CHAPTER 6
A TRAJECTORY OF GROWTH AND DEVELOPMENT OF
COMPANIES UNDERSTUDY

In this chapter, the history, growth and development path of each company under study are narrated. This is necessary to appreciate their historical roots, their present status as well as the organization environment in which their learning practices are embedded.

I. CADILA HEALTH CARE (ZYDUS CADILA) LTD.

Cadila was founded as a pharmaceutical company by two pharmacy graduates in Ahmedabad in 1952. The partners split in 1992 and Mr. Patel, one of the co-founders (Ramanbhai Patel) formed Zydus Cadila. Later in 2000, Cadila Health Care Ltd was formed. Cadila Health Care Ltd. progressed soon after its inception and now aims to become one of the top three healthcare companies in Indian and a global player. It has made an entry into US and EU markets, and other markets such as Brazil, South Africa and Algeria. It started selling in Japan. The company is located in Ahmedabad.

Zydus Cadila : Its products:
Cadila Healthcare Limited provides healthcare solutions worldwide. It offers formulations, active pharmaceutical ingredients, diagnostics, health and dietetic foods, skin care, and animal healthcare products, as well as cosmeceuticals in the areas of cardiovascular, gastrointestinal, biological, pain management, anti-infective segments, female healthcare and respiratory segments. Zydus Cadila in June 2008 received an approval from the United States Food and Drug Agency (USFDA) to market the anti-cholesterol pravastatin sodium in tablet form in the US.
This Indian pharma major also received a tentative approval to make and market escitalopram oxalate Tablets, 5,10 and 20 mg, Losartan potassium and hydrochlorothiazide tablets 50mg/12.5mg and 100mg/25 mg and anastrazole tablets 1mg, used for the treatment of depression and anxiety.

The pravastatin sodium tablets, a lipid lowering compound, which reduce cholesterol biosynthesis, is used in to prevent coronary events in patients with high levels of cholesterol in the blood.

According to ORG Report March 2008, 16 Cadila Zydus brands feature amongst the top 300 brands. The company rank is no.1 in cardiovascular drugs. Similarly company is number one in gastrointestinal and female health care and number two in Respiratory products according to the same report in segment ranking and market share in participated markets (ORG-IMS MAT, March, 2008)

After the Zydus Cadila acquired Carnation Nutra Analogue Foods (CNAF) from its earlier promoters, Zydus Cadila Healthcare started focusing on the health and fitness-conscious consumer segment through its portfolio of product offerings: Sugar Free which is a low calorie sweetener; Nutralite, the premium table spread and is a substitute for butter; and Everyuth – a specialty skin care product range. These three products are sold under the umbrella of Zydus Wellness.

**Recent Operating Highlights India Formulations**

During the year 2008-09, the Company's branded formulations business in India posted a sale of Rs.1215 crore, up by 9% from Rs.1109 crore in 2007-08. The Company currently ranks 5th in the Indian pharmaceuticals market with a market share of 3.6% (Source: ORG IMS, MAT March 2009). The generic business grew by 12% and recorded a sale of Rs.74.3 crore compared to Rs.66.5 crore in the previous year.
The year 2008-09 was marked by strategic launch of new specialty divisions, expansion of existing business and launch of new products. Entering the Rs.3,500 crore nutraceutical segment, the Company set up a specialty division, 'Zydus Nutriva', which markets nutraceutical brands that were earlier marketed through other divisions. The nutraceutical segment comprises haematinics, antioxidants, tonics, vitamins, multi vitamins proteins, nutrients and calcium preparations. A dedicated field force of more than 250 people has been set up to adopt a focused marketing approach. In the very first year of operations, the division yielded encouraging results with the brands posting 20% growth over the previous year.

In the rheumatology segment, the Company launched another new division, 'Zydus Synovia' with a strong field force of 50 people, aimed at focused promotion efforts for high-end products for the treatment of rheumatoid arthritis. The division registered a growth rate of 17% in 2008-09.

The year also witnessed two new initiatives - becoming the only Company in India to have a specialty task force comprising 30 people to focus on Chronic Obstructive Pulmonary Disease (COPD) and launching the Topcare' division, with a view to reinforce the customer connect with major hospitals across the country. This division, which has a portfolio of diagnostic products, will now be able to leverage these strengths and make an impact as a hospital focused division. Topcare is represented by a field force of 80 executives. These initiatives are expected to help in consolidating the Company's position in niche segments and outperform the market.

The Company launched over 25 new products and over 30 line extensions in the formulations market. Of these, 15 were the first to be launched in India. 'Nucoxia MR' (Etoricoxib + Thiocolchicoside), ‘Pazubid' (Pazufloxacin Mesylate), 'Etogesic' (Etodolac), 'Pantodac IT (Pantoprazole + Itopride SR),'Ursodiol SR' and 'Yasmin' (Ethinylestradiol + Drosperinone) were some of the prominent new launches. Yasmin is the leading global oral contraceptive brand, which the Company launched under the exclusive rights to
market in India from Bayer Schering Pharmaceuticals. The contribution of new product launches in the growth of formulations business in India was over 2.5%.

Three of company’s brands, 'Odd' (Omeprazole), ‘Pantodac’ (Pantoprazole) and 'Atorva' (Atorvastatin) crossed sales of Rs.50 crore each. With this, company has five brands in the Indian market with sales exceeding Rs.50 crore 15 of company’s brands now feature in the top 300 pharmaceutical brands in India, which constitute over 40% of the sales. (Source: ORG IMS, MAT March 2009)

The Company retained leading positions in cardiology, dialectology, gastro intestinal, and women’s healthcare and respiratory segments in the participated market.

**API & Intermediates**

The API and intermediates business, which has been facing challenging times for the last couple of years due to continuous price pressures and appreciation of the rupee, recovered during the year 2008-09 backed by the depreciation of the rupee and a robust product offering to existing as well as new customers, which yielded positive results.

Overall, the API and intermediates business registered sales of Rs.248.7 crore, which was up by 17%. Exports of APIs and intermediates grew by 27%. Most regions in exports grew significantly, especially Latin America and the Middle East, which registered slow growth last year. Exports to the US grew by 93%. The business in India declined by 16%.

The Company commercialized 7 new APIs during 2008-09 for the Indian as well as the regulated markets. Strengthening its regulatory pipeline, the Company filed 14 new DMFs with USFDA during the year. Apart from commercial business, the API operations continued to support the Company’s formulations business by providing the key raw materials at the most competitive costs for Indian as well as regulated and emerging global markets and contributed to the success of the new formulation launches in these markets.
International Formulations Business

US Market
Zydus Pharmaceuticals (USA) Inc., the Company’s subsidiary in the US, which started operations in 2005-06 continued to post a robust performance and registered sales of Rs.398.4 crore, up by 55% over the last year (36% in US dollar terms). Zydus Pharmaceuticals (USA) Inc. bought back 30% stake from the minority promoters, with which it has now become a wholly owned subsidiary of the Company.

The Company achieved an attractive market share ranging from 53’o to 25% for the products launched in the US with continuous enhancement of the 'Customer Focus Model' with an objective to meet diverse customer needs. With the success of this model, which aims at growing market presence by increasing the customer base through novel partnership solutions and offerings, the Company has emerged as one of the preferred suppliers amongst customers. In recognition of its contribution and commitment towards excellence, the Company received the 2007 Amerisource Bergen Manufacturers Award in the category of Generic Pharmaceutical Companies with sales under $ 50 million. For the third consecutive year, the Company was adjudged as one of the fastest growing generic companies in the US by IMS.

During the year 2008-2009, the Company launched nine new products in the US, of which three products, Lamotrigine IR, Lamotrigine CD and Topiramate IR were launched right on day one of the patent expiry. The initiatives started in the last couple of years targeted at developing niche difficult technology products have yielded positive results and the new launches this year included several such products where the Company enjoys good market share and higher margins due to lower competition.
The US generic marketplace is expected to remain very competitive with pressure coming from both domestic as well as overseas companies. To mitigate this risk, the Company constantly focuses on continuous cost improvement by improving manufacturing efficiency and rationalising costs. The Company is also working with the GPhA (Generic Pharmaceutical Association) to help develop programmes to address the issue of delays in ANDA approvals with the FDA.

The Company will continue with its growth strategy of offering a large product portfolio with interesting generic products, a strong focus on quality, supply chain performance and a sustainable value proposition to the key customers. The Company has also started filing ANDAs for other dosage forms like pulmonary and nasal products and aims to foray into other forms like injectibles, which are expected to add value and spur growth.

Europe
The Company is present in the French generics market through its subsidiary Zydus France SAS. The overall French generics market is valued at Euro 2.3 bn, which grew by 7% in 2008. The represented generics market valued at about Euro 1.4 bn, in which the Company is present, remained broadly flat compared to last year, mainly due to the reduction in prices by 10% to 15% imposed by the French government on major molecules. The changed legislation regarding the terms of payment which reduced the credit period for pharmacies to 60 days, resulted in a one time correction in the off-take by the pharmacies. The absence of any major molecules losing patent protection was also one of the factors affecting the overall growth of the market.

Against this backdrop, Zydus France SAS registered sales of Rs.198 crore, a growth of 20% from the previous year. The sales growth in Euro terms however, was 5%, mainly due to the impact of the reduction of prices of major molecules, which contribute to over 70% of the total portfolio and also on account of lower off-take by the pharmacies as mentioned earlier.
The Company's focus on continuous enrichment in the relations with key customers continued through the year. In 2008-09, a new initiative, the 'VIP Club' was launched to strengthen and maintain direct relations with top customers. This initiative enabled the Company to retain its key customers in spite of very competitive commercial offers from other generic players. The Company focused on business development through another initiative called the 'Groupment' and signed contracts with 21 groupments, which has helped to reach out to over 400 customers. The focus on new product launches continued during the year, and the Company launched 10 new molecules (24 SKUs) in 2008-09, including launch of Bicalutamide on day one of its patent expiry. All these initiatives have helped the Company consolidate and increase the market share on key products like Pravastatine, Omeprazole and Lansoprazole and achieve an overall market share of over 2.5% in the participated French generics market.

In July 2008, the Company made a foray into the Spanish generic market with the acquisition of Laboratorios Combix. Spain is the 5th largest pharmaceutical market in Europe. The Spanish generics market is valued at over Euro 70 crore and the level of generic penetration in the market (6.6% by value and 15.7% by volume) is still quite low compared to other mature generic markets like the UK and Germany, which offer considerable growth opportunities.

Laboratorios Combix was established in 2006 and has a sales and marketing focus with a product portfolio covering 17 molecules. After acquisition, the Company increased this portfolio with 7 more molecules. For the year 2008-09, Laboratorios Combix posted sales of Rs.11.4 crore. The Company plans to gain further access to the Spanish market through product portfolio expansion.

The key to success in the Spanish market will depend on the number of products that will be supplied from the Company's facilities in India. To this end, the Company has initiated dossier filings and site transfers for Spain. The Company's first filing was in January 2009 and by the end of March 2009, the cumulative filing was 8 dossiers.
Latin America

The Company has been present in the Brazilian generics market, which is valued at $2 bn through its 100% subsidiary Zydus Healthcare Brasil Ltd. Making a foray into the $10 bn branded generics market of Brazil, the Company had acquired Quimica a Farmaceutica Nikkho do Brasil Ltda. (Nikkho) in 2007-08.

After the acquisition of Nikkho, the presence of the Company in the branded generics segment has become stronger. Nikkho outpaced the market growth in 2008-09 with a focused approach in the key therapeutic segments like gynaecology and clinical medicine. During the year, the Company successfully launched four of the newly acquired brands in the Brazilian market. The generics business of the Company, spearheaded by Zydus Healthcare Brazil Ltda., also posted a healthy growth. Overall, the Brazil operations grew by 32% (24% in Brazilian Reais terms) and posted sales of Rs.162.8 crore.

During the year, a staff optimization programme was successfully conducted at Nikkho. This has resulted in an increase in both production and sales, clearly signaling an increase in efficiency as well as cost optimization.

The Company will continue with its growth strategy of regularly launching new products, maintaining optimum staff levels and increasing per capita productivity in both production and marketing. A robust product pipeline for the next three years has already been finalized.

Japan

To explore opportunities in the growing generics market of Japan, which is valued at about $3 bn and has a very low penetration in the overall market (5% in value terms, 17% in volume terms), the Company has set up its own subsidiary Zydus Pharmaceuticals Inc. Strengthening its presence in this key market, the Company had acquired Nippon Universal Pharmaceutical (Nippon), a Tokyo based company having a marketing set-up and a small manufacturing facility, in 2007-08.
Nippon aims to establish itself as a strong generic player which provides quality generic medicines to the Japanese market. To this end, Nippon is building a robust marketing organization by increasing its field force and in-licensing products from other generic companies. During 2008-09, Nippon launched 20 in-licensed products in Japan. The Company also filed one generic product with the PMDA.

Overall, the Company’s Japanese operations reported sales of Rs.2.19 crore in 2008-09. During the year, the operations of Zydus Pharmaceuticals Inc. were merged into Nippon to maximize efficiency and productivity.

The Company plans to increase the product portfolio and file more products from India by building a strong regulatory, marketing and distribution set-up in Japan.

**Asia Pacific, Africa, Middle East and CIS Regions**

The Company has a strong presence in pharmaceutical markets of over 20 countries in Asia Pacific, Africa, Middle East and CIS regions, with leading positions in the markets of Sri Lanka, Myanmar, Uganda and Sudan. The Company also plans to expand base in the rapidly growing markets of Russia, South Africa, Taiwan and Philippines. These markets are growing at higher rates than other developed markets and offer a huge opportunity for growth.

During 2008-09, the Company retained its ranking as the number one Indian company in Uganda and Sudan and was among the top three Indian companies in Sri Lanka and Myanmar. The Company also commenced operations in the Philippines and Taiwan, which are considered among the largest pharmaceutical markets in the Asia Pacific region. The operations in these regions will be focused on the chronic therapy segment. Business in Russia and Ukraine, which mark the Company’s presence in the CIS region, continued to face uncertain market conditions due to currency fluctuation. In Russia, the Company established a wholly owned subsidiary with its own warehousing facilities, which will streamline the flow of stock into the country, which in turn will help to cater to a larger customer base.
In South Africa, another key market, the Company has set up its own subsidiary Zydus Healthcare SA (Pty.) Ltd. South Africa is the largest market in the African region, valued at about $2.8 bn and is the only regulated market. In 2008-09, the Company made a foray into this market by acquiring 70% stake in Simayla Pharmaceuticals (Pty.) Ltd. The acquisition of Simayla, which is one of the fastest growing generic companies in South Africa with around 150% growth, opens up several opportunities for the Company in a market which is growing at 17%. Within a short span, Simayla has become the number one new product launch company in South Africa and has improved its ranking very rapidly from 77th in July 2008 to 46th in March 2009. The Company plans to leverage its robust product portfolio and marketing capabilities and establish itself as a leading company in South Africa.

Overall, the emerging markets of Asia Pacific, Africa, Middle East and CIS regions registered sales of Rs.175 crore, up by 81% (over 55% in US dollar terms), with Simayla posting sales of Rs.35.3 crore.

