



Sanmar Engineering
35 Years in the Process of Excellence

Sanmar Engineering celebrated its 35th Anniversary on 1 July 2011.

A **press meet** was convened at Karapakkam on 29 June 2011 when Vijay Sankar and senior members of Sanmar Engineering met and briefed the representatives from the Fourth Estate, who were also taken around the Sanmar facilities at Karapakkam and Viralimalai.

The News items that featured in leading dailies are attached for your information and interest.

Sanmar expects to double revenue in 5 yrs

BS REPORTER
Chennai, 29 June

SANMAR Engineering Corporation, a group of engineering companies and steel foundries under the \$1 billion Sanmar group, is expecting a sales revenue of over Rs 3,000 crore with a compounded annual growth rate (CAGR) of 21 per cent over the next five years.

The company is looking at expanding joint ventures to add one more product in the near future. It is also investing in revamping its foundries and capacity addition in overseas facilities, according to Vijay Sankar, deputy chairman, Sanmar group.

As the company is set to complete 35 years of operations on Friday (July 1), Sankar said, "We have set a target of 21 per cent annual growth from 2011-16. There will be product diversification in the high-end of valve and engineering products and we will have one more addition to the JVs next year."

The company is also revamping its foundry business and expects to increase the capacity from 10,000 tonne to 15,000 tonnes this year. It would also add a shell line at its existing facility in US. Its overseas facilities include steel foundries Keokuk Steel Castings in Iowa (US) and Acerlan SA in Mexico.

However, he refused to reveal the investment details saying the company had passed through major investments in the recent past and that it was an ongoing process. The group has invested around Rs 800 crore in capacity building in last four to five years. It would consider raising funds if need occurs in future, he added.

With the support of a consultant, the company has identified products and services gap where it has to improve performance and would either expand one of its existing JVs or enter into new JVs to fill the gaps, he said.

(1)

Sanmar Group turns 35

M. Dinesh Varma

CHENNAI: "These are designed to fail", said the shop floor manager about the ring-shaped metal plates at The Sanmar Group's joint venture factory, the BS&B Safety Systems, in Karapakkam near Chennai.

Each time the rupture discs fail, it marks the success of the factory staff in putting together a high-end engineering device that serves as a protective barrier against extreme pressure settings in process industries much like how the circuit-breaker acts as safeguard against a voltage spike.

The rupture disc has been a critical input for Chandrayaan 1, the Bhavini fast breeder nuclear reactor at Kalpakkam and the integrated fire suppression system in battle tanks, the manager explained to a group of media-persons taken on a tour of Sanmar's facilities in Chennai and Tiruchl.

In fact, the portfolio of precision-engineered products such as the FlowServe mechanical seals coming off its Chennai plants or the Xomox-Sanmar pacific valve, or the Sanmar-Tyco safety relief valves rolling out of the Sanmar Group's foundry-factory units in Virulimalai in Tiruchl, best illustrate two key attributes of the company itself, a focus on niche products and an artful management of multiple global joint ventures.

As it turns 35 on Friday, the Sanmar Group looks to consolidate its joint venture business philosophy, strengthen its unique global delivery model.

"Coming through over three decades of successful management of multiple joint ventures, our business philosophy is now highly evolved and founded as much on trust and transparency as clear demarcation of market spaces with partners," said Vijay Sankar, Deputy Chairman, The Sanmar Group.

From a start-up founded on an investment of Rs.15 lakh, the group has grown into a \$1 billion global conglomerate with an asset base in excess of \$1.5 billion and a presence in some 25 businesses.

Sanmar's operations now spread across seven legal entities, five joint ventures and 12 business units across five locations - Karapakkam and Virulimalai in Chennai, Iowa and Houston in the U.S. and Mexico.

The company is also exploring a couple of new joint ventures that are likely to be firmed up by next year.

Apart from providing its partners a low cost source for customised high-end products, the group has established as its USP an integrated value chain linking an in-house steel foundry, manufacturing plants, machining and sales and support services, says M. N. Radhakrishnan, Chairman of Sanmar Engineering.

