BioSpectrum the business of Bio & Health Sciences

The Separator

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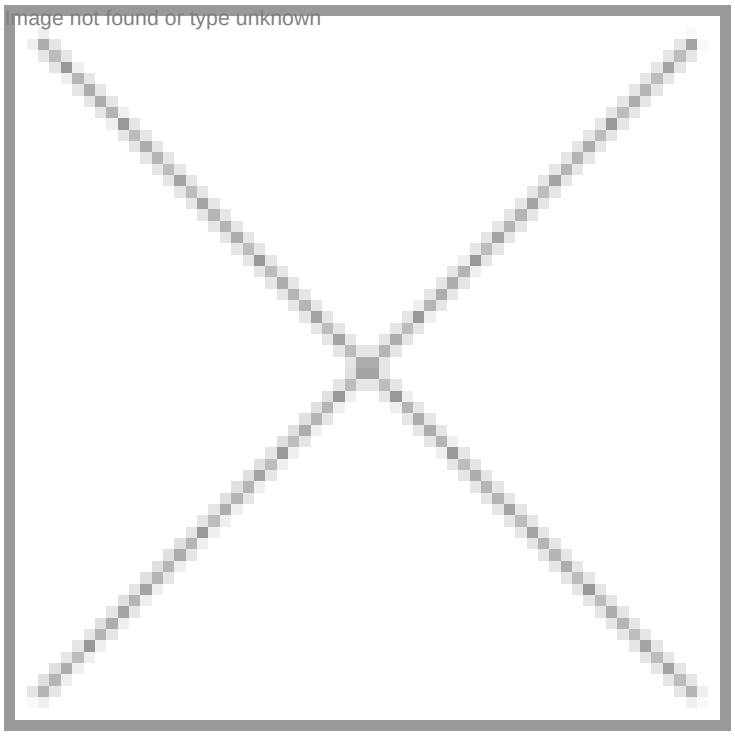
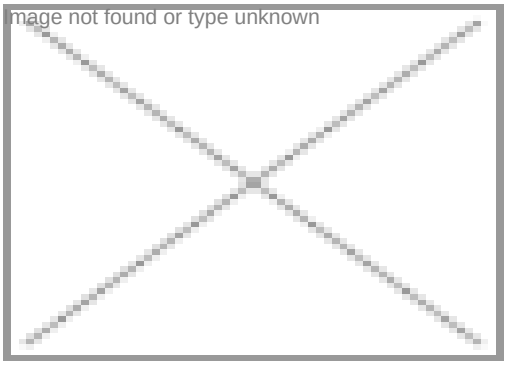


With a robust strategy, Alfa Laval (India) has seen a quick turnaround in its fortunes in recent years. Buoyed by the success, the company is making rapid strides to become the country's leading supplier of equipments to the biotech industry.



Amidst stiff competition in the supplier market, Pune-based Alfa Laval (India) Ltd has surpassed its previous records of net profit and dividend last year. The company successfully withstood the negative business sentiment that prevailed most part of the year. The company put up a good growth on the export front with the export figures accounting for about 28 percent of its total sales. With a comfortable order book position, the company expects to have a good year this fiscal too. Success for this leading provider of specialized engineering solutions is on account of its strategic planning and vision in handling business opportunities and able leadership. The message of its leader, Satish Tandon, who is the managing director, is loud and clear. "Recession is mainly a state of the mind. For doing bad business one cannot blame bad times. In fact, trying times give fodder to the challenging spirit of an organization and at the end of the day the results speak."

For Alfa Laval, the above sentiment is more than a statement. During the year ending March 1997, it was in red, showing a whopping loss of Rs 30 crore. It was at the time that Tandon took over as the managing director. Sensing trouble, he got his priorities clear and led the restructuring process and clamped the unnecessary costs. The layers in the management