**Consumer Healthcare and Wellness Business**

With growing health awareness and wellness revolution among consumers, a definite shift in consumer preferences and attitudes across India is being witnessed. Continuously increasing pursuit of healthier lifestyles and rising willingness to spend more for fitness and well-being has resulted in a surging demand for products that provide additional health and nutritional benefits. This has created an emerging market, with health conscious consumers willing to try better alternatives and making informed choices.

The Company has a strong presence in the fast growing consumer healthcare market, with strong brand equity in niche segments of sugar substitutes and skincare. In fact 'Sugar Free', the largest selling sweetener brand in the country with over 80% market share, has now become more of a lifestyle brand rather than just a sugar substitute for diabetics. The skincare range of products sold under the umbrella brand ‘EverYuth’ has been able to retain its leadership position despite increasing competition and influx of international brands. ‘Nutralite’, India’s largest selling table spread, which was added in the portfolio
through the acquisition of Carnation Nutra Analogue Foods Ltd. in 2006-07, has gained widespread consumer acceptance as a healthier substitute of butter. These brands strengthened their leading positions in the marketplace and continued to grow rapidly in 2008-09 also. Sugar Free grew by 16% with sales of Rs.77.8 crore EverYuth registered over 60% growth and crossed sales of Rs.50 crore contributed by the various promotional campaigns and marketing communications. Nutralite also grew by a healthy 19% and crossed sales of Rs.66 crore. The retail segment of Nutralite, comprising premium carton packs and tubs having sustainable business with steady margins, has increased its contribution in total business to 25%.

During the year 2008-09, the consumer business of Cadila Healthcare Ltd. comprising umbrella brands, Sugar Free and EverYuth, was demerged and integrated into Carnation Nutra Analogue Foods Ltd. under a composite scheme of arrangement. This strategic move has been taken with a view to leverage strengths of the Company’s consumer business which were lying in two different entities. The combined business is expected to generate synergies in terms of focused management attention, strengthened brand building through combined marketing and brand management efforts and availability of more funds for investment in manufacturing and R&D, all of which should help unlock value and create long term value for the shareholders. The combined entity, having three strong brands and increased business, has now been renamed as Zydus Wellness Ltd. For the year 2008-09, Zydus Wellness Ltd. posted sales of Rs.194.7 crore and profit before exceptional items and tax of Rs.38.1 crore.

Going forward, the Company will continue leveraging its strong brand equity with launch of new variants and products in the consumer health and wellness segment and retain a strong leadership position in the participated markets.

**Research and Development at Zydus Cadila**

Research and development are not just an important part of the operations of the healthcare industry but are at the very heart of it. There is always a pressing need to focus on new initiatives in drug discovery and development and explore all opportunities of creating value through research and development. This guides the long term vision of the
Company to become an innovation-driven research-based company. During the year 2008, the total expenditure on R&D initiatives was Rs.187.7 crore, up by 17%. Of this, the revenue expenditure was Rs.156.4 Crore, while the capital investment was Rs.31.3 Crore. The total R&D spend as a % to total operating income was 6.4%.

**NME research**

Zydus Research Centre (ZRC), which spearheads the Company’s NME and Biologics research activities with a dedicated research team of over 335 research professionals at the state-of-the-art infrastructure spread over an area of 3,60,000 sq ft, works on cutting-edge technologies and is well-equipped to carry out new drug discovery and development from concept to clinical trials.

During the year 2008-09, ZRC made remarkable progress in the area of NME research. ZYH1, a lead molecule for treating dyslipidemia, successfully completed Phase II clinical trials. Phase I clinical trials for ZYH7, a novel drug candidate for treating dyslipidemia and metabolic disorders, have started. Further strengthening its research pipeline, the Company filed its 6th IND application for ZYT1, a novel lipid lowering molecule with the DCGI. ZYT1 also became its first IND to be filed with the USFDA. The Company became the first Indian company for successfully executing the complete filing work from India.

In an important strategic move, the Company signed a new drug discovery and development agreement with Eli Lilly and Company, USA, focused in the area of cardiovascular research. This alliance seeks to increase productivity in drug discovery and development by synergising the unique strengths of both companies. The collaborative research programme may continue for a span of up to six years and has the potential of progressive milestone payments of up to $ 300 Crore on licensing of molecules to Eli Lilly and royalties on sales of successful compounds.

The Company acquired Etna Biotech, the wholly owned subsidiary of the Dutch biopharma company, Crucell N.V during the year 2008-09. The deal, which marks the Company’s first acquisition in the research space, offers a highly evolved research platform for developing new vaccines and technologies.
In 2008-09, company’s animal research facility at ZRC received full accreditation from AAALAC International (Association for Assessment and Accreditation of Laboratory Animal Care), making it the second facility in India to receive this accreditation.

The biologics portfolio now has 12 active programmes, of which, a few are close to receiving market approval. The biologics portfolio includes vaccines, therapeutic proteins and therapeutic monoclonal antibodies. The Company has also started commissioning a new dedicated manufacturing facility for biologics near Ahmedabad. In 2008-09, the Company entered into an agreement with WHO to develop next-generation biological to fight rabies.

**Pharmaceutical Technology Development**

The Pharmaceutical Technology Centre (PTC), the Company's formulations development centre, which is responsible for developing products for the regulated and other emerging markets, has made significant contribution in catapulting the Company's position as one of the prominent Indian players in the global generic markets.

**Chemical Process Research**

The ability to offer best quality products at the most competitive rates has been the key success factor for the Company in the global generics market. Maintaining a leading position in the global generic markets requires constant review of cost and quality and calls for continuous effort for cost improvement through development of more cost-effective processes.

The API R&D centre at Ankleshwar, Gujarat is mainly focused on the process development for APIs and intermediates required in captive and non-captive, domestic and regulatory markets. Major activities of this R&D Centre include development of cost-effective and non-infringing robust processes for APIs and intermediates. Development of new products and cost reduction for existing processes continue to remain the focus areas.
During the year 2008-09, the API R&D developed 18 molecules for US DMFs, of which, 14 have been filed with the USFDA, taking the cumulative filings to 76 US DMFs. It has also developed 12 new products for the domestic market. Cost improvement of existing products is a major growth driving factor in the API business which constantly faces price pressures globally. The API R&D played an important role in reducing cost for several APIs and intermediates through process optimisation.

**Intellectual Property Rights**

The Company continued with its efforts in the development of new molecules, newer delivery systems, processes and technologies. The centres for Research and Development viz. ZRC, PTC and the API R&D Centre have filed over 100 patents in the US, Europe and other countries during 2008-09, taking the cumulative number of filings to over 450.

**Human Resources**

**HR Initiatives**

'Global economic downturn' and 'global financial crisis' were the buzzwords of the year 2008. In what has been described as one of the worst economic scenarios since the Great Depression of the 1930s, the impact of the economic downturn in a globally networked world was widespread. In this scenario, the HR challenge was to stay focused on organisational goals to deliver performance.

**Creating Efficiencies, Delivering Value**

The Company has been continually looking at ways which can make it more efficient, often by streamlining and restructuring processes that can improve the ability to deliver and help respond faster to market needs. In the course of the year under review, the Company streamlined its supply chain processes and created a new Global Demand and Supply Organisation (GDSO) to create cost optimal and seamless supply chain operations. The HR initiatives in creating this critical 112 member core team ranged from consolidating the structure keeping in mind the organisation's future needs, mapping of processes and roles in the new structure, defining specific responsibilities, manning these positions and providing training for specialized roles.
**Global Consolidation**

On the path of dynamic growth, the organization has been looking at value-adding acquisitions in key markets over the years. Laboratorios Combix of Spain, Simayla of South Africa and Etna Biotech of Italy were the key acquisitions during the year, advancing the process of global expansion. The HR focus in the post-acquisition phase has been on post-merger integration of operations for greater thrust and productivity. With the global workforce currently pegged at 10,037 Zydans, Team HR has been successfully creating an eco-system which favours operational synergies while preserving local identities.

**Diverse Learning Paths**

Creating people assets and investing in capability building have been at the heart of the organisation’s growth since 1995. Team HR has been looking at both conventional and differentiated approaches to create this culture of learning in the organization. The training calendar spanning over 9,300 training man days looks at how the skill and capability building process can be made more inclusive and contextual. During the year, more than 14,700 Zydans took part in various training programmes with 173 internal trainers volunteering to step up the learning curve. Continuing with the efforts to nurture and develop a strong leadership bandwidth, the Advanced Business Leadership Development Programme was held at LIMA for Zydans in leadership roles. Other programmes included management development programmes, specific programmes on brand management, language and communication skill building and productivity enhancement, performance commitment workshops and other functional programmes. Collective learning at an organizational level has also been institutionalized through the Quarterly Meets. With 114 leadership role holders attending this forum, the performance reviews and discussions bring in strategic insights and an organization-wide perspective. The CEO series which is a part of this forum also helps bring in new earnings from corporate leaders and stalwarts on how they face challenges and drive competitive edge. In 2008-09, corporate leaders like Mr. Subir Raha, Former Chairman, ONGC, Mr. R. Seshasayee, Managing Director, Ashok Leyland and Mr. Dominic Barton, Chairman, Asia Pacific region, McKinsey & Company, addressed the CEO series.
Focus on performance and results in a challenging year brought the resilient Zydan spirit to the fore. To look at how this can be anchored to the organization’s Core Values, Team HR organised a workshop with Dr. David Cohen, founder of the Strategic Action Group. From the brainstorming and discussions spread over two days, emerged the values that embody the Zydan spirit.

Our Core Values

We, the members of the Zydus Group hold the following values to be the foundation of our identity as Zydans. We shall endeavour to think and act, at all times, in accordance with these values.

We are...

Adaptable to change
We welcome change for the better. Our approach is always positive with a ‘can-do’ spirit.

People-driven
We build the capabilities of our people. This is fundamental to our growth in business.

Committed to deliver
We give our best in all that we undertake and are committed to delivering on time.

Innovative in what we do
We innovate through our ideas, approaches and efforts - at every opportunity.

Humble
We remain modest and humble in our achievements. Our work speaks for itself.

Value-driven
We seek value and maximise our gains by using our resources judiciously.
Financial Performance of Zydus Cadila

The financial performance of the company during the last five years has been above average compared to other companies in the sector. Its total income from operations has grown at an average cumulative growth rate of 18%. The following table indicates its financial performance over last five years (Rs.in crores)

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<td>Gross Sales</td>
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<td>1874.7</td>
<td>2363.8</td>
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<tr>
<td>Total Income from operation</td>
<td>1277.9</td>
<td>1484.5</td>
<td>1828.8</td>
<td>2322.9</td>
<td>2927.5</td>
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<tr>
<td>Net Profit</td>
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<td>152.4</td>
<td>233.8</td>
<td>257.6</td>
<td>303.1</td>
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<tr>
<td>Total R &amp; D Spending</td>
<td>105.8</td>
<td>116.7</td>
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The net profit of the company has been rising over last five financial years at a cumulative average growth rate of 17.9%. The company’s R & D spending over last five years has grown at an average growth rate of 16.8%.
II. TORRENT PHARMACEUTICALS LTD.

Torrent Pharmaceuticals Ltd. is a flagship company located at Ahmedabad (India). It produces Bulk drugs and compounds in the therapeutic areas of cardiovascular and central nervous system. Torrent Pharma has also entered areas like gastro-intestinal, diabetology, anti-infective and pain management systems.

Torrent Pharmaceuticals was set up in the year 1959 and is headquartered at Ahmedabad (India). Torrent Pharmaceuticals was derived from the name Trinity Laboratories Ltd. which was promoted by U. N. Mehta and now trades in 50 countries with more than 1000 product registration across the globe. Torrent Pharma has drawn a revenue of Rs.13.3 billion for the year 2007 and its net income for the same is Rs.0.9 billion. TORRENTPH is a flagship company which manufactures Bulk drugs and compounds in the therapeutic areas with main concentration on cardiovascular and central nervous system.

Torrent Pharmaceuticals Limited has six divisions for marketing and each division is committed to the defined therapeutic areas. Torrent Pharma has established 22 new conceptualizations in the Indian market and 14 for the international market that includes Europe, Russia and Brazil. TORRENTPH has also launched a subordinate in Brazil and has stretched its focus on Russia and CIS countries during 2004-2005. Five fully owned subsidiaries of Torrent Pharmaceuticals are:

- Torrent do Brasila – Brazil
- Torrent Pharma Gmbh – Germany
- Torrent Pharma Ltd. — Philippines
- Zao Torrent – Russia
- Torrent Pharma Inc – USA
Torrent Pharmaceuticals Limited also started to export Lamotrigine to the EU market. Torrent Gujarat Biotech, the sister concern of Torrent Pharma, was established in 1992 in order to manufacture Penicillin through fermentation technology developed by the Torrent Group. TORRENTPH bears the R&D expense of Rs.673.2 million (14.3% of the turnover). With regard to that, Torrent Pharma has launched a R&D center that deals with new chemical entities for vascular complications and metabolic disorders. Torrent Pharmaceuticals has also undertaken a project in partnership with AsiaZeneca. The company is also engaged in DPCO (drug price control orders — practiced on 24 drugs at present) which is run under three level of regulations which are: on Bulk drugs; on formulations; and on total profitability.

Financial Statement of Torrent Pharmaceuticals for 2006-2007:

- Rs.314.2 million (quarter ended June 2006) to Rs.332.4 million (quarter ended June 2007) – 5.79% growth in net profit
- Rs.2111 million (quarter ended June 2006) to Rs.2463.3 million (quarter ended June 2007) – 16.69% rise in net sales
- Rs.2111.6 million (quarter ended June 2006) to Rs.2465.8 million (quarter ended June 2007) – 16.77% rise in total income
- The earnings per share (EPS) of the company was Rs.3.93 for the quarter ended June 2007

Of late, TORRENTPH accomplished a new bulk laxative in the form of tablets. The tablet Fibotab curbs certain kinds of diarrhea and it also works as a remedy for constipation. This drug trades for about Rs.4 million and it is growing every year by 8%.

Torrent Pharmaceuticals has been a consistent performer in its area and with regard to that, it has been honored with the President's award for highest pharmaceuticals exports (of about Rs.1570 million) in the year 1991-92. Apart from that, TORRENTPH has also received few more awards for its outstanding growth in the market. The company now is concentrating to a big extent to the international market especially in the lucrative North American trade.
Human Resources at Torrent
The total employee strength of the company at the end of FY 2008-09 was 5,636 against 5,519 as at the end of FY 2007-08, an increase of 117 employees. The field force increased by 51 from 2,761 at the end of FY 2007-08 to 2,812 at the end of FY 2008-09. The R & D centre had 725 employees (of which 627 were scientists) at the end of FY 2008-09 compared with 787 (of which 676 were scientists) as at the end of FY 2007-08, a decrease of 50 employees. The worker strength at plant was 527 at the end of FY 2008-09 compared with 454 at the end of FY 2007-08. The remaining employee strength comprising mainly of head office personnel, non-worker employees at Chhatral and Baddi Plant, branch & overseas offices employees increased to 1,572 at the end of FY 2008-09 from 1,513 at the end of FY 2007-08.

Torrent’s Vision, Mission and Values

Company Mission:
We are committed to total customer care by delivering world-class products and services.

Company Vision:
We seek to be the leader in the pharmaceutical industry.

