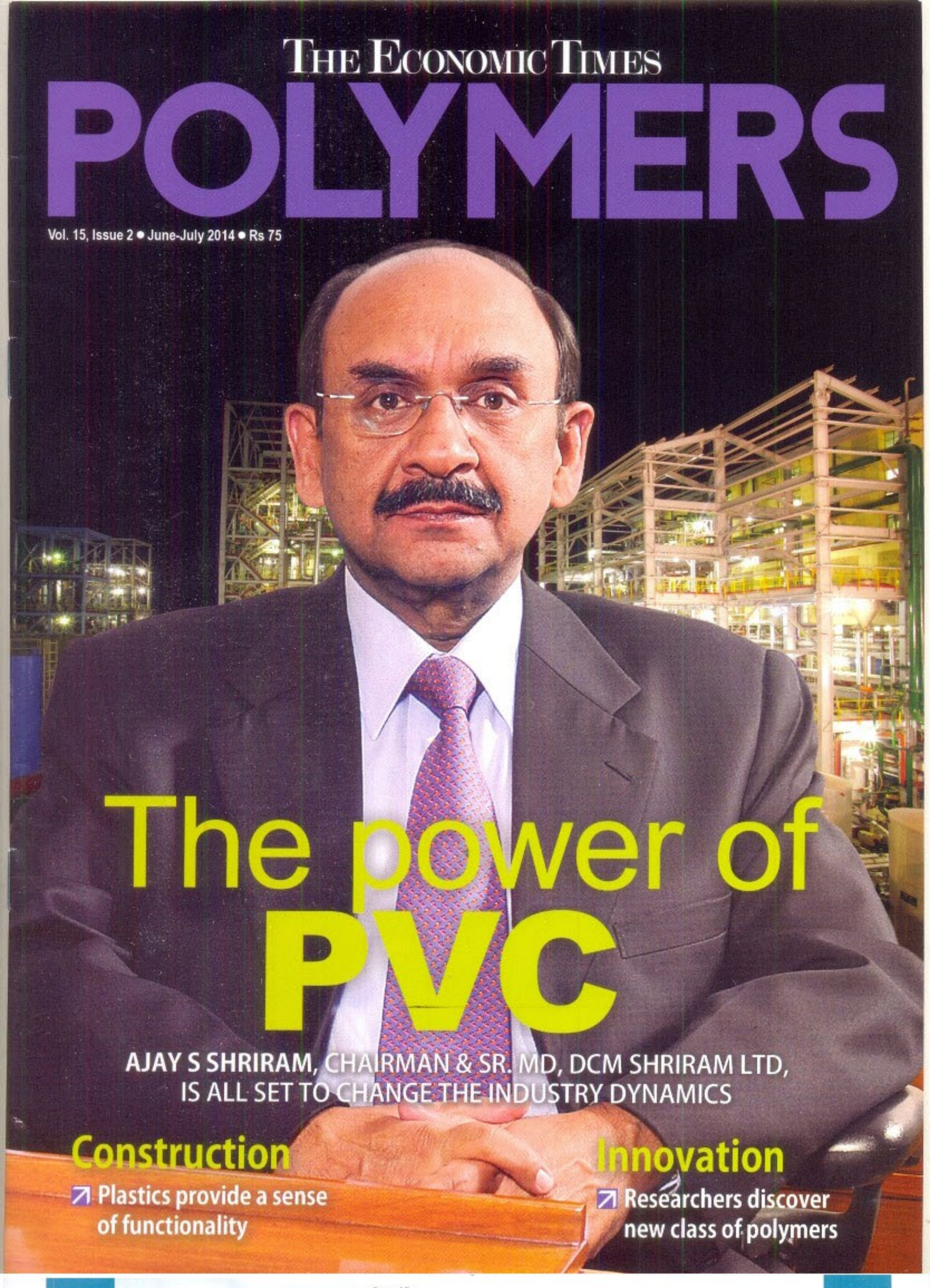