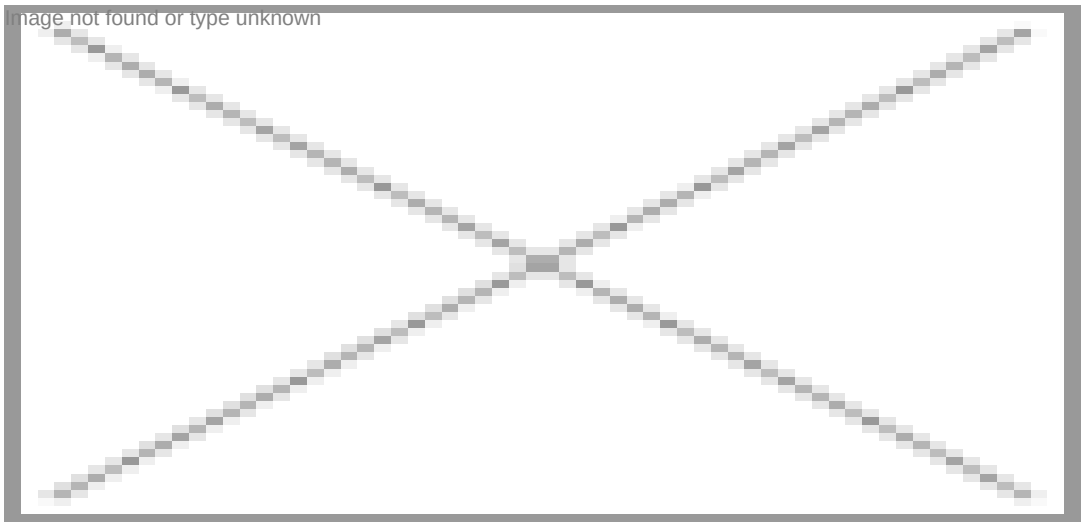
structure were reduced and its market presence strategically increased, strengthening the sales force. The objective was to improve the bottom line through right product-mix, based on market segments. With that shift in focus from volumes to profitability and discarding of non-profitable products, Alfa Lavel's fortune changed. In two years, the company made a turnaround and in the year ending December 2000, it reported a record profit of Rs 24 croreâ€”the highest ever in the history of Alfa Laval in its 65 years of operation in India. In 2002, Alfa Laval achieved a new milestone with a record net profit of Rs 45.35 crore.

Global as well as local

Its style of operation is thinking global, acting local. It is the arm of the leading engineering Swedish multinational, but has been strongly entrenched in India for more than 65 years, manufacturing and marketing key process components and systems for centrifugal separation, heat
exchange, drying and evaporation and flow transfer. It addresses as varied segments as marine, diesel, nuclear and thermal power, brewery, distillery, biotechnology and pharmaceuticals, effluent handling, edible oil processing and health food.

It has established itself as a supplier of high-quality fabricated and separation products in the biopharma applications and this sector is set for continuous growth and the company also expects to grow its business in this field. Biocon was its first biotechnology client. Alfa Laval expects a growth of 13-15 percent from the life sciences segment. Its client base in biopharma and biotechnology includes Ranbaxy, Dr Reddy's Lab, Wockhardt, Cipla, Novartis, SmithKline, Aventis Pharma, and Biocon India.

Alfa Laval is actively pursuing the export market. It has set up a purified water injection plant in Bangladesh and another in Algeria. It got a similar order from Oman Pharmaceuticals. Alfa Laval has a long experience of solving separation problems in the biotech and pharmaceutical sectors. It offers a wide range of dedicated centrifuges capable of handling all dutiesâ€”from small lab scale up to continuous, full-scale, high-capacity production. The separation technology is used for cell separation, organic/amino acids, antibiotics, enzymes, vaccines, harmones, starter cultures and vitamins.



Going forward

Alfa Laval (India) was a pioneer in bringing single fermenter continuous fermentation technology to India in the late Eighties. Distillery plants using Alfa Laval process produce spirits ranging from excellent quality potable grade rectified spirit to technical grade alcohol suitable for conversion to bulk chemicals and speciality chemicals. Today sections for producing extra neutral alcohol for fine liquors, dehydrated alcohol, perfumery grade alcohol, pharma grade alcohol etc. can be added on and made a part of the system installation. The company has executed over 50 complete distillery projects.

