



The multinationalist:
"We've integrated
the whole world,"
says Sanjay Dalmia.

IF YOU DRIVE ALMOST ANYWHERE IN DANVILLE, VIRGINIA around Christmastime, you can see a 28-foot-high metal bust of the Virgin Mary and the baby Jesus atop the sprawling red-brick Dan River mill. It costs \$10,000 just to mount the 1,200-pound bust each year. This holiday season, though, it will grace the faded city's skyline for the last time. The mill, which made fabrics and textiles for more than 100 years, has closed and the bricks may be sold. Madonna and child will be donated to a charity.

From thousands of miles away, globalization has hammered Dan River for years, but now it has moved right into Danville and taken over. In January GHCL of New Delhi bought the company—founded in 1882 when the American South was stealing textile jobs away from New England—for \$54 million. At the time, the \$250-million-a-year company had three plants and 3,000 workers in this city of 46,000 on the North Carolina border. Now

GOING GLOBAL

India's GHCL aims to be a multinational. A faded Virginia mill town and Romanian soda ash will boost that strategy.

By Megha Bahree

it has no plants and just 210 workers. But this isn't just another story about laying off workers and outsourcing their jobs to Asia.

Globalization, it seems, is a two-way street. Not long ago few countries were more paranoid about foreign investment, free trade and multinationals than India. And Indian businesses were tied down by so many restrictions and so much red tape that they struggled to do business at home, much less abroad. But the far-reaching economic reforms of the past decade have changed that. Now a raft of Indian companies such as GHCL, formerly Gujarat Heavy Chemicals Ltd., are suddenly free to seek opportunities overseas. "Once they opened that, I took advantage," says Chairman Sanjay Dalmia.

Many people in Danville think it's just as well that he came knocking. Sure, he's closed the mills and shifted the production to India. The end of quotas on U.S. textile imports almost two years ago helped speed that process. But Dan River, which was under bankruptcy-court protection until February of last year, was saddled with \$86 million in debt and didn't have much of a future. "The alternative was to not exist," says Michael

Haselden, vice president of operations. Now, under GHCL, it has won back customers such as retailers Bed Bath & Beyond, Linens 'n Things and Target.com; it has stopped losing money; and it expects a positive cash flow by the end of the year. In January it signed Disney teenage star Hilary Duff to put her name on a new bedroom collection.

Dalmia also is taking advantage of India's new global outlook by buying soda-ash companies abroad, expanding a soda-ash business that's already India's third-biggest. Other Indian companies are also sniffing out foreign deals (see table, p. 136). Thomson Financial says Indian outfits spent \$5 billion buying stakes in 106 foreign companies last year. Explains R. Ravimohan, chief executive of Indian credit-rating agency Crisil: "It's the Indian private sector's renewed confidence that it can take on the world, and a comfortable forex kitty, that's encouraging Indian entrepreneurs to look abroad." India's foreign-exchange reserves have ballooned as investment has poured in, meaning that the government no longer turns down overseas acquisitions as it did in the 1990s.

In 2003 Dalmia started experimenting with his new license to go global by purchasing a small, moneylosing call center in Albany, New York called Colwell & Salmon. He installed as the chief executive an Indian who was working in the U.S. The new boss, Sanjay Purohit, turned the company around, and last year it posted a \$2 million profit on revenue of around \$24 million. "The experience taught me that it was possible" to buy a company abroad and make it a success, says Dalmia.

Then last December GHCL bought a 65% stake in SC Bega Upsom, a soda-ash company in Romania, for \$19.5 million. It also has agreed to buy Romania's only other soda-ash producer, Uzinele Sodice Govora. Dalmia says it's imperative to become one of the industry's dominant players, joining Chinese and American companies, so that he has enough heft to avoid getting undercut by competitors.

For an Indian company looking for a global play, a bet on soda ash looks smart. It's used to make everything from textiles to detergents, but most important, glass. "All those tall buildings in Manhattan with glass exteriors and windows use soda ash," says Nikhil Sen, GHCL's senior finance and strategy manager. "Ever since glass has been produced, there's no substitute for soda ash." Spurred by huge projects such as the preparations for the 2008 Olympic Games in Beijing, Asian demand is growing the fastest—up to 9% annually over the next several years, estimates Roskill Information Services, which tracks metals and minerals markets. Meantime the Romanian deals give GHCL access not only to fast-growing Eastern Europe but also to the European Union once Romania joins, as expected, on Jan. 1.

Funded by an \$80 million bond sale and GHCL's cash flow, the Danville and Romanian purchases were giant leaps for a company that boasted revenue of just \$161 million for the 12 months ending Mar. 31 (profits totalled \$22 million). In July Dalmia paid \$50 million for Rosebys, a U.K. retailer of linens, bedspreads and other home textiles, which tallied \$200 million in sales last year.

