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A world of plastics

There's nary a segment devoid of it

Plastic, that versatile by-product of the petrochemical industry, appears ubiquitous in the world today. It finds applications in just about all aspects of our everyday lives. Indeed, there's nary a segment devoid of plastic.

Plastic processing is a Rs85,000 crore turnover industry in India today, directly and indirectly employing 3.5 million people and yielding revenues of Rs7,300 crore to the government annually. The demand for plastics currently is estimated at 12.5 million tonnes.

The industry is, however, highly fragmented and comprises some 25,000 firms, 85 per cent of which can be classified as small and medium enterprises (SMEs). But despite their relatively small size, they are able to operate profitably and the growing demand for plastics ensures that the market is able to absorb excess capacities in quick time. Overall, the degree of competition can be considered high in India's plastic processing industry, which largely comprises partnership, proprietorship or private limited companies.

Plastics processing capacities in the country now total seven million tonnes, up from barely four million tonnes five years ago. Per capita plastic consumption nevertheless remains dismal, about seven kilos, compared to 17 kg in China, well over 80 kg in the US and Europe, and a world average of 23 kg.

Yet it is one of the fastest growing industries in the country, showing a yearly growth rate of 15 per cent. Manoj Agarwal, chairman of Plastics Exports Promotion Council (Plexconcil), anticipates this trend to continue for some more time to come, driven by capacity additions in the petrochemicals sector that will yield vaster volumes of raw material.

Some major developments have doubled the capacity of IndianOil's refinery at Panipat from 6 million metric tonnes per annum (mmtpa) to 12 mmtpa, the 9 mmtpa grassroots oil refinery at Bhatinda of the HPCL-Mittal Energy Ltd (HMEL) JV that is due for commissioning end 2011, and the Rs12,440 crore mega petrochemical complex of ONGC Petro-additions Ltd (OPaL), also in Dahej, that will



Plastics: a fragmented industry

produce 2 mmtpa of products, including polyethylene, polypropylene and benzene, when it goes on stream in December 2012.

Agarwal, who is also managing director of Kanpur Plastipack Ltd, says India's plastic businesses are disadvantaged by the competition held out by China where 'controlled' foreign exchange rates have helped its own plastics industry tremendously. "As per our estimates, about 75 per cent of plastic exports from China are invoiced in US dollars, 15 per cent in Euros and 10 per cent in Pound Sterling," he reckons. "The severe depreciation of all these major currencies has burdened our exporters."

His Council has urged commerce and industry minister Anand Sharma to use his "good offices" in marshalling government intervention to arrest the appreciating rupee for the exports sector. Plexconcil is an agency of the commerce and industry ministry's department of commerce and is the only body representing exporters, with over 2,200 members.

Exports of plastics that had dipped slightly (-3.69 per cent) in 2008-09 owing to the global economic downturn are now, however, showing an encouraging trend. Plastic raw material exports accounted for \$1.38 billion, or 37.6 per

cent, of the overall outgoing plastics trade worth \$3.68 billion in 2009-10. This is followed by a 15.23 per cent share of plastic sheets, films, plates, etc, exports of which were worth \$560.9 million.

Agarwal nevertheless laments that India is still a small player in the global trade for plastics. Deeming the export potential enormous, he indicates that it is largely the SME segment that has a powerful mechanism to spur these exports and provide employment.

The synthetic plastic industry emerged in the world in 1907 with the invention of bakelite, a phenol formaldehyde resin, by Belgian-born American chemist, Dr. Leo Baekeland. Known also as catalin, bakelite became an affordable, non-flammable, versatile and very popular plastic with a range of applications. Plastics as an industry made inroads into India only a half century later, when Polychem Ltd produced polystyrene (PS) in collaboration with Dow Chemicals. A colourless, transparent thermoplastic with good electrical properties, polystyrene too has many uses, from household items to sophisticated engineering applications in the electronics industry.

All India Plastic Manufacturers' Association (AIPMA) president, Dr. Mahendra B. Parmar, explains that to manufacture finished plastic products, polymers are processed through various techniques such as extrusion, injection moulding, blow moulding and rotomoulding. Extrusion accounts for 60 per cent of this activity and is used in the making of films, sheets, fibre and filament pipes. Injection moulding, with a share of 25 per cent, is used for industrial as well as household products, thermoware and moulded luggage, while blow moulding, or stretch moulding – at 6 per cent – is used in manufacturing bottles, containers, toys and houseware. Rotomoulding, with a 1 per cent share, can yield large circular tanks such as water tanks. Other techniques account for the balance 8 per cent of the processing activity, adds Parmar, who is also managing director of Mumbai-based Polyblend Masterbatch Technik.

AIPMA is a 65-year-old apex trade body with 2,000 direct members and 20,000 indirect members from 31 associations all over India. Headquartered in Mumbai, it has regional offices in Delhi, Kolkata and Chennai.

