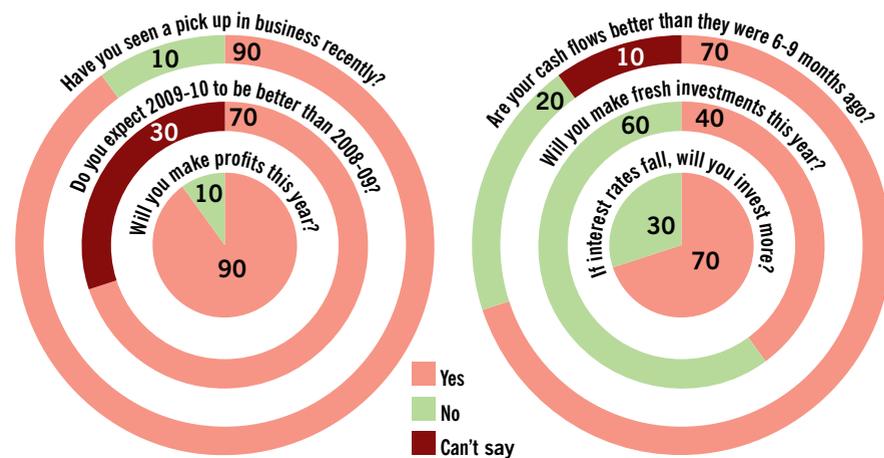


THE VERDICT

A recovery is on, and it will rub off on profits and cash flows. Companies are looking to invest in their business, and will commit even more if interest rates fall.



GRAPHIC BY KISHORE DAS



BRIGHT SPARK. Aurangabad is home to several sectors. And most of them, barring auto parts, are doing more business, thanks to a home economy that is still growing.

Making A Home Run

A domestic focus cushioned its industries from the slowdown shock. And now, things are looking up.

TV Mahalingam

IT'S A SCORCHING 44 DEGREES INSIDE AKAR Tools' manufacturing plant. A 1.5-metre long slab of molten alloy wafts out of a furnace set at a scorching 960 degrees. In six seconds, the slab loses 100 degrees as it's exposed to air. Over the next hour or so, this hunk will go through rigorous stress and quality tests. "And then, the heart of the spring of a large truck will be ready," explains the plant manager. In a few months,

these springs will be fitted onto Mercedes trucks that will roll down the picturesque roads of Europe.

In an air-conditioned room, 12 km away, the owner of the plant, NK Gupta, is juggling phone calls from clients across the country. A mild-mannered man with an

avuncular smile, Gupta presides over an empire with five plants and a Rs 700 crore turnover. Gupta has two companies: RL Steels and Akar Tools.

The former makes steel and supplies it to domestic and international markets, as diverse as Iran and the UK. The company

also makes mechanical tools like spanners, screwdrivers and hacksaws. In fact, it is among India's largest manufacturers and exporters of spanners. "Just spanners account for Rs 80 crore of our turnover," says Gupta. "More than 60% of our spanners are exported to the US. Even as our clients have cut orders from other suppliers, we have not been affected," adds Gupta, who also points a finger at a bulky order book of over 10,000 tonnes of steel exports. Akar Tools makes auto components like springs for commercial and passenger vehicles for auto giants like Mercedes, Mazda, Chevrolet and Ford, to name a few.

But things were not so good, just a few months ago. Three of the five steel plants' production was down by 20% between December and March. Exports to developed markets were flattening. "Demand has been

slowly picking up since April," says Gupta. "From May, we have been back to full capacity. Export demand has looked up as we are making inroads into emerging markets like Egypt and Iran," he adds. In fact, Gupta plans to invest about Rs 60 crore by May 2010 to increase the capacity of his steel plants from 12,000 metric tonnes per annum (mtpa) to 20,000 mtpa.

Gupta's story matches that of most of Aurangabad's industries: of demand being hit late last year and a limping recovery taking place even as you are reading this. Located centrally in Maharashtra, the 400-year-old city is the industrial heart of western India. Everything from tooth powder to radial tyres, from handle bars to tablets is manufactured in over 3,000 industrial units that dot this ancient town and its outskirts. The industry is home to large industries like

auto components, pharmaceuticals and breweries, among others. Most people that *Outlook Business* met in these industries, except auto-component manufacturers, said that business was looking up.

A Dose Of Optimism

Commander Anil Save is one of them. Save is the Managing Director of Atra Pharmaceuticals, the largest contract manufacturer in Aurangabad. It manufactures supplements like Neurobion and Calcium Sandoz. "Pharma companies that depended heavily on exports have been affected as demand from regulated markets like Europe and US has fallen. Companies like ours that service semi-regulated markets like Bangladesh and Malaysia have been unaffected," says Save, who served with the Indian Navy for over two decades. "There has been some talk of

banks tightening the release of funds. But in terms of business volumes, there has been no change," he adds.

Aurangabad houses the manufacturing plants of pharma companies like Wockhardt, Lupin and Glenmark. "The only effect of the slowdown has been that my second unit was flagged off in December instead of September. The third unit will be operational in December 2009 instead of August 15 this year," says Save. Atra employs 500 people and hopes to add 100 more in the next seven to eight months. Save plans to launch probiotic chocolate soon.

Besides pharma, Maharashtra is also a strong-beer country. Almost 60% of the beer consumed in the state is the strong brew. Little wonder that beers like Haywards 5000, Kingfisher Strong and Canon 10000 are brewed and bottled in



PHOTOGRAPHS BY SOUMIK KAR