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From an import substitution company to an export powerhouse

DEEPAK NITRITE LIMITED



Deepak Nitrite Ltd. (DNL) -the flagship company of the Deepak Group of Companies – has come a long way since it was set up in the 1970s to support India's drive towards self-sufficiency and import substitution. Today, revenues from its exports to over 20 countries, including the US, Japan, Korea and Europe, contribute almost 40% of its turnover of Rs.280-crore. DNL recently crossed a landmark in its export thrust - touching the Rs. 100-crore mark from its international business. For the year 2003-04, exports rose an impressive 44% over the previous year to close at Rs. 112-crore driven by the strong performance of exports of fine chemicals.

However, the company has no plans to rest on its laurels, but has already set sights on the next milestone of achieving 50% of its turnover from exports.

Moving up the value chain

The DNL saga began way back in the 1970s, when the well-known industrialist, **Mr.C.K.Mehta**, then a budding entrepreneur, set up a small company for trading in chemicals. In 1970, he set up a plant at Nandesari. Near Vadodara in Gujarat, for manufacturing two import substitutes - sodium nitrite and sodium nitrate using indigenous technology. At that time global suppliers like BASF and ICI, were supplying a bulk of the sodium nitrite and by manufacturing these two chemicals indigenously, DNL managed to make a dent in their market-share. From these humble beginnings, DNL has grown continuously across the value chain by forward, backward and lateral integration. Today, it manufactures inorganic, organic and fine & speciality chemicals catering to the needs of a host of industries, from textiles and pharmaceuticals to rubber, agrochemicals, paints, dyes, explosives, glass, paper and cosmetics. The company is now focussed on making its plants ore versatile to switch from intermediaries to speciality chemicals and to progressively take to customisation. Over the years, it has successfully and seamlessly moved from being a commodity-oriented, bulk volume product company to a fine intermediate company.

Multi-location at manufacturing facilities

DNL has four manufacturing facilities at different locations in the western part of India - one at Nandesari. Gujarat and three in Maharashtra at Pune. Taloja and Roha. The inorganic chemicals are produced in Gujarat, while organic and fine & speciality chemicals are produced at the other facilities. One of the facilities is devoted to hydrogenation and reductive calculation. In inorganic chemicals, the major products manufactured include nitrites, nitrates, blowing agents, hydroxyl amine derivatives and guanidine nitrate, while in organic chemicals the major products include nitrochlorobenzenes, nitrotoluenes, tolu-idines, DEMAP, resorcinol, xylicidines and

cumidines. While the company's main strengths are in nitration, chlorination and hydrogenation, DNL also has the technical capabilities to carry out many other reactions at its plants.

Growing through acquisitions



DNL immensely benefited by acquiring companies whose product lines complemented its own. In 1984, it acquired Sahayadri Dyestuffs & Chemicals Division. Located at Vithalwadi, Pune, this division today produces a whole range of innovative intermediates for colourants and imaging chemicals. This expansion in product line has resulted in the company progressing to become a global supplier of advanced colourant intermediates and a major contributor to DNL's export turnover. In 2000, DNL acquired Aryan Pesticides Ltd., an agrochemicals

specialities company, located at Roha in Maharashtra to boost its speciality chemicals business. Aryan is India's largest producer of p-cumidine and the only manufacturer of xylidines in the country. The acquisition brought about synergy in three areas: inputs, as Aryan was DNL's largest customer for nitrochlorobenzene; in the extension of DNL's technology with Aryan's three speciality products supplementing DNL's existing intermediates range of six products; and in international customers, as Aryan was a supplier to many of DNL's customers.

Investing in research

R&D has been an integral part of DNL's growth. In 2003-04, DNL spent over Rs. 300 lakhs on its R&D activities, which constitutes around 1% of its turnover. Many of its products have been developed at its central R&D facility at Pune. the Deepak Research & Development Foundation (DRDF). Approved by the Government of India, Dept. of Science & Technology, the centre is primarily engaged in research and process development for new products, as well as optimisation of the manufacturing process for existing products. Situated at Pune, it encompasses a sophisticated analytical laboratory and facilities for testing new technologies and new products.

The Centre works in close association with reputed universities and research institutes of The company's strengths in this area include years of in-house expertise and a proven track record of innovation and indigenous development.

Going global

After crossing the Rs. 100-crore turnover mark from its international business this year the company foresees a quantum leap in export turnover through custom manufacturing for the specific needs of end-users and manufacture of high-value, speciality products, either based on its own end-products or developed especially for the user. Apart from a hike in R&D and capacity expansion, DNL has adopted a new business model for growing its international business - development of new products based on joint research programmes and eventually becoming exclusive suppliers to large companies. The

company is looking at doubling the revenue from long-term or exclusive contracts abroad to 70% of total exports. For DNL, international business has been growing at a faster rate and is considered less volatile than the domestic business. But it certainly is not ignoring the domestic market. As DNL's Managing Director, **Mr. Deepak Mehta** says, "Deepak will always be significantly large in the domestic market also. Deepak has one of the largest numbers of end-product customers. So it would be prudent to see that we are in both domestic as well as exports markets." This approach has indeed paid rich dividends to DNL in the past few years and is expected to help the company scale new heights of success in the future.