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Exporting to a plan: Deepak Nitrite exports cross Rs 100 crore

Usha Somayaji

Deepak Nitrite Limited crossed the Rs100 crore export milestone, with export earnings of Rs 110 crore accounting for 40 per cent of its expected 2003-04 turnover of Rs280 crore. This is a significant rise from Rs42 crore from a turnover of Rs 174 crore in 1999-2000, recording a 30 per cent CAGR in exports in recent years.

Such growth has been the result of a planned strategy by the company. “It was born out of a process of deep thinking, strategy and planning,” said managing director Deepak Mehta, announcing the achievement.

The planning began as far back as the early '90s, when the company, foreseeing the threats coming from a dismantled duty regime, went about implementing strategies that would convert these threats into opportunities.

The strategy was to build on its strengths in niche areas of the chemicals market, bring it up to global levels, and work towards a leadership position in that area.

A key advantage that Deepak Nitrite has is its R&D base. “About 80 per cent of our products have been the result of R&D efforts,” said Mehta. “Our differentiator was our ability to develop customised products based on our R&D and operation expertise.”

The company, which began with two import substitutes — sodium nitrite and sodium nitrate — in 1970, today has a line-up of over 30 products in the inorganic, organic intermediates. It provides fine and speciality chemicals — basic intermediates to the pharmaceutical, agro chemical, rubber, pigment and imaging chemicals industries, most of which have come out or been fine tuned by its in-house R&D.

“Today the focus is not on import substitution or self sufficiency, but delivering value proposition on a global scale,” says Mehta.

Besides leveraging its R&D and lab-to-productionising skills, the company set about establishing its credibility as a good and safe supplier of chemicals, winning long-term commitment from discerning customers.

The strategy was to develop new, non-traditional products, newer intermediates for new markets, put up capacities of international size for these products, and reap the advantages of economies of scale.

It set up a pilot plant with an investment of Rs3 crore and acquired capability to ramp up operations from lab to production. It doubled investment in R & D year on year, moving

up from 0.2 per cent of turnover five years ago to 1 per cent of turnover today. About half of its new export products have been developed in-house through R&D in the last five years. “The objective was to build up sustainable advantage,” says Mehta.

Along the way, it also developed in-house abilities that now serve as key differentiators. For example, its ability to handle core bulk nitration and hydrogenation products, moving on to batch nitration and hydrogenation.

Simultaneously, it set up a target to reach 40 per cent from export earnings (which it now has achieved), which it hopes to raise to 50 per cent within the next eighteen months. It set about changing its product mix, for which it also undertook strategic acquisitions. The acquisition of Roha-based Aryan Pesticides Ltd was a case in point, which gave it extra edge in organic intermediates.

It also directed efforts into becoming significant or single largest supplier for its overseas customers, meeting at least 60 per cent of their needs, and entering into long term commitments through committed offerings.

“Our aim was not on selling on the price proposition but on developing products that would sell as value propositions,” says Mehta.

Thus its export partnership with international customers have often begun from its R&D lab, through joint research and development of products, moving up the value chain.

A further extension of this value proposition is the tab it keeps on its supply chain management, extending across the sourcing of its own raw material to tracking its customers’ delivery and inventory scheduling.

Efforts to enhance the value proposition continue, with its proposal to look for cheaper sources of energy — such as LNG — that would further bring down costs to the customer. “Energy makes for 15 per cent of our production costs. It makes sense to reduce energy costs,” said Mehta, speaking to *domain-b*. The company has plans to set up gas-based engines and gas driven boilers with an investment of between Rs8 crore and Rs10 crore. “More important is the commitment. We will need to enter into long term agreements to buy gas,” said Mehta.

Operating as a seasoned global player the company has spread its risks geographically through a global footprint — Europe accounting for 50-60 per cent of exports, US — 25 per cent, and the rest of it from Japan and Korea. It has now set sights on the emerging markets of China, South America and East Europe. The company is also working towards offsetting forex fluctuation risks by sourcing its raw material internationally.

From the days when Deepak Nitrite was born out of the need for import substitution to today where it competes in the global marketplace, the company has made a full U-turn. As Mehta put it succinctly, “At one time, we looked at exports to utilise excess capacities. Now it is also our bread and butter.”