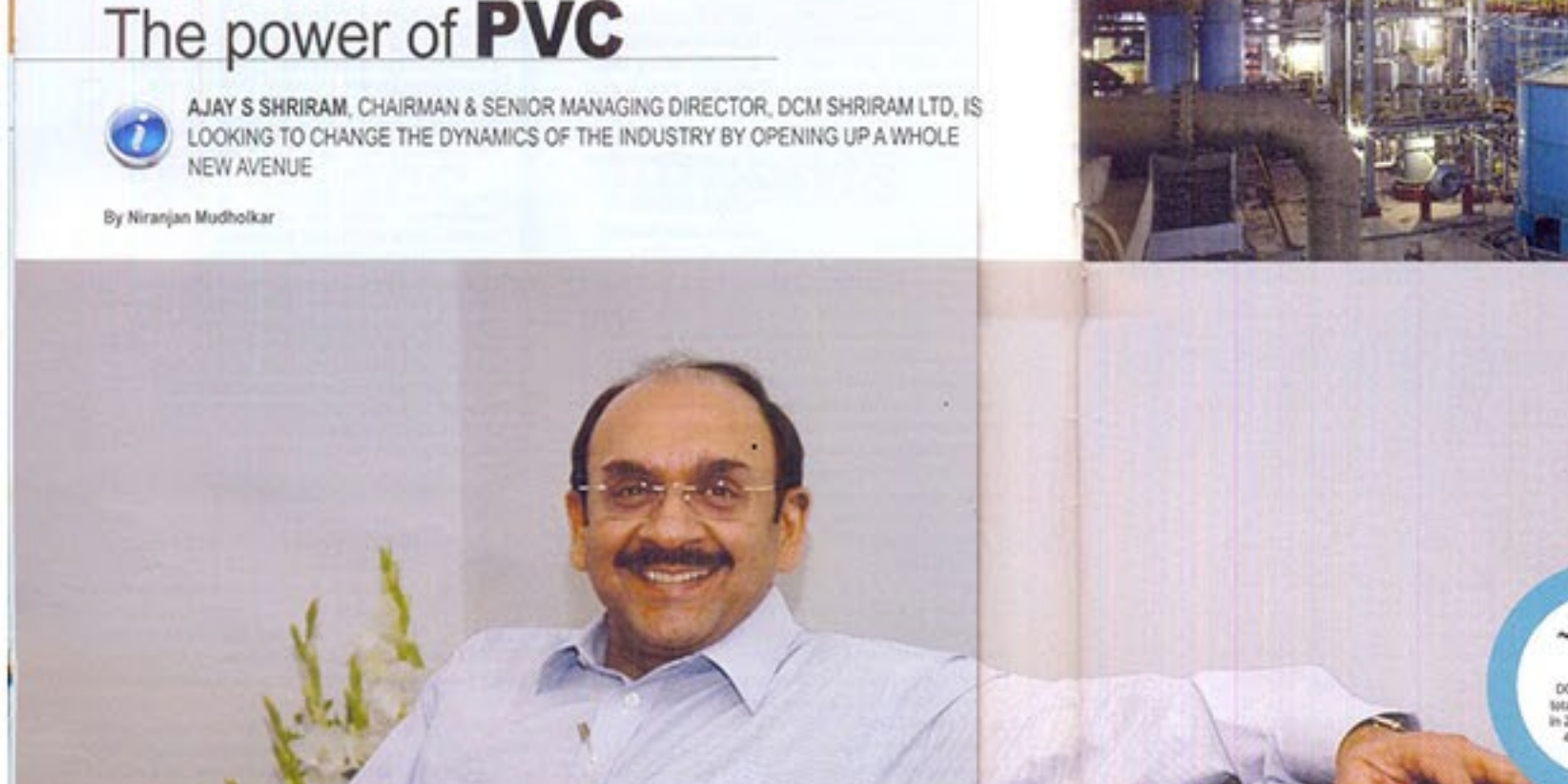


