

A force to reckon with

Milltec aims to be *numero uno* in food grain processing machines



Ravindranath: sheer hard work



Rajendran: growing customer base

This is an enterprise story of a different kind. Mechanical engineers and friends Rajendran Joghee and Ravindranath Ramaiah, who were working with grain and agri-processing machine maker Buhler India some 20 years ago, found their jobs to be too mechanical. They got out and decided to go on their own. With a sum of just ₹10 lakh at their disposal, and a team of five employees, they set up Milltec Machinery Limited (MML), along with two other partners – V.G.N. Prakash and Raman Iyengar – in Bengaluru. Milltec's product was a paddy processing mill, which facilitated whitening and polishing of rice grains. And, the partners have built up the company to be a force to reckon with in the highly fragmented industry.

"It was sheer hard work, dedication and, more than that, a focussed approach, which helped us taste the success right from the beginning," says Ravindranath. Milltec's sales crossed the ₹5 crore mark by 2000-01, as it set a benchmark in the market. The brand got established by itself, with the millers promoting their product as 'Milltec Polished' rice. By 2011-12, its sales had crossed ₹165 crore. Five years later, Milltec has introduced CMR machinery, crossed the ₹200 crore mark, acquired parboiling equipment company Sunshine and inducted Rajan Aggarwal, a professional, as CEO.

And its growth has been unstoppable. Come 2013-14, Renuka Ramnath's Multiples Alternate Asset Management had acquired a 49 per cent stake in Milltec by buying out the stake of V.G.N. Prakash and Raman Iyengar at ₹250 crore, while Rajendran and Ravindranath continued to lead the company.

"Under the leadership of Ravindranath and Rajendran, the company has grown organically, adding product and service lines," says Ramnath. "And, with the addition of Aggarwal as CEO, as also other members of the team, the management has been strengthened significantly. The company's decision and governance process have also helped. Our pitching in is a classical case of a PE enabling a mid-size entrepreneur to reach realms beyond his dreams and against all odds."

Today, their portfolio comprises over 200 different types of equipment, which caters to the grain processing industry. With over 10,000 installations of grain processing equipment in India, and 78 overseas, Milltec has an established pan-India presence and continues to grow its global footprint, with exports to African countries, such as Nigeria, apart from installations of

fully-equipped plants in countries such as Bangladesh, Pakistan, Nepal, Sri Lanka, and Thailand.

Milltec's product portfolio includes equipment for parboiling and drying, pre-cleaning, de-stoning, de-husking, thickness grading, polishing, length grading, sorting, and packaging, which cater to customers, who have mills with throughput capacities ranging from two tonnes to 20 tonnes per hour. It also offers end-to-end turnkey solutions for rice processing activities, as well as solutions to facilitate ancillary grain processing activities such as yield management.

P. Tirupal, owner, Sri Srinivasa Modern Rice Mill, Anantapur, Andhra Pradesh, has been associated with Milltec for over a decade. "I would recommend Milltec as the standard company for rice milling machinery anytime," he says. "Their good maintenance has helped us run hassle-free operations. The finishing quality of rice too has improved the success of our business."

"We are backed by a strong R&D team, with a track record of launching and scaling new products, including colour sorters, parboiling, and pulse processing equipment," explains Rajendran. "We also upgrade our existing equipment to improve their efficiency and reduce costs of operations, thereby catering to our growing customer base". With its entrenched relationships with customers, the company has been selling its products to over 650 customers each year.

The rice processing industry has been on the cusp of transformation due to growing demand for better-quality produce by the Indian middle class, advancement in technology, replacement demand and government initiatives. "With rising urbanisation and per capita income, consumers have become quality-conscious and are opting for branded rice," says Aggarwal. "Further, millers are seeking modern equipment to improve quality of output and give a higher yield. Our marketing strategies are based on our proximity to our customers, whereby, while focussing on the expansion of our dealer and sales network, we also

COMPANY	Milltec Machinery
ESTABLISHED	1998
LOCATION	Bengaluru
PROMOTERS	Rajendran Joghee, Ravindranath Ramaiah

have deployed a widespread service team to promptly provide after-sales-services to them”.

The replacement cycle of milling equipment, typically, is 12-15 years and this is yet another growth segment for Milltec. Mills established during the first wave of modernisation are now coming up for replacement. Moreover, the shortened replacement cycles, especially in case of technologically-advanced machines like colour sorters, also keeps the company busy.

