

Best Under a Billion

## Farming Without Ill Effects

Anuradha Raghunathan, 10.10.11, 6:00 PM ET

After peddling pesticides and seeds for mainstream agro companies for 12 years, Dhirendra Kumar found his calling. In 1993 he started a biotech company promoting zero-residue agriculture—free of the chemical applications that, when lingering in food or escaping into groundwater, are feared to cause various ailments and other ill effects.

Camson Biotechnologies of Bangalore began with \$20,000 of Kumar's savings. It now has 300 employees. The company sells biocides—biological alternatives for chemical pesticides—and hybrid seeds for vegetables and fruits.

Revenues hit \$23 million for the year ended last March—up from \$10 million only two years ago. Profits have risen even faster. Sales growth should continue at 30% in this fiscal year. "We have the biggest and the best germ-pool collection in the country," insists Kumar, 54, who owns a 37% stake in the company.

Camson has an R&D center and a production unit on a 25-acre farm that should double in size. The company, named after Kumar's parents, has two other research centers in different climatic parts of India and a production site to serve the northern part of the country.

Seventeen different seed hybrids contribute 85% of Camson's revenues and appeal to growers facing ballooning demand and a shrinking tillable acreage. Moreover, as elsewhere, organic farming is gaining appeal in India. But the hybrid seed segment is still a small niche in a \$1.7 billion national seeds market. Tomatoes, okra, chilies, melons and gourds seem to offer the best prospects. "Seeds are going to be in focus the world over," says Kumar. "Without seeds there cannot be any zero-residue plan."

With biocides and biofertilizers, Camson is targeting export-oriented farmers, who are required to ship out zero-residue products. Conversions have lagged of late, and sales have dropped off the last two years.

The eldest son of an official in the agriculture ministry, Kumar moved around India as a child and continued doing so in pursuing advanced degrees. He straddled marketing and research in his early jobs, including ones for pharma major Ranbaxy, Pioneer Seeds and the hybrid seeds division of ITC, formerly Indian Tobacco.



"I have toured every single district in India," he says, and that gave him a wide feel for the market. In 1993, however, Kumar had something of an epiphany when reading a scientific report. "I suddenly became aware of how harmful pesticides were," he says. "I didn't want to become one more supplier of harmful chemicals. It hit my conscience--but I also saw a business opportunity."

He mortgaged his house in Hyderabad, moved to Bangalore and bought a 9-acre farm in Doddaballapur, at the site of today's main research center.

Looking back, he says, "It was very foolhardy on my part to risk everything."

He just wasn't prepared for what followed. There was practically no funding available for biotech research. Banks, however, were willing to fund him for floriculture, so he set up such a unit and kept doing his biotech research. In 1995 he raised nearly \$1 million in an IPO and took a similar amount in loans from ICICI.

But flower growing proved to be no bed of roses. High capital costs to import Dutch plants left him exposed to lower-cost competitors. Plus, he had to support a wife, an 8-year-old son and a 2-year-old daughter. "There were times when I would go with just one meal," Kumar says.

He further scrimped by staying in budget hotels and traveling by train, but family and business bills mounted. The floriculture unit was taken over by the bank in 1997. "I have never felt more insulted in my life. I lost my self-esteem. I thought I was not good for anything," admits Kumar.

But Camson Agritech, as it was then called, survived. The breakthrough came in 2001 when the first biocide was rolled out. He test-marketed it on a grape vineyard in the western state of Maharashtra and notched \$70,000 in sales that same year.

Biocides are targeted to kill only the pest, and they don't harm the butterflies and honeybees that are needed for pollination. Lately, however, the specific plagues Camson has targeted haven't surfaced enough to galvanize farmers to switch at a higher cost.

But Kumar doesn't get discouraged easily.

"As a first-generation entrepreneur he pursues his vision with a dogged resolve and commitment to make change happen, to differentiate Camson from the rest in the field," says K.R. Iyer, a career banker who has been on Camson's board for the last six years. "He carries people with him, imbues passion and confidence in them to identify with what Camson stands for."

Meantime, its hybrid seeds--first rolled out in 2005--allow market tailoring. Camson's current star product is dubbed the "freezer" watermelon, which is designed to fit and keep in that compartment of an Indian refrigerator. This is touted as an alternative to the 26-pound dragon watermelons that are commonly sold. Camson's nonleaky watermelon--at 6.6 pounds--is positioned as the perfect fruit for a small family and was sold through retail outlets like Reliance Fresh this summer.

Sales of watermelon seeds alone contributed \$3.5 million to Camson's revenues this year. And that was thanks to farmers like Jaywant More. The Maharashtra grower, who's an engineer by education, normally plants sugarcane, potatoes and bananas on his 40-acre farm. This April he sowed Camson's watermelon seeds on 3 acres and netted \$8,000 in profit in 70 days. "That's what I would get from a sugarcane plantation after 12 months of work," says More.

He's now using Camson's biocides and fertilizers for his potato crop and planning to devote more acres to watermelons in the next season.

But competition is stiff in the seeds segment. With tomato seeds Camson is up against Switzerland's Syngenta, in chilies it's the Dutch Nunhems and in watermelons it's Taiwan's Known-You. Domestic players like Namdhari Seeds are also in the fray, but a multinational like Syngenta spends \$1 billion a year on R&D.

"Our key differentiators are the quality of the end produce; fungal, bacterial and viral resistance; shelf life; wide adaptability with high-yield field crops," explains Akshaya Kamath, Syngenta's South Asia head.

Typically breeders cross plants to heighten disease tolerance and to enhance taste, flavor and color. It takes thousands of crosses to produce a viable hybrid seed. While the first product launch took nine years of research for Kumar, he quickly followed it up with numerous others.

Next in the offing: purple chilies and jalapeños.

But the biggest challenge in India is the fragmented size of landholdings--the average farm is only 3.3 acres. The selling has to happen from village to village, and transaction sizes are low.

So Camson is looking to break into overseas markets where 100-acre holdings are common. Kumar has now opened a Singapore office to gain entry into Southeast Asia. And he's planning to set up a plant in Indonesia to manufacture biological "weedicides" for the country's vast palm oil plantations. (Giant rival Monsanto is already there.)

Kumar will need to plan for such expansion. Last year as the seeds trade in India was taking off, Camson mis-laid \$6 million in dealer paperwork. The records--not digitized--were restored. But deficiencies in the back office were exposed.

"Camson's biggest challenge lies in building a talented management team for high-quality execution and scale-up," says Rajendra Shah, a Mumbai investor who has a small stake in Camson. "I have seen too many companies falter in growing from Camson's current revenues to about \$100 million. When you do that transition there is a change in requirements, both in terms of management skills and in terms of mind-sets."

But the way Kumar looks at it, growth is a good problem to have.