(2)

We will try to live up to a strong legacy: Vijay Sankar

K. T. Jagannathan

CHENNAI: Growth is important. However, profitable growth is more important than a mere growth for Vijay Sankar, the Deputy Chairman of the over Rs.1,200-crore Sanmar Engineering Corporation (SEC).

The Chennai-based Sanmar Engineering is part of the \$1 billion Sanmar Group.

In an interaction with this correspondent here on Thursday, Mr. Vijay Sankar said, "We don't believe in growth for the sake of growth". He said that "we will be very careful in choosing growth over profitability".

SEC, he said, had grown by an average 21 per cent over the last 10 years. He was confident that SEC would continue to see this level of growth over the next few years. SEC had also seen an operating margin of 25 per cent. While cautioning that the operating margin varied depending on the business, Mr. Vijay Sankar, however, said that "the structure of our profitability has not gone into too many

The remainder came from the foundry business.

The company had already ramped up capacities across units. It has its own foundry units. Initially, they served its captive requirements. Eventually, these foundries had started serving the needs of others. Today, nearly 90 per cent of production went to customer segments. The foundry business of SEC comprised its business in the U.S., a plant in Mexico and another factory at Viralmalai near Tiruchi in Tamil Nadu. They together have a combined capacity of about 60,000 tonnes a year.

Mr. Vijay Sankar claimed that SEC enjoyed "leadership position in all our businesses in India". Mechanical seals, rupture disks and steel valves were among the products SEC made. The manufacturing of these involved not just the engineering skill but also fine art, he said.

The Deputy Chairman acknowledged the immense contribution especially of his father N. Sankar to the art of

joint venture management. "He has made this joint venture management into some sort of a fine art," he said. On the influence of the joint venture partners on SEC, he said, "it has always been only positive". He felt that the core philosophy of joint venture was relevant even today. "We would not have access to these critical products without these joint ventures," he acknowledged. "They were sold on their brand names, history and trust," he said. He felt that even today it would be difficult for Indian companies to access critical products without such joint venture arrangements. SEC, he said, offered them comfort in terms of management bandwidth, relationship with customers and direct sale experience. "Our partners feel that India is the hottest of the hot markets and best place to make products," he said. "Our understanding of the Indian process industry and our relationship with customers will keep us in good stead," he added. He justified the acqui-

sition of foundries in the U.S. and Mexico. He admitted that many foundries in the U.S. had in the past moved to India and China for assorted reasons. This saw many customers going through pain. "This model won't work any longer," he felt. "Certain castings need to be made closer to where the customers are," he said. Both these foundries were profitable, he said. These acquisitions were the result of recommendations of an outside consultant. SEC, he said, could be introducing a few more products to fill the gap in its offering. This will happen through more joint ventures," he added. SEC, he said, was focussed on the higher-end of the process control industry. This was a small and niche market. Any foray into non-niche areas depended on industry needs, regulatory compulsions and machining standards, he said.

"We have a strong legacy. That is the fortunate part of us. The difficult part for us will be to live up to it," summed up Mr. Vijay Sankar.



Vijay Sankar

Viralimalalai Emerging as Workshop of The World

C Shivakumar/ENS

Viralimalalai: As the engines hum and metals clank, the Viralimalalai plant of Sanmar Group looks more like a global engineering hub as workers and engineers tirelessly toil to meet the deadline of global customers.

"We have grown in the last 35 years from a ₹20-lakh company to ₹1,200-crore company and expect to reach ₹1,600-crore sales this year," says Vijay Sankar, deputy chairman of Sanmar Group, a synergistically integrated collection of engineering companies and steel foundries.

Located on the Madurai National Highway, the plant is bustling with activity as orders have poured in from various parts across the globe. These include valves for power plants, rupture disks for nuclear plants, safety relief valves for refineries besides automobile components for global majors.

The success of Sanmar lies in the joint ventures or so-called "marriages" with the global leaders, says Vijay, adding that there had been "divorces" too, but then they were not the bitter ones.

After the company started production on July 1, 1976,



MOVERS AND SHAKERS: Vijay Sankar, deputy chairman of Sanmar Group along with M N Radhakrishnan addressing the press at the Karapakam plant in the city | Express

als and Sanmar Engineering services. It also has seven legal entities and 12 business units in five locations of the world. These include Iowa, Houston and Mexico in North America, Karapakam and Viralimalalai in Tamil Nadu.

