

Interview with Rajiv Chopra, President DSM India & MD DSM Nutritional Products, DSM India



25.07.2012

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With almost EUR 9bn turnover and more than 22,000 people worldwide, Royal DSM has truly grown into an MNC. Within the global market, there is no doubt that India has become a country of rising opportunities... Can you first elaborate what DSM India represents to the Group worldwide?

Every 5 years, we conduct a Corporate Strategic Dialogue (CSD) exercise, which is a strategic analysis of the company. During the 2005-2010 CSD, we focused on completing the portfolio transformation and set ourselves particular sales targets to do so. We have successfully achieved these targets. For the coming five year period we have decided to focus strongly on Innovation, Sustainability, Acquisitions & Partnerships and the High Growth Economies. The key countries to target are the BRIC nations, which currently contribute roughly 32% to DSM global revenues, a number we expect to increase to 50% by 2015. For India in particular, the target has been set to increase the business by doubling or trebling revenues, which I expect to achieve through a mixture of organic and inorganic growth.

A second aspect is that innovation will continue to play a very important role within DSM's future. While the company already has an Innovation Centre in the Netherlands, we will also be setting up centres in India and China.

Further to that, sustainability is expanded to strategic business driver for the company, not only from our business or manufacturing practices, but also from the way we design our products.

A fourth and final pillar for DSM's growth over the coming years will be Partnerships Acquisitions.

With respect to these 4 pillars, India is set to play an important role within DSM's future growth ambitions.

What does the life sciences, and pharmaceutical unit in particular, exactly represent within this set-up?

DSM positions itself as a Life Sciences and Materials Sciences company, a descriptions that describes well what we really do. In the life sciences space, we have the pharmaceutical and nutritional businesses. The pharmaceutical business, in turn, is split up into 2 groups: anti-infectives and DSM Pharmaceutical Products (DPP), which is our contract manufacturing business. Finally, the nutritional business further consists of the nutritional products group and the food specialities group.

Two days ago, Mr. Sijbesma announced strong results for DSM worldwide, and once again emphasized that future growth will be coming from the emerging economies. Can you elaborate on the 2010 performance of DSM in India, and give us your outlook for 2011?

India is a growing market, and we do intend to grow faster than the overall GDP. The latest Q1 figures 2011 testify strong progress in high growth economies with India taking a lead at 30% sales growth (in EUR), 9% higher than the latest growth rate for China (21% in USD).

For nutraceuticals in particular, estimates indicate a 17% growth for India, far higher than the global average of 7%. What do you see as the main growth drivers for this increase?

For nutraceuticals in particular, there has been an increased awareness among Indians. Rising health concerns should really be a growth driver, and people increasingly realized that prevention is better than cure.

Having said that, the Indian market is still rather underdeveloped compared to the West, in particular compared to the USA. Indian people will tend to consume supplements that are herbal, rather than Western-style multi-vitamins capsules and supplements. However, it is a trend that is bound to switch over time.

A lot of this growth has also been described to lacking regulation. With the FSS Act coming in in 2006, the FSSAI in 2008, there is no doubt that regulation is clearly starting to increase. How do you cope with this pressure, and how do you see this trend affecting the business?

The genesis of the FSSAI was the old PFA, and I see this more as an opportunity than a restriction. In the absence of regulation, it is possible for other market players to put forward unjustified or unsupported claims. Having FSSAI sets certain benchmarks and standards for the industry. The advantage of the FSSAI is that this Act will drive the companies that do not adhere to these

standards, out of the market.

Comparing the 1980s to now, energy drinks are a good example. For such products, which obviously did not exist in those days, the question today is what, and what not, these drinks can contain. Without proper standards, the space exists for companies to freely decide on the ingredients of such products. Similarly, for nutraceuticals and supplements, it needs to be defined what levels of dosage can be put in. In the absence of standards, some products may be creating health problems, rather than supporting people.

As you mentioned earlier, DSM has gone through a transformation, resulting in a shift in its portfolio towards materials Sciences and life sciences. What has changed for DSM in India, and how do you see the company's positioning in this market now?

I think we can do a lot more in India than what we have done in the past. We will increase our focus on the life sciences space in India, be it the pharmaceutical or the nutrition area. These two businesses should grow significantly. And in combination with our materials expertise, we have a unique combination to offer. We call that cross fertilization. DSM practices this cross fertilization in for example the bio medical area and in its bio-chemicals portfolio, chemical building blocks made from plants instead of oil.

What's been holding this growth back in the past?

The anti-infectives business has in fact grown significantly before, and has built a very substantial business in the last 12 to 13 years. Nutritional products only came in after the acquisition of Roche's vitamins business.