Powered By **Rollepaal** solutions in pipe extrusion

The power of PVC

AJAY S SHRIRAM, CHAIRMAN & SENIOR MANAGING DIRECTOR, DCM SHRIRAM LTD, IS LOOKING TO CHANGE THE DYNAMICS OF THE INDUSTRY BY OPENING UP A WHOLE NEW AVENUE

By Niranjan Mudholkar



DCM Shriram's Kota facility is an integrated complex.

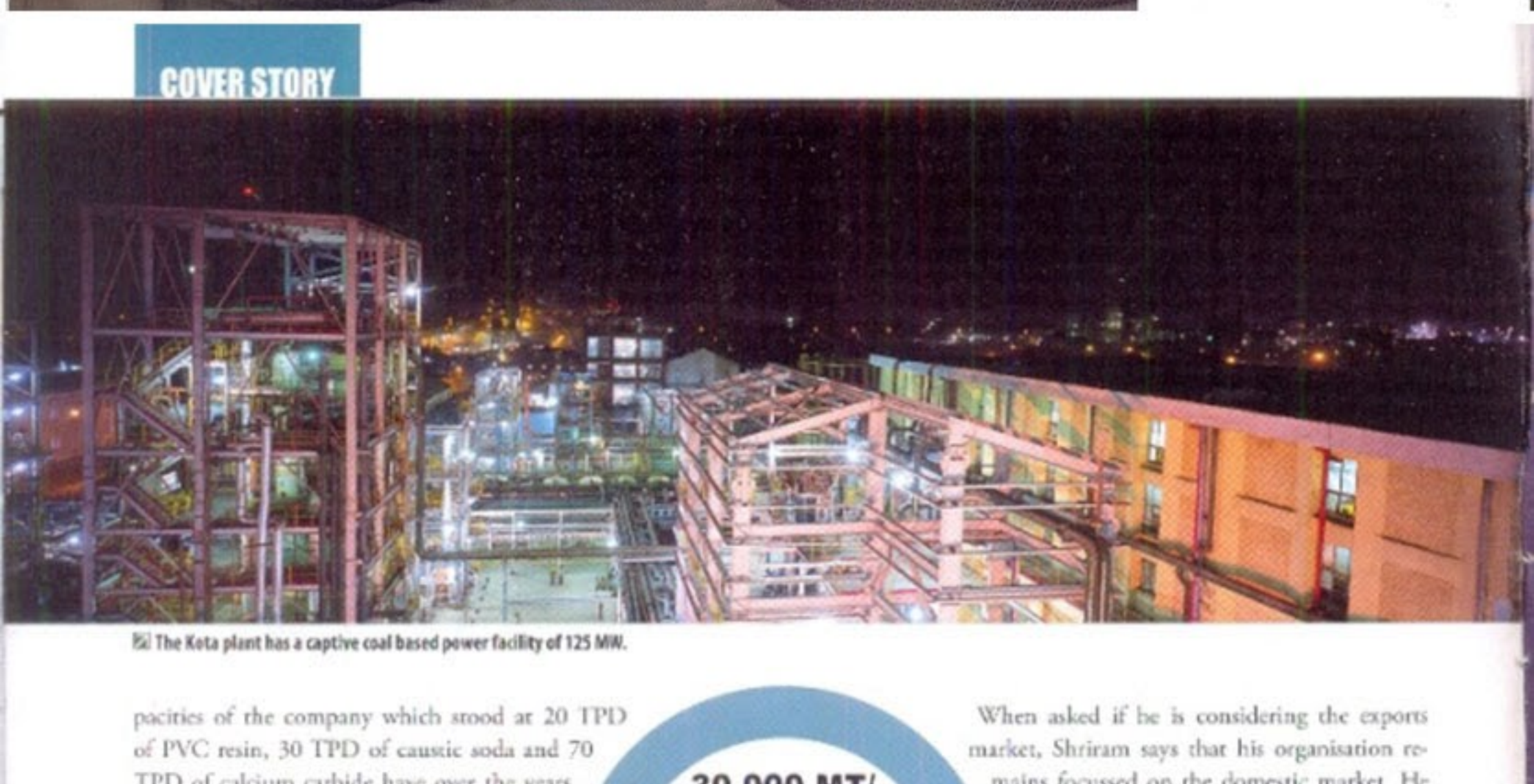
It was in early 20th century when Polyvinyl Chloride or PVC, one of the most versatile of the bulk polymers was commercially launched. A few decades after that launch, under the leadership of Sir Shri Ram, the DCM Group started its operations with an integrated chlor / vinyl complex at Kota in 1963-64. Such an integrated facility was far ahead of its times in the chemicals industry. And Ajay S Shriram, the man who inherited this legacy, has not only grown his business manifold but is also opening up new avenues for the development of the industry at large.