The firm has provided rupture disks to the Bhavini reactor besides the liquid sodium pump which was for the first time made in India, said Shekhar Shroff, engineering director of Sanmar Engineering Corporation. "We also meet the requirements of Caterpillar which has plants both in India and

ucts, he says.

The steel foundry of the company has a unique on-shore offshore business model as it has sustained long-term customer relationships due to flexible and multi-location business model besides global delivery model where 30-40 per cent casting requirements are sourced locally.

"Sanmar has set a target of 21 per cent growth over the next five years to become Rs 3,500 crore company and we vow to continue to work towards a system based on trust and transparency," says Vijay.

Sanmar may tap mkt for expansion

TIMES NEWS NETWORK

Chennai: Sanmar Engineering, a Sanmar Group firm, said it is scouting for partners to diversify into high pressure engineering valves business and the nuclear sector. "We would like to fill this gap with a couple of joint ventures," says Vijay Sankar, deputy chairman of The Sanmar Group.

"We have catered to the requirements of this (nuclear) space in the past. With this sector opening up, it presents a huge opportunity," said Sankar, adding that the company is not averse to tapping the market to fund the expansion.

"Till date, our expansion has largely been met through ploughing back profits, internal accruals and debt. While these sources are cheaper forms of finance, if the need arises, we are open to raising capital from outside," said Sankar.

The engineering division clocked a turnover of Rs 1,225 crore last year, of which the foundry business accounted for Rs 750 crore.

Sankar said the company is eyeing a 20% compounded annual growth rate for the next five years.

The engineering company is looking to close its books with Rs 1,500 crore in turnover this year.

Sanmar Engineering, which has completed 35 years, has five joint ventures and 12 business units spread in five locations across the globe.

On the Rs 254-crore debt restructuring of TCI Sanmar Chemicals, Sankar said the company is in talks with banks. A consortium of banks led by Bank of India had advanced around \$565 million to fund an Egyptian acquisition. The group had acquired Trust Chemicals in Port Said in 2007 so that Sanmar could ship raw materials from Port Said to its plant in Cuddalore, Tamil Nadu. While banks have asked for a corporate guarantee, Sankar says this is a non-recourse loan with a small element of guarantee. "When it comes to repayments, we have a track record of zero defaults," he said.

Foundry biz to drive Sanmar

DC CORRESPONDENT

CHENNAI

June 30: Sanmar Engineering Corporation, part of the \$1 billion Sanmar Group of Chennai, is betting big on steel foundry business to drive its growth.

The company is targeting a 30 per cent growth in revenue this year to touch ₹1,500 crore following ramping up of its foundry capacities. In fact, the company is also scouting for a couple of JV partners to increase its product offerings.

"We are looking to expand 1-2 JVs in the areas of high pressure safety valves used in instrumentation and process control, engineering by next year to fill the gap," said Mr Vijay Sankar, deputy chairman, Sanmar group.

The ₹1,225-crore Sanmar Engineering is a collection of engineering companies making valves and steel castings and steel foundries, with the foundry business accounting for over ₹700 crore.

"We have invested close to ₹800 crore in the last five years in the foundry business as we see a big opportunities in Indian refinery, petrochemicals and power plants," he added. It is also revamping its foundry business which presently has a total capacity of 60,000 tonne, including two units in the US, one in Mexico and one in Tamil Nadu. Commenting on the company's recent exit from automotive-centric iron foundry business, Mr Vijay said, "We took this decision when opportunities to acquire steel foundries that fitted our core business strategy came up."

Sanmar plans niche offerings to fuel growth

G BALACHANDAR

Tiruchi

AFTER exiting a few ventures and ramping up capacity in its core businesses, Sanmar Engineering, a diversified manufacturer of critical equipment and steel castings, seeks to sustain its strong double digit margin levels over the next five years, as it bets on 21 per cent top line CAGR (compounded annual growth rate) during the period on account of favourable growth outlook in its business segments.