Being truly global, DSM is now focussing more on the opportunities in the High Growth Economies, which is why we are expecting much more growth in this market.

What potential do you see in India to partner up with local players?

As for the pharmaceuticals business, a global partnership with Sinochem has already been established.. We are currently in discussion on what kind of strategy we should adopt, so we expect to get more clarity on the path forward in the course of the coming months.

What type of partners would you be looking for?

The Indian partner should be complementary to our business in terms of product portfolio, and needs to have a strong market knowledge. Further to that, because this partner knows the market, it should also have the necessary technical and regulatory competences.

Most importantly, you need to find partners with whom you strike the right chemistry. If two potential partners are equally competent technically, the final decision will depend on the working

relationship. Apart from the hard factors, such as ethical practices and technical capabilities, at the end of the day it is the quality of the people in the organization that is the most important factor.

In turn, what does DSM bring to such partnership?

DSM has global reach. Apart from that, we have a fair amount of regulatory competence that may complement theirs when it comes to the international markets. A third factor that DSM brings to the table is its strong technological capabilities.

As part of its new focus, DSM has been quite active in terms of external growth, with examples of the Microbia and Martek acquisitions in the US. Is this something DSM India is looking at?

Since I have the target to double or triple my business, we are definitely looking for opportunities in India too. These are not necessarily acquisitions, but can also be alliances or joint-ventures for example.

DSM has already been very transparent about the potential it sees with regards to biosimilars. India, of course, has an industry that is well shaped to tap into this potential and become a key player within the emerging global biosimilars market. What is DSM's strategy to tap into this potential here?

The biosimilars business falls under the DPP group of DSM, which includes both the chemicals as well as the biologics aspects of the business. I expect that the strategy will be set out over the coming months, and I am confident that India will play a very important role within this strategy.

DSM's first innovation centre outside the Netherlands will now also be set up in Delhi. What will this new centre bring?

As far as the innovation centre is concerned, we aim to have it up and running by the end of this year. It needs to be clarified that this will be an innovation centre, and not an R&D centre.

Globally, at the innovation centre, we incubate business models, that potentially evolve into one of DSM's Emerging Business Areas. If such new area succeeds, it can either merge with an existing business area of DSM, or become stand-alone unit. We currently have 3 Emerging Business Areas : Biomedical, Bio-based Products & Services and Advanced Surfaces. I will be looking at the market in India to deploy all 3 groups. From one perspective, these centres enable us to see what we can bring to India from the global basket.

A second perspective stems from a technology point of view, where we are looking at open innovation. This relates to the local partnerships we are aiming to build up in India, with local R&D organizations, R&D groups within companies, and so on.

The third strategic implication of the innovation centre will be to investigate what unique business models we can create in India. This is a way for DSM to export innovation from India, and identify what India can bring to the world. While India has been widely recognized as a centre of frugal innovation, it has been moving up the innovation ladder, and we expect to tap into this potential for high-end innovation.

The expansion plans for India will inevitably also call for extra people, making the right HR strategies even more important. Is attracting and retaining the right people a challenge for DSM India?

First of all, it needs to be said that DSM has 3 legal entities in India, which work rather independently. Part of the CSD is to strengthen the country's infrastructure. I have therefore been working on making the top-level appointments, and now have an all-India HR director for DSM. Apart from his normal activities, two objectives of his role will be attracting and managing talent. Over the next 5 years, we should be known as one of the top 5 employer companies. We are already a great place to work, but we need to increase the overall awareness for people in India that DSM is a great multinational company to work for. .

As for talent management, organic or even inorganic growth will undoubtedly require top management support. When I am looking at growing up to 4 times in India in a short amount of time, I am looking at developing talent through training programs so that people will have the right skills to move up the performance ladder. Further to that, we need people that believe in growth and look into innovative ways to achieve this. Naturally, we will need to align compensation packages accordingly, hence making talent management one of our key success factors.

From your personal profile, we see that you have a very active social life, with your own online blogs and a passion for photography. What keeps you motivated in your professional career, and what keeps it challenging?

In a certain sense, it is really a question of legacy. First of all, I believe that, what you do should have a positive impact on the lives of the people around you. The business you are in should not only benefit your immediate environment, it should also benefit society as a whole.

On a personal note, it is always about what legacy you leave behind in the organization. When we were kids, we all used to love to listen to stories and as we grow older, we will be the ones telling these stories. In that sense, it is really a question of what story you have been able to create in life. Have you left the organization in a better shape than when you took over? Have you created something of lasting value? This is what drives me on a daily basis.

On a final note then, what is the legacy you want to leave behind for DSM India?

I want to leave an organization that has a strong business in terms of sales, a strong team of committed people, is well respected in the industry, and that is perceived as a very responsible partner to India's growth.

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