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Domestic cos tap developed markets now

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The flavour of the season, for Indian companies, is export, that too, to developed markets. The growing list of such companies includes Deepak Nitrite (DNL), the nearly 250-crore manufacturer of intermediates and chemicals. DNL has a presence in life sciences-related to intermediates, pharma and non-therapeutic chemical products and imaging chemicals which covers performance related chemicals for specific industries.

The result of the thrust on developed markets has meant that they are replacing Japanese and US producers, the Indian cost advantage pushing out the competition.

“Five years ago, we set ourselves a target of achieving a third of our turnover from exports. This was at a time when the turnover was Rs 159.9 crore and exports were Rs 37.5 crore, about 7-8% of turnover. Over the past five years, we have achieved a 24% CAGR in exports,” S. Gore, president, DNL, said.

DC Mehta, managing director, DNL and vice-chairman of the Deepak group, said the perfect balance would be for exports to 30-40% of total sales. In a move reminiscent of the IT sector, DNL has de-risked its exports, by spreading them geographically, deepening its relationship with top customers and introducing new products. So, 50-60% of exports go to the European markets, up to 25% to the US and rest to Japan and Korea, all of them developed markets.

"About 50% of our exports are from products which were not in our basket 4-5 years ago," Mr. Gore said, admitting that this might be difficult to maintain as they grow. Which is why they are looking at deepening relationships with existing customers so that DNL is abreast of developments at the customer's end. Since DNL deals directly with its customers, it gets an insight into actual use and direction of developments.

Like the rest of the industry, DNL also does some contract manufacturing. Mr. Gore clarified that the concept for them is more to customise products for the customers, usually an MNC.

“We take raw material from abroad add value and re-export. We are doing exclusive customised manufacture for specific customers. This is more in the nature of outsourcing where the technologies and processes are ours.” Mr. Mehta said.

He pointed to the capability which has now been built into the company through its 5 tonne pilot plant, where customers can use and test the product before taking it to commercial production.

“We are not a laboratory or fine chemicals manufacturer, we are volume players, doing 2,000 tons per annum,” Mr. Mehta said. DNL invests up to Rs.20 crore annually towards capacity expansion, in tandem with customer needs.