

8 PRIVI ORGANICS LIMITED

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Very few people know this, jasmine, rose of menthol fragrance of soap or shampoo is created chemically in a laboratory. Privi Organics Limited, founded by Mr. Mahesh Babbani and Mr. D B Rao, is one of the leading innovators in this aromatic product industry.

Mr. Mahesh Babbani and Mr. D B Rao started their venture during 1992 at Mahad in Maharashtra. Mr. Babbani is a commerce graduate. He was not interested to join his family business in construction industry and hence joined hands with his family friend Mr. D B Rao, a chemical engineer. Both partners entered in aroma chemicals business by launching a new firm, Privi Organics. Their first product was a floral note – citronellal in industry parlance, for incense sticks (Agarbatti). They obtained financial assistance in terms of a loan from Small Industries Development bank of India (SIDBI) to start the various operations.

Indian agarbatti business sector was mainly unorganized that posed a unique challenges to them to make a breakthrough. They made frequent trips to South India, a biggest potential market to identify customers. Mr. Babbani took the charge of Business development and Mr. Rao concentrated on product development.

They put their heart & soul in their jobs but could not create adequate client base, and they reached to a stage of business windup. Even after a long two years of struggles, in 1994 also, firm's losses eroded its equity. To their hard luck, SIDBI also lost their patience and served them a notice to take over.

Mr. Mahesh Babbani and Mr. D B Rao seriously thought of quitting and try their hands in some other business. But ultimately they did not accept the defeat and decided to fight back. They attended few professional workshops and seminars on various aspect of business in general and marketing in specific at IIM - Ahmedabad. On hearing their problems during the workshop, IIM-A came to their rescue and offered a free of cost consultancy to revive the firm and assigned its two bright graduates on this consultancy job. The primary responsibility of the students was to use their knowledge in turning around the firm.

Exhibit : 1 : Major players in the Aroma Chemicals Business

1. Bush Boake Allen
2. Reckitt & Colman of India
3. Hindustan Lever
4. Hindustan Polyamides & Fibers and
5. Tata Oil Mills Co.(TOMCO)

IIM-A graduates conducted a thorough business analysis and examined various business dimensions from marketing, profitability, technology, diversification and export perspectives.

After a 30days of rigorous detailed study and analysis, they prepared a turn around plan and submitted to Mr. Mahesh Babbani and Mr. D B Rao.

Following are the highlights of their suggestions :

1. Bring down the operational costs and there by achieve higher operational efficiency.
2. Switch to the synthetic raw materials
3. Negotiate with major vendors for the best deal for cost – effective order size.
4. Examine the existing business strategy of catering to the incense sticks market and target attar, detergent and soap makers.
5. Roll out amber fleur (woody notes), sandalwood and dihydromyrcenol (citrus).
6. Perfect the R & D processes.
7. Purity of a note is a key element in the creation of a fragrance. Optimize critical chemical reactions like hydrogenation, condensation, and distillation to ensure delivery of right aroma and best yield.
8. Explore export markets by approaching large specialty chemicals player, however keep in mind the limited acceptance of India – made aroma chemicals in the international market. Focus on marketing aroma chemical products to European firms who are more open to India made products.
9. Concentrate on firms like - Dragoco GmbH, Procter & Gamble, Henkel and flavoring and fragrance manufacturers like Givaudan, Symrise and Firmenich.
10. Also explore the possibilities of having a Business partner firms who is ready to invest in the plant to enhance the capacity.
11. Make product development as one of the thrust areas.
12. Since the world is going organic, explore developing chemicals from agro waste.

Mr. Mahesh Babbani and Mr. D B Rao having the report in their hand, are serious thinking on how to take the business to a new height . Help them in taking appropriate decision.