Ram Charan Co Pvt Ltd eyes $100 million turnover by 2020

Chennai-based Ram Charan Company Ltd (RCPL), one of the leading chemical distributors in India, is bullish on its automotive industry-generated business and is betting big on plastics and rubber products.

RCPL, which ventured into the manufacture of rubber and plastic products in 2011–12, has now built expertise for these products and sees burgeoning demand from the automotive and aviation sectors.

It is now eyeing an ambitious US$ 100 million revenues by 2020, up from the current $40 million in 2015–16. According to the company, the chemical distribution business continues to get bigger but its manufacturing vertical will push the actual growth towards achieving its ambitious revenue target. At present, a large chunk of its revenues comes from the chemical distribution business. The manufacturing vertical, which is 15 percent of the total business, is likely to grow to be half of the total business by 2020.

The company supplies raw materials for products like hoses, belts, oil seals and rubber pads to key clients.

To drive future growth, the company is investing Rs 23 crore in FY2016–17 and Rs 12 crore every year till 2020 towards capacity expansion. It has two manufacturing facilities in Chennai and Vadodara and has invested Rs 10 crore in a bigger plant in Vadodara which will be operational in early 2017.

According to **Kaushik Palicha**, director, RCPL, "We have nearly 876 automotive Tier 1 and 2 customers across India. In South India alone, there are more than 447 suppliers for plastic and rubber components and all of them work with us. All these customers supply to all the major OEMs including passenger cars, two-wheelers and commercial vehicles."

As regards the aviation sector, RCPL supplies to two Indian suppliers of Boeing and Airbus, besides exporting to Turkey on a smaller basis. It is also eyeing growing business from India’s indigenous defence program as imports from Israel and Russia are falling significantly.

New focus area — Lightweighting

The company believes that the worst is over for the automotive industry and there is a lot of potential for growth. It is working on trials for plastic and silica compound- formed products. The new plastic compound reduces weight by about 18 times without losing strength or quality. For instance, a typical dashboard weighs about 34kg. By using this new material, the company is trying to reduce this up to 18 times. As the trial run for this material has been completed at its Chennai tech centre, production is slated to start at the Vadodara plant.

The distribution business comprised about 3,000 tonnes a month and has been growing at a CAGR of 32 percent for the past three years. The manufacturing business is 300 tonnes but will add another 1,800 tonnes every month once the new Vadodara plant goes on stream by March 2017. These capacities will be largely used for the high potential growth in the automotive and aviation sectors.

“Earlier we didn’t have our own capacities and the formulations used to outsource them but since the past three years, we have our own capacities. In a bid to expand capacity, we are coming up with a new manufacturing plant in Vadodara and are also investing in our existing Chennai plant to enhance our capacity,” says Palicha.

The company supplies raw materials for products like hoses, belts, oil seals and rubber pads to key clients including Hitech Arai, Fenner India, Dong-A, HS Chemical, Gold Seal, Prabhat, Pulsar, NEI, Phoenix Yule, Nishikawa, NEI, Zenith, Nishikawa, Tokai Kogyo, Bando and Yamashita.

Dominating the distribution business ***The Chennai laboratory, which is equipped with the latest equipment, helps check product quality and certification***

RCPL claims it is the largest **chemical distribution company** in India with a presence at 23 locations and caters to tyre makers like TVS Tyres, Emerald Resilient Tyre, BKT, MRF, Apollo, Ceat, Sumitomo, Michelin, Treadsdirect and Vamshi.

Commenting on the ambitious growth strategy for the next four years, Palicha says, “We are not waiting for new markets to be created. There is a market importing and selling products. We are replacing those products by manufacturing locally. For the plastics business, we have a tie-up with an Italian company and have started import substituting. Imports hold 96 percent of those plastic products and compounds and we have started making them in India. As we see immense opportunities and significant growth, we are not waiting for the market to grow but are inorganically taking over the import substitute.”

On the resins front, the company is trying to make them in Chennai as these products are currently imported from Brazil and China. “It took us three years to understand how the product is made and what raw material is required. We have set up a pilot unit near Mumbai and are making the product in limited capacities. We have now reached scale and have approval from 30 customers; for this, new capacity is coming up in Chennai. We have a mandate from one large and one medium tyre company to buy from us,” says Palicha.

New logistics business

RCPL says it has comprehensive back-end support which makes its distribution business competitive and helps faster deliveries to customers. In 2012–13, it invested Rs 35 crore in logistics and back-end support to set up warehouses across India and now wants to capitalise on the same. The company has its own warehouses, which operate 24x7, for storage of customers' material and delivers just-in-time.

"We have a very strong back-end logistics arm which is helping our other business to grow. Now we are setting up logistics as a separate business and have appointed a new business head. We have already spoken with a few customers and four of them are already on board. In the distribution business, nobody has a logistics network like ours and we have a huge advantage," concludes Palicha.