

Interview with Mr. František Zýka for Legends of Flow – October 3, 2018

Mr. Zýka is the Founder and Chairman of ELIS PLZEN; PLZEN, Czech Republic

Questions by Dr. Jesse Yoder, President of Flow Research

1. When did you found your company ELIS PLZEN?

I founded the company ELIS PLZEN together with other four colleagues from the Electrotechnical Research Institute of SKODA PLZEN in April 1990 in a very short time, several months after the so-called Velvet Revolution (November 1989) The new company started practically from scratch.

2. What technical innovations or discoveries did you have or make prior to founding ELIS?

Prior to the founding of ELIS PLZEN, I worked for about 20 years at the Electrotechnical Research Institute on the development of automation components and systems for SKODA PLZEN final products. Approximately 20 of my innovations and inventions have been applied in research and development projects, especially for the control systems of electric locomotives.

3. Please tell the story of how you founded your company ELIS PLZEN.

The foundation of our company is related to the political changes that took place in November 1989. Until then, all companies, research institutes and similar institutions were state-owned entities. As I have already mentioned, I worked for approximately 20 years at the Electrotechnical Research Institute of SKODA PLZEN in several positions, including the Director of the Research Institute position. Shortly after the so-called Velvet Revolution I initiated with my four other colleagues from the Research Institute the establishment of a private company for research and development of automation devices including their production.

We wanted not only to research and develop new automation devices, but we also wanted to produce them and to be successful with them on international markets. At that time, the intention was very courageous, because each of us had his family and it was necessary to secure them financially. In these beginnings, we discussed together the particular focus of the company being prepared. We were helped by newly adopted laws in the Czech Republic on the obligation to measure the consumption of all types of energy and media that were the subject of commercial transactions. This was the reason why we

decided to focus mainly on production of heat meters in water and steam and later water meters and flowmeters of liquids.

We founded the company as a production cooperative on 1 April 1990. After a year we transformed the cooperative into a limited liability company, and in 2007 we transformed the company into a joint stock company. Gradually, I bought the shares from other shareholders and today I own more than 99% of the shares.

For the duration of our company, our goal was to develop technically superior equipment for successful applications on world markets. Gradually, we have developed a number of types of heat and cold meters in water and steam, ultrasonic and electromagnetic flowmeters. With these flowmeters, we have succeeded in world markets, especially in the water and energy sectors. Currently, we export approximately 90% of our production to approximately 50 countries worldwide.

We are currently completing a number of development projects that will allow us to enter into the chemical and petrochemical industries with our ultrasonic and electromagnetic flowmeters in a short period of time.

4. What money did you use initially to get your company started?

When we founded a production cooperative, each member put a member share of CZK 3,000, so the total share capital was CZK 15,000. At present, the company has a registered capital of CZK 10,294,800.

5. Do you hold patents (intellectual property) on the products made by ELIS? Are those patents still in force today?

I hold 5 patents with my colleagues for our flowmeters made by ELIS. Three of them are not in force today.

6. Where are those patents valid – only in the Czech Republic or more broadly in the EU?

All our patents are or were valid only in Czech Republic.

7. How did you grow the company? More specifically, who did you hire to help you make it grow?

When we started, most of us were technicians and we had no experience how to sell our products into a competitive market. As we say, we learned lessons as we went along. However, we also attended various training courses and gained both theoretical and practical knowledge, especially from foreign trade.

As I have already mentioned, we took advantage of the situation in the Czech Republic, that according to new laws, it was mandatory to measure heat consumption in water and steam. We very quickly developed suitable calorimetric counters that we have completed with purchased flowmeters and temperature sensors, and we have sold complete heat meters, including projects and installations. At that time, we sold approximately 10,000 pieces of heat meters in the domestic market for about 5 to 7 years. Most of our earned money was invested into the development of new products, especially ultrasonic and electromagnetic flowmeters.

When we developed new products, especially ultrasonic and electromagnetic flowmeters, we started offering them not only to domestic but also to foreign customers. Our sales people quickly learned how to sell abroad through distributors and started to build a distribution network. Exporting abroad has contributed significantly to our growth. At present, we export approximately 90% of our production.

We see our further growth in expansion of the product portfolio by offering technically superior products and building a strong distribution network, especially in countries with the greatest market potential.

8. How did you end up with ultrasonic and magnetic flowmeters?

When the company was established, our first developed product was a calorimetric counter, and for the completion of heat meters, we purchased ultrasonic and electromagnetic flowmeters from other manufacturers. In the first half of 90 years, mechanical water meters were mostly used, and we began to use electromagnetic and ultrasonic flowmeters for heat meters.

At that time, however, ultrasonic and induction flowmeters were very expensive and technically not very good. That was the reason why we decided to develop our own electronic flowmeters for heat meters. After detailed analysis of technical properties of ultrasonic and electromagnetic flowmeters, we have decided to develop the ultrasonic flowmeters first, considering the perspective of future use in other applications.

