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Not together forever

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The Sanmar Group chairman tells **Sushila Ravindranath** why the R1,500-crore giant is down from 35 joint ventures to 5, with all partings being cordial rather than otherwise

The Chennai-based Sanmar Engineering celebrated its 35th anniversary a few weeks ago.

A closely held group, which started with a joint venture with Durametallic Corporation of Kalamazoo, US, to manufacture mechanical seals, the company grew with many more joint ventures and today has a turnover of nearly R1,500 crore. It still has five joint ventures. There were 35 once. Although joint ventures are coming apart rapidly these days, Sanmar Engineering has maintained good relations with its partners (even with those who have pulled out). The 35th anniversary was also a celebration of its old and loyal partners.

N Sankar, the chairman of the group, was 27 years old when he braved his way to Kalamazoo, in the American boondocks, to negotiate a partnership with the all-American company. Sankar comes from a family of entrepreneurs. His grandfather was, among other things, the promoter of India Cements. His father had set up Chemplast with the other promoter of India Cements, TS Narayanaswami. Sankar is a chemical engineer with a master's from Illinois Institute of Technology. Would he have done things differently if he was starting out today? We meet at the ninth floor of the Sanmar building to discuss his views on joint ventures over lunch.

The dining area on the top of the building is a small air-conditioned annex in a corner of a rooftop garden. Lush greenery surrounds us. Suddenly, one realises how green Chennai really is. An added bonus is the broad view of the shore line. We do have one of the largest beaches in the world. From a height and distance, it looks magnificent. While I am enjoying the view, we are served hot tomato soup. "We offer soup and sandwiches here," says Sankar. The ambience makes me forget the spartan fare. "It was the era of import substitution. You had to cool your heels in Delhi to get permission to import even a single part of an equipment. I will give you an example. Even the seal that was used in pumps to block leaks had to be imported at that time. The seal was only worth R3,000-4,000, but if it was not there, sometimes we had to close the plant down. So, I decided to make it in India and tried various collaborators. Coming from an entrepreneurial family, I was all ready to start something on my own."

Sankar zeroed in on Durametallic, a small family-owned company based in Kalamazoo. “Even to people in the US, Kalamazoo was fairly remote, and, in fact, we used to hear the joke, ‘yes, there really is a Kalamazoo’, quite often.” Durametallic at that time was primarily a US company with some operations in Europe and Mexico. To convince them to come to India to participate in a joint venture—with a minority shareholding at that—was tough. “I was to meet the chairman/major shareholder of the company, a venerable gentleman of over 75 years. On that day Sheikh Mujibur

Rahman was assassinated in Bangladesh. The CEO who was taking me to him was quite convinced that the chairman would turn down going halfway round the world near such trouble spots.” In spite of such an ominous sign, Sankar managed to sign the joint venture.

The company is known today as Flowserve Sanmar. Many changes have taken place on both sides since the first agreement was signed. In 1995, Durametallic was taken over by Durco, and a couple of years later, Durco itself was merged with BWIP of California to form Flowserve Corporation. A variety of sandwiches arrive to please different tastes. We make our choice and Sankar tells me how the other joint ventures came about. A couple of years after Durametallic India was set up, the management realised that it had a unique sales organisation which could handle much more of a throughput. The same engineer could probably sell many other products. A market survey was done by the engineers, which threw up demand for products for the process industry like rupture discs, control valves, pressure relief valves and many others.

For each of these products, Sankar went to the world’s top producers and sought their partnership for India. “We used the same formula—joint ventures, not licensing, maximum manufacture and added value in India, gradual but open access to technology. Several doors did shut in our face, but over the years, we signed up with a number of excellent partners and started manufacturing a combination of products serving our markets.” Most of these products are clear leaders in their own fields. Since they are owned internationally by different corporations, many of whom compete with each other, their being offered together by one organisation is what is unique. Only towards the end of the 1980s was it decided to formalise the collective identity of all the businesses, and Sanmar Engineering came into being.

One thing common about all Chennai organisations is that good piping-hot filter coffee is always served after lunch. Waiting for my coffee to cool, I ask Sankar whether he continues to believe in joint ventures. Although there are still reasons for joint ventures to be set up, joint ventures of the Sanmar Engineering model are no longer relevant when imports have become easy and foreign companies can set up their own ventures. “Till the early 1990s, foreign companies did not have the confidence to enter

India on their own. All that has now changed.” Some of Sanmar Engineering’s joint ventures have ended for different reasons. Compared to the 1970s, India is no longer an unknown frontier. Most multinationals have established large operations here and some of the partners preferred to continue the business on their own. In some other cases, Sanmar Engineering decided to restrict itself to a core set of businesses.

Says Sankar, “Every one of our partners has wholly owned operations here and some of them have chosen to terminate our joint venture and take them over wholly. Others have continued to work with us. Ultimately, it is a question of value. The value they continue to get from a joint venture against the cost of acquisition of Sanmar’s stake to convert to a wholly-owned operation. We understand this very well and if our partners take the decision to separate, we do so cordially. Every one of them remains a good friend.”