

Food caFE **VIJAY SANKAR**

# Reputation is more important than profits

The deputy chairman of the Sanmar Group, which owns Chemplast, shares with **Sushila Ravindranath** how the troubled times are over for the company and why the PVC market is looking up globally



Portrait: SHYAM

**V**IJAY SANKAR, the deputy chairman of the Sanmar Group, and I have been planning to meet for several weeks. His travel schedule has been hectic. Chennai has also shut down for many reasons. We finally fix up to have lunch at Southern Spice in Taj Coromandel. As it happens, we are not able to make it to the restaurant as traffic is at a standstill. Although the administration has done a great job clearing the thousands of fallen trees, they have not been able to remove them all. So, traffic is crawling. We go to the eighth floor meeting room of Sanmar headquarters, which offers a panoramic view of the city and order food from Saravana Bhavan next door.

I want to talk to Vijay about Chemplast, the flagship company of the group, entering its 50th year in 2017. The preparations for celebrations have already started. "We have been celebrating one milestone after the other. This year was Sanmar Engineering's 40th year. Don't forget it is also the golden jubilee of our family's association with Jolly Rovers Cricket Club." This sponsorship of cricket by the family is probably the longest in the country. Jolly Rovers has been a consistently successful Chennai team all these years.

Chemplast is the largest chemical company in Tamil Nadu. It is a major manufacturer of polyvinyl chloride (PVC) resins, the second largest in the country, caustic soda, chlorochemicals, refrigerant gas and industrial salt. It is also the largest manufacturer of speciality PVC. N Sankar, the chairman, has built up both Chemplast and Sanmar Engineering from scratch. Vijay, Sankar's son, a trained chartered accountant and an MBA from Kellogg School of Management, entered the business in 1998. "I didn't work under my father. I spent a few years in Sanmar

Engineering. It was very good training ground for me. The best professionals have always run the companies."

Food from Saravana Bhavan arrives. Everything happens in slow motion in Chennai because of traffic snarls. For starters, we have *vadas* soaked in *sambar*, and thick and hot tomato soup. To save time, we have ordered a whole lot of snack food.

Vijay continues, "I then moved to Chemplast and to a more corporate role. This was a period when we were getting more sharply focused. I was involved in buying and selling of companies in speciality chemicals. We exited from businesses that were non-core in the engineering group. For example, we sold the company that made weighing systems.

We are now served *rava idlis*, which Saravana Bhavan is famous for, and the South Indian version of *khichdi*.

Vijay was also learning to deal with the group's many joint ventures. "We know what the ingredients of a successful joint venture are. Gains to partners have to come only from the joint venture. The JV should be a standalone commercially-viable entity. We have to have clear understanding on the management of the JV. We believe that no business can be managed jointly." It is a matter of great pride to the group that even when it exits a JV, it continues to maintain good relations with the erstwhile partner. Vijay says he has been brought up on the principle of 'reputation is everything'. "It is more important than profits."

Vijay was actively involved in Chemplast's Cuddalore plant, which

went through several environmental hurdles and cleared them all successfully and was inaugurated in 2009. At the same time, he was working on a \$1.2 billion project in Egypt. Sanmar is the largest Indian investor in Egypt's chemical business and today the largest caustic soda and PVC manufacturer in Egypt. It has created world-class manufacturing facilities for caustic soda and PVC in Port Said, Egypt.

"We ran into many unanticipated difficulties implementing this project." It was a nerve-racking time for

**Sanmar Group is the largest Indian investor in Egypt's chemical business and today the largest caustic soda and PVC manufacturer in the North-African country**

the group which had already invested ₹1,000 crore in the Cuddalore plant. "We were looking for low-cost locations for downstream industries. Egypt fitted the bill. It had a stable government for more than 35 years. This government agreed to setting up a pipeline from Port Said where the plant is

located to Cuddalore, which would supply uninterrupted supply of vinyl chloride monomer. The pipeline was meant for import of raw material and export of semi-finished products from Egypt. Acquisition financing for the project went smoothly and quickly."

Then everything that could go wrong went wrong. The global financial markets collapsed in 2008. The project had to be stalled. Then came the Arab Spring in 2010, and the government was thrown out. The plant was damaged and remained shut for several months. The government went back on the pipeline agreement. "We had to reconfigure and refinance our project. We had to get out of the pipeline issue and make alternate arrangements. We decided to double the capacity of PVC

production. By 2012, things settled down, and this plant services the high-demand Egyptian and Turkish markets."

We now serve ourselves curd rice and coffee, without which a South Indian meal does not end.

"The family had to pump in a lot of equity into the company through rights issues and loans. All the internal accruals have been ploughed back. We controlled 75% of the company and when it needed more capital it was unable to attract investment because of the Egypt situation. We brought in the capital as we felt it is better to delist and fully fund the ventures."

In April this year, Fairfax India Holdings Corporation, part of Canadian billionaire Prem Watsa's Fairfax Holdings, decided to invest \$300 million in Chemplast. "Mr Watsa is from IIT Madras. There is a Chennai connection. He came in, I think, of our reputation. We did not want anybody to lose money. Our key focus has been that for the last eight years."

Over Saravana Bhavan's excellent South Indian coffee, Vijay tells me how the troubled times are behind Chemplast. "We will be finishing PVC expansion in Egypt in 2018. We are replicating our Cuddalore plant there. PVC market is looking up globally. Between Cuddalore and Egypt, we will be producing 7 lakh tonnes of PVC. India imports 50% of its PVC needs. China, which used to produce mammoth quantities, is cutting back because it had taken an environmentally-polluting route and the Chinese government has finally cracked down. In the last few years, the Indian market has been growing at 18%. We are really looking forward to our golden jubilee year."

sushila.ravindranath  
@expressindia.com