Plexconcil executive director Rajan Kalyanpur says his Council has petitioned the Department of Commerce (DoC) and the Directorate

General Foreign Trade (DGFT) to extend the 2 per cent interest subvention benefits to 31 March 2012 as the plastics processing industry is still experiencing the effects of the global economic slowdown. It has also called for extending tax holiday benefits by five years for Special Economic Zones (SEZs) and Export Oriented Units (EOUs) under Section 10B of the Income Tax Act as this will facilitate investments by plastic processors in these units for exports and also help create export oriented plastic processing parks.

The Council has besides sought a Technology Upgradation Fund (TUF) of at least Rs150 crore, in line with that extended to the textile sector, as India's plastic industry is over 80 per cent small scale and can otherwise ill-afford scaling up its facilities.

"Earmarking a fund of at least Rs150 crore to begin with will facilitate upgradation to achieve high volumes and competitive production to cater to the world markets," notes Kalyanpur. "The key to attaining a sizeable global share is by achieving economies of scale in production as in rival countries like China and other Asian Tigers." The Council believes that restoring Income Tax exemption on profits through exports will also provide a level playing field with regard to these countries. The plastics sectors in these countries have better access to infrastructural facilities, resulting in lower costs being loaded on the products exported by them.

Decrying the fact that cheap Chinese imports are thwarting domestic producers from ramping up capacities and increasing exports, Agarwal is nonetheless against anti-dumping duties imposed on major plastic producing machines from China like circular weaving machines and injection moulding machines. "For a manufacturer to prosper, continuous improvements in the processing methods and additional capacities are vital," he indicates. "Importing machines is one such option and hence anti-dumping duties on imports of capital goods and machines is counter-productive."

Plastic producing SMEs are nevertheless investing in newer technologies and constantly upgrading facilities. Agarwal says India now makes world class machines and several joint ventures and technology tie-ups

A global presence

The largest blown film and sheet extrusion machinery maker in India, Rajoo Engineers Ltd recorded a turnover of Rs74 crore and profit of Rs4.3 crore last year and is celebrating its silver jubilee this year. The technologically-driven company is now a global player in this sector that produces sheets, bags, pipes and tubings for the plastics industry. Sunil Jain, president, Rajoo, spoke to Sarosh Bana



What has been your company's growth over the years?

From starting out in 1986 with 15 employees in the remote town of Manavdar near Junagadh in Gujarat, Rajoo Engineers now has its facilities in Rajkot and a workforce of 350. Half of our sales accrue from exports and it is this export-oriented approach that has helped us enhance our technology levels to become a global player. From supplying just to developing countries, we now have customers in the industrialised world as well, with a presence across 50 countries in all. We listed ourselves in 1994 with the IPO being oversubscribed 24 times, a record in the Asian plastic machinery industry.

What has impelled such growth?

Our strength has always been to take on challenges to bring world class technologies to developing countries. It is indeed an uphill task to develop engineering and manufacturing drawings out of nothing and to develop a concept, but our design team accepted this challenge and emerged with success each time. Some of these developments have been the feed block for sheet lines in 1992, oscillating take-off for blown film lines in 1994, grooved feed section and barrier screw for extruders in 1995, internal bubble cooling for blown film lines in 1997 and stack die system for blown film line in 2000. Repeat orders contribute to more than 60 per cent of company sales.

initiated by Indian machine manufacturers have enabled India to gain access to the latest techniques.

"Plastics has the potential to transform our lives by helping in better and safer hygiene, lighter vehicles and cheaper, better and safer

What is the market for your products?

Currently it is packaging – both rigid and flexible, primarily for food packaging – but we are now diversifying to cater to the agriculture and building industries. For automobiles, luggage and white goods, we will be offering thick-wall thermoforming. Demand drivers for our machines include organised retail, agriculture and building and infrastructure

What is Rajoo's market share?

In the blown film segment, we enjoy a 55 per cent market share in terms of installed capacity, while in sheet extrusion, it would be 70 per cent. With the recent merger with Wonder-pack, for thin-wall thermoforming, our market share is 80 per cent. On the eve of the K Fair, the world's largest trade fair for plastics and rubber being held in Düsseldorf from 27 October to 3 November, Rajoo forged joint ventures with an Italian and a German firm that will help extend its global profile. The tie-up with Italy's Bausano & Figli S.p.a will help Rajoo diversify into the pipe and profile extrusion machinery segment to produce and market pipe and profile lines, including for wood composite profiles, in India, Africa, Gulf and the SAARC region. Our technical collaboration with Hosokawa Alpine AG of Germany will jointly develop a new product line of blown film systems that will be marketed in India as well as Nigeria, Ghana, Kenya and Tanzania. ♦

packaging," maintains Agarwal. "There is a great need to understand plastic and its usage in the correct perspective – misinformation and politicisation of plastics usage helps nobody." ♦

♦ SAROSH BANA

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