~55,000 MT
DCM Shriram Ltd's total PVC production in 2013-14 as against 49,000 MT in the previous year.

DCM Shriram Ltd, a spin-off from the trifurcation of the erstwhile DCM Group, started its independent journey in 1990 under the leadership of Ajay Shriram. Today, it is a leading business conglomerate having a group turnover in excess of Rs6,400 crore and with significant presence in diverse fields. Of course, Shriram passionately follows the principles established by the founding father of the business. "Our Company has always believed in doing business which will ensure accountability and transparency in all its activities. Hence, it has always been focused on maintaining the highest standards of corporate governance," he says. While DCM Shriram has strong presence across a wide range of sectors like fertilisers, sugar and cement, due to the nature of this publication, we will confine our focus only on the PVC business.

A look at the enhanced capacities of the manufacturing plant at Kota also tells a story of well planned growth. The initial ca-

> The Indian PVC industry has been built around pipes and fittings industry. Our JV with Axiall is strategically placed to create new applications for this industry in terms of rigid applications.



The Kota plant has a captive coal based power facility of 125 MW.

pacities of the company which stood at 20 TPD of PVC resin, 30 TPD of caustic soda and 70 TPD of calcium carbide have over the years expanded substantially. The production capability of PVC resin now stands at 200 TPD and of calcium carbide at 340 TPD. "We have also become one of the largest manufacturers in chlor-alkali industry with manufacturing facilities at Kota (Rajasthan) and Bharuch (Gujarat) with a total capacity of 765 TPD," Shriram shares. Similarly the PVC compounding business which was started in 1964 is now a sizable business being the largest in the organised sector in India with capacity of 30,000 MT/annum.

30,000 MT/annum
Capacity of the PVC compounding business, which makes it the largest in the organised sector. The business is likely to be further enhanced through the JV with Axiall Corporation USA.

When asked if he is considering the exports market, Shriram says that his organisation remains focussed on the domestic market. He has his logic: "We have a small capacity as far as some of the other PVC manufacturers are concerned. We focus on meeting the requirement of our natural marketing zones in Rajasthan, UP, Delhi, Haryana, Punjab, Gujarat and MP. India being a net importer of PVC Resin, the export of PVC at this point of time is not viable."

New chapter of growth

DCM Shriram Ltd has recently formed a new joint venture with Axiall Corporation of US and Shriram believes this will be a game changer not just for his organisation but also for the Indian industry. Axiall Corporation has one of the largest merchant PVC compounding businesses in America along with other chemicals and speciality products while DCM Shriram Ltd has been a leader in the PVC compounding business in India. "This JV - Shriram Axiall Pvt. Ltd - will be an ideal collaboration between the two partners. Axiall shall provide world class technology while DCM Shriram shall manufacture and provide ready access to the Indian markets to the JV Company."

Shriram has a strong reason for his belief in the potential success of the new JV and its impact on the market. "The Indian PVC industry over the last 50 years has been built around pipes and fittings industry which constitutes around 70 percent of the total volume of PVC resin consumption in India. The JV is strategically placed in the Indian market place, where it will strive to create new applications for the Indian PVC industry in the rigid space as Axiall has a very large share of rigid applications in its portfolio in the American market place. Shriram Axiall will be in a position to lead the PVC industry with new offerings and is set to provide the customers with alternatives to high end engineering polymers with vinyl compounds, which offer performance with cost savings."

This partnership equips the JV Company with rich knowledge in the field of PVC compounding, techniques and methodology

Meet the man

Ajay S Shriram, the Chairman and Senior MD of DCM Shriram Ltd, is also the President of Confederation of Indian Industry (CII) for 2014-15.

