

GODREJ INDUSTRIES

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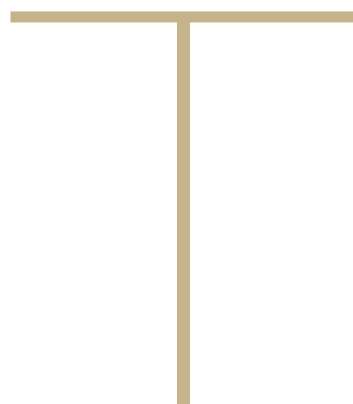
CORPORATE BROCHURE





Leading by example

After almost 115 years in business, Godrej Industries has an excellent track record in ethical behaviour. Managing director Nadir Godrej explains to Gay Sutton how good labour relations and environmental best practice have helped to promote growth



he last 10 years have witnessed an incredible blossoming in the Indian economy, and one of the companies playing a key role in promoting India as a producer of quality chemical products is Godrej Industries, part of the Godrej Group.

Godrej Industries has a distinctive lineage that can be traced back to 1897 when the group founder, Ardeshir Godrej, began manufacturing locks. The company expanded rapidly, diversifying into a range of other businesses. However it was not until 1928 that Ardeshir Godrej, grand uncle of the current managing director Nadir Godrej, set up India's first vegetable oil soap manufacturing business and established the line of business that would develop into Godrej Industries.

"The real secret of our success is ethical behaviour and good relations with our suppliers and customers," explains Nadir Godrej, managing director of Godrej Industries. "Another important factor is that we were producing consumer products. Most large Indian groups are in industrial products and B2B businesses; consumer products have always been the least regulated sector of Indian business. We were able to run our business independently of the government, and that was a big advantage."

The philosophy of ethical behaviour is a hallmark of the group, which has a significant track record in good human relations and environmental practice. During WWII, for example, Godrej's grandfather Pirojsha recognised the adverse effect that the congestion in downtown Mumbai was having on the manufacturing business and he acquired land in the area of Vikhroli, a village to the north of a city that is a suburb today. There, he made his ethical dreams a reality.





“At the time people thought he was crazy. But his vision was to build a green factory, with housing for our workforce, schools for their children, a clinic and a welfare centre, and eventually a hospital,” Godrej says. The environmental aspects of the vision were realised by creating a green and tree shaded environment. To this day the Vikhroli facility is home to a preserved mango forest and extensive facilities for the staff.

Through a series of process innovations, the soap manufacturing business evolved into a specialised chemical operation supplying into the cosmetics, rubber and food industries. Demerged from the group’s consumer products stream in 2000, the chemicals business became Godrej Industries and today it manufactures fatty acids, fatty alcohol, glycerine and surfactants. All products except fatty alcohol are produced at Vikhroli, while the full range is manufactured from a facility at Valia, Gujarat, which was set up in the late 1980s.

The company has built its reputation and market position through innovation, and this continues today. “Most of our competitors, for example, use vegetable oils as a raw material for the manufacture of fatty acids. We have developed ways to use fatty acid distillates, which are the by-products of refining vegetable oils. And this gives us a distinct cost advantage,” Godrej explains. “Meanwhile, we are continuing to develop further ways of using other inexpensive raw materials by removing impurities.”

The majority of research is undertaken in-house, while certain elements are done in conjunction with major national research bodies such as the Institute of Chemical Technology. The company also deploys its extensive R&D capability to customise products for its customers. “We are very flexible in this respect, which is unusual for an oleochemical manufacturer,” Godrej says. “But to achieve this successfully, the first message comes through our sales team.”

There is a member of the team responsible for continuous dialogue with each major customer, ensuring all their needs are met. If a customer requires a product customisation, “we then initiate high-level



discussions between our customers, our R&D teams and our manufacturing units, including the head of manufacturing. In this way, we can be sure we can deliver exactly what the customer wants.”

During the nation’s spectacular growth over the last 10 years, the fatty acids business has risen by 280 per cent and fatty alcohols by 170 per cent. The company has capitalised on its global footprint, with some 70 per cent of fatty alcohol exported to 60 countries worldwide. The strategy is to continue growing the market and increase output of the current range of chemicals as well as derivatives of those productions. “We are also looking to manufacture very good quality oleic acids by fractional crystallisation, and we are currently studying our options for doing this.”

Significant investment is being made into the manufacturing side of the business to support this growth. Valia, for example, is scheduled for ongoing development and expansion and has considerable resources of unutilised land. The latest addition to the plant is a new fractionation column and fat splitter costing a total of 50 crore (500 million rupees), which will come online in April 2012.

“We are also building a new manufacturing plant at Ambarnath near Mumbai, where we will manufacture fatty acids as well as alpha olefin sulphonate (AOS),” Godrej says. This 230 crore (2.3 billion rupees) construction project, however, will completely develop the land available, so there will be no further expansion once the plant goes into production in April 2013.

Alongside the strategy for growth, the group is working on a long term strategy for social responsibility, and this comprises three ambitious pillars. “The first is to create employment,” Godrej says. “We have no idea how we plan to do it at this early stage, but our stretch target is to train one million people to get good employment in the next 10 years.” The second pillar is around good environmental performance and includes targets for reducing greenhouse gas emissions. “The third pillar

is to ensure our products are environmentally and socially sound. And we believe that one of the best ways of doing this is to have low-cost products that address the needs of those at the bottom of the pyramid.”

True to its heritage, the family’s passion for good environmental performance has continued through to today and is managed through the Pirojsha Godrej Foundation. Working in partnership with the government of Andhra Pradesh, USAID and the Confederation of Indian Industry, the foundation has supported the establishment of the CII Sohrabji Godrej Green Business Centre, which works with the vision to ‘Facilitate India to become one of the global leaders in green businesses by 2015’. The centre works in the areas of energy efficiency, green buildings, water efficiency, renewable energy and environment & recycling. The centre’s building achieved the coveted LEED platinum rating in the year 2003 and demonstrates the very best in green concepts. Key green features include two wind towers to pre-cool the fresh air, zero water discharge, a roof garden, use of eco-friendly non-toxic materials, use of eco-friendly furniture, and solar energy which generates 20 per cent of the building’s requirements. Compared to a conventional building, it consumes 40 per cent less energy and 30 per cent less water.

In many ways, Godrej Industries has been ahead of its time, doing much to promote good labour practices and environmental awareness before they became accepted in the corporate world. Far from being a drain on resources, these two initiatives have done much to enhance the company’s business success and its reputation. And looking at current performance, that forward-thinking trend looks set to continue. www.godrej.com/godrej/GodrejIndustries ■

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