The Rs 1,225 crore company, part of the Chennai-based \$1 billion industrial conglomerate Sanmar group, has been engaged in manufacture of a host of process equipment as niche product offerings in the country through a collection of engineering companies and steel foundries. The company, which has seven legal entities and five joint ventures, has tied up with Flowserve, BS & B Safety Systems, Tyco and Xomox, who are world leaders in their chosen field.

"Sanmar Engineering is a complex business and scale doesn't come easily as our products are application-critical at customers' end," Vijay Sankar, vice-chairman of Sanmar group, said. It offers niche, specification-driven and high margin products for the sectors such as oil & gas, refineries, petrochemicals, power, process and defence.

As the sectors that it address are expected to attract more investments, the company hopes to sustain the 21 per cent top line in CAGR to achieve the revenues of over about Rs 1,500 crore by the



Scaling up

■ The company hopes to achieve revenues of about Rs 1,500 crore by the end FY12

■ Sanmar Engineering plans to introduce more products via JVs to fill the gap in its offering

■ The firm is targeting ebitda margins of 22-25 per cent during the period 2012 to 2016

end of this financial year and over Rs 3,000 crore by 2016. "We are targeting ebitda margins of 22-25 per cent during this period," he added.

To support its growth in the coming years, the company has ramped up the capacities across units. It has its own foundry units that were initially set up for captive requirements. Eventually foundries have started serving the needs outside the group and presently about 90 per cent of production goes to customer segments. Meanwhile, the company exited auto iron foundries business recently citing strategic reasons.

(This correspondent's trip to Tiruchi was sponsored by the company)

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Trust, transparency drive growth of Sanmar Engineering: chairman

Special Correspondent

CHENNAI: It is trust and transparency rather than contractual agreements that has driven the growth of global joint ventures of Sanmar Engineering, N. Sankar, Chairman, The Sanmar Group, said on Friday.

Addressing past and serving employees, representatives of joint venture partnerships and a cross-section of loyal clients at the 35th anniversary celebrations of Sanmar Engineering, Mr. Sankar said the joint venture philosophy followed by the company had resulted in long-standing relationships based on openness and understanding and trust and transparency rather than legal agreements.



N. Sankar, Chairman, The Sanmar Group, delivering the commemoration address at the 35th anniversary of Sanmar Engineering in Chennai on Friday. - PHOTO: BY SPECIAL ARRANGEMENT

While the scenario since Sanmar Engineering started in 1976 with its first joint venture (Durametallic India) to make engineered mechanical seals had changed with the Indian market opening up, some of the company's long-

est serving partnerships with global leaders were still going strong, Mr. Sankar said.

One factor in Sanmar Engineering's growth story had been the "good fortune in being able to collect good people as a team," Mr. Sankar said.

Another innovation that served the company had been the Direct Selling workforce and robust customer support, he said.

Several senior leaders from Sanmar's joint venture partners overseas expressed optimism about carrying forward what had been a successful partnership.

Max Mitchell, COO, Crane Co., US, stressed the need to celebrate the past which invariably guided the future. He handed over a cheque for \$ 5000 to N. Kumar, vice-chairman, Sanmar Group as aid for the Madhuram Narayan Centre For Exceptional Children.

Vijay Sankar, Deputy Chairman, The Sanmar Group, and M.N. Radhakrishnan, Chairman, Sanmar Engineering also participated.

Sanmar Engg keen on joint ventures in niche applications

Our Bureau

Chennai, July 1

Sanmar Engineering Corporation, a clutch of joint ventures of the Sanmar group with various partners, is looking to sew a couple of more joint ventures in niche engineering applications this year.

Sanmar Engineering's operating philosophy hinges on forming joint ventures, usually with world leaders, in niche areas. Today, there are five joint ventures under Sanmar Engineering — with Flowserve, BS&B, Xomox, Tyco and Pacific Valves — each of whom are specialists in their areas. These joint ventures manufacture specialised engineering products such as mechanical seals, rupture disks and a variety of valves.

Now, Sanmar Engineering, which is celebrating its 35th anniversary, wants more such partnerships.