Post his schooling from The Doon School, Dehradun (India), he obtained a Bachelor's degree in Commerce from Sydenham College, Mumbai. Shriram attended various training and management development programmes in India as well as overseas and participated in the 'Programme for Management Development' at the Harvard Business School, Boston, US. He is also the Chairman of the Governing Body of Shri Ram College of Commerce (SRCC) and a Trustee of SOS Children Villages of India. Apart from being the Chairman or member of various committees in CII in the past, he has also held various other important positions both in India and abroad.

Shriram has been recently honoured with the 'Life Time Achievement Award' for his contribution to the vinyl industry by the Chemicals & Petrochemicals Manufacturers Association (CPMA).

> Pragmatic, long term policy making and implementation needs to overshadow the populist mode of governance. There is need to incentivise the business environment while following good governance norms.

for application and product development. This collaboration is set to provide the vinyl industry with a bouquet of applications by broadening the product portfolio and offering innovative solutions to the customers.

Of course, Shriram is not new to successful diversification. DCM Shriram's group company named Fenesta Building Systems is today India's largest UPVC windows and doors solutions provider. Fenesta derives its success from being present in the entire value chain starting from design, extrusion of UPVC Profiles, and fabrication to installation of windows at the customer's site.

Integrated facility

One of the biggest strengths of DCM Shriram Ltd is its integrated manufacturing complex at Kota. This complex manufactures a wide range of products including urea fertiliser, caustic soda, chlorine/ hydrochloric acid, PVC resin, calcium carbide, cement, PVC compounds and UPVC profiles. "We also have a captive coal based power facility of 125 MW at Kota which supplies power to all the products which get manufactured at this integrated complex," informs Shriram.

Overall, DCM Shriram has well defined processes in all its manufacturing facilities. Continuous improvements are made through global benchmarking, TQM, TPM, etc. There is a strong and proactive focus on safety, health and environment. For example, the Kota complex is certified for ISO 9001, 14001 and OHSAS 18001 for its effective quality, environment, and occupational health and safety management systems. It has also been awarded five star certificates by British Safety Council for its effective safety systems.

Focus on people

DCM Shriram runs a well-defined programme for upgrading skills and competencies of its employees to improve their effectiveness. This has dual objectives: Addressing their existing roles

The Kota Complex is uniquely integrated. For example, the chlorine produced at the chlor-alkali plant is largely used in the manufacture of PVC resin and balance sold as chlorine gas.

The calcium carbide produced in the carbide plant is largely used as the key input in the manufacture of PVC Resin while the balance carbide is sold in the market.

and responsibilities, and readying them to deal with future challenges and growth. The organisation's growth has also created a fairly institutionalised training and development system. Training sessions on technical, functional and behavioural skills are conducted, both in house and by external agencies, and professional training consultants.

> We have also become one of the largest manufacturers in chlor-alkali industry with manufacturing facilities at Kota and Bharuch having a total capacity of 765 TPD.

At the same time, there exists a structured approach to the identification and grooming of internal talent existing in the organisation. Individuals are identified based on a robust performance and potential assessment process, along with an Individual Development Program / Centre which is run by an external consultant. This is then followed up by a structured process of a customised Individual Development Plan (IDP) so that the individuals could then be put on various Career and Succession tracks. The Company has also put in place a structured Senior Management Development Plan (SMDP). The SMDP encompasses coaching, training and other related programs as per the individual needs.

Strategy of synergy

Shriram's key to success has been creating an organisation that's

Innovative Polymer Application Centre (iPAC)

With strong focus on innovation, Shriram Axiall has an 'Innovative Polymer Application Centre (iPAC), an application and product development facility. Shriram says the iPAC is one of its kind in India and is fully equipped with world class equipment. "This iPAC has placed several applications and products in the markets and has been a pioneer by creating several firsts in the industry."

Shriram believes that with the JV in place, this development centre will continue to create new offerings and lead the vinyl industry by offering innovative solutions. "Shriram Axiall will bring to the customers products and applications which are not today available in India. It will provide the customers with an opportunity with an alternative to manufacture the same products with PVC polymer," he says.