Company Values:
A set of core values continue to guide the company through the process of transforming the conglomerate into a high-performing and caring organization for our customers, employees, shareholders and society.

- Improving quality of life of our customers, as we believe quality is a way of life.
- Creating value for our shareholders, for the trust bestowed on us.
- Building an empowered and ethical Torrent family, as the foundation for a bright future.
- Responsibility towards the society and environment, as we owe our existence to them.
- Being innovative in solutions, for being different, counts.
- Striving for excellence in whatever we do, to follow the exclusive path to leadership.
- Flexibility and speed shall be our oars for navigating the turbulent seas.
**Company Products**

Torrent has to its credit, leading brands in various therapeutic segments. It is a dominant player in the therapeutic areas of Cardiovascular (CV), Central Nervous System (CNS), Gastro-Intestinal, Diabetology, Anti-infectives and Pain Management. Efforts are on to increase its salience in other therapeutic areas as well. In the domestic market, the focus is exclusively on ethical allopathic market and the higher end of the institutional market in urban and semi-urban areas.

To sharpen its focus and enhance its customer reach in the domestic market, Torrent operates through sales and marketing divisions structured on specific Therapeutic areas. Currently, it has 11 sales and marketing divisions- Vista, Prima, Delta, Psycan, Azuca, Mind, Axon, Neuron, Omega, Sensa and Alfa, each of which have a clear therapeutic focus.

Torrent Pharma promotes various platforms for knowledge sharing including conferences for doctors. It continues its efforts towards customer education on various diseases and their symptoms and cures, thereby increasing customer awareness.

**In-licensing deal with Tasly**

Torrent Pharma recently entered into an agreement with Tasly, one of China’s largest pharma companies, to exclusively market their blockbuster drug, Cardiotonic pill, in India. This in-licensing deal is first of its kind in India in the traditional medicine segment. The Cardiotonic Pill is expected to become the most preferred “add on” therapy in CV disorders and finds perfect synergy with Torrent’s dominant position in the Indian cardio-diabeta (C&D) market.
Cutting Edge Manufacturing
Torrent Pharma’s competitive advantage as a manufacturer stems from its world-class manufacturing facilities that comply with cGMP guidelines and are approved by WHO, EU & Australian authorities among others. The formulations and API manufacturing facilities at its Indrad plant in Gujarat, which as received the USFDA approval, caters to the international market while the formulations plant at Baddi in Himachal Pradesh started in November 2005 caters to the domestic market. It has also signed a contract manufacturing agreement with Novo Nordisk India to establish a new and dedicated formulation and packaging facility for insulin at its Indrad Plant. The facility at Baddi in Himachal Pradesh has a capacity to manufacture 3600 million tablets, 400 million capsules and 18 million oral liquid bottles.

Research and Development at Torrent
Torrent Pharma is amongst the few pharma enterprises in the country to realize the vital role of Research. It state-of-the-art Research Centre has one of the most advanced infrastructures for both basic and applied research. A dedicated team of nearly 630 scientists, having a combined experience of over 4000 scientific man-years, are engaged in various drug discovery and development projects. It has the distinction of developing most of the bulk drugs and formulations in-house. Of the 316 patents filed for NCEs from these projects, 145 patents have been granted so far. Its patented AGE (Advanced Glycosylation End Product) Breaker Compound has the potential to treat diabetes related complications such as heart failure and nephropathy. Torrent has earmarked 9% of sales year after year to R & D Centre. Torrents R & D Centre is built at a cost of US 40 million dollar.

Development
Within a span of few years, the major achievements to the credit of the Torrent R&D Centre are the development of world class fermentation technology for Pen-G, synthesis of Omeprazole, Sparfloxacin, Nicorandil, Lamotrigine, Sertraline, Sildenafil Citrate, Repaglinide, Rosiglitazone, Clopidogrel, Sibutramine and Cerivastatin and the introduction of low dose combination of Lisinopril and Hydrochlorothiazide(Listril Plus/Forte), matching
international quality standards. This rational combination was specifically formulated keeping in mind the needs of Indian patients.

**First Time Introduction by the Centre:**
- Fluconazole 0.3% Eye Drops for the first time in the world.
- Esomeprazole (20,40mg) Multi Unit Particulate System (Pellets compressed in the form of tablet) for the first time in India.
- Rosiglitazoe 2mg/4mg Immediate Release + Metformin 500mg Sustained - Release Dual Retard Technology launched in the form of Inlay Tablet for the first time of India.
- Few Non-Conventional Dosage Forms Developed
- Levetriacetam – a new anti-epileptic drug under the brand name Toreleva, first time in India.
- A new generation antidepressant Duloxetine, first time in India.

**Discovery Portfolio**
Under the discovery program, the R&D Center has discovered some very promising molecules and patent applications for these molecules have been filed in India, under the PCT and the US

**Current Research and Development**

**Discovery Research**
The Company is currently working on several in-house New Chemical Entities (NCE) projects within the areas of Diabetes and its related complications, obesity and cardiovascular disorders, Ischaemic diseases and neuropathic pain. The Company has cumulatively filed 336 patents for NCEs from these and earlier projects in all major markets of which 144 patents have been granted/accepted so far.

The Advanced Glycosylation End-Products (AGE) program has successfully completed Phase-I clinical trial in UK and India. The Company believes that its AGE program has attractive development potential in the poorly served diabetic heart failure segment and
certain long-term complications arising out of AGE formation, accordingly the clinical developments have been initiated in FY 2009-10. The company has plans to initiate Phase-I clinical trial for another NCE in the segment of obesity associated with comorbidities over the next year.

**Development Research**
The Company is having a healthy product pipeline for development for offering in European, US and Brazil markets on their patent expiry. During the year, Company completed development for 11 products for the EU market, 14 products for US market and 13 products for Brazil market.

Substantial new product development is being conducted for other regulated and semi-regulated international generic markets and also for the Indian market.

The Company continues to invest significant resources in R&D, the R&D expenditure during the year was up by 15.2% to Rs.111.90 crores from Rs.97.16 crores in the previous year.

**Torrent’s International Expansion**
After ascertaining its credentials in the pharmaceutical industry of the country, Torrent Pharmaceuticals Limited began spreading its wings beyond India with thrust on becoming a global player in the international market. Torrent was one of the few Indian pharma enterprises to make a foray into exports successfully, amply recognized in the "export Excellence Awards" bestowed by the Government of India.

Over time Torrent established beachheads in many countries, of prime mention being Russia, the major export location of Torrent. Today, Torrent has over 1000 product registrations in more than 50 countries worldwide.
The present scenario has evolved from just looking at exports to also contemplating (and acting upon) research collaborations and marketing of its own products. This has enabled the company to work in line with its vision and Torrent is looking at becoming one of the most competitive pharmaceutical firms worldwide.

The Company is completely geared for it in terms of technical capabilities, international accreditations, cost advantages and geographical reach.

To enable strategic differentiation, Torrent Pharma’s international business is segregated into five different zones:

- United States of America
- Latin America
- Russia & CIS
- Europe
- Rest of the World

**Torrent’s Expansion in Europe**

Torrent Pharma GmbH (TPG), the German subsidiary of the company, is engaged in business development and sales of product dossiers as well as supplying products to customers. In 2005-06, the company entered into 21 product dossier licensing agreements and added 10 new customers, thereby increasing its penetration in the EU market.

In 2005, Torrent Pharma acquired Heumann Pharma GmbH & Co Generica KG of Germany (excluding its manufacturing facilities) This acquisition gave Torrent Pharma access to the 90-year-old “Heumann” brand name with over 300 marketing authorizations, 30 product registration applications and a sales and marketing force of 165 people. Heumann’s product portfolio includes cardiovascular, gastro-intestinal and anti infective therapies that is complementary to Torrent Pharma’s existing product basket. Combined with market opportunity on one hand & Torrent’s product development skills and low-cost manufacturing on the other, Heumann presents an excellent opportunity to create value through market expansion and sales growth.
Torrent Pharma adopted a multi-pronged strategy to capture the EU market. This includes its presence in markets in Lithuania, Latvia and forging strategic dossier development and licensing through its subsidiary, Torrent Pharma GmbH.

Torrent operates in Central and Eastern Europe (CEE) through strategic alliances with Romania and Poland.

**Torrent’s Subsidiaries: Performance in 2008-2009**

Brief review of the important subsidiaries is given below:

**Heumann Pharma GmbH & Co Generica KG (Heumann), Germany**

Heumann posted revenues of Euro 40.24 million (Rs. 261.68 crores) for the financial year 2008-09 as compared with Euro 38.15 million (Rs. 217.74 crores) for the previous year, registering a growth of 20.18% in terms of rupees. Net profit for the year was Euro 2.22 million (Rs. 18.84 crores) as against a net loss of Euro 3.48 million (Rs. 20.14 crores) for the previous year. The turn-around was enabled through a combination of various measures including proper market positioning, cost reduction through field force restructuring and lowering cost of goods by successful shift of product manufacturing to India.

**Torrent do Brasil Ltd. (TdBL), Brazil**

During the year, TdBL achieved revenue of Reais 08.60 million (Rs. 256.79 crores) as compared with Reais 81.39 million (Rs. 177.11 crores) in the previous year, registering a growth of 45% in terms of rupees.

TdBL earned a net profit after tax of Reais 2.48 million (Rs. 6.25 crores) as compared to a net profit after tax of Reais 3.69 million (Rs. 8.68 crores) in the previous year. The decrease in the profit is primarily due to higher research and development cost and bad debts.
ZAO Torrent Pharma (ZAO TP), Russia
During the year, ZAO TP achieved revenue of RRU 312.83 million (Rs. 52.69 crores) as compared with RRU 304.58 (Rs. 49.04 crores) in the previous year, registering a growth of 7.44% in terms of rupees. Net loss after tax for the year was at RRU 113.79 million (Rs. 19.52 crores) as against a net loss after tax of RRU 4.23 million (Rs. 0.97 crores) for the previous year. The increase in the losses is due to substantial mark to market losses on dues to parent company arising due to adverse exchange rate movement of Rouble.

Torrent Pharma Inc. (TPI), USA
During the year, TPI earned revenues of USD 7.13 million (Rs. 33.59 crores) as compared with USD 1.38 million (Rs. 5.56 crores) in previous year. Net profit for the year was at USD 0.22 million (Rs. 2.20 crores) as against a net loss of USD 0.39 million (Rs. 1.58 crores) for the previous year. The U.S operations was successful in laying a strong foundation during the year through an impressive sales ramp up.

Torrent Pharma GmbH (TPG), Germany
During the year, TPG earned revenues of Euro 2.94 million (Rs. 19.09 crores) as compared with Euro 2.83 million (Rs. 16.17 crores) for the previous year. Net profit for the year was at Euro 0.63 million (Rs. 4.09 crores) as against a profit of Euro 0.67 million (Rs. 3.84 crores) for the previous year.

Torrent Pharma Philippines Inc. (TPPI), Philippines
During the year, TPPI earned revenues of Pesos 172.23 million (Rs. 17.18 crores) as compared with Pesos 100.84 million (Rs. 9.18 crores) for the previous year. Net profit for the year was at Pesos 5.81 million (Rs. 0.88 crores) as against a profit of Pesos 4.85 million (Rs. 0.52 crores) for the previous year.

Torrent Australasia Pvt. Ltd., Laboratorios Torrent S.A. de C.V and Torrent Pharma Japan Co. Ltd are at their formative stages and have not commenced any revenue generating activities.

Financial results of the years 2007-2008 and 2008-2009 are presented below:

<table>
<thead>
<tr>
<th></th>
<th>Rs in crore</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008-09</td>
</tr>
<tr>
<td>Sales &amp; Operating Income</td>
<td>1631</td>
</tr>
<tr>
<td>Operating Profits (PBDIT)</td>
<td>262</td>
</tr>
<tr>
<td>Less Depreciation</td>
<td>42</td>
</tr>
<tr>
<td>Less Net Interest Expense</td>
<td>19</td>
</tr>
<tr>
<td>Profit Before Exceptional Items &amp; Tax</td>
<td>201</td>
</tr>
<tr>
<td>Less Exceptional Items</td>
<td>9</td>
</tr>
<tr>
<td>Less Tax Expense</td>
<td>7</td>
</tr>
<tr>
<td>Net Profit for the Year</td>
<td>185</td>
</tr>
</tbody>
</table>

Consolidated Operating Results
Sales and operating income increased to Rs.1630.66 crores from Rs.1354.85 crores in the previous year yielding a growth of 20.36%. Operating profit for the year increased to Rs.262.24 crores as against Rs.207.57 crores in the previous year registering a growth of 26.34%. The net profit increased to Rs.184.37 crores from Rs.134.68 crores in the previous year registering a growth of 36.89%.

Net Sales and other operating income (Net Sales are gross sales minus excise duties)
Consolidated net sales for the year were Rs.1586.52 crores compared with previous year’s net sales of Rs.1312.3 crores showing a growth of 20.9%. The break down of sales is given below:
(Rs. In crores)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2008-09</th>
<th></th>
<th>2007-08</th>
<th></th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Share</td>
<td>Amount</td>
<td>Share</td>
<td>%</td>
</tr>
<tr>
<td>Domestic formulations (net of excise duty)</td>
<td>624.36</td>
<td>40%</td>
<td>581.33</td>
<td>45%</td>
<td>7%</td>
</tr>
<tr>
<td>Sales outside India</td>
<td>796.77</td>
<td>50%</td>
<td>578.71</td>
<td>44%</td>
<td>38%</td>
</tr>
<tr>
<td>Contract manufacturing</td>
<td>163.85</td>
<td>10%</td>
<td>149.02</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Others</td>
<td>1.54</td>
<td>0%</td>
<td>3.24</td>
<td>0%</td>
<td>-52%</td>
</tr>
<tr>
<td>Consolidated net sales</td>
<td>1586.52</td>
<td>100%</td>
<td>1312.30</td>
<td>100%</td>
<td>21%</td>
</tr>
</tbody>
</table>

The Company’s domestic formulation sales (sales in India) showed a growth of 7% during the year (previous year 7%) compared with the domestic pharmaceutical market growth rate of approximately 10.1% (previous year 14.8%). The growth in domestic formulations sales based on age of the portfolio is given below:

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Products (other than those mentioned below)</td>
<td>5%</td>
</tr>
<tr>
<td>New Products introduced in the previous year</td>
<td>1%</td>
</tr>
<tr>
<td>New Products introduced in the current year</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>7%</td>
</tr>
</tbody>
</table>

**Company’s growth in different Segments**

<table>
<thead>
<tr>
<th>Therapeutic Segment</th>
<th>Company’s Growth</th>
<th>Segment Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiovascular</td>
<td>7.1%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Gastrointestinal</td>
<td>2.0%</td>
<td>8.2%</td>
</tr>
<tr>
<td>CNS</td>
<td>9.5%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Anti-infective</td>
<td>4.2%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Pain Management</td>
<td>1.2%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Anti-diabetics</td>
<td>20.1%</td>
<td>16.2%</td>
</tr>
</tbody>
</table>
The Company is ranked 17th by turnover in the domestic market, has 6 brands in top 300 brands and has 39 brands in leadership positions in their respective molecule segments. The company continued to maintain its leadership position in cardiovascular segment during the year.

