

# CARL BECHEM LUBRICANTS



Carl Bechem was established in 1834 as the first German oil company. Bechem develops, produces and supplies high-performance lubricating oils and greases as well as metal working fluids and process aids. Apart from Germany, the company has plants in USA, India, France, China and South Africa.

The industries covered include steel, food, construction, automotive, cement, rail vehicles, mechanical engineering, shipping, marine and harbour equipment, mining and metal working. The company had sales of US\$ 80.6 million (Euro 65 million) for fiscal year ending January 2004 and employed 300 people.

## Indian operations

Carl Bechem started its India operations about seven years ago as part of another German Lubricant company. Two years ago, Carl Bechem GmbH started its own 100 per cent subsidiary company, Carl Bechem Lubricants India Pvt. Ltd. In India, the company manufactures and markets high performance speciality lubricants (speciality lubricants constitute around 5 per cent of the overall US\$ 18.2 billion lubricants market), metal working fluids, open gear lubricants and food and pharmaceutical grade lubricants.

## Performance has exceeded expectations

The company's market acceptance in India has been good. In the first year of operation as 100 per cent subsidiary, the company was able to retain its market share and the sales volume increased by 50 per cent in the year 2005-06. This growth has led the company to plan a modern manufacturing plant in India. Currently even though the revenue generated from India contributes less than 5 per cent of the group's worldwide revenues, India has become a strategically important market.

## Keys to success

### Growth in Indian economy, liberalisation and consumer awareness

Indian economy has been growing at an average rate of 6.5 per cent (CAGR) for the past 15 years. This is expected to improve further to a level of around 8 per cent in the future. India's manufacturing sector grew at an average annual rate of 6 percent per year in the 14 years between 1990-91 and 2003-04. This has led to a high demand for special lubricants. The company expects to grow to a size of US\$ 11.25 million over the next 5 years. Loosening of government regulations, which include removal of licensing for imports has also contributed to the firm's success. Another





factor, which has contributed to the firm's success is the increase in consumer awareness and change in demand patterns. More and more customers have realised the value of using special lubricants and are willing to pay a premium for the extra benefits they receive.

#### **Product range, experience and support from parent company**

Carl Bechem GmbH has been in this business for over 170 years now and enjoys a good reputation worldwide in the industry. The company also enjoys long lasting relationships with global players in the automotive, steel, cement and engineering sectors. These companies continue to be Carl Bechem's customers in India. The company has been successful in introducing a wide range of products which suits the needs of the Indian market. The company has been able to differentiate itself through the superior quality of its products compared to that of competitors. The Indian subsidiary also attributes its success to the support it enjoys from the parent company. Around 60 per cent of the Indian sales force has received training in Germany. Indian sales executives are also invited to attend global seminars and symposiums which help in transfer of best practices across the group companies.

#### **Future plans**

Carl Bechem India plans to set up a modern, technologically superior manufacturing plant in

India to cater to the needs of the growing Indian market. The plan is to start commercial production in the next 12 to 18 months. The idea is to make India a manufacturing and marketing base for the other Asian countries. Indian teams have already started working on Bangladesh, Sri Lanka and the Middle East markets.

#### **Carl Bechem: At a glance**

- Carl Bechem GmbH was established in 1834. The Indian subsidiary started operations two years ago.
- For Carl Bechem, India is: A key growth market and Indian operations have exceeded the parent's expectations.
- Factors for success: Growth of Indian economy, Liberalisation of government policies, Change in consumer demand, Wide product range, Support from parent and 170 years of experience
- Future plans: Set up a manufacturing plant, Become a manufacturing and marketing hub for other Asian countries.