With the government's policy now mandating the mixing of five-percent ethanol in petrol for reducing harmful emissions and this limit expected to be increased to 10 percent and beyond, it expects to generate a sizable business over the next few years. "I see India as a major hub for fuel ethanol production in near future, "says Tandon. It has tied up with Katzen International Inc. of the US for the vapor-phase molecular sieve technology and an absolute alcohol (fuel ethanol) plant has been commissioned at Faizabad. The plant is completely automatic and is operated using a PC by a single person. The feed of 93.5-94.5 percent alcohol is passed through molecular sieve column, which absorbs water molecules and the resultant product is more than 99.8 percent pure alcohol, which is called fuel grade alcohol.

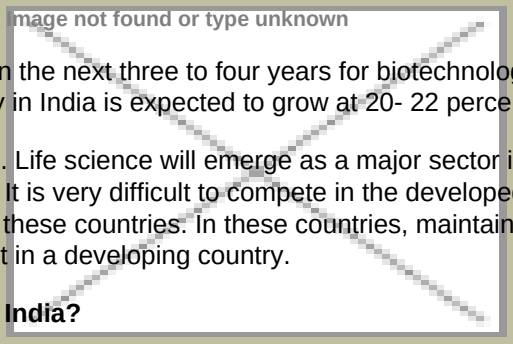
It has installed its second plant (fuel ethanol from sugarcane juice) at Herwad in Kolhapur district. It is the first of its kind in India. Further, it sees opportunities in the exports market as the demand for portable alcohol as well as ethanol is increasing in South East Asia. It recently bagged a large order in Vietnam.

Alfa Laval gives top priority to satisfy its customers at any cost. Tandon sums it as: "At Alfa Laval, we believe that in this fast changing technological environment, providing right solutions is not merely a matter of plugging in the latest technological wonders. We take special care to critically evaluate and understand the nuances of our customers' businesses. And then to offer the technology, solutions, support and professionalism ... to give them that "winning edge" that keeps them ahead in a race that never ends."

"India will become a major hub for ethanol production"

Satish Tandon, managing director of Alfa Laval (India) and chairman of its associate companies, explained to BioSpectrum about his future plans.

How do you see the biotech market in India and abroad grow?



Life science is an upcoming market in India. I see a positive trend in the next three to four years for biotechnology in India. Looking at the present growth rate, I understand that biotechnology in India is expected to grow at 20- 22 percent.

Outside of India, Bangladesh and East Africa are potential markets. Life science will emerge as a major sector in these countries. But all depends on how you compete in these countries. It is very difficult to compete in the developed markets like the US and European Union because of the stringent norms in these countries. In these countries, maintaining the effluent plants will be more expensive than establishing a new plant in a developing country.

What is the scope of ethanol/anhydrous alcohol production in India?

India is the best market for ethanol production. We see a lot of export potential for this sector. More companies are setting up shop in India and our own requirements are enormous. At present, the government of India has made mandatory the use of five percent ethanol-blended petrol. It is also considering increasing the use of ethanol blending to 10 percent and further to 20 percent in phases. This I feel will bring in competition in the field. More the competition more the business. At present we are holding 30-40 percent of the market share in this sector.

Why are distilleries reluctant to upgrade the set up for production of anhydrous alcohol, when the government is committed to implement the mandatory use of five percent of ethanol blended with petrol?

Looking at the present economy, the people in the industry have become very cautious about investments. Once investments are made, nothing can be done. And one more thing is that implementation is a slow process in India due to various things. India is a learning economy. But still, we have seen a lot of changes in the last five years.

With the reduction in import duty for equipment for biopharma industry, are suppliers losing their market share?

With the opening up of markets and globalization, we have to prepare ourselves for competition. And globalization is essential for any organization to grow. We have to compete in this market.

In the life sciences sector, we find only the big players. They can invest or bring in more funds for expansion or for up gradation. They can even go for foreign collaborations for their R&D work. But we cannot expect the same for ethanol production units or the distilleries which are manufacturing anhydrous alcohol. This is because we find over 70 percent of these units are managed by co-operatives and managed by nonprofessionals. Sugar cannot be a viable product unless it is produced with a blend of products like generation of power, ethanol, alcohol etc. The sugar manufacturing units have to come out from the present style of functioning i.e., from the private atmosphere to a business atmosphere.

Narayan Kulkarni