**Company’s International Operations**

<table>
<thead>
<tr>
<th>Regions</th>
<th>2008-09 Sales</th>
<th>2007-08 Sales</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>256.57</td>
<td>177.11</td>
<td>45%</td>
</tr>
<tr>
<td>Russia/CIS</td>
<td>65.79</td>
<td>59.36</td>
<td>11%</td>
</tr>
<tr>
<td>Europe/CEE</td>
<td>101.07</td>
<td>63.51</td>
<td>59%</td>
</tr>
<tr>
<td>Heumann (Germany)</td>
<td>257.26</td>
<td>209.53</td>
<td>23%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>88.54</td>
<td>66.96</td>
<td>32%</td>
</tr>
<tr>
<td>US</td>
<td>27.75</td>
<td>1.84</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>796.78</strong></td>
<td><strong>579.09</strong></td>
<td><strong>38%</strong></td>
</tr>
</tbody>
</table>

Other operating income in FY 2008-09 was Rs.44.14 cores compared with Rs.42.55 crores in FY 2007-08 indicated 3.7% increase. Product licensing income was Rs.16.05 crores compared with Rs.15.13 crores in the previous year.
III. ARVIND MILLS LTD.

The Evolution
1930 was a year the world suffered a traumatic depression. Companies across the globe began closing down. In UK and in India the textile industry in particular was in trouble. At about this time, Mahatma Gandhi championed the Swadeshi Movement and at his call, people from all India began boycotting fine and superfine fabrics, which had so far been imported from England. In the midst of this depression one family saw opportunity. The Lalbhais reasoned that the demand for fine and superfine fabrics still existed. And any Indian company that met this demand would surely prosper. The three brothers, Kasturbhai, Narottambhai and Chimanbhai decided to put up a mill to produce this superfine fabric. Next they looked around for state-of-the-art machinery that could produce such high quality fabric. Their search ended in England. The best technology of that time was acquired at a most attractive price. And a company called Arvind Mills was born.

Arvind Mills started with a share capital of Rs.2,525,000 ($55,000) in the year 1931. With the aim of manufacturing the high-end superfine fabrics Arvind invested in very sophisticated technology. With 52,560 ring spindles, 2552 doubling spindles and 1122 looms it was one of the few companies in those days to start along with spinning and weaving facilities in addition to full-fledged facilities for dyeing, bleaching, finishing and mercerizing. The sales in the year 1934, three years after establishment were Rs.45.76 lakhs and profits were Rs.2.82 lakhs. Steadily producing high quality fabrics, year after year, Arvind took its place amongst the foremost textile units in the country.

In the mid 1980's the textile industry faced another major crisis. With the power loom churning out vast quantities of inexpensive fabric, many large composite mills lost their markets, and were on the verge of closure. Yet that period saw Arvind at its highest level of profitability. There could be no better time, concluded the Management, for a rethink on strategy. The Arvind management coined a new word for its new strategy - Renovision. It simply meant a new way of looking at issues, of seeing more than the obvious and that became the corporate philosophy. The national focus paved way for international focus and Arvind's markets shifted from domestic to global, a market that expected and accepted
only quality goods. An in-depth analysis of the world textile market proved an eye opener. People the world over were shifting from synthetic to natural fabrics. Cottons were the largest growing segments. But where conventional wisdom pointed to popular priced segments, Renovision pointed to high quality premium niches. Thus in 1987-88 Arvind entered the export market for two sections.

Denim for leisure and fashion wear and high quality fabric for cotton shirtings and trousers. By 1991 Arvind reached 1600 million meters of Denim per year and it was the third largest producer of denim in the world.

In 1997 Arvind Mills set up a state-of-the-art shirting, gabardine and knits facility, the largest of its kind in India, at Santej, Gujarat. With Arvind's concern for environment a most modern affluent treatment facility with zero affluent discharge capability was also established.

Arvind has carved out an aggressive strategy to verticalize its current operations by setting up world-scale garmenting facilities and offering a one-stop shop service and garment packages, to its international and domestic customers.

With the Indian economy in rapid growth, Arvind Mills with its international licenses of Lee, Wrangler, Arrow and Tommy Hilfiger and its own domestic brands of Flying Machine, Newport, Excalibur and Ruf & Tuf, is setting its vision on becoming the largest apparel brands company in India.
Arvind’s Products
The Arvind Mills Limited manufactures, sells, and exports textiles and garments in India. The company’s product line consists of denim, shirtings, khakis, knitwear, and voiles. It offers denims in various shades, weaves, cotton and cotton-based blends, and finishes; shirtings product line in various counts, blends, yams, and chemical and mechanical finishes; and khakis in various blends, plies, yam types, dyes, and finishes. Arvind Mills’ knitwear product line comprises basic Tee shirts, polo shirts, gotf polo shirt, full placket shirts, cut and sew T-shirts, rugby shirts, and gym wear/loungewear. Its voiles product line includes blended voiles, and cotton and blended shirting, as well as a range of lawns, sarees, dress material, and structured fabrics. The company markets its garments primarily under its own brand names, such as Excalibur, Flying Machine, Newport, and Ruf & Tuf brand names, as well as a licensed brand, Arrow, in India and internationally. In addition, Arvind Mills produces bottom wears, including boot cuts, flares, engineered jeans, cargos, and carpenters, as well as skirts and shorts.

Materials
Yarn, dyes, chemicals and spare-parts are forming part of other materials (other than cotton) in the process of manufacturing. Arvind Mills has policy to make global sourcing so as to optimize quality and cost of these inputs. The company has stringent quality standards and has well equipped testing facilities to ensure adherence to these standards for inward-materials. While procuring the dyes and chemicals it also ensures that internationally accepted Eco-norms are met with. Arvind Mills deals with internationally renowned names.

The material sourcing team employed by Arvind Mills is consisting of mix of engineering as well as commercial skills so as to ensure that both quality and costs are optimized. This team in cooperation with manufacturing team continuously works on product and vendor developments. Arvind Mills follows the Purchase Policy and Standard Operating Procedures laid down by one of the large international advisory firms, in the materials management function.
Finance
Arvind Mills is acclaimed in the Indian corporate field for its financial skills. Be it the phase of rapid growth or downturn; the company has demonstrated swift, sharp and robust financial acumen to navigate the Company through different phases of economic cycles. Arvind Mills was the first textile company from India to issue GDRs in the year 1992-93. Highly complex financial restructuring exercise involving more than 80 domestic and international lenders which the Company implemented following the major downturn in the business cycle during year 2000-2002 is considered to be the benchmark for the Indian corporate world. Arvind Mills has been making judicious choice of fund-raising avenues in the domestic as well as international markets so as to construct very efficient capital structure, which is in the tune with operating risks and enhances the shareholders’ value.

Arvind Mills Initiatives
Till 1985, Arvind Mills was managed in a traditional manner like many other mills in Ahmedabad. In 1985, Sanjay Lalbhai started managing it and took in a fresh era of growth. He restructured power and responsibility systems to optimize efforts. A five member management committee with representation from operations, marketing, R & D, purchase and finance was formed to design strategy in details and closely monitor its implementation.

Arvind Mills grew and prospered under new management style but then came the lull period in the textile industry from 1988 to 1991. Few textile companies were able to survive this period. Most of the mills in Ahmedabad were closed but Arvind Mills survived. From 1991 to 2000, it established itself as a top denim company. Arvind Mills was turned into one of the most modern mills in the country. It designed a word ‘Renovation’ to identify its strategy which means looking at issues in a different way and finding opportunities where others see problems. During the period 1991-2000, Arvind Mills developed a global orientation. Arvind Mill’s subsidiary known as Arvind Clothing tied up with Cluett Peabody & Co; the American giant manufacturer of the famous Arrow brand of products. It must however be noted that Arvind Mills’ initiatives into unrelated areas like television sets, EPABX systems, and Video Cassettes in collaboration with JVC failed miserably.
**Arvind Mill’s Performance**

Arvind Mills current concern is its core denim business which is facing a fall in global demand and soaring cotton prices. Cotton accounts for more than one third of the total cost of denim. The appreciation of the rupee against the dollar has squeezed the export margins as well. These are reflected in Arvind’s 2007-2008 results. Its net profit declined from Rs.119 crore on sales of Rs.1845 crore in 2006-2007 to less than Rs.20 crore on revenue of Rs.2655 crore in 2007-2008 indicating a massive pressure on margins. The denim business is a drain on the company’s profitability and if the cost pressure continues the company will be severely impacted. It must be noted that in 2002-2003, Arvind’s sales were Rs.1491 crore with net profit it is 129 crore whereas its sales in 2003-2004 were Rs.1441 crore with a net income of Rs.91 crore. Recently, Arvind Mills is going through a bad patch. In 2008-2009, it made a net loss of Rs.48 crore on the income of Rs.2345 crore. The company is facing a critical situation with a debt of Rs.1400 crore which Arvind Ltd. would pay back by selling its land. The promoters of the company have increased their stake from 34% to 37% and have infused Rs.188 crore capital to the company. Arvind is now giving more focus to brands and retail which until now contributes 19% of the total revenue. It will also move to become an integrated textile player by producing fabric as well as retailing it with a combination of its own as well as licensed brand. Arvind claims to become the largest apparel brand in India with focus on Tier II and Tier III cities. Major emphasis would be placed on the store format “Mega mart” which is targeted to achieve Rs.1000 crore sales in next 3 years. Arvind plans to set up 250 small format and 30 large format stores by 2012.

When asked explanation of a par performance by Arvind Mills (now renamed Arvind Ltd.), its CMD Sanjay Lalbhai replied, “There are life cycles in a company's history and if you need to ride them you constantly need to reinvent, keeping the values and core competence intact”
Beyond Business

At Arvind, it is firmly believed that a successful company must play an active role in the development of the society from which it springs. Besides pursuing its business goals, it should also be responsible corporate citizen. It is because of these beliefs that Arvind is always on the forefront of extending a helping hand for the needy, downtrodden and for the society at large.

Arvind has always been actively involved in the educational institution, hospitals research institutions of Ahmedabad, its hometown. It co-pioneered the world renowned Indian Institute of Management, Ahmedabad (IIMA), and helped set up the Ahmedabad Textile Industry Research Association (ATIRA) and The Kasturbhai Lalbhai Textile Training Center to develop and enhance the skills of textile workers.

The Narottambhai Lalbhai Rural Development Fund and The Lalbhai Group Rural Development Fund where founded to undertake special programs for the economically deprived. It also assists the nearby villages, through nutritional programs, food camps and the harnessing of solar energy.
IV. WELSPUN GUJARAT (WGL)

Welspun Gujarat (hereafter WGL) is a part of Welspun group of companies. Welspun group had a turnover of Rs.4230 crore in 2006-2007 (with export) of Rs.2250 crore and 18500 employees with presence in 50 countries. Welspun Gujarat (WGL) is focused on pipe manufacturing business.

WGL was incorporated in 1995. WGL (Welspun Gujarat) is the second largest pipe manufacturer in the world. WGL has two plants in Gujarat; one is at Dahej and other is at Anjar in Kutch. WGL is a rare company which posted 100% growth in net profits over 6 successive quarters ending March 2008. It offers a complete range of high grade live pipes from ½ inch to 100 inch.

Following is the brief historical review of WGL:

<table>
<thead>
<tr>
<th>Year 1995</th>
<th>— WGL was founded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1997</td>
<td>— Commissioning of the first HSAW mill at Dahej</td>
</tr>
<tr>
<td></td>
<td>— Capacity 30,000 MTPA, enhanced to 50,000 MTPA.</td>
</tr>
<tr>
<td>Year 1999</td>
<td>— Commissioning of State of Art LSAW Mill at Dahej</td>
</tr>
<tr>
<td></td>
<td>— Capacity 350,000 MTPA</td>
</tr>
<tr>
<td>Year 2000</td>
<td>— Commissioning of Coating Plant at Dahej, J.V. with Eupec, 2nd Largest Coating Company in the World.</td>
</tr>
<tr>
<td>Year 2002</td>
<td>— First company from India to supply Pipes for the Offshore Projects in US</td>
</tr>
<tr>
<td>Year 2005</td>
<td>— Commissioning of ERW mil at the new Location, Anjar</td>
</tr>
<tr>
<td></td>
<td>— Capacity 250,000 MTPA</td>
</tr>
<tr>
<td>Year 2006</td>
<td>— 2 New HSAW Plants of 350,000 MTPA</td>
</tr>
<tr>
<td></td>
<td>— Bending Facility</td>
</tr>
<tr>
<td></td>
<td>— Additional Coating Plants</td>
</tr>
<tr>
<td>Year 2007</td>
<td>— 43 MW captive power plant at Anjar, commercially operational</td>
</tr>
<tr>
<td></td>
<td>— Trail Run of 1,500,000 MTPA Plate Mill producing X70 Widest Plate of 4.5 mts wide and 45 mm thickness</td>
</tr>
<tr>
<td>Year 2008</td>
<td>— Commissioning of 1,500,000 MTPA Plate Mill, achieved Level II automation</td>
</tr>
<tr>
<td></td>
<td>— Commissioning of US Plant Double Jointing &amp; Coating Facility</td>
</tr>
<tr>
<td></td>
<td>— Commissioning of 150,000 HSAW Project at Anjar, Gujarat</td>
</tr>
</tbody>
</table>
Welspun Gujarat (WGL) : The main highlights

It is a manufacturing hub for state-of-the-art pipe and related niche products. Incorporated in 1995, it is the preferred choice for the Energy Transportation Sector - be it oil, gas or water. WGSRL has a dynamic setup where quality, integrity and values form the core strength for success. It was incorporated in 1995 as Welspun Gujarat Stahl Rohren Limited (“Welspun” or W\GL) is part of $ 1.04 bn Welspun Group. It caters to the global requirement of Welded Tubes and Pipes. The company has the widest range starting from \( \frac{1}{2} \) inch to 100 inch of outer diameter. It’s manufactures high grade line pipes-Submerged Arc Welded (both spiral and longitudinal), branch pipes (Electric Resistant Welded Pipes-ERW) and coating. It manufacturing facilities located in Gujarat (Western India), in proximity to the National Highway and Seaports. It incorporates the very best technology across the globe with Capello Tubi Italy and SMS Meer Germany (Mannesmann Demag) and EUPEC, Germany. WGL is accredited with ISO 9001, ISO 14001 and OHSAS 18001 certifications. It has a strong order book from Middle East, U.S., Indonesia and other countries. It is approved by more than 40 Oil & Gas majors across the globe. The company is a recipient of top Exporters Award for 2001-2002 and 2002-03 from the Engineering Exports Promotion Council, India. The Construction world award was given to it for 2004 and 2005 as fastest growing steel company. It supplied pipes for World's Deepest Gas Pipeline in Gulf of Mexico, US. It was rated as the fastest growing company in India by Business Today – May 2007. It ranked amongst “India’s Top 100 Corporate 2007” by Standard & Poor’s (S & P).

The Company is first in India

- to supply large diameter Line-pipes for off-shore application to USA
- to supply 56” X -70 Line pipes to Iran.
- to produce the highest recognized Line-pipe grade i.e. X-80
- to complete execution of 42” coated pipes to GAIL
- Highest production recorded for a day for LSAW plant– 1,750 MT
WGL’s expansion in USA

Welspun-Gujarat Stahl Rohren Ltd. (WGL) has built a manufacturing facility in Little Rock, Arkansas, USA, on a 140-acre site adjacent to the Little Rock Port authority.

