

International Strategic Alliance Life Cycle: Reinvent or Exit

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Abstract. It was the second week of January 2024 when the leadership team of Silox, S.A. Belgium assembled to review the previous calendar year's performance. The company had braved complex trials post pandemic, be it wellbeing of employees, demand-supply volatility, and supply chain disruptions. Despite this they had reached an all time high in terms of sales turnover and profits in the twenty years history of the Indian Joint Venture entity Silox Industry Private Limited (SIPL). They were now deciding whether to acquire 100% shareholding in their JV or sell their existing shares to the Indian alliance partner Transpek Industry Limited (TIL) and move on.

Keywords: international expansion, inorganic chemical industry, strategic decision.

1. Indian Chemical Industry and the JV

The industry, which includes basic chemicals and its products, petrochemicals, fertilisers, paints, gases and pharmaceuticals, is one of the oldest industries in the country and plays an important role in its overall economic development. (see Exhibit-1)¹ The chemical industry forms the backbone of industrial and agricultural development of India, by providing building blocks for downstream industries. The chemical industry accounts for about 17.6 per cent of the output of India's manufacturing sector and about 3 per cent of GDP. The industry output is estimated at US\$ 35 billion, with a total investment of approximately US\$ 60 billion.²

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1. Foundation, India Brand Equity. n.d. *Inorganic Chemicals*. Accessed August 7, 2022. https://www.ibef.org/download/Inorganic_Chemicals_170708.pdf
 2. Foundation, India Brand Equity. n.d. *Inorganic Chemicals*. Accessed January 7, 2021. https://www.ibef.org/download/Inorganic_Chemicals_170708.pdf

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Transpek-Silox Industry Private Limited (TSIPL)

TSIPL traces its origin to the 1960s, when it began operations with the production of transparent acrylic sheets as an import substitute, before diversifying into phosphoric chemicals and eventually settling on Zinc, Sulphur and Chlorine based chemicals as its core business. The company was nurtured by the Shroff Group of India, has a rich history in developing import substitutes at lab scale and then scaling it up to commercial levels. It had a rich heritage spanning across five decades in the manufacture of inorganic chemicals. Towards the late 1990s, the then Transpek Industry Limited (TIL) was going through serious challenges posed by cheaper imports from China as well as certain environmental issues. TIL started looking for global partners who could provide technical support in improving the environmental and safety footprint of the company as well as cost structure and value addition of its existing products. In this context, the management had discussions with various global players in TIL’s business sphere and eventually shortlisted Silox S.A. Belgium as a prospective partner. While the initial objective was a technical partnership, Silox evinced interest in a financial partnership as well i.e Silox acquired a stake in the Sulphoxylates business of TIL. Eventually, both sides reached a mutually acceptable conclusion, and this led to the formal JV partnership between TIL and Silox, on 19th January 2001. The JV entity at that time was named Transpek-Silox Industry Private Limited (TSIPL).

EXHIBIT 1: CHEMICAL INDUSTRY SEGMENT