If Dalmia realizes his ambition, Rosebys is just the first of a string of textile retailers he plans to purchase. He says he's in talks with chains in Italy and France and is on the watch for U.S. retail-

Gujarat Go-Getter

ers that come onto the market. To pay for the shopping spree, he wants to spin off his textile operations into a separately listed company next year. He says he believes that Wal-Mart sells \$3.6 billion in home textiles each year (Wal-Mart won't confirm this number). This gives him a benchmark for his own textile business: \$4 billion in revenue in 2008—dwarfing GHCL's soda-ash business, which last year accounted for 74% of revenue. "The \$4 billion is not a goal, it's a plan," he says. However far-fetched that number, it shows the sea change in mindset of traditionally parochial Indian businessmen.

In fact, at age 62 Dalmia is undertaking something of a second career. He started the family company in 1983, and for years growth came in fits and starts. Frustrated by the vagaries of the Indian bureaucracy, the barriers to seizing opportunities and often a lack of funds, he was resigned to running a provincial outfit that just pattered along. Now he finds himself hurrying to make up for lost time and thinking big as he taps investment-banking, legal and accounting expertise worldwide. Shares of his company, which went public in 1987, are roaring ahead on the Bombay Stock Exchange, from 80 cents at the beginning of last year to \$3.90 today.

Dalmia certainly doesn't fit the profile of an international corporate chieftain. For one thing, he leans toward socialism. In 1996 he served a one-year term in the upper house of Parliament as a member of a socialist party. "I wanted to see if I could do any good [for people] if I was in the government but realized that because of the bureaucracy, I could do a much better job as a businessman." He's a vegetarian and enjoys a glass of red wine. He used to smoke 20 cigarettes a day, giving them up in 1986. And like many ex-smokers, he's a health fanatic, lecturing anyone he meets for transgressions as slight as drinking a diet soda. "I do yoga every day, and that has given me a lot of inspiration and ideas in the past one-and-a-half years," he says.

Married with no children, his outside interests are extensive. He runs outdoor camps for asthmatics and a rainwater-conservation project in the state of Rajasthan, along the western border. He also operates two schools—one in Amethi, with Congress Party head Sonia Gandhi's son, Rahul, and the other in New

Delhi—for mentally retarded children from poor families. He's spent his last two birthdays, since he started the first school, with these children.

Since Dalmia has no heirs, the field of candidates to succeed him is wide open. But he has no plans to retire. Instead he's focused on building his empire. The model he's devised for his textile business takes a page from the technology sector. Dan River's design department in New York conceives a product, GHCL's mill in Gujarat makes the yarn, a plant in Pakistan dyes the yarn, Taiwan produces the packaging, and everything is shipped to Danville for assembly. The final product will be sold in

India goes to Virginia: Globalization brings cash flow to Dan River.



Rosebys shops and in big U.S. retailers. "From concept to consumer, it's all in one chain now," he says.

While globalization creates many more winners than losers, GHCL's global sourcing meant shutting down Dan River's mills and forcing hundreds out of work. A ubiquitous sight around town is "closed" or "for sale" signs on buildings, including a recreation center for mill employees. The Dan View Restaurant, a popular diner, has lost 5% of its business, and the customers who are left are plenty upset about what's happened. "Our local economy was centered on tobacco and textiles," says Danville Mayor Wayne Williams. "First we saw the tobacco industry erode, but we never imagined that the textile industry would die, that our key employer would declare bankruptcy."

Meanwhile, Dalmia has brought down Purohit from the call-center business to run GHCL's textile business. The 41-year-old epitomizes the new global businessman. AT&T signed him up when it entered India in 1995; Motorola sent him to the U.S. in 1998; and now he jets between Danville, his family in Texas and business meetings around the country. (He no longer flies to India every six weeks because GHCL has installed videoconferencing equipment in its offices and in both their homes.) To help him keep up he has two secretaries working separate shifts—both in New Delhi. Says Purohit: "That's how seamlessly we've integrated the whole world." **F**

Expanding Abroad

After years of being held back by red tape, Indian companies are doing deals overseas.

PURCHASER	ACQUISITION	YEAR	\$MIL
Bharat Forge	FAW Group	2006	50 ¹
Ucal Fuel Systems	AMTEC Precision Products	2005	28 ¹
Amtek Auto	Zelter	2005	33 ¹
Malladi Drugs & Pharmaceuticals	Novus Fine Chemicals	2005	23 ¹
Apeejay Surrendra Group	Premier Foods tea division	2005	140
Jubilant Organosys	Target Research Associates	2005	34

¹Purchase price reported at the time. Source: Company reports