



'Shelf life products have a huge scope in India'

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Camlin is known as an ink, school material, art and colour company. One of its branch has transitioned to a fine sciences, retaining its culture of innovativeness, keenness for technology development and passion for integrating the value chain both upstream and downstream. Provider of high quality shelf life extension solutions including antioxidants, aroma ingredients and performance chemicals, Camlin Fine Sciences has been a well-known name in the antioxidant industry for more than 25 years. It caters to the demands of its end consumers by bringing innovative high-quality products to the food, pet food and animal nutrition sectors as well as pharmaceutical, agrochemical and other industries. CFS acquired some time back Dresen Quimica S.A.P.I. de C.V., Mexico, a leading player in the Mexican food and feed blends business, to cover Central America by taking 65% stakes. Ashish Dandekar, Managing Director, Camlin Fine Sciences, talked to NuFFooDS Spectrum about the acquisition and plans of the company.

Q What is the reason for investing in a Mexican company. How will it help Camlin fine sciences?

A I will give you background of our business to know the rationale behind this decision. For the last 10-15 years we have been world's largest manufacturers of anti-oxidants, mainly Tertiary Butyl Hydroquinone (TBHQ) and BHA. We have been global leaders in that. These products are like APIs. There are large formulators like Dresen who take our ingredients and blends or make formulations, which they sell to end customers in three categories, such as human food, pet food and animal food.

One of the requirements of this business is -- you have to be local. It is not possible to become the largest in the world by producing blends at Tarapur in Maharashtra and then supplying it to the world from there. You cannot do that in blends. One has to be local in blends. To be local means you have to have applications laboratory, which can give technical service to customers. You need people on the ground who can service the customers and your stock should be available in a few days' delivery time. So, for being local we acquired stakes in Dresen.



We knew Dresen Quimica as it was our customer. So, when they decided to sell, we were the first to talk to them and managed to acquire before anybody else could. With its acquisition we get benefits like turnover, market position, we get products, people, technology, infrastructure. The Central American market is well covered as Dresen is market leader in the region.

Q Which other countries does CFS have presence?

A Three years ago we decided that we need to go into forward integration otherwise we would become just a commodity. So, we had mix of acquisitions. First we set up a greenfield project in Brazil, put up a blends manufacturing plant, application lab and hired people two years ago. We also started operation in USA. So, the plan is to cover the whole world with locations in US, which is already there, Mexico for Central America, Brazil for South America, India is of course for India and South Asia and we are starting in Europe also. We already have a company in Italy. In 2011, we did backward integration and bought this company in Italy which manufactures hydroquinone, which is the starting material for most of our synthetic anti-oxidants.

Q What are your other plans in the near and distant future?

A We are now in three categories. In next 18 months we are going to focus on blends development with the structure that I have already explained. We are also into aromas. In Italy we also make another chemical catechol which is the most preferred starting material for vanilla which is the most used flavor and fragrance. But, it's all from petroleum. Natural vanilla is produced few hundred tonnes only in the world. But, vanillin holds a market of about 20,000-22,000 tonne and ethyl vanillin is another 5-7 thousand tonne. In vanilla we are planning to be big as there are only two manufacturers of catechol. First is

Solvay, which used to be called Rhodia. Solvay is world leader in vanillin and catechol. We intend to become the second producer in next two to three years.

As we have our own catechol we have the strength to make vanillin. We already have process for vanillin production and are in middle of putting up integrated hydroquinone, catechol plant in Dahej as an extension of what we have in Italy. Along with that we will produce vanillin there. We aim to invest Rs 200 to 250 crore to put up that facility.

We now have three verticals in which our business is structured to grow. First and the biggest is products having anti-oxidants strength in it, which we call shelf-life solutions business. All the formulations will come in that category. The second vertical we are growing is vanillin business and third is the industrial products of performance chemicals. We are already developing a range of value-added industrial chemicals, building on our strength of having our own catechol and hydroquinone. We are not getting into any chemistry where we do not have strength. We are focusing on the strength that we have. We are the only producer in this entire range, where we buy phenol and then everything from phenol onwards is done by us. We are looking to acquire a vanillin producer. But there are only three left in the world. So, it is difficult.

Q How do you see the global and domestic food antioxidant and ingredients market?

A Market is very large. For vanillin we are going to try and get a market share of 15 to 20% in next three years. We are looking at Rs 200-300 crore from vanillin. In the industrial products we already have a business of about Rs 150 crore approximately that we intend to double or triple in size with the addition of new products based on our strength. The strength is in diphenol chemistry, that is hydroquinone and catechol produced from phenol.



