

COMPANIES

Lanxess upbeat on India business

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Lanxess upbeat on India growth story

Despite concerns, pins hopes on auto sector potential

Murali Gopalan

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"This was the first big spend after we became independent," Joerg Strassburger, Managing Director & Country Representative of Lanxess India, told *Business Line*. Over the last 3-4 years, the company has invested €180 million in this part of the world.

Fast-forward to the present and Singapore is now the destination of interest on the Lanxess roadmap. A butyl rubber plant will be commissioned by the first half of 2013 and the investment earmarked is in the region of €400 million, the company's largest to date in Asia.

"It is logistically a great hub and has the raw material for rubber. We need huge quantities and Singapore has a competitive landscape with entities like Shell and Exxon present there," Strassburger says.

RAW MATERIAL CONCERNS

Now compare this to India, where supply of raw material is still an area of concern. The Lanxess chief admits that if there is no solution to this problem in the long run, "the chemical industry could suf-



Joerg Strassburger, MD and Country Representative, Lanxess India

fer". There are other worries to contend with. "Projects take long to complete in India. Recent trends in industrial productivity are also not very encouraging. The Government should take the right decisions to prop up growth," Strassburger says.

Despite these concerns, Lanxess is upbeat about its prospects here, especially when Europe is still wobbly and Asia (which contributes 25 per cent of turnover) is now on every company's radar. The automotive sector, in particular, holds tremendous potential for Lanxess. "I am

convinced the India growth story will continue and people will spend more which is good for our business," he says.

Lanxess has three key business segments: performance polymers, advanced intermediates and performance chemicals. The products are used in a host of segments including tyres, dyes, pharmaceutical intermediates and the chemical industry. Its India plants are located in Jhagadia, Gujarat, and Nagda, Madhya Pradesh.

TECH R&D

As an intermediate supplier, Lanxess gives top priority to

technology and R&D. "We need high-tech materials for good performance. Even a low-cost car will have high performance plastic for better fuel performance," Strassburger says.

Clearly, this cannot be achieved using cheap options, and this is the challenge for suppliers of end-products.

"An affordable or low-cost car cannot afford to give poor mileage, and this is where high technology is imperative," he adds.

Lanxess has also been supporting the cause of green tyres, which become mandatory in Europe from October. A large part of its high-tech rubber is used in the manufacture of car tyres.

Going green will help from the viewpoint of cleaner air, better fuel consumption and low rolling resistance. India is expected to follow suit soon, given its growing emphasis on cleaner emissions.

For a specialised business, it is not the easiest of tasks getting the right people in India. "As a multinational, we can attract talent but getting people for specific functions is always a challenge. For instance, in Jhagadia, it was hard to get a good procurement head. Expertise or know-how in factories, for support functions, is especially a problem," Strassburger admits.