Later, when we decided to enter the water industry, we developed our own induction flowmeters.

We continued in development and now we have electromagnetic flowmeters and in the short time we will have ultrasonic flowmeters for the chemical industry (Ex versions).

9. What are the competitive advantages you see your flowmeters as having?

Over time, we have developed and marketed a range of products that are technically on a high level and very competitive on the world market. We have very good references from our customers. But it's not enough to compete on the market. That's why we're trying to offer other benefits that our customers value, such as short delivery times, customized solutions, fast service solutions, and lower prices than technically comparable competing products.

10. How did you build your distribution channels?

To create distribution channels we use all standard and known methods, for example the Internet, databases of potential distributors, our webpages, international exhibitions and the like. After obtaining appropriate contacts it is then very important to follow personal negotiation and conclusion of an appropriate contract on the basis of suitable conditions. And it also depends on the experience and skills of negotiators of ELIS.

11. How do you see ELIS in the context of other Czech flowmeter companies?

ELIS PLZEN is the largest producer of flowmeters in the Czech Republic and the only producer of ultrasonic flowmeters in the Czech Republic and Central Europe.

12. Where do you see ELIS as being in five years?

In line with our long-term business plan I see ELIS as being in five years:

Product portfolio extension compared to the current state:

- Battery-powered electromagnetic flowmeters for the water industry
- Electromagnetic flowmeters for the chemical industry, for an explosive atmosphere
- A new generation of battery-powered ultrasonic water meters for the water industry
- Ultrasonic flowmeters for the chemical industry, for an explosive atmosphere, 1 to 8 ultrasonic beams
- A new generation of ultrasonic flowmeters for heat and cold meters

- Building a global distribution network

- Sales targets

- Water and energy industry - 2 mil. USD

- Chemical industry - 2 mil. USD

13. Are there any specific strategies that you have used to grow your business?

When we started, we followed the so-called common sense. It simply means that if we want to succeed on the world market, we must have foremost technically perfect products and then capable sales people who will be able to sell them.

We did not have any specific strategy for our growth, but again, we used common sense when searching for distributors in countries with the greatest sales potential, for example in Western and Northern Europe, USA, Middle East, Africa, Russia and so on.

14. What role does the flow calibration lab play in ELIS' products? Would you consider doing flow calibrations for other companies?

In our company, we have three metrologically certified calibration stands for liquid flowmeters. These stands enable calibration and metrological verification of flowmeters in the range of DN15 to DN800 (1/2 inch to 32 inches). The Calibration laboratory plays an important role in our company, as it is absolutely necessary for the development of new flowmeters and for the calibration of each individual manufactured flowmeter prior to shipment to the customer. By ensuring that each produced meter is calibrated on a metrologically certified stand, the high quality of the produced and sold flowmeters is achieved. The above-mentioned in-house activities take up approximately 50% of the stands' capacity and the remaining part of the capacity is used for external customers.

15. What single achievement are you most proud of?

I am most proud of the fact that we have managed over 28 years of the company existence to create a team of highly skilled and qualified staff who are able to develop, design, produce, certify and sell high-tech products – ultrasonic and electromagnetic flowmeters, which can compete with major global companies in the field of flow metering.

16. What is your favorite color?

Blue

17. What do you do for recreation (e.g., hobbies, pets, family, etc.)

I spend a lot of time with our company. From time to time, however, I need to relax and this time I usually spend in my mountain chalet with family and friends. There are many opportunities for different activities and especially summer tours over the mountains and winter cross-country skiing.

18. What is your greatest remaining ambition?

My greatest remaining ambition is to lead the company to meet our intentions as stated in answer to question 12 as quickly as possible, creating the conditions for further development of the company and its inclusion among the leading technological companies in the field of flow measurement.

19. This is a personal question, so you can choose to answer it or not answer it as you see fit. What I would like to know is What is your greatest motivating factor – the thing that makes you get up in the morning. Is it love for flow, love for flowmeters, love for your business, love for your employees, a desire to make your mark on the world, a desire to make your creation succeed, or some mixture of these? Or, is it something else entirely?

The question of what is your greatest motivating factor is not easy to answer shortly. This situation I would compare to a player who plays the game and of course he wants to win at all times. Ask him what is his most motivating factor.

In my case, it's similar to a player who wants to win, some inner engine drives me to develop and sell new, innovative and best products.

20. Would you say you have the same drive to succeed now that you did when you started the company? Has this drive moderated or intensified?

When we started, we did not know what we were going to do. We had a lot of energy and enthusiasm, and we threw ourselves into solving every idea. Now, after 28 years, our future path has been more outlined, and every new idea is considered from a technical and economic point of view, using the gained experience and it is considered whether it is consistent with our long-term goal. But I feel that the engine that still drives us ahead is still in us.