Q What new products does CFS plans to add?

A We already have TBC which is industrial antioxidant made from catechol. It goes into stabilising monomers like gutadin, rubber etc. We have a product called guaiacol which is a made from catechol again. It has two usages. It goes for making API called guai-fenesin, which is a very common ingredient in cough syrup, which is a large market, and vanillin as well. To make vanillin you have to first make guaiacol. We worked on an industrial process which is environmental friendly and low cost called vapour phase process. That we industrialised about eight months back and now with that cost benefit we are growing that business.

Q How do you see the food antioxidant market globally and in India?

A There are 2-3 patterns emerging internationally and India also will be following them or is already there. Potential for products and blends in India is huge because today it is almost zero. The challenge is in educating the consumer. Food processing is growing in India but it is still quite fragmented. Government support is there, but it should be more and more consistent. With our climate and bad logistics the need for shelf life is even more than in the west. So, the shelf life products have a huge scope in India. Thus, we are slowly going to focus on Indian market and introduce these products. With Dreasan we have a large portfolio of animal nutrition blends. That is another field that is growing.

Internationally, the base of processed foods or products in the West is very large. They are pioneers. But their growth is low. USA and Europe have the biggest market for processed food, but their growth rate is only 3% to 5% because of population limitation. So the scope for future business lies in developing economies like India, China, Latin America and parts of Asia. The present base is lower there but growth is very high. For instance our TBHQ sale in India is growing close to almost 100% every year for the last five years.

The challenge is to reach small food processors who can benefit from our products and expertise, whether in lowering the cost or improving the quality or shelf life. The biggest problem for food is that it spoils and longer shelf life is the necessity for economies like India. For that we need to build a sales team which should be techno-commercial. We need to have food technologist, animal nutritionist, veterinary doctors, who also know how to sell.

Q CFS has doubled the consolidated net profit last financial year and between FY11 and FY15 had compounded annual growth rate of 66.8%. How did you achieve that. What steps you adopted?

A This business first started as a division of parent company Camlin and then we had demerged it in 2006. That time our sale was Rs 40 to 45 crore and profit was 10-12%. Ten years later in 2016 our consolidated turnover crossed Rs 500 crore and profit percentage is improving each year.

The reason for improving the profit percentage is because first thing that I understood and learnt from my experiences, being from a joint family, in Camlin was that when you become very strong in the market you naturally tend to relax on cost control and you no longer cost efficient producer because you are the market in your class. Here I learnt a lesson. But in Camlin it was different because it was a beautiful brand that my family had built and that

brand was what the value was. Here in CFS there is no brand, it is the product.

The reason why we are improving our profit and we are still number one is because we never lose our focus that no matter how big we become we must remain the lowest cost producer. So that is the 'mantra' I keep pushing to the people. We have been continuously working in R&D to reduce the cost, improving the quality. Competition always copies, steals or innovates. The only way to remain ahead is to keep lowering the cost and integration. When we bought a company in Italy it was loss making. In one-and-half-year after we took over we turned it around from loss of 2 to 3 million euros to profit of 3 to 4 million euros.

Q Coming from a business family that is known for producing art material and school stationery products, how is that you took a different route? Was it a difficult turn?

A Actually the genesis of this business is in the mid-90s when the family decided to diversify because the market was growing at that time. The decision was to go into pharma for the same reasons which are valid even today - big company, low capital, it will only grow and it has proven true. So we started pharma division. But we didn't do very well in that. I was the last one to join the family business as I was the youngest. When I joined, the situation was very simple.

There was this small pharmaceutical business which was not doing well, was struggling and no one in the family was interested in it. And then there was one business of Camlin where I had my father, uncle and 3 cousins. Thus my natural inclination was that I don't want to go into that business, no matter how great it is, because everybody is older than me. So, better to go to the problem business. If I turn it around it is mine. Fortunately, after 2-3 years of losses, when I was also learning what to do, we managed to turn it around.

Turnaround was possible because we started producing TBHQ which was the engine of growth. From the day I joined the business I worked only in pharma. I know colours and stationery, I learnt everything about it but I never worked there. I never have the advantages or disadvantages rest of my family has.

As I took charge and got more and more into CFS it became my baby. When we decided to demerge it was natural that I move into that business. **NS**



Milind Kokje