

# Lanxess bets big on Asia-Pacific to overcome 'regional stagnation'

**Murali Gopalan**

*Recently in New York*

Lanxess is betting big on growth in Asia-Pacific to achieve its targeted EBITDA (earnings before interest, taxes, depreciation and amortisation) goal of €1.8 billion in 2018.

The company, which was spun off from Bayer in 2005, has quickly grown to become a formidable entity in the field of specialty chemicals. One of its first major investments, since the post-Bayer period, was in India which has seen Lanxess pump in over €180 million to date. Recently, it outlined big ticket projects in China and Singapore.

Chairman, Axel C. Heitmann, told reporters here that since 2005, the company had seen a near 70 per cent growth in Asia-Pacific and 40 per cent in the Americas. "This offset stagnation in Europe and Germany where we do not expect much growth in the coming years," he added.

Lanxess now does more than half of its business outside Europe. According to Heitmann, it is this global approach that dou-

bles up as a "geographical hedge" which insulates the company from "regional stagnation".

## **OTHER GROWTH LEVERS**

In addition to the focus on emerging markets, Lanxess is banking on four other growth levers: premium products focused on mega trends; flexible asset and cost management; innovation and technology; and, finally, an entrepreneurial/performance-oriented business culture.

The mega trends which Lanxess has identified include personal mobility, rapid urbanisation, need for productive agriculture and cleaner water. "If growth continues at the same level of technology we use today, our planet will collapse," Heitmann cautioned.

## **GREEN TYRES**

The concept of 'green mobility' has also become top priority for Lanxess where tyres and light materials will play a key role. What is, perhaps, not so well known is that car tyres account for nearly 30 per cent of the total

fuel bill. "This is because tyres do a lot of work as they spin. We need to make tyres that do their job well but consume less energy," Heitmann said.

Tyre labelling becomes mandatory in Europe from November 1, and it is only a matter of time before green tyres becomes the norm worldwide, including India.

Likewise, lighter cars are the way forward in the quest for higher fuel efficiency. Lanxess believes that its high-performance plastics will play a big role where energy absorbing polymers can replace metal parts. "Technologies like these can relieve the enormous pressure carmakers are under today," the Chairman said.

In India, the other big opportunity is the two-wheeler industry which is the second-largest in the world after China. Observers say it will be interesting to see if Lanxess reaches out to this product segment where the challenge for suppliers lies in an extremely competitive cost structure, quite unlike cars.

*murali.gopalan@thehindu.co.in*