



An Unalloyed Success

After 25 years of nearly unbroken growth, Alloy Polymers has reached a size where founder Subhash Pahuja can't run it all himself. A new COO should help keep the chemical compounder on the growth path.

by Peter Galuszka

Subhash C. Pahuja was a young, energetic student back in 1968 when he left his home in bustling New Delhi for the University of New Hampshire on the rocky coast of New England. Majoring in mechanical engineering, he graduated to work in plastics plants in a series of gritty American industrial towns. Those were hard years, he says, because "it wasn't the best business climate at the time."

Today, as founder, chairman and CEO of Richmond-based Alloy Polymers, Inc., Pahuja stands atop his chosen field: compounding. That's the process of putting additives into plastics and chemicals to give them special colors, textures, strength and other qualities.

Recent days have been busy for Pahuja, now a U.S. citizen. Celebrating the company's 25th anniversary, he and his staff returned recently from whirlwind visits to production plants in Ohio and Texas and then joined the festivities at the Richmond production facility and corporate headquarters.

"We've made a profit every year but one," Pahuja says proudly. The one bad year was 1995,

when company executives took their eye off the ball. Since then, Alloy Polymers has gone from strength to strength. Four years ago, the company purchased a 110-million-pound-a-year polypropylene facility in Gahanna, Ohio. Earlier this year, the company added a 100 million-pound-a-year compounding facility in Crockett, Tex., boosting total capacity to about 300 million pounds per year.

The company's big challenge now is bringing discipline to a much larger organization. This summer, Pahuja hired Charles M. Chiappone, a veteran business manager, from SPX Cooling Technologies in Overland Park, Kan., to step in as his president and chief operating officer. "We hired him," says Pahuja, "because we wanted to move away from an entrepreneurial management approach."

"My job is to implement process discipline and drive more efficiency," elaborates Chiappone, whose career path took him to the plastics and silicon divisions of General Electric, where he learned the management methods of the fabled Jack Welch.

Balancing the internal management challenges with continued growth and expansion is a big job, especially considering the

competitive nature of the compounding industry. Chiappone identifies a dozen or more competitors.

From upstream plants, plastic pellets are sent to processing facilities across the nation. After being treated in methods to give them a particular color or texture -- Alloy Polymers' link in the supply chain -- the pellets are melted down and molded into specific shapes. These can be anything from tiny rivets to nearly finished products such as children's toys, dishware or automobile dashboards.

The Crockett acquisition from Ampacet Corporation, of Tarrytown, N.Y., gives Alloy Polymers an edge it didn't have before. Crockett is located only a couple of hours north of Houston, the capital of the U.S. chemical industry, where many of the raw materials used in plastics and the production of plasticized pellets takes place. Its pellets are used in the production of wire and cable -- an enormous market thanks to the explosion of goods and services in consumer electronics and telecommunications.

Product-specific goals were the reason as well for the 2002 purchase of the Ohio facility, near Columbus. Many businesses in Ohio and Michigan supply plastic parts to the automobile industry. The acquisition gave Alloy entre to those companies.

Richmond, meanwhile, serves as headquarters and the place where Alloy undertakes the truly difficult production projects -- typically, consumer goods pack-

aging that must meet very tight specifications. While each Alloy facility has its own research and development capability, the Richmond operation, with its 135 workers, tackles specialty food packaging, which Pahuja notes, "is hard to do."

Alloy Polymer products wind up in such a wide assortment of products that Pahuja can't keep track of them all. But examples include the plastic liners inside the bottles of Dasani water sold by Coca-Cola, and the plastic trays used in South Beach Diet low calorie food.

Alloy Polymers commenced its corporate existence as an internal unit of precious metal supplier INCO Ltd. in New Jersey. Pahuja, who worked there, took over the business in 1982 when INCO put the company on the auction block. He spent eight months seeking capital from as many as 50 banks before scraping up the funds to buy what is now Alloy Polymers.

The firm refocused on compounding and engineering plastics and in 1987, it moved to Richmond. "New Jersey was a difficult business climate and it was land-locked," says Pahuja. "In those days our biggest customer was Allied Signal, which has a big plant in Hopewell." Alloy Polymers relocated to a location near the Port of Richmond -- close to Honeywell, not to mention a slew of other chemical firms such as DuPont.

Alloy Polymers is only one of many specialty suppliers that has grown up around giants like DuPont and Honeywell, says Gene Winter, senior vice president of the Greater Richmond Partnership, the economic development organization for the region. It's also part of a growing community of packaging companies, including billion-dollar gi-

ants like MeadWestvaco, Chesapeake Corp., Alcoa Packaging and Tredegar Corporation. "The workforce has a lot of depth for a company like Alloy Polymers," he says. "There are a lot of people who have experience working with chemical processes and engineering solutions."

The relocation to Greater Richmond "was a Godsend move," Pahuja says, even though its customer mix has changed over the past two decades. The firm, which still supplies local chemical firms such as DuPont, grew and thrived while adopting its own cultural style. The area's easy lifestyle, he adds, was a help in recruiting talent from other areas.

COO Chiappone, for one, says he's moved around a lot in his career and that his family really likes the Richmond area. "There are big advantages here," he says, notably the schools.

"People are the key to success," Pahuja says. "You have to create an environment of excellence."

The company offers services, such as blending and alloying flame retardant polymers, color concentrates and antistatic and conductive resins. "We really are a service company focusing on customers," says Chiappone. "You have to constantly monitor four things. These include people, the processes we use, the relationships with our customers and our results. They are all interconnected."

A lot of people have noticed Pahuja's success. Recognitions include the Commonwealth of Virginia Entrepreneur of the Year Award, the U.S. Senate Productivity and Quality Award for Outstanding Achievement and the 2004 Chemical Entrepreneur of the Year award by the business

consulting firm Frost & Sullivan.

In 2005, the Indian American Center for Political Awareness listed the top 100 companies in the U.S. run by Indian Americans. Alloy Polymers and Pahuja ranked No. 21 with \$26.8 million in sales. The previous year, the authoritative trade journal *Modern Plastics* profiled Alloy Polymers and noted that its success was in large part due to its founder's concept of customer care.

Wrote the magazine: "Pahuja preaches the philosophy because he lives it."

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