Expectations from the new government

"We would like the government to set a time-bound agenda for itself. Economic growth and investments have stagnated in the last few years. Bringing the economy back on growth path requires that the Government urgently addresses the pressing policy and implementation issues, brings about systemic reforms and creates a market-friendly environment to promote investments, business and entrepreneurship. Large scale infrastructural projects have to be taken up.

Boosting economic growth in India requires immediate introduction of Goods and Services Tax (GST), keeping subsidies at 1.7 per cent of GDP, easing of interest rates, fast-tracking of stalled projects and restructuring of labour laws to promote mass manufacturing. Implementation of GST alone will boost GDP by 1.5 percent to 2 percent and would bring more transparency, better revenue generation and facilitate faster movement of goods."

Pragmatic, long term policy making and implementation needs to overshadow the populist mode of governance. There is need to incentivise the business environment while following good governance norms.

Manufacturing over the last two years has been under stress and has stagnated or seen negative growth. We still have a long way to go for achieving an infrastructure environment that enables competitiveness and is world-class. Infrastructure challenges that present hurdles for industry in India are primarily focused on supply-side constraints. For example, power supply is a challenge, and so is the high cost of capital. Cooperation at the international level to generate investments for infrastructure financing would only supplement India's efforts to develop state-of-the-art infrastructure, comparable to the best in the world.

It is important to continue to invest in the people and it is important that raising the budget allocation for Education, Skills Development and Science & Technology is also a top economic agenda for the new Government.

strategically diversified and yet operationally integrated across its various businesses. The system is symbiotically connected and many of its businesses feed others, thereby lowering operation costs and making DCM Shriram a highly competitive player. For example, the Kota Complex is uniquely integrated in a manner that the chlor-alkali plant produces caustic soda / chlorine and the chlorine produced is largely used in the manufacture of PVC resin while the balance is sold as chlorine gas.

Similarly, the calcium carbide produced in the carbide plant is largely used as the key input in the manufacture of PVC resin while the balance carbide is sold in the market. The waste sludge produced during the manufacturing of calcium carbide is used in the manufacturing of cement. "PVC resin manufactured at our Kota Complex is further consumed to the extent of 25 percent in our PVC compounding and UPVC windows business while the rest is sold in the market," Shriram says.

The company is also leveraging IT to further boost its efficiencies. In a major IT initiative DCM Shriram Ltd has networked all its locations on a Wide Area Network (WAN) and has implemented SAP R/3 Enterprise Resource Package (ERP) across the Company way back in 1998. It has also recently taken a lead to implement Customer Relationship Management (CRM) and Business Information Warehouse (BIW).

> Having an integrated complex at Kota allows us to have a swing capability between PVC Resin, calcium carbide and chlorine to maximise production of the product which gives us the highest profits.

Today, DCM Shriram Ltd is amongst the most cost efficient producers of products and services in all its businesses and has been continuously striving to lower costs. It also has the unique advantage of low-cost captive power for all the major operations. Manufacturing of PVC through the calcium carbide route, which employs electric furnaces, is quite energy-intensive in nature. But DCM Shriram is able to manage this major input cost through captive power generation.

Not surprisingly, in its recently announced financial results for FY 2013-14, the chloro-vinyl segment improved earnings performance and clocked a healthy five percent revenue growth. Shriram explains: "Our chloro-vinyl segment (including PVC business) has contributed to the company's earnings growth in a big way due to relatively firm prices of PVC resin and higher production achieved in 2013-14. The total PVC production in 2013-14 was ~55,000 MT as against 49,000 MT last year." In addition, substantial cost reduction initiatives and cost restructuring have led to better margins and profitability of PVC Resin.

DCM Shriram Ltd's PVC resin business is not affected by the high feedstock costs or the crude price fluctuations that the other players in India have to deal with. "We produce PVC resin using the calcium carbide route which does not get generally affected by the cost-cycles routinely associated with the petrochemicals-route of producing the product. Further, the integrated manufacturing facility allows us to have a swing capability between PVC resin, calcium carbide and chlorine to maximise production of the product which gives us the highest profits. Besides, cost restructuring and cost reduction initiatives have been the key drivers for the improved profitability of the products," says Shriram as he signs off.