Emphasising on the joint-venture philosophy, despite a



Mr Vijay Sankar

few ending in a divorce, Mr Vijay Sankar, Deputy Chairman, Sanmar Group, points out that even in those cases the parting has been amicable. "Today, we have five joint ventures and are looking at one-two more this year. We have identified certain niche applications and gaps in our offerings."

Mr Sankar refused to give more details.

Apart from engineering products, Sanmar also manufactures steel castings at its wholly-owned steel foundry in Viralimalai (near Tiruchapalli). It also has foundries in the US and Mexico.

The joint ventures cater to a wide range of industries such as oil & gas, nuclear, petrochemicals, power, pharma and metals. Its clients include Caterpillar, GE, Siemens, Bombardier, Indian Oil, Essar, ONGC and Punj Llyod.

Last year, Sanmar Engineering clocked sales of Rs 1,225 crore, with the foundry business accounting for Rs 750 crore. This year, the company hopes to achieve Rs 1,500-1,600 crore.

Business from within India is around Rs 350 crore. "We see strong growth demand in the domestic market going forward. We see a big opportunity in nuclear plants — we are watching how the regulations play out," said Mr Sankar.

PVC PLANT IN EGYPT

Sanmar Group company, TCI Sanmar Chemicals, is optimistic about Egypt and hopes to start operations at its PVC

plant in the country soon.

Sanmar had acquired Egypt-based Trust Chemicals Industries (TCI) in 2007 for \$300 million and renamed it TCI Sanmar Chemicals. Following the political unrest in Egypt, TCI Sanmar shut its caustic soda plant in January this year. The plant was reopened in March.

Mr Vijay Sankar, Deputy Chairman, Sanmar Group, said, "Operations in Egypt continue. There were issues with the revolution, but Egypt is recovering strongly. We are optimistic about Egypt. We hope to have our 200,000-tonne capacity PVC plant operational soon. We will commission one line of our project this year."

The company has incurred debt but Mr Sankar is hopeful of resolving the issue. "Debt restructure talks are on; I am sure the banks will help us as we have not had a single default so far."

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CHENNAI

Sanmar Engg Turns 35

Sanmar Engineering, a part of The Sanmar Group, which turned 35 on Friday, made a resolve to make its future journey more meaningful and rewarding in the comity of business circles. A diversified manufacturer of highly engineered products serving the process industry in India and abroad, Sanmar Engineering offers a wide range of critical products that enhance industrial efficiency and safety in various industries

Sanmar aims to tap nuclear sector

R Ravichandran

Chennai, Jul 2: Sanmar Engineering, part of the \$1-billion diversified Sanmar group, is keen on tapping the nuclear and power sectors in India for its specialised valves and engineered products. The company, which has major customers across oil, petrochemicals, power, nuclear and electricals, across the globe, is looking at a compounded annual growth rate of 21% over the next five years with an EBITDA margin of 20% during the said period, said Vijay Sankar, vice-chairman, Sanmar group.

The company, which has five joint ventures with world leaders like Flowserve, BS-B, Xomox, Tyco and KV for specialised valves and processing products for around three decades, is keen on a few more joint ventures with global majors for specialised and high-end valves manufacturing, he said. Elaborating about the company's growth strategy, Sankar said: "We are considered to be one among a few in India to run successful joint ventures with foreign majors. We are not in the mass market. We have been focusing on specialised products for niche segments. We are market leaders in most of the segments where we operate. Out of our total sales, nearly 70% is being sold in the overseas markets."

"We have huge cost advantage and has been placed in a better position than others as Sanmar Engineering pos-

sesses the integrated value chain and manufacturing capabilities. To meet our own demands and to supply the global majors, we have three steel casting foundry plants across three plants in Tamil Nadu, Mexico and the US. We source the entire raw material from our own foundries and manufacture and sell through our own network in the domestic market and through joint venture partners abroad," Sankar maintained. "We have taken a strategic decision to move out of auto casting products to focus mainly on specialised valves and engineering products to tap the power, oil, petrochemical, industrial and nuclear segments. With the opening up of nuclear industry in India for private participation in collaboration with foreign partners, Sanmar Engineering stands to benefit immensely as we have been in this field in a smaller way now. We will develop specialised products to meet the demand and as and when the sector opens to private participation. We are set to play a major role," he said further.

