

Middle Class Indians are Not Necessarily Price Conscious!

Anil Jain, Founder and Director, SA Pharmachem



S.A. Pharmachem started operations in 1987 by marketing products such as maize starch, sorbitol and other products required by the pharmaceutical industry. It was soon expanded to include the textile industry and also other sectors such as foods and nutraceuticals, excipients, antioxidants and sweeteners. Currently one of the fastest growing Speciality Food & Pharma Ingredients marketing company in India with a turnover of Rs. 70 crores and a year-on-year growth rate of over 28%, SA Pharmachem represents the best global manufacturers exclusively for the Indian sub continent and the Asia Pacific region. In an exclusive interview with *Ingredients Business*, SA Pharmachem founder and Director, **Mr. Anil Jain** talks about the hundred-crore-plus company and its association with the food sector, particularly the bakery industry.

Mr. Jain, you must be proud of how well SA Pharmachem has done. And it must be all the more special because you are a first generation entrepreneur...

I am a first generation entrepreneur. My father was a pharmacist. I, myself, was trained as a chartered accountant. But I had this fire in my belly. I was determined to start something of my own. I started with a company with Gangwal Chemicals, which is still running, and then founded SA Pharma along with a couple of my friends. And yes, I am proud of what SA Pharmachem has achieved in such a short time.

The food sector has been one of your mainstays. What do you have to say about the bakery industry today?

It's certainly come a long way. With rapid industrialization and urbanization, people are turning more and more to baked products than ever before. It is one of the fastest growing segments in the food industry and the future looks very bright. But yes, there are certain issues of concern. Health and nutrition are still not a major focus for various reasons. In India, either we're overfed or we're malnourished. There is still no major focus on making products that are high on nutrition and not just on taste. One major reason that is cited is cost. Indians are cost-conscious, we say. But I don't know how true that is. And it depends on the segment you are talking about. If we're talking about the organized sector catering to the middle class and above, that is not necessarily true. So investing in products that are high on nutrition and low on calories should not impact on the price per packet of the product. For instance, a biscuit brand that costs Rs.10 or Rs.15 a packet, if it goes up by 50 paise, or even a rupee, that does not alter consumption so much. Maybe marketing people will disagree with me, but I keep speaking to people I have spoken to all my employees, and all of them, without an exception, said they would not mind paying one rupee more for their favourite brand of bakery product. And there's a business opportunity there. You create awareness about a certain health benefit that your product caters to, and you will stand above the rest.

But does this apply to the unorganized sector and the lower income classes?

With the unorganized sector, their volumes are low, so it is not so easy. And if it is catering to the lower

income group, then yes, they are definitely more price-conscious. But what I'm trying to say is that, it is also about a mindset, it is also about a desire. You have to want to make your products healthier for the sake of your consumers, for the sake of society, for the sake of the country. Let's say, you're a bakery and you make very tasty pastries and they sell like, well, hot cakes! So you're doing very well. You don't feel the need to change or experiment. And that's what is unfortunate, in some ways. Because most of these products still have a long way to go in terms of nutritional content, especially by international standards, but perhaps we are not trying hard enough.

And this is true for both the organized as well as the unorganized sector?

Yes, I would think so. Baked products need to be high on nutrition. For instance, it is a myth that Indians don't require fibre. If you look at the urban upper middle class, their children are huge consumers of junk food. My son ends up eating burgers and pizzas when he's in college. So then where does he get fibre from? So bakeries, etc. need to incorporate fibre and protein in their products. To increase nutrition and reduce calories. Let's not forget, India has the highest number of cardiac cases. And diabetes too. So all of us who are in the industry need to take our societal responsibilities seriously.

But do you think the government is doing enough in this regard?

Well, it is doing what it can but definitely, more needs to be done. For instance, the PFA (Prevention of Food Adulteration) Act has been around since 1954. All manufacturers need to adhere to the ingredients that are listed in it. At times, what happens is that there is an ingredient that is developed which has great health benefits but manufacturers may not be able to take advantage of it unless it is listed in the PFA, but that may take a while, a few years even. So yes, there are all these

concerns but if we all work together, it is not difficult to address them.

But there is also a growing awareness among the consumers about health and nutrition.

Exactly. And this is only going to become more and more heightened in the years to come. It is a good thing for all of us, because it will force us, whether we like it or not, to be focused on delivering products that are ultimately healthier, tastier, better.

What, according to you as a first generation entrepreneur, are the major difficulties in starting a company in this country?

Cheaper finance. That's the most difficult thing. I don't think there's a dearth of ideas or motivation or any of these things. But getting funds is still a major problem. It's a little better than what it was a decade or two ago because today, at least you don't need collateral. But it is still a big problem. If I had easy access to funds, I think SA Pharmachem would have grown to be four times what it is today. But you know, finding funds is difficult everywhere. But in the west, they have venture capitalists for instance. In India, that trend is yet to catch up.

What are the pros and cons of being a first generation entrepreneur?

Well, the pros are that we first generation



entrepreneurs are hugely driven, we have a fire in our belly, we have the desire and the energy and the belief to see something through and we won't give up no matter how many times we fall. As for the cons, well, we don't trust so easily. We don't know how to delegate and trust people to get the job done. We would rather do everything ourselves.

This country needs a lot of first generation entrepreneurs, don't you think?

Oh yes, absolutely. I wish there was a way, a system, of nurturing potential first generation entrepreneurs. Because they are the ones with the ideas and they are the ones with the passion. They may lack experience, but that will come. And their passion and drive more than makes up for their initial lack of experience.

Do you think there is scope for first generation

entrepreneurs in the bakery industry?

Certainly. It is not a saturated market. It is a high growth market in fact. For instance, on a Sunday, you will see many Gujaratis queuing up to buy 100 gms or 250 gms of fafras. That's a business opportunity. If the quality is good, I'm quite happy to go out and buy fafras. I don't necessarily want my wife to make them at home. Now fafras are not a baked product but it very well applies to any baked product. If you can ensure quality and taste, you can go a long way.

The rising consumption of burgers and pizzas - has that meant more business for SA Pharmachem?

No. That has meant more business for enabler companies, such as emulsifiers and stabilizer manufacturers. But we're into speciality ingredients and we are focused exclusively on health and nutrition. Most of the ingredients we deal in, such as dietary fibres like polydextrose, have not yet been included in the PFA list, although they have become popular and necessary health-enhancing ingredients in the bakery industry in the west. But we are hopeful that the government will include these essential ingredients soon, for the ultimate benefit of consumers.

What are your future plans for SA Pharmachem?

We would like to get into more and more distribution in the food segment, and manufacturing in the feed segment. We would also like to get into setting up a starch processing facility.

Who are the people you admire?

My father for his hard work and honesty and integrity. And also, Dhirubhai Ambani, for changing the face of Indian business.

What are the qualities that you admire in people?

Honesty, hard work and commitment, in that order. Intelligence is important too, but that comes with experience. ■