“I made a smart choice by installing Milltec’s full milling plant, along with MC series colour sorting machine,” says Venkanna, who owns Ram Laxman Rice Mill, Hyderabad. “The colour sorter has exceeded my expectations in terms of performance, the reject ratio and capacity”.

“Our array of grain processing equipment has, over the years, benefited millers,” says Ravindranath. “It has helped reduce process loss, enhanced price realisation and ensured high qualities of hygiene”.

Transforming itself from a South India-focussed entity to a truly pan-India player, Milltech has added over 2,500 new customers since 2014-15, with new customer acquisition growing at more than 20 per cent CAGR. It has acquired over 1,300 new customers in seven under-penetrated markets – Chhattisgarh, Orissa, West Bengal, UP, MP, Punjab, Haryana – during the past four years.

Mayank Mahajan, proprietor, Mahajan Rice Mill, Rohtas, Bihar, is happy with the performance of Milltec machines. “With Milltec after-sales support, I am able to run my mill comfortably. The availability of genuine spares too has been on time, every time,” says Mahajan.



Aggarwal: new product verticals

According to a CRISIL report, Milltec has established a reputation for offering high-quality equipment at affordable prices. Although Milltec’s lower-priced machinery is at a premium to local machines, it offers better quality. Similarly, the higher-priced machinery is priced lower vis-à-vis international players, with not much difference in quality.

Professional management

Focus on R&D enables Milltec to regularly upgrade existing machines, as well as introduce new products. For instance, a new range of colour sorters was introduced in 2015-16 and new par-boiling machinery was introduced during 2017-18, informs the CRISIL report.

K. Amaresh, partner, Sri Ram Industries, Raichur, Karnataka, is comfortable with a Milltec 6 tph rice milling plant and he is happy that “it completes the turnkey project on time, has an appealing look and does not hassle us with incurring escalation of project costs, as the project proceeds.”

“Milltec has regular, elite and custom-made milling equipment series,” informs the CRISIL report. “Each has a different price point and is designed on the basis of what price and quality of output the end customer requires. Therefore, it caters to customers from the government, open market and export segments.”

The research report also points out that Milltec has a pan-India after-sales network to address post-sales requirements of customers, as well as respond to customer grievances. The company has a commitment to resolve issues

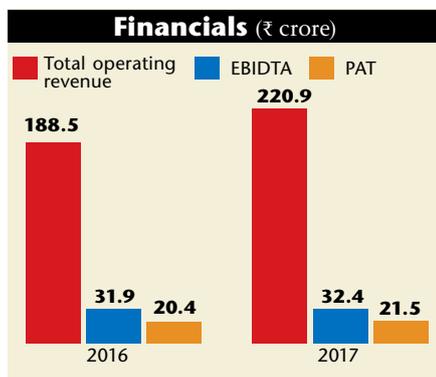
raised by customers within 24 hours, thereby minimising downtime for millers. “This is reflected in the interactions with millers, who responded positively towards Milltec’s after sales service,” the report adds.

Setting its goals high, Milltec has entered the premium segment through its ‘Elite’ series of machinery and now seeks to capture higher-end millers at affordable prices. In fact, it is the price level that gives Milltec the biggest advantage, for its mills cost 15-30 per cent less than the imported machines, with a short payback of less than two years for most equipment. It has adopted the ‘call centre’ approach to proactively push after-sale service and sale of spares. It has set up 48 touch points in central region, 59 in the north and north-east and 55 in the south across employees, dealers and sales and service network.

“Milltec has a professional management team, the credit for which goes to the founders, who gave freedom of thought and action to the team,” says Aggarwal. And this team does not intend to rest on its laurels. It aims to continue to be one of the largest grain processing equipment manufacturers in India. The company has been looking at inorganic growth through strategic acquisitions, after considering all aspects, such as the spending capacity of target customers, catchment area, availability of a local dealers and sales network, market penetration, expected investment, financial returns, and local competition.

For instance, in January 2017, Milltec acquired and integrated the business of Sunshine. “This has enabled us to backward integrate our operations and strengthen our value chain,” says Aggarwal. “The company also plans to foray into new product verticals, depending on market conditions and emerging business opportunities. To mitigate the risks of seasonality of agriculture sector, Milltec will continue to expand its global footprint for selling its grain processing equipment in newer geographies.”

There have been reports that Milltec plans an IPO. But the management claims that no final decision has been taken, though the option remains one of the routes to raise funds and gain visibility.



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