According to him, Sanmar runs the largest steel foundry in single location at Trichy in Tamil Nadu with an annual capacity of 30,000 tonne. "We are running at 60% now. With new orders from new customers coupled with huge existing customer base, we will ramp up the production and will attain full capacity in Trichy," he said.



R.S. Kumar/Mint

Investment plans: Sanmar's deputy chairman Vijay Sankar says the group may invest ₹80-100 cr each year.

VIJAY SANKAR/SANMAR GROUP

Sanmar may go public in future to fund expansion

By VIDYA PADMANABHAN
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CHENNAI

The family-owned Sanmar Group may consider selling shares for the first time to fund growth of its nearly \$1 billion (around ₹4,400 crore) chemicals, engineering and shipping businesses, group deputy chairman Vijay Sankar said. This could be an uphill task for the 35-year-old Chennai-based group, which failed to meet its forecast to triple revenue to \$1.3 billion by 2009 following a capital-spending spree in 2007.

In an interview, Sankar talks about Sanmar's international business, its share sale and investment plans, and why it has put the brakes on further diversification. Edited excerpts:

Your Egyptian caustic soda plant had to come to a standstill for a month following political unrest there, and you hived off the Ger-

mint INTERVIEW

man iron foundry business you acquired in 2007. Where do you think the group stands today?

We don't see them as major roadblocks because in the case of Egypt, we were actually happy because it was only a month's closure. The German iron foundry business exit wasn't really a roadblock. Five years ago, when we bought the foundry (which serves the auto component sector), it was the first time Indian companies were allowed to invest abroad. The group had surplus cash, and we were looking for acquisition opportunities. But then, we realized later that the auto component sector is very different from what we're used to in our engineering business and in our foundry business.

Does that experience mean you may not diversify in the future?

Our core areas are engineer-

ing, chemicals and shipping, which itself is very large. There is no constraint for growth in these three areas. And we are in the Indian market. India is facing a growth of 10-15% at least in the next 10-15 years. We have to just keep up with that growth. So we don't see any need to look outside these areas in the future, at least in the medium term.

In 2007, you embarked on a major expansion effort—you announced a plan to reach \$1.3 billion in revenue by 2009—that didn't happen, did it?

By March 2011, actually we reached ₹4,200 crore (\$942 million). For the current year, we have a target of 15-20% overall growth, a lot of it coming from our engineering business.

The chemical company you call your flagship company, Chemplast Sanmar, has had three consecutive years of losses. Do you see that changing this year?

A lot of it is not in our hands. A lot of it is oil prices and other fac-

tors. As I said, we're bringing on-stream our Egyptian plant this year. It depends on how the commissioning goes and how the product prices hold up. But certainly it has recovered from the earlier year.

In the last few years, Chemplast Sanmar had to face legal challenges based on environmental regulations to a coal-fired power plant in Mettur and a PVC plant in Cuddalore. Though both are functional today, there were major delays in their commissioning. What is your response to criticism on environmental grounds?

Our group philosophy has always been to be 100% in compliance with law as well as ahead of regulations as far as the environment goes. For example, in Mettur, we're the only caustic soda plant in the country—there are about 20-30 in the country—we are the only one which has got a second level failure protection if there is a power shut-off, if the backup shuts off, we have something that traps chlorine, and prevents it from leaking. Nobody else has it. These don't get spoken about.

Then how do you account for the criticism?

A lot of it is just noise. This is just a belief—but there are a lot of motivated elements who are not fully educated in these matters. Our doors are open—anybody can come in and see what we are doing. We believe that we've got the best standards which are comparable to nobody else in the state.

What are your investment plans?

In the last five years, we've invested about ₹800 crore in our engineering business. And we see, based on current plans, about ₹80-100 crore per year in terms of investment going forward as well.

What are your sources of capital?

We've always looked at three sources. One is Sanmar's own equity—for example, in our foundry business, we ourselves have put in a lot of equity; internal accruals; and the third is debt. In future, with this growth coming up, we may have to look at going public.

