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More
Challenging
Was to Create a
Business Then
Than to Run a
Business Today

"I am a lot more fortunate and had a very solid foundation to start with. My take is that success builds confidence, that enables you to manage challenges," strongly asserts Amit Sanghvi, in dialogue with POLYMERS Communiqué.

Q. For the plastics industry, what do you see the future of contract manufacturing in India?

Very bright, purely because of the sheer size of our country and the current low per capita consumption of plastics. However, we need to make significant improvements to our efficiencies across the board for this future to be realised. For a country of our size and with our spending power, we still do not have stable industrial power, proper road infrastructure and, most importantly, good education. In a global marketplace, China has its mega factories, Europe has superior manufacturing technology and America leads in innovation, whereas India's main attraction continues to be cheap labour. If you think about it, China was able to become the world's factory because of government policies and support; whereas we, in India, while nowhere close to China, have not only competed and survived, but also strived inspite of it.

Q. I understand that pharmaceuticals is a segment that you are also monitoring closely. What opportunity do you see for yourself?

Pharmaceuticals by nature has very high barriers to entry, but once you have achieved that successfully, it will certainly give you greater returns.

We see a lot of opportunities in the injectable space, where we partner with pharmaceutical companies for developing and manufacturing the devices that aid in delivery of the drug. We also see significant future potential for self-use drug delivery devices in India because of both, lack of access and quality of care. Think of a future in India where connected devices enable physicians to effectively service patients far out of their geographic reach and that is the opportunity that is very attractive to us. This business also has higher rewards, and while pricing does play a key role in buying decisions, much more emphasis is put on quality and compliance, specifically in keeping up with USFDA requirements.

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This is a much more longer-term bet for us, but we also expect returns to be greater than our other businesses.

Q. How do you handle the volatility of crude prices impacting your business profitability?

Our business is 50% commodity plastics and 50% engineering plastics; major impact is felt on the commodity side. We ensure as much as possible that our contracts with customers have a pass-through clause on raw material and Forex. Terms and conditions differ from customer to customer and while it does impact profitability, the impact is at the most to the tune of one quarter. This means that in a situation where prices continue to rise, we have a lag effect resulting in lower margins and the exact reverse when prices are declining. We have also been successful in setting up formula-based pricing with certain material manufacturers and this also helps in minimising the impact on profitability.


Q. All your operations are currently centralised in Vadodara. What benefits do you see of this approach? Would PAN India locations help your growth plans?

Shaily is really a knowledge-driven service provider backed with a manufacturing infrastructure. Since the knowledge base is centralised in Vadodara at the moment, so are our operations. The other factor is that thus far Shaily's business has been primarily exports and from that perspective, being in Gujarat certainly is very beneficial. Having mentioned some of the reasons for being in Vadodara, we also feel that at some point in the next 3 years, we would need to have a set-up down south to service some of our pharmaceutical customers.

Q. The first-generation entrepreneur faces challenges before success; the gen-next faces success before challenges. Your thoughts on managing this.

I cannot begin to imagine the magnitude of challenges the first generation must have faced in creating this business. I am a lot more fortunate and had a very solid foundation to start with. My take on this is that success builds confidence, that enables you to manage challenges.

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The second most significant challenge is culture and legacy. I am confident that most second-generation entrepreneurs will agree with me when I say that we fight a constant battle with the old guard in the organisation, especially when we want to implement new ways of working. This is by no means a poor reflection of the old guard, rather the manner in which the second generation approaches it, often being too excited and enthusiastic without fully understanding the target audience.

Q. The top three attributes that an entrepreneur of today should have...

- Ability to sell your vision to your employees
- Speed and agility
- Humility

I personally do not possess all of the above, but it's work in progress and I hope to eventually get there.

Q. What do you consider as your biggest failure?

Difficult to pick one, but if I had to choose one from my professional experience, it would have to be my decisions on new recruits. I used to base my hiring decisions on instincts, rather than facts and while instinct-based decisions have fared well in other areas, this is one area where I have failed quite a lot.

Q. If you were not in this business, what would you be doing?

To be honest, I am not really sure; maybe I would have continued for a little longer at the consulting firm I worked at prior to moving back to India. Apart from that, I have always been interested in the wine and spirits industry. If funding was not an issue, I would have loved to own a bourbon distillery in Kentucky or a winery in Napa. ■