosts two of the oldest in the Indian pharmaceutical industry — Orchid Chemicals and Shasun Pharmaceuticals. Both have vertically integrated manufacturing set-ups and large cold-chain logistics. Orchid, for instance, has a 25,000-cow dairy at Puducherry, but that is just for the medium term. There is a good possibility that factories recover up losses as they ramp up production,” said K Raghavendra Rao, who runs the 22-year-old Orchid, which shocked off takeover attempts by Ranbaxy but sold some businesses to the US-based Hospira after debt flooded it.

Rao, an industry veteran, said he facilities south of Chennai faced some impact and have been "restated", but sterile manufacturing will take its time. Executives at Shasun said the company's facility at Puducherry was recovering well and the status of the plant in Cuddalore could not be ascertained. The flooding had impeded flow of drugs to retail shelves in Puducherry, but wholesalers in Chennai say they have managed to reach retailers through the week.

Pharmaceuticals distributors and the Indian Drug Manufacturers' Association have called Whitfield's solution, used against bacterial infections, in thousands of tubes for distribution in Chennai and Cuddalore in collaboration with the state health department. However, on Tuesday, the shipment had gone out of stock with Chennai's distributor circles, requiring delivery from manufacturers.