The $100 million facility is capable of 300,000 net tons of tubular steel pipes annually for use in the oil and gas industry. The company has hired about 300 U.S. workers and has started its production from 2009. “This is a great day for Arkansas”, said Governor Mike Beebe. “Welspun could have chosen many other locations for their investments, and they chose Arkansas. Our workforce, infrastructure and the natural benefits of the Arkansas River convinced Welspun to become our partners in progress. We welcome these great manufacturing jobs”.

Plate Mill – Project Cost and Funding

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs. Mio</th>
<th>Instrument</th>
<th>Amount (Rs. crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land &amp; site Development</td>
<td>200</td>
<td>Equity / Warrant #</td>
<td>1,126</td>
</tr>
<tr>
<td>Buildings</td>
<td>2,065</td>
<td>FCCB (U.S. $ 75 crore) (0%</td>
<td>3,346</td>
</tr>
<tr>
<td>Plant &amp; Machinery</td>
<td>12,472</td>
<td>coupon, convertible at Rs.</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>1,335</td>
<td>162.6/ share) #</td>
<td></td>
</tr>
<tr>
<td>Pre-operative Expanses</td>
<td>1,289</td>
<td>Loan (8.5% pa)</td>
<td>12,900</td>
</tr>
<tr>
<td>Contingency</td>
<td>250</td>
<td>Internal Accruals</td>
<td>738</td>
</tr>
<tr>
<td>Power Plant</td>
<td>500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL COST</td>
<td>18,110</td>
<td>TOTAL</td>
<td>18,110</td>
</tr>
</tbody>
</table>

Welspun link with US Market

- WGL sells a majority of its product to USA.
- Welspun is one of the most recognized pipe companies in US market.
- Over $1 billion outstanding orders are from American continents.
- Key supplier for last 5 years – First to start from India.
- Won contract after contract based on Engineering Excellence.
- Supplied pipes work over $1.5 billion in past.
- Supplied pipes for World’s Deepest Pipe-line in Gulf of Mexico.
Client list includes – Chevron, Exxon Mobil, Kinder-Morgan, El-passo.

Agreement with Chevron, making Welspun one of the three Global preferred Vendors for next 3-5 years.

Quality Control at WGL
At WGL, quality control does not mean certifying the final product. Instead it checks every stage of the cycle to get the well finished Welspun SAW pipes.

The Quality Management (TQM) is incorporated at each level of not only the manufacturing process but each end of production is supported by SAP 6 enabled processes.

Welspun is amongst the few companies which has filed patents in the United States and has attained level 3 automation in the Plate mill supported by digital controls.

Highly skilled professionals with strong in-house training and world class practices ensure the quality of products. With its own lignite based 43 megawatt captive power project. The company maintains uninterrupted production and its quality. All manufacturing facilities are audited by the American Petroleum Institute. It is noteworthy that for the first time in the world, Edge Miller was developed in the company for eventually better product quality for the customer.

Financial Performance of Welspun Gujarat (WGL)
WGL was established in 1995 and in 1998, it reached a revenue of Rs.18 crore which grew to Rs.257 crore with the start of a joint venture with EUPEC, Germany. With the start of Anjar facility in 2007, its sales reached Rs.2678 crore and further reached Rs.4014 crore with the commissioning of Plate Mill and 43 MW Power Plant in 2008. During the last two years, the company has made a net profit of Rs.351 crore on the sale of Rs.4014 crore and Rs.234 crore on the sale of Rs.5878 crore. During 2008-2009, sales have given up but net profit has gone down due to global slow-down (in 2008-2009). The company has not been discouraged by the latest financial result and is still looking forward to 2011. It is carving a path to become one of the leading and most respected global players.
The company has formulated Vision 2011 as follows:

- **Tap Strong Potential Niche Market & Optimal utilization of Capacities**
  - Demand International & Domestic
  - Customer Relationship

- **Commissioning of Palate Cum Coil Mill**
  - Product and Technology
  - Rationale of Plate Mill

- **Commissioning of 300,000 tons US Project**
  - Tryst with US Market
  - Plant Location
  - US Pipe Demand and Supply
  - US Pipe Replacement Market
  - The Projects Details

- **Additional Capacities of 450,000 tons at optimal cost**
  - Additional Capacities of LSAW and HSAW Pipes

- **Strong Management strengths and Skill Sets**
  - Learning Development Opportunities
  - Employee Recognition & Retention
  - Robust and System driven Organization

- **Responsible Corporate Citizen**
  - Creating of value for its stakeholders including customers
V. RELIANCE TEXTILES LTD. (Division of Reliance Industries Ltd.)

Spread over 120 acres on the outskirts of Ahmedabad the Reliance Textile complex now employs 6000 employees. In 2001, however, there were 10,500 employees. The textile division of Reliance is one of the largest integrated mills in India. Reliance Textiles business is a part of Reliance Industries Ltd. The Reliance group, founded by Dhirubhai Ambani (1932-2002) is India’s largest private sector enterprise. RIL is a Fortune Global 500 company. Reliance enjoys global leadership in its business, being the largest polyester yarn and fabric producer in the world and among the top five to ten producers in major petrochemical products. The focus of the present study is on its textiles and fibres division with which RIL started its initial operations. Though Reliance textiles now accounts for only one percent of RIL income, it embodies the sprit of Dhirubhai Ambani expressed as “Reliance Credo” discussed later.

Seeing an opportunity in textiles business, Dhirubhai registered his first textile company as Reliance Textiles Industries Ltd. in 1966 with a small beginning. The company’s first manufacturing operation was capitalized at Rs.15 lakhs and first year sales were a little under Rs.50 lakhs. Plant and equipment consisted of four warp-knitting machines and a small dyeing section and 70 employees. By 1984, employees numbered 9000 and sales touched Rs.604 crores. While most Indian business houses have grown through proliferation of companies in a variety of industries, Ambani promoted one company – Reliance Textile Industries Ltd. (later named as Reliance Industries Ltd.) – Ambani promoted one company and expanded by vertical integration into one sector – synthetic fibres. This led him to acquire Indian Petrochemicals Corporation Limited which was then a Public Sector Corporation. RIL’s motto is “where growth is a way of life”.

In 1971, the business environment in India changed. In order to increase the nation’s foreign exchange reserves, the government of India introduced the high unit value scheme. The government which had previously banned the import of polyester filament yarn permitted its import against export of art silks, mainly nylon fabrics. It was the strategy which Ambani had already mastered. Polyester played a key role in the Indian textile
industry in the 1970’s similar to the role played by nylon in the 1960s. Moreover, this time, Ambani had the further advantage of being a producer of finished fabrics himself. He could ensure their quality and would no longer be at the mercy of the other producers. Ambani was among a handful of organized manufacturers of art silks, the rest being small scale units. He built up several international contacts and thus had a clear advantage even over other organized units. He was able to import yarn to use in his company’s sophisticated crimping and texturising division and turnout products whose quality would command even higher values in the international markets in turn earning higher import allotments. His competitors could not keep up. Soon over 60 percent of the exports undertaken under the high unit value scheme were reliance products. Within a decade of its beginnings, Reliance Textile’s sales climbed from Rs.600,000 to Rs.68 million. In November, 1977, Reliance went public and within three years, the value of its shared appreciated over 15 times. Reliance’s 1977 expansion projects were completed by the last quarter of 1978. It included expansion of the Naroda facility’s filament yarn twisting capacity, crimped yarn twisting capacity and expansion of weaving capacity from 125 to 450 looms. Printing capacity was expanded by installation of additional rotary and flat bed printing machines and the processing department was expanded by installation of imported and indigenous machinery such as stenters and jet dyeing machines. Expansion of the utilities capacity was also undertaken.

Sensing a good opportunity in the textile business, Dhirubhai started his first textile mill at Naroda, in Ahmedabad in the year 1977. Textiles were manufactured using polyester fibre yarn. Dhirubhai started the brand "Vimal", which was named after his elder brother Ramaniklal Ambani’s son, Vimal Ambani. Extensive marketing of the brand "Vimal" in the interiors of India made it a household name. Franchise retail outlets were started and they used to sell "only Vimal" brand of textiles. In the year 1975, a technical team from the World Bank visited the Reliance Textiles' Manufacturing unit. This unit has the rare distinction of being certified as "excellent even by developed country standards" during that period.
**Initial Public Offering**

Dhirubhai Ambani is awarded with starting the equity cult in India. More than 58,000 investors from various parts of India subscribed to Reliance's IPO in 1977. Dhirubhai was able to convince large number of small investors from rural Gujarat that being shareholders of his company would be profitable.

By 1979 Reliance was adding 12,500 spindles for the manufacture of man-made fibers on the worsted system adjacent to its existing mill sat Noarda, funded in part y the floating of convertible debentures of Rs.7 crores, a form of financing popularized by Reliance. Completed by the end of 1979, the company had also installed a computer, diesel generator and effluent treatment plant at the existing mill at Naroda. 1980 saw the installation of 154 Sulzer and Saurer looms and further replacement and modernization of existing plant and equipment with a Eurodollar loan of $ 18 million and issuance of $ 11 million more in convertible debentures. Sales in 1980 were $ 262 million, up from $68 million just four years earlier. Reliance also entered the polyester fabric export market in 1980 and exports totaled $7.5 million.

**Backward Integration of Reliance Textiles for its Raw Material**

Controlling the costs of inputs translates into certain profits, more so than increasing sales. The company noticed that the wide gap between demand and supply for polyester filament yarn in India was ripe for narrowing. In 1980 alone demand for the raw material was more than double installed capacity. It was expected to double again by 1985. Ambani moved to secure a license from the government to put up a 10,000 ton per annum capacity polyester filament yarn plant. The $90 million plant was set up on 30 acres of land outside Bombay at Patalganga. It was Reliance’s biggest project yet. The Industrial Credit & Investment Corporation of India, known as ICICI, managed a public issue of $ 24 million convertible debentures to assist Reliance. Du Pont of the USA supplied the technology and equipment for the project which represented the first time the American firm had ever parted with the particular polymerization process provided Reliance. Chemtex, Inc. of New York arranged the deal between Reliance and DuPont. The plant was also designed to operate on dimethyl terethalate (DMT) or purified terephthalic acid (TPA) which Dhirubhai Ambani used for the first time in India.
The Patalganga plant was a watershed in the Ambani corporate saga. It propelled the Ambanis into the big leagues. Never satisfied with today’s success, Reliance moved to obtain approval to expand the 10,000 ton plant to 35,000 tons soon after the first project was up (in 1981, DuPont’s own aggregated worldwide capacity for PFY was 280,000). With this one plant, India’s planned capacity for PFY for the period of the Sixth Five Year Plan (1980-85) was filled and ensured a completed import substitution of the product. In spite of this important factor, however, Reliance had to agree to export production of fabrics equal to two times the value of capital goods imported for the project over a five year period in order to obtain government approval.

The Patalganga project also focused attention on Dhirubhai’s eldest son, Mukesh, a chemical engineer from Bombay University. He was studying for an MBA at Stanford when he was recalled to India to manage the Patalganga project. The success of the Patalganga operations established Mukesh’s bonafides on the industrial scene. Camping out at the project site, outlawing the use of memos to address problems, Mukesh and his staff managed to erect the plant in a record 18 months. This was accomplished in a milieu in which project delays and cost overruns are the norm, not the exception. Even DuPont International’s director attested to the Patalganga phenomenon by stating that in America it would have taken not less than 26 months to put up a similar plant.

Once the Patalganga plant was operating – and there were no hitches here – the duty on imported polyester filament yarn moved from Rs.564 to Rs.900 per kilo. Competitors reliant on imports now find to purchase from Dhirubhai or face being priced out of the market. There were new complaints about Dhirubhai’s talent for obtaining the edge over his competitors.
While the Patalganga plant was getting under way in 1981, Reliance took over the operation of a bankrupt or “sick” mill at Sidhpur, Gujarat, the Sidhpur Mills Co. Ltd. which had installed capacity of 38,368 spindles and 490 looms. Losses carried forward on Sidhpur’s books were $2 million at the time Reliance moved to acquire the mill. An additional half million dollars in accumulated depreciation added to Reliance’s own credits for the year. Moreover, the takeover of a sick unit in India makes it eligible for concessionary loans from government financial institutions and Reliance secured $8 million in such loans for new machinery to assist in the $12 million modernization plans Reliance had for Sidhpur.

Early in 1982 Reliance’s authorized capital was increased from $20 million to $60 million to fund its across-the-board expansion plants. Not only were the PFY plant at Patalganga going up and the Sidhpur mills being renovated, but the Naroda facility was being expanded to the tune of $61 million. Basically a modernization and balancing move, the Naroda plant imported twisting, coning, dyeing and other related equipment for producing higher value-added yarn to improve the quality of its product which enhanced its sales and profitability. In late 1982, the Patalganga project reached full operating capacity within 96 hours of its startup. This project supplied raw material to reliance textiles which was a step towards backward integration.

**Integration Strategy of Reliance Textiles Ltd.**

Analysis shows that companies with long term intention on building differentiation advantage go in for integration opting to manufacture all their products and components and own as many facilities and services as possible, in-house. Though, initially, building up such facilities is investment intensive these corporations opt for such investment as they feel this is the surest route to finally control these activities in their favour and thereby derive the best of differentiation benefit.

In the Indian context, Reliance Textiles Ltd can be cited as an example of a company which has consciously opted for a significant differentiation advantage for itself.
Reliance Textiles – High degree of integration in manufacturing

Reliance Textiles provides as apt example of vertical integration. While several of India’s textile companies operated by purchasing grey cloth and doing the printing, Reliance went in for the highest degree of vertical integration in the textile industry and Reliance Textiles became India’s largest and most modern, vertically integrated composite textile plant.

It has a spinning division set up at a cost of Rs.18.5 crore. It has 12,500 spindles turning out myriad varieties of yarn spun on the Worsted System, for worsted and other blended suiting. This is one of the most modern worsted spinning yarn plant in Asia.

In the yarn division, hundreds of tones of yarn is crimped, texturised, twisted, coned, rewound, doubled, dyed and reeled.

In the knitting division, the two departments – circular and warp knitting- produce 50 lakh metres of dress material and shirting annually.

The weaving division, considered the most modern division of its kind in the country, has an installation of 154 ultra modern shuttle less Sulzer machines among others; it produces more than one crore metres of Vimal Suiting in over 15,000 designs and colour combinations annually.

In the design studio, more than 250 artists apply their skills to create a dazzling array of over 10,000 original designs annually.

The printing department houses some of the most modern Rotary and Flat-Bed printing machinery, with an installed capacity of 4 crore metres per annum.

The processing department ensures exclusive excellence in finishing. This is done on the most sophisticated machinery- the Smith SD-28 Relaxing and Washing Machines, in synchronization with a Hirano-4 Suction Dryer and ATYC Suplex Jet Dyeing machines.
In the research and development wing, new yarn counts and fabric manufacture are innovated each season, and sophisticated machinery probes other areas of fabric manufacture. The facilities include colour-matching computers and quality control department.