At 35, Sanmar Group Banks on Engineering

Its listed chemicals business might not be doing too well. But the Chennai-based Sanmar Group is proud of its "crown jewel" - its engineering business, built on the back of numerous joint ventures with multinational companies and its own expertise in direct marketing. This division, dealing with such items as sealing devices, rupture disks and valves, seems set to drive the group's future. **ET** met with **Vijay Sankar**, the group's Deputy Chairman, and **MN Radhakrishnan**, who heads Sanmar Engineering. Excerpts:

Can you throw light on Sanmar's engineering business?

Vijay Sankar: It has been a private business and not very well known in the public domain. This year, we are celebrating the 35th anniversary. It's rare to have so many equity joint ventures as we have had. In the last ten years, we have grown at 20-21%, and are looking to keep that pace. For 2011-12, we should be around ₹1,600 crore - a little over a third in growth. Most importantly, we have always been profitable.

What do you look for when choosing JV partners?

Vijay Sankar: We chose our partners with a conscious perspective of them being number one or two globally. **Radhakrishnan:** When the Indian market took off, the JVs also took off. And our early presence of direct marketing was replicated in every product line.

Recent, we have seen how in Indian-MNC JVs, the foreign player wants to become the dominant player as he has the technology. Have you had any such cases?

Vijay Sankar: What you are talking about is very situational. We have at least 10-15 JVs where we have bought the partners out or they have bought us out. Circumstances vary. For example, even last year we exited a JV in our engineering business, only because the partner had a large Indian presence and wanted to grow further in the Indian market. Those kinds of discussions keep happening. Ultimately it's a question of what is best for the business.

You typically enter joint ventures with a 50:50 setup?

Vijay Sankar: In most of our JVs, we are in majority. We are 51 or 60%. But there are 50:50 JVs. We treat our

needed new technology and products. Going forward in the next 15 years we will see lot more of these JVs but with a different objective - to exploit India as low-cost source for manufacturing and produce products here. The Indian engineers can do enormous value addition.

How do you manage costs?

Radhakrishnan: I am not going to be cost-effective if my manufacturing isn't world class. If a product is made in 20 minutes, we can set up the same process in India to do it in 20 minutes. But the Indian labour cost is a tenth, so you have the advantage. Steel casting, unlike the automotive business, is manpower intensive. Steel scrap all over the world has a uniform price. The way you put in the 30 hours or 60 hours is what gives you the advantage.

In the US, it's nothing for him to lift a 10-tonne casting. In India, we hesitate a little. Those cultural changes matter. Some casting I do in Iowa, US. I have to pay \$22 an hour as wages. They take about 40-50 man hours. In Mexico, they take about 80-90 man hours but then the wage is around \$4-5 an hour. In India, it takes 200

man hours but we pay about \$1 per hour. Our idea is to improve Mexico to 40 man hours, India to 80. So, even if customers feel it is costly, we can move things. It's an offshore-onshore model we are building.

Is China a country you could look at in the future as a manufacturing base?

Vijay Sankar: Down the road, yes. Today it's a different market and we are not ready to go there. Because, in discrete manufacturing, in which we have a strong advantage, there's a need for lots of interaction with the customers. The person needs to know a high level of English. For every casting, there can be 23 interpretations or 23 emails, phone conversations back-and-forth before they freeze on one spec or one sample. For that, India has its advantages. Also from the intellectual property perspective, India is a lot better than China.

Will the group continue to maintain its policy of measured growth?

Vijay Sankar: For the group of our size, we have invested ₹4,000-5,000 crore in the last five-six years. The amount significantly higher than others in similar businesses.



If a product is made in 20 minutes, we can set up the same process in India to do it in 20 minutes. But the Indian labour cost is a tenth, so you have the advantage

VIJAY SANKAR
Deputy Chairman,
Sanmar Group

partners equally. The percentage of shareholding determines who gets what share of the dividend. Our agreements are very clear about what each partner has to contribute. And the geographical details are also explained. For example, we don't sell outside India and our partners don't sell in India.

Radhakrishnan: In the '70s and '80s, we had JVs because the Indian market