**Integration of manufacturing with retailing**

Reliance’s Manufacturing Division at Naroda, Ahmedabad is one of the largest and most modern textile complexes in the world. The Company's flagship brand VIMAL is one of the most trusted brands of premium textiles in the country. Main growth drivers for VIMAL are retail presence across India and innovation and focus on premium products and men's formal wear.

The company also plans to sharpen its focus on global automotive furnishing business. The company has taken various steps to position its business globally:

- Increasing the domestic retail presence, by opening 23 additional company outlets, and in the number of retail counters to 500 and promoting the products and services through retail.
- Apart from being a major supplier of fabrics with all the leading US and European brands, it has entered into garment supplies, ensuring a one point solution for their needs.
- The textile division has achieved a major breakthrough in the domestic and American auto markets aimed at obtaining a foothold in the world’s auto-textile segment.
- The manufacturing facility at Naroda, Ahmedabad has completed its modernization and upgradation.

**New product initiatives**

- Copol & Copol blended fabrics.
- Polyester/Wool/Bamboo blended fabrics with inherent antimicrobial, anti-odor and UV properties.
- Wool/Soya blended fabrics with having similar moisture absorption capabilities as cotton.
• Durable moisture management in 100% polyester sports wear fabrics.
• Fire-retardant and water proof tent fabric, providing additional safety from fire hazards.
• Water and oil repellant fabrics made from eco-friendly recycled polyester.

Competitive Advantage Profile (CAP)
The competitive advantage profile of Reliance Textiles Ltd is considered here as an illustrative example.

Reliance Textiles, (now Reliance Industries) had strengths in several factors and has built up a powerful competitive advantage profile as shown below:

<table>
<thead>
<tr>
<th>Competitive advantage factors</th>
<th>Nature of competitive strength/ weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing factors</td>
<td>Access to latest Dupont technology for crimped yearn, leading to premium fabrics.</td>
</tr>
<tr>
<td></td>
<td>A vast chain of exclusive VIMAL showrooms in all the Metros and Class I towns; jumbo show rooms in the metros; and strong state level stockists.</td>
</tr>
<tr>
<td>Production factors</td>
<td>State-of-the-art factory for producing contemporary synthetic fibre fabrics.</td>
</tr>
<tr>
<td></td>
<td>Superior scale economics compared to competition.</td>
</tr>
<tr>
<td>R&amp;D and Engineering factors</td>
<td>Competence for designing and making unique fabrics/ designs and creative dress combination. Employs more than 200 designers; and release more than 10,000 distinct designs per year.</td>
</tr>
<tr>
<td>Personnel and Expertise factors</td>
<td>Highly qualified, highly paid experts in each field.</td>
</tr>
<tr>
<td>Corporate and Finance factors</td>
<td>Prestige in the capital market and ability to raise large equity. Successful past record.</td>
</tr>
</tbody>
</table>
RIL Credo
The Company’s credo is narrated in its own words as follows:

Human Resources
At Reliance we recognize the critical role that our people play in the success and growth of each of our businesses. It is the skill and initiative of our workforce that sets us apart from our peers in today’s knowledge-driven economy.

Our strong team of professionals is among the youngest in the country, and consists of some of the most dynamic, motivated and qualified individuals to be found anywhere in the world. First-rate management graduates, highly trained engineers, top-notch financial analysts and razor sharp accountants- we have on our rolls some of the brightest minds in the business. They give us our competitive edge.

Our Mission
Our transparent HR policies and robust processes are driven by a single overarching objective: To attract, nurture, grow and retain the best leadership talent in every sector and industry in which we operate.

Our aim is to create a team of world beaters that is:

- Committed to excellence in quality.
- Focused on creation and enhancement of stakeholder value.
- Responsive to evolving business needs and challenges
- Dedicated to uphold the core values of the Group.

Our Promise
In order to achieve our objective, we offer our people:

- Growth opportunities to expand leadership capabilities
- True meritocracy and freedom to choose career paths
- Opportunities to develop and hone leadership and functional capabilities
- An entrepreneurial environment where people can pursue their dreams
- Competitive compensation
In addition, we follow a well-defined Rewards & Recognition programme that periodically identifies exceptional individuals and team achievers among the various business functions and verticals in the Group.

**Our Expectations**

At Reliance – Anil Dhirubhai Ambani Group, we encourage our colleagues to take leadership, at all levels of the organization, and participate in accelerating growth of our businesses to build a formidable enterprise.

Leader in Reliance – are expected to .....

- Always keep the customers’ need in mind and constantly innovate
- Execute flawlessly and with speed
- Sustain and strengthen the group’s spirit of entrepreneurship – taking ownership and accountability for their actions
- Leverage synergies to learn and build on the diverse experiences and skill sets of our various businesses and teams
- Create a true meritocracy with a pervasive commitment to transparent systems and processes
- Do all this with unquestionable integrity to ensure total compliance with the laws of the land.
VI. INDIAN PETROCHEMICALS CORPORATION LIMITED (Now a part of RIL)

Indian Petrochemicals Corporation Limited (IPCL) is a petrochemicals company in India. It was established on March 22, 1969, with a view to promote and encourage the use of plastics in India. Its business consists of polymers, synthetic fibre, fibre intermediaries, solvents, surfactants, industrial chemicals, catalysts, adsorbents and polyesters. The Company operates three petrochemical complexes, a naphtha based complex at Vadodara and gas based complex each at Nagothane near Mumbai and at Dahej on Narmada estuary in bay of Khambhat. The Company also operates a catalyst manufacturing facility at Vadodara. Its turnover for the financial year 2005-06 has crossed the Rs. 10,000 crore mark.

In June 2002, the Government of India as a part of its disinvestment programme divested 26% of its equity shares in favour of Reliance Petro investments Limited (RPIL), a Reliance Group Company. RPIL acquired an additional 20% equity shares through a cash offer in terms of SEBI (Takeover Regulations) and currently holds 46% of Company's equity shares. IPCL is now a part of Reliance Industries Ltd. IPCL which as a turnover of more than Rs.10,000 crores and manufactures nearly 40 products, had an employee strength of nearly 13,000 when it was taken over by RIL in 2002. Of these, around 8000 employees were in Vadodara. The new-look IPCL cut down its employee strength to 5,500 after RIL takeover. In order to modernize the Vadodara Plant, the company spent Rs.500 crores during the first five years.

Effective April 1, 2005, the six polyester companies namely Appollo Fibres Limited (AFL), Central India Polyesters Limited (CIPL), India Polyfibres Limited (IPL), Orissa Polyfibres Limited (OPL), Recron Synthetics Limited (RSL) and Silvassa Industries Private Limited (SIPL) have been amalgamated with IPCL. This marks the entry of the Company in the polyester sector. The polyester units are based in Hoshiarpur (Punjab), Nagpur (Maharashtra), Barabanki (Uttar Pradesh), Baulpur (Orissa), Allahabad (Uttar Pradesh) and Silvassa (Gujarat).
With all the above consolidation of its petrochemical business, (including IPCL) RIL reached the total petrochemical sales of Rs.52,758 crores in fiscal year 2009 up from Rs.42,40 crores in fiscal year 2008. This includes the production at IPCL.

There is a further development at IPCL. IPCL is the main promoter, along with six partners, of a joint venture called Gujarat Chemical Port Terminal company Ltd. The company will construct and operate a liquid chemical handling port at Dahej. IPCL and General Electric Plastics (GEP), BV, Netherlands have jointly ventures to manufacture advanced engineering plastics at Vadodara, for alloys, blends and composites of engineering thermoplastics.

IPCL’s R & D Centre, at Vadodara Gujarat, established even before commencement of commercial operation is a forerunner in petrochemical research. The research centre achieved a major breakthrough by developing a novel paraffin dehydrogenation catalyst. IPCL has already commercialized this catalyst in Indian and abroad. Other major feathers by way of commercial successes include a catalyst for dehydrogenation of n-paraffins and a catalyst process for xylene isomerisation, monometallic reforming catalyst and abimetallic reforming catalyst.

**Location**
The company owns and operates three petrochemical complexes – a naphtha –based complex at Vadodara and gas based complexes at Nagothane near Mumbai and at Dahej in Gujarat. The company also owns a catalyst manufacturing facility at Rabale, Navi Mumbai.

**IPCL and Gandhar Complex**
The discovery of large reserves of oil and gas in the Gandhar region has given the region a fillip through a large-scale industrial development. Availability of raw materials like salt and access to a sea, besides hydrocarbon feed stock and good water sources in river Narmada offered favorable environment for growth of industries in the region.
A survey had estimated Oil and Gas reserve in the Gandhar basin at around 190 million tones out of which 73 million tones was said to be recoverable. This important discovery and abundance of salt in nearby places formed the basis for IPCL's venture to set up an integrated gas cracker and a chlor-alkali complex near Jageshwar village in Vagra taluka of Bharuch district of Gujarat.

The special feature of this complex is that it has a fully integrated production of PVC starting from captive Chlorine and Ethylene with power drawn from a captive power plant. IPCL’s entry as a producer of Caustic Soda, in synergy with fully integrated PVC plant, has provided an edge in the Caustic Soda and PVC business.
Milestones: Following are the milestones in the development of IPCL.

<table>
<thead>
<tr>
<th>Date</th>
<th>Key Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>Incorporated as Indian Petrochemicals Corporation Limited, a Government of India undertaking</td>
</tr>
<tr>
<td>1970</td>
<td>Construction of our first petrochemicals complex commenced at Vadodara, Gujarat</td>
</tr>
<tr>
<td>1973</td>
<td>Commenced commercial operation at Vadodara</td>
</tr>
<tr>
<td>1979</td>
<td>Commissioning of the first naphtha cracker at Vadodara</td>
</tr>
<tr>
<td>1992</td>
<td>Initial Public Offering and listing on the Vadodara Stock exchange</td>
</tr>
<tr>
<td>1992</td>
<td>Second petrochemicals complex commissioned at Nagothane, Maharashtra</td>
</tr>
<tr>
<td>1996</td>
<td>Third petrochemicals complex commissioned at Gandhar, Gujarat</td>
</tr>
<tr>
<td>2000</td>
<td>Entered into Joint Venture agreement for implementing GCPTCL</td>
</tr>
<tr>
<td>2000</td>
<td>Completion of the second phase of the Gandhar complex</td>
</tr>
<tr>
<td>2002</td>
<td>Government of Indian disinvested 26% of our equity share capital to the Strategic Partner</td>
</tr>
<tr>
<td>2004</td>
<td>Amendment Agreement between the Government and the Strategic Partner, Reliance Petron investments Limited, a Reliance Group company.</td>
</tr>
<tr>
<td>2004</td>
<td>Government of India disinvested its balance shareholding</td>
</tr>
<tr>
<td>2005</td>
<td>Government of India withdraw its nominee directors from the Board of Directors of Indian Petrochemicals Corporation Limited</td>
</tr>
<tr>
<td>2006</td>
<td>Amalgamation of six polyester companies i.e. Appollo Fibres Limited, central India Polyesters Limited, India Polyfibres Limited, Orissa Polyfibres Limited, Recron Synthetics Limited and Silvassa Industries Private Limited with Indian Petrochemicals Corporation Limited.</td>
</tr>
<tr>
<td>2007</td>
<td>Reliance Industries merged IPCL with itself which added more than Rs.11,000 crores RIL’s balance sheet.</td>
</tr>
</tbody>
</table>

IPCL has the tradition of supporting many projects as a part of its social responsibility. The following list is only a part of its total social project profile:
Community Development

Support for Environment preservation/ upgradation, Construction of Primary Health Centers, providing ambulances and training to people in primary health care. Nursery and industrial training institutes Cattle Development Center.


Arts and Sports
IPCL has a tradition of supporting cultural activities and sports. Some of them are:

- Assistance to the Central Library, Vadodara
- A beautiful piece of contemporary sculpture by Nagji Patel is a landmark in the city of Vadodara. It is also symbolic of IPCL's deep commitment to promote art and culture.
- A giant mural adorns IPCL's open-air theater at Vadodara. Regular camps for painters, graphic artists and sculptors are organized by IPCL.
- Konkan craft festival was organized at Nagothane in 1993. The Corporation regularly sponsors music programs, cultural shows and sports events.
- The calendar themes for the last few years have depicted India's rich cultural heritage. For instance, the famous musicians of Vadodara, the Maritime heritage of Marathas, Nandalal Bose's murals, British colonial art in Vadodara, and Prof. NS Bendre's paintings on Nagothane.
- IPCL had sponsored a book on the 'Contemporary Art of Vadodara', the book has been published now.
A huge sports complex matching international standards is developed at Vadodara. It has held men's and women's world cup cricket matches, international tennis tournaments besides being a venue to various national and state level games. Some of the IPCL players have made their mark at the state and national levels in various sports.

**Research and Development at IPCL**

IPCL has developed advanced technologies in strategic business areas and niche products through an innovative approach. Sharpening the competitiveness to further advance the market leadership and strengthening intellectual property and knowledge base have been the key drivers being R & D programmes at IPCL. R & D activities cover the major business sectors of the company such as polymers, polyester intermediation, chemicals, elastomers and cracker products. Research topics over diverse areas with emphasis on feedstock, monomer technologies, new products, catalysts, absorbents, and specialty chemicals, and specialty materials.

R & D at IPCL has been working closely with manufacturing technology departments and product application centers with the objective of process optimization, process improvements, and quality improvements and devising new applications for polymeric materials. IPCL has been granted dozens of patents for its innovations such as patents for a process for production of paradiethyl benzene, a process for preparation of a olefin purification, a process for the production of polylactic acid from renewable feedstock.

**Financial Performance of IPCL**

The financial performance of IPCL has been outstanding as the following table indicates:

<table>
<thead>
<tr>
<th>Financial Performance of IPCL (Rs.in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
</tr>
<tr>
<td>Net Profit</td>
</tr>
</tbody>
</table>
The income in 2004 shows a marked increase over 2003 because Reliance group took over IPCL (a Public Sector Company) and started managing it as a part of Reliance Group.

The income and net profit in 2006 show a marked improvement over the income and net profit in 2005 because six polyester companies were amalgamated with IPCL.

After 2006, IPCL was merged with RIL and no separate income and profit figures are published for IPCL. They are merged with RIL accounts.
VII. GUJARAT HEAVY CHEMICALS LTD.

GHCL (Gujarat Heavy Chemicals Ltd.) was incorporated in 1983 and completed IPO in 1988. It operates as a chemical and textile company and is a $700 million multiproduct company and generated a sale of more that Rs.600 crores in 2005. Its soda ash accounted for 74% of fiscal 2005 revenue with textile and IT services accounting for 18% and 8% respectively. The company’s textile business consists of the manufacture of yarn and has textile products such as bed linen, curtains, made-ups, and cotton yarn. GHCL set up its factory in April 1988 at a cost of US $300 million in Sutrapada, Gujarat. The plant manufactures high grade dense and light soda ash, for domestic and international use. GHCL has rapidly grown to become one of India’s largest manufacturers and exporters of soda ash. Soda ash is an essential ingredient in the manufacture of detergent soaps, glass, sodium, salts and dyes. It is widely used in textiles, paper, metallurgical industries and desalination plants. GHCL has adopted the most modern method of soda ash and therefore it is among the best in the world. It is a white, crystalline, water soluble material, produced by the revolutionary Dry Limiting Process. Besides, GHCL is one of the largest and lowest cost producers in India and its production is 30% of the domestic market. It is innovation leader in the industry and has a captive supply of raw materials. Its textile division operated two spinning mills with an installed capacity of 75,000 spindles producing five yarn. GHCL has invested approximately $25 million since 2003 to modernize equipment. IT has expanded into higher margin home textiles market.

The vision of the company in chemicals field is to be a leading global soda ash player. To achieve this vision, it has started to build its competence in several areas. First of all, it has become the lowest cost producer of soda ash in India for three reasons;

1) It was first in India to successfully implement AKZO dry lime technology and a leading producer of high-grade dense and light soda ash.

2) It has captive mining of fuel (lignite) only company to have the advantage and

3) It has best process parameters in the Indian industry and follows a Kaizen System and has established a sound system of cost control.

4) The company has been continuously rated the best in the industry by CSI (Customer Satisfaction Index).
The company expanded its existing capacity of soda ash production through two main routes. The first route was the expansion of the production capacity of 0.6 million tons to 1.1 million MTPA at its existing locations at Sutrapada, Gujarat. Secondly it created a strong foothold in Europe through its Romanian acquisition. It acquired a Romanian company in 2005 to reach additional 300,000 T & A capacity and started penetrating European market. It moved towards being a learning company by sharing deep rooted manufacturing knowledge with its newly acquired Romanian company. It also increased its dense ash capacity to service growing Eastern and Central European market and established client relationship throughout its region. After its acquisition of a Romanian company and naming it as GHCL UPSOM ROMANIA S.A., the company achieved the following objectives:

- **Management Team Integration**
- **Cost Efficiency Measures**
  - Increased production from 500 TPD to 650 TPD – 30% increase
  - Variable cost reduced by 5% by efficiency improvement without any investment
  - Refinancing of Working Capital Debt at competitive rates – 6%
  - Negotiations with Raw Material/ Utility suppliers initiated for rate reduction
  - Capital Investment Program already commenced
  - Funding of Capex program tied up at 6.5% cost for 9 year loan
- **New Marketing Set up**
  - Increase visibility for client’s acquisition in EU markets
  - Initiatives to Penetrate Dense Soda Ash market – New Capacities (STIROM / St. GOBAIN)
  - Getting footholds in Hungary, Maldova, Italy and Poland for increased business
  - Breakthrough in Hungary markets with business relationships with worlds leading Glass manufacturers (OWENS & GUARDIAN)
— Leveraging the opportunity arisen out of Soda Ash capacity closures in Austria
— Strategy to improve average realization by focusing on Local Romania, European Exports by road & Sea Exports
— Logistic Cost management to improve realization

• The New Frontier....
— Strategic Access to E.U. Markets
— Romanian Capacity available at cheaper cost (US$150/ton compared to US$ 570/ton for Greenfield investments)
— Raw material Availability near to location and GHCL to leverage its capabilities – costs/innovation.
— Romania a’ stepping stone for a larger foray in EU

Let us now take a look at GHCL’s future plan made in 2007:

<table>
<thead>
<tr>
<th>MARKETS</th>
<th>SIZE</th>
<th>GROWTH</th>
<th>GHCL’S PLANS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006 (Mt)</td>
<td>2010 (Mt)</td>
<td></td>
</tr>
<tr>
<td>CHINA</td>
<td>13.2</td>
<td>17</td>
<td>• Actively Evaluating proposals</td>
</tr>
<tr>
<td>INDIA</td>
<td>2.3</td>
<td>3</td>
<td>• Existing capacity 0.6 MTPA expanded to 1.1 MTPA–will be largest in India</td>
</tr>
<tr>
<td>USA</td>
<td>11.3</td>
<td>13</td>
<td>• Being approached for strategic partnerships</td>
</tr>
</tbody>
</table>
| EUROPE      | 12.6  | 14     | • Have acquired facilities in Romania of 03. MTPA.  
|             |       |        | • Being Approached for other strategic Acquisitions |
| Other Countries | 2.9  | 3      |                                                  |
| Total       | 43    | 50     |                                                  |
Meanwhile GHCL is equally active in its textile manufacturing division. In 2006, it set up state of the art home textile manufacturing facility at Vapi at a cost Rs.230 crores. This factory has the following manufacturing competences: It has 36 million meters of Dyeing and Printing capacity of wide width fabric and has state of art plant and equipment from US and Germany. It has flexibility to process both cotton and blended fabrics and has an in-house weaving facility of 9 million meters. GHCL has decided to focus on bed-linen, curtain, duvet covers and other top of the bed product segment. With this, GHCL is the first company in India having all production facilities, i.e. spinning, weaving, finishing and making up and now is among top 3 players in bed linen segment. GHCL has a vision to build the most admired global home textile company in India.

GHCL endeavour is to build world class competencies in:

- **MANUFACTURING**
  - Building world class competencies in – Quality, Cost Control, Delivery & margin Enhancement through benchmarking & Ancellirization approach.

- **DESIGN**
  - Empower the already Strong Global Design Team to develop creative ideas from across the Globe.
    - US- Global Design Head already looking after Kids (2-12 yrs), Tweens (12-20 yrs), Adult day to day ($ 70 - $ 80) & Audit Luxury ($ 100 plus)
    - UK – Design Director of Reputed experience already on board to develop popular designs based on new trends.
    - India – Development of complete design capabilities out of Vapi.
  - Already entered the Home Textiles Design Shows to benchmark against other industry players.
  - Started (STP) Segment target positioning teams to Drive Segmental Growth in product development.
• **PRODUCT DEVELOPMENT**
  
  — High end process established in “Sample” Development – from Creativity to Sample Development with total look and feel of the product line.
  
  — Higher TAT (Turn Around Times) established and is driving strong order bookings – A USP of Dan River.

GHCL wished to attain its goal of achieving sales of 900 million dollars while pursuing the following core values.

• Building/Developing Competencies with International Workforce.
• Encouraging Entrepreneurial Spirit.
• Serving Markets Closest to Customers.
• Sourcing from the Most Efficient, Economical Areas.
• Continuously Challenging Cost Across Business Model.
• It wishes to emerge as globally competitive business by
  
  — Building People
  — Building Businesses
  — Creating Value

**GHCL’s Financial Performance**

GHCL has shown tremendous growth in sales and profits over last ten years. Its employee strength has increase to 2689 in 2008-2009. In 2001-2002 and 2002-2003, GHCL’s sales were Rs.409 crore and Rs.433 crore respectively with a net profit of Rs.45 crores and Rs.46 crore. Compared to that, GHCL’s performance during the last three years is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>Rs.1083 crore</td>
<td>Rs.1099 crore</td>
<td>Rs.1247 crore</td>
</tr>
<tr>
<td>Net Income</td>
<td>Rs.142 crore</td>
<td>Rs.101 crore</td>
<td>Rs.103 crore</td>
</tr>
</tbody>
</table>
VIII. GUJARAT ALKALIES & CHEMICALS LTD (GACL)

GACL is India’s largest caustic soda manufacturer. In order to appreciate this Gujarat governments’ public sector company’s growth and development over a period of 37 years, its vision and mission statements as well as its concerns for environment are presented here.

Vision
To continue to be identified and recognized as a dynamic, modern and eco-friendly chemical company with enduring ethics and values. Now with the change in leadership, newer perspective are all set to be harnessed, lifting the forward-looking company’s visions, to higher sights, thus cornering glory for the company, not only in the industrial belt of Gujarat but even in the national arena.

Mission
To manage our business responsibly and sensitively, in order to address the needs of our Customers & Stakeholders. To strive for continuous improvement in performance, measuring results precisely, and ensuring GACL’s growth and profitability through innovations. To demand from ourselves and others the highest ethical standards and to ensure products and processes to be of the highest quality.

Concern for Environment
GACL has planted and nurtured more than 1,00,000 saplings. Implementation of Rain Water Harvesting system for maintaining green belts, implementing vermiculture to convert waste generated by plant into manure, Adopting environment- friendly and energy efficient technologies like membrane cell, Sensors placed at strategic locations to monitor ambient air quality are some of the steps are taken to preserve environment.
Gujarat Alkalies and Chemicals Ltd. was incorporated in March 1973. It was financed by Gujarat Industrial Investment Corporation Limited, as wholly owned corporation of the Government of Gujarat. Company commenced its operations in 1976 with 37,425 MTPA Caustic Soda Plant, then Mercury Cell process at its Plant which is situated 16 km North of Vadodara near Village Ranoli on the main Railway track route between Ahmedabad and Mumbai. Company has the strategy of continuous capacity expansion in core areas. First stage expansion of the Caustic Soda Plant raising the capacity to 70,425 MTPA was undertaken in October, 1981 followed by a diversification programme to produce 2000 MTPA of Sodium Cyanide in December, 1982. In 1984, the second stage expansion to increase the capacity of Caustic Soda Plant to 103,425 MTPA was undertaken. Company also undertook the diversification project for manufacture of 10,560 MTPA of Chloromethane using Chlorine, a co-product of the Company and in 1991 the capacity of Chloromethane production was doubled. In 1995, as a part of diversification program and to meet the growing demand of its products in the State of Gujarat, the Company had set up a plant for manufacture of Technical Grade Phosphoric Acid with capacity of 26400 MTA at a new location at Dahej, District Bharuch. The Company also set up Membrane Cell based grass root caustic chlorine unit with a capacity of 100000 MTA at Dahej. A captive 90 MW co-generation Power Plant was set up so as to ensure uninterrupted and low cost power for its captive operations. With an initial capacity of 37,425 TPA Caustic Soda, Company have grown to be the largest producer in India. Company has started to diversify and expand its existing infrastructure to consolidate it’s dominance in Chlor-Alkali and other integrated downstream products.

Products & Services

Company is the single largest producer of Caustic Soda in India. Gujarat Alkalies and Chemicals Ltd. is involved into developing, manufacturing and distributing caustic soda lye, chloromethane, caustic flakes, chlorine gas, sodium cyanide, liquid chlorine, hydrochloric acid, hydrogen gas, sodium Ferro cyanide and related chemicals. Gujarat Alkalies and Chemicals Ltd. has two plant sites. One is situated at 15 km North of Vadodara and the other is located at Dahej, in Bharuch district. The company commissioned this 90MW captive combined cycle co-generation power plant to reduce its power costs and achieve

Harnessing the potential of the seemingly tiny grain of Common Salt, Gujarat Alkalies and Chemicals Limited has been able to transform it to a broad spectrum of basic chemicals to meet the diverse needs of industries. With a series of well planned expansions, technology upgradations and diversification programmes, today it is the undisputed flag bearer of the Chlor-Alkali industry in the country with a capacity of 3,79,550 MTA Caustic Soda.

GACL has been a pioneer in converting the Mercury Cell technology to the environment friendly, Membrane Cell Technology in 1989. Proximity to the salt pans and self-sufficiency in power provides the economic edge for GACL to be the low cost producer. With the adaptation of the best environment friendly, world-class technologies and the obsession for quality, GACL has been able to fulfill its commitment to deliver products of premium quality in the market. Reliable supplies of quality products like Caustic Soda Lye / Flakes / Prills, Liquid Chlorine, Hydrochloric Acid, Sodium Hypo-Chlorite, Compressed Hydrogen gas, Hydrogen Peroxide, Potassium Carbonate, Chloro-methanes, Sodium Cyanide, Sodium Ferro-Cyanide, Phosphoric Acid, Aluminium Chloride, Calcium Chloride, Poly Aluminium Chloride and Bleachwin from GACL are sought after by the customers. Compared to the industry standard of 70% capacity utilization, the plants at GACL operate at almost 100% capacity. So it is not without reason that the company's turnover has crossed Rs.1100 crores over the years.

GACL has been able to adapt itself effortlessly to the age of information technology. Both the complexes are well connected by V-Sat & leased lines for fast and uninterrupted exchange of information to aid speedy decision making, implementation of policies, transparency in dealings and to provide access to customers to track the status of their consignment online.
Through its in-house R&D cell, GACL successfully developed and commercialized the technology to produce Sodium Ferro-Cyanide from the waste of the Sodium Cyanide Process, thereby reducing the discharge of pollutants in the effluent. The company’s achievement was recognized through the prestigious National Award on Pollution Control and the Chemtech Foundation Award.

Safety, protection of the environment and personal development of the employees are the prime concerns of the organization. With exhaustive training in safety and ample opportunities for self-development, the employees are ever ready to give their best to the company that cares for them.

The Zest to Invent

The mercurial nature of the chemical industry demands continuous invention and innovation. GACL has a well-equipped R&D centre, recognized by the department of Science and Technology, Government of India, working on new and safer processes/technologies, value added products and import substitutes.

**GACL is the recipients of national awards for :**

- Excellence in research and development from the department of Science and Technology, Government of India.
- Pollution Control and Environment Protection from Chemtech Foundation for developing a process for manufacturing Sodium Ferrocyanide from the waste stream Sodium Cyanide process.
- Novel energy conservation and integration programme in chemical plant from the Indian Chemical Manufacturers Association.
- GACL is a proud recipient of "National Energy Conservation Award" by Bureau of Energy Efficiency (BEE), Ministry of Power, Govt. of India for three consecutive years.
Gujarat Alkalies and Chemicals Ltd. has notched up a major accolade at the first BMA Business Excellence Award 2008-09 for its undisputable track record of growth and result for both financial and non-financial performance. GACL bagged the award in the category of Large Scale Organization with a turnover of Rs.1,000 crores and above. The company has been honored with this award for demonstrating strong financial performance in production/operational functions and system improvements. GACL has been announced to be the winner of “First Award” under Basic Inorganic & Organic Chemicals Industry. The Award was distributed in the 2nd week of July 2009.

**Following are the stages in the development of GACL**

Landmarks in GACL’s growth

1982 Commissioned Sodium Cyanide plant with a capacity of 2000 TPA.
1986 GACL went in for a diversification project of manufacture Chloromethane.
1987 Commissioned Caustic Soda Flaking unit with a capacity of 26400 TPA.
1989 First revamp to energy efficient and environment friendly Membrane Cell technology.
1992 Commissioned Sodium Ferro cyanide plant (100 TPA) based on in-house Research & Development.
1994

- Converted balance manufacturing facilities to Membrane Cell & expanded its Caustic Soda capacity to 153500 TPA.
- Expanded caustic flaking unit to 53000 TPA.
- Commissioned caustic potash plant with a capacity of 16500 TPA.
1995

- First certification IS/ISO 9002 : 1994
- Phosphoric Acid Plant started production at Dahej.
1996 Hydrogen Peroxide plant commissioned.
1998 Commissioning of 300 TPD of Caustic Soda & 90 MW power plant at Dahej.
2000 Commissioning of Caustic Potash/Flakes, Vadodara.
2001 Increase in H₂O₂ Capacity to 12540 MTA.
2004
   •  ISO 14001:1996 Certification for Vadodara Complex and Dahej Complex.
   •  Commissioning of Calcium Chloride plant at Dahej.
2006  Commissioning of Poly Aluminium Chloride Plant at Dahej.
2007  Invested Rs.125 crore for setting up 24 MW Windmill project at Kutch.
2008  The Windmill project at Kutch is fully commissioned.
2008  Another 40 MW Windmill project at Kutch with an investment of Rs.200 crore. Also
   Rs.150-200 crore invested in setting up 75 tonne per day hydrogen peroxide project
   which will be completed by December 2010.
2008  Another 90 MW gas based power project to be added to the present capacity of 90
   MW at Dahej with an investment of Rs.550-600 crore.
2009  The company has signed an MoU to set up a Joint Venture Company with Gujarat
   State Fertilizers & Chemicals Ltd. (GSFC) and Gujarat Narmada Valley Fertilizers
   Company Ltd. (GNFC), for implementation of various projects to manufacture fine
   chemicals viz: Phenol, Bisphenol, Ploycarbonate, Butyl Rubber, Nitrile Butadiene
   Rubber, PBR, ABS, SBR, EDC and PVC at Dahej, Ta: Vagra, Dist. Bharuch, Gujarat.

The company has signed another MoU to set up a Chemical Park for Small and
Medium Enterprises (SMEs) to be formed jointly by Gujarat State Fertilizers and
Chemicals Ltd. (GSFC), Gujarat Narmada Valley Fertilizers Co. Ltd. (GNFC),
Gujarat Industrial Development Corporation (GIDC) and GACL.
Financial Performance

Following table indicates the growth of sales and profits of GACL:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002 – 2003</td>
<td>Rs.924 crore</td>
<td>Rs.28 crore</td>
</tr>
<tr>
<td>2003 – 2004</td>
<td>Rs.959 crore</td>
<td>Rs.63 crore</td>
</tr>
<tr>
<td>2005 – 2006</td>
<td>Rs.1140 crore</td>
<td>Rs.114 crore</td>
</tr>
<tr>
<td>2007 – 2008</td>
<td>Rs.1128 crore</td>
<td>Rs.198 crore</td>
</tr>
<tr>
<td>2008 – 2009</td>
<td>Rs.1322 crore</td>
<td>Rs.276 crore</td>
</tr>
</tbody>
</table>

GACL had made a loss of more than 10 crore in 2000-2001 and insignificant profit of more than Rs.5 crore in 2001-2002. Since then, it has showed a marked improvement in its financial performance.
IX. ESSAR GUJARAT (ESSAR STEEL)

ESSAR Gujarat, now renamed Essar Steel is a part of the Essar group which is one of India’s premier business houses with diverse interests in power, communication, shipping, steel and logistics. It employs 30,000 people and is valued at Rs.200,000 crore. The Essar group was founded in 1977 by the Ruia family from Rajasthan. The following are the highlights of Essar group. Essar group has so far invested Rs.25,000 crore in Gujarat. It is planning to invest further Rs.50,000 crore in Gujarat for various projects. Essar oil has announced that it aims to increase the capacity of its refinery (which is in Gujarat) from 10.5 million tones to 34 million tones per annum for which it will invest Rs.24,000 crore. This refinery was commissioned only in November 2007 and at a cost of Rs.12,000 crore. Besides, the Essar group is aiming to enhance its steel capacity from 4.6 million tons to 10 million tones in Gujarat at a cost of Rs.13,000 crore. This comes to a huge Rs.50,000 crore investment in Gujarat as announced by Essar group. Essar is also setting up a multi product SEZ at Hazira that will attract investment from automobile parts, pharmaceuticals and chemical companies.

Highlights of Essar group are given below:

Group Highlights

- The group’s firm value is approximately US$ 50 billion (Rs.200,000 crores).
- The Essar group is one of India’s largest spenders on continuous training, investing about Rs.1200 crore annually.
- Essar has the world’s largest gas-based HBI plant at Hazira, Gujarat.
- Essar steel is India’s largest exporter of flat steel products.
- Essar Steel is the largest steel manufacturer on the West Coast of India.
- Essar Shipping is the first Indian shipping company to comply with the IMO’s International Safe Code.
- Essar Power is India’s first independent power plant and first multi-fuel plant.
- Essar Power has India’s lowest manpower to megawatt ratio.
• Essar Power is one of the few recipients of the ‘Sword of Honour’ from the British Safety Co. only power plant with the ISRS level – 3 safety rating.
• ‘Vodafone Essar’ is the second largest cellular provider of India. It is a Joint Venture with UK Group PLC.
• Essar Oil is the first private sector company in India to enter into petroleum retailing.
• The oil refinery of Essar Oil at Vadinar will have a capacity of 10.5 MTPA.
• Essar Constructions is a more than three decades old EPC contractor in India.
• Essar Constructions is among India’s largest companies in its sector.

**Essar Steel**

Essar Steel is the flagship company of the Essar Group and has the capacity of 3 million tones per annum at Hazira.

The Ruias’ entrepreneurial spirit found resonance in Gujarat, which is among the fastest growing states of modern India. The transformation of Essar from a small construction and shipping company to a diversified global conglomerate had its genesis in Hazira, a small industrial town near Surat.

In 1987, when the company was still in its infancy, Essar set up a sponge iron plant in Hazira. It was an audaciously bold move: India's steel industry was concentrated in the East, where the most abundant iron ore reserves are found. Essar looked westward preferring to get closer to the domestic and international markets than to the source of raw materials.

The sponge iron plant was a unique project in many ways. When it was built, it was the first gas-based sponge iron plant in India and the first one to be located on a port. It became the world's largest gas-based sponge iron plant in a single location, a status which it has maintained even today.

Essar set up its jetty with a capacity to handle 1.5 million tonnes of cargo and offloaded the dismantled plant from Germany.
In two years, the entire sponge iron plant with two modules of Hot Briquetted Iron (HBI) with a capacity of 1.6 million tones per annum (MTPA) stood tall at the site. The capacity was enhanced to 2.4 MTPA in 1993 and to 3.4 MTPA in 2004. The current capacity of the HBI plant is 5.5 MTPA.

Later in 1996, Essar commissioned a steel plant with an annual capacity of 2 million tonnes. With a current capacity of 4.6 million tonnes per annum, Essar Steel is today the largest integrated steel producer in western India. This capacity was expanded to 8.5 MTPA.

Today, the cargo handling terminal at the steel plant comprises a 625 metres long mechanical handling berth for handling bulk cargo and a steel handling berth of 300 metres to handle unit cargo. The terminal is today capable of handling cargo up to 10 million tonnes and boasts of the most modern and state of the art material handling system.

The terminal's material handling system includes large bulk cargo mechanical conveyors, high speed gantry cranes of up to 36 tonnes unit weight capacity, harbour cranes up to 120 tonnes capacity. The handling system includes two modern floating cranes for offshore operations. Inter plant logistics requirements are met by high capacity road transporters, captive rail systems and modern steel handling equipment.

Essar's steel plant at Hazira is the first to be certified ISO 9002 and also for ISO 14001. Recently it has also received an OHSAS 18001:1999 certification for occupational health and safety management systems.
Expansion of Essar Steel overseas and in India

Essar Steel is a global producer of steel with a footprint covering India, Canada, USA, the Middle East and Asia. It is fully integrated flat carbon steel manufacturer – from iron ore to ready-to-market products. Essar Steel has a current capacity of 9 million tones per annum (MTPA). With its aggressive expansion plans in India as well as in Asia and the USA, its capacity will go up to 20 to 25 MTPA by 2012. Its products find wide acceptance in highly discerning consumer sectors, such as automotive, white goods, construction, engineering and shipbuilding.

In 2007, Essar Steel acquired Algoma Steel in Canada, which has a capacity of 4 MTPA, and Minnesota Steel, which has iron ore reserves of over 1.4 billion tones. While the company is building a 4.1 MTPA steel plant in Minnesota, it is also setting up a 2 MTPA hot strip mill in Vietnam and a 2.5 MTPA integrated steel plant in Trinidad & Tobago. In Indonesia, it operates a 400,000 TPA cold rolling complex with a galvanizing line of 150,000 TPA, making it the largest private steel company in that country.

Essar Steel is the largest steel producer in western India, with a current capacity of 4.6 MTPA at Hazira, Gujarat, and plans to increase this to 10 MTPA. The Indian operations also include an 8 MTPA beneficiation plant at Bailadilla, Chattisgarh, and an 8 MTPA pellet complex at Vishakhapatnam. Additionally, Essar is setting up a 6 MTPA integrated steel plant in Paradip, Orissa.

The Essar Steel complex at Hazira in Gujarat, India, houses the world’s largest gas-based single location sponge iron plant, with a capacity of 5.5 MTPA. The complex also houses the steel plant and the 1.4 MTPA cold rolling mill. The steel complex has a complete infrastructure setup, including a captive port, lime plant and oxygen plant. The company is also building a 1.5 MTPA plate mill and a 0.6 MTPA pipe mill in Hazira to make further value addition to its product portfolio.
Essar Steel produces highly customized products catering to a variety of product segments and is India’s largest exporter of flat products to the highly demanding US and European markets, and to the growing markets of South East Asia and the Middle East. It has invested in downstream capabilities to evolve from being a product based company to becoming a value added service provider. It has a global network of retail steel outlets, called Steel Hyper marts, and offers services, like cutting, slitting and blanking of steel sheets, through specialized Steel Service Centres worldwide.

**Essar Steel’s expansion in several directions**

**Bailadilla Ore Beneficiation Plant**
At Bailadilla, where some of the world's richest and finest ore is available, Essar has set up a beneficiation plant of 8 million tonnes per annum (MTPA) capacity, which ensures the highest quality iron ore. The iron ore slurry is pumped through a 267-km. pipeline (the second longest in the world) to the pellet plant, yielding advantages of quality, cost and real time inventory management.

**Visakhapatnam Pelletisation Plant**
The slurry is received at a pellet plant at Visakhapatnam, which has a capacity of 8 MTPA, providing vital raw material to the steel plant at Hazira.

**Cold Rolling Complex, Hazira**
At the other end of the value chain are the Company's downstream facilities that include a 1.4 MTPA Cold Rolling Complex, add further muscle to its steel making facilities. The complex comprises two pickling lines, a reversing mill, a tandem mill, two galvanizing lines, a batch annealing furnace, a skin pass mill and an electrolytic cleaning line.

This enables Essar Steel to get into the genre of products that are tailor-made for automotive, white goods, shipbuilding, and agriculture and construction industries.
P.T. Essar Indonesia
Essar’s cold rolling complex in Indonesia - P T Essar - is Indonesia's largest private sector flat products company with a market share of 35% and a history of process and product innovation. After a major expansion drive, its cold rolling capacity has been enhanced to 400,000 TPA and galvanizing capacity to 150,000 TPA.

Algoma Steel Inc. & Minnesota Steel
Essar was the first Indian steel company to make an acquisition in Canada. Algoma comes to Essar with integrated steelmaking operations, a flexible manufacturing process for sheet / plate mix, a low-cost, technologically advanced Direct Strip Production Complex and strong profitability. Minnesota Steel, on the other hand, controls over 1.5 billion tonnes of iron ore reserves, and will be a key contributor to Essar Steel's global capacity expansion plans.

Customer-driven excellence
Customer delight drives everything at Essar Steel. To allow customers to consistently choose the best. It became the first Indian company to brand flat products, under the name 24-carat Steel, with a full range including hot and cold rolled coils, galvanized sheets and plates. From order booking to delivery, its information technology systems are integrated between processes and with suppliers and customers. Its intense focus on R&D has enabled Essar Steel to constantly move up the value chain and offer customers products that improve their productivity and performance.

The retail thrust
‘Essar Steelhypermart’ is a pioneering effort in retailing of steel products and has connected successfully with small and medium customers. Essar has also set up three Steel Service Centers at the auto clusters in Chennai, Pune and Delhi to support its growing presence in the automobile and appliance sectors. Each Service Centre will have a capacity of 250,000 TPA - making Essar the most downstream integrated steel company in India with a self owned supply chain.
The Steelhypermart and Service Centre are truly changing the paradigms of steel marketing and have brought a new sense of excitement in a product considered boring and unattractive. These facilities have had a considerable impact on a large number of customers who find it easy and effective to deal directly with the company. Essar Steel has over 80 Steelhypermarts in India manned by rigorously trained sales personnel.

Essar Steel is very successful company in terms of sales and profiles for last 6 years. In the year ending March 31, 2004, 2005, 2006 its sales were Rs.3689 crore (Rs.60 crores), Rs.6177 crore (Rs.590 crores), and Rs.8199 crore (Rs.456 crores). The figures in the brackets indicate its net profit.

Essar Steel’s income from sales crossed Rs.10,000 crore mark in 2008. However its profitability suffered substantially in the year ending 31st March 2009 as economy entered a major downtown in 2008. This may be a temporary setback to Essar Steel as the following figures indicate.

**Financial Performance of Essar Steel during last 3 years**

<table>
<thead>
<tr>
<th>Year ending</th>
<th>March 31,2007</th>
<th>March 31,2008</th>
<th>March 31,2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>Rs.9020 crore</td>
<td>Rs.10766 crore</td>
<td>Rs.11873 crore</td>
</tr>
<tr>
<td>Net Profit</td>
<td>Rs. 436 crore</td>
<td>Rs.428 crore</td>
<td>Rs.185 crore</td>
</tr>
</tbody>
</table>

**R & D Activities at Essar Steel**

The company has a large R&D Department which undertakes:

- Product Development
- Modeling and Simulation
- Initiates R & D in processes
- Material Characterization

The company has fully absorbed the MIDREX technology obtained from Voest Alpine, Austria for the production of HBI.
Community activities

The Essar Group strives to enrich and support the communities in and around its plants. The Group has transformed Hazira and its neighboring areas by planting thousands of trees and laying pipelines that supply over 7 lakh cubic metres of water per day to the people of Hazira. Self-supporting schemes for women, schools, roads, and playgrounds and out-reach programmes have established Essar as a committed corporate citizen of Gujarat.

Essar's operations in steel, power, oil and gas, shipping, telecom, constructions have generated direct and indirect employment opportunities for thousands of people in Gujarat. In association with Hutch, Essar's telecom services bring satisfied smiles to over a million mobile consumers in Gujarat.

During the trauma of 2001 earthquake and the draught of 2000 in Gujarat, Essar responded with material, doctors, supplies of critical life saving drugs, drinking water and long-term rehabilitation programmes. Essar also supplied material and assistance to Gujarat Electricity Board for recommissioning a number of distribution stations in Bhuj after the devastating earthquake. At the same time, the Group also helped in rehabilitation of Surendranagar by building school and drilling community borewells.

The Group supports Hazira and surrounding villages through:

- Provision of water pipeline carry 0.7 Million cubic metres of drinking water everyday to the villages near Hazira
- Providing direct and indirect employment to semi-skilled and un-skilled population
- Motivational rewards for teachers who deliver 100% results in SSC in individual subjects
- Scholarship for meritorious students excelling in SSC, HSC and undergraduate studies
- Recreational programmes for children between the ages of 9 and 12 at Ankur Bal Kendra, Hazira, once a week
• Subsidized medical care at the Essar Hospital at Nand Niketan for the local population
• Subsidized education facilities at Nand Vidya Niketan for children of nearby communities
• Building of overhead tank for storage of water at Matafalia village
• Maintaining water pipelines, community well etc.
• Electrification of the 7-km stretch of road from L&T to Mandali Gate
• Building and laying of approach road to the village crematorium
• Donation of an ambulance to the Arogya Samiti of Hazira Village