A Strategic Supply Side Analysis

Of Indian Exporters of Plastic

Consumer Products

Prepared for:

The Plastics Export Promotion Council

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Chapter 1

Introduction to the study

The Plastics Export Promotion Council (PLEXCONCIL), established in 1955 by the Government of India, has been the key facilitator for showcasing the Indian Plastic Industry in the global market place. The Council currently has over 2000 members with diverse competencies, exporting about 600 million USD worth of plastic products round the globe.

PLEXCONCIL has recently undertaken a study to evaluate the market opportunities for plastic consumer products in USA. Based on the findings, a set of 6 products having the maximum business potential for exporters in India were identified in the consumer plastics segment.

As a next logical step, the council engaged Frost & Sullivan to conduct a market study in India with an objective to understand the supply capabilities and determine prospective suppliers who could cater to the demand identified in the earlier study.

The broad objectives of this engagement were as follows:

- To assess the supply capacities in India for the various identified products that have a commercial potential in the USA.
- To identify various manufacturers in India that could be potential suppliers to the US market.
- To study the existing suppliers for their capabilities and level of export competitiveness.
- To provide an assessment of the potential suppliers on various parameters including their financial standing, production capacities, technical capabilities, ability for product development & adaptability etc.
- To provide strategic action plans for increasing the export revenues from USA. (Frost & Sullivan will also evaluate the viability of forming cartels that can effectively penetrate the US markets for the identified product)

Introduction to the Plastic Industry

The global plastics industry is marked by dynamic growth with both quantity and quality aspects helping boost the upswing. For many years now, overall population growth, a good global economic climate and ongoing substitution processes in favor of plastic have combined to foster steady expansion in the sector.

Plastic has occupied a major role in the lifestyle of the 21st century. At present, the global GDP of the world is around US $ 32 trillion. Out of this, the value of chemical output alone contributes to 5 percent of it. Commodity plastics contribute US $ 90 billion that is 5.6 percent of the entire chemical output and polyolefin output is US $ 61 billion that is 3.8 percent of the chemical output. This gives us an idea of the size plastic industry and the significance that it holds in the global scenario. This becomes even more significant when the global polymer industry is growing by almost twice the rate of the global GDP. The demand for the major polymers is growing at a rate of 5.2 percent annually and polyolefin alone make up for the 63 percent of the entire polymer industry. The demand for Polyolefin is growing at an even faster rate of 5.6 percent per year. The global demand for polymers is 139.3 MMTA out of which polyolefin form 89.04 MMTA.

There are tremendous capacity expansions that are happening for polymers all over the world. At present, the global capacity for polymer production is around 170 MMTA and is growing at a rate of 10.5 percent per annum. Out of this, more than 35 percent of the capacity is in Asia – pacific region and around 28 percent of the capacity is in the North America. Western Europe contributes to around 21 percent of the entire capacity. These three regions form the major polymer production regions of the world.

Asian region and polymer industry

Asia is one of the fastest growing regions of the world. In the early nineties, the growth rate of the entire region (real GDP) was more than 9 percent (without Japan). There was a slump in the mid-nineties due to the Asian crisis. But the region has recovered well in the recent times and the growth rate of the region is hovering around 6 percent. China and India are two major countries in the region with a growth rate of 10 percent and 5.5 percent respectively. Of the global GDP, around 27 percent of the share comes from Asia and this is increasing steadily for past few years.

Asian chemical industry is valued to be at US $ 331.5 billion and is growing steadily at 9 percent annually. It is expected that in 2010, the industry will be valued at US $ 800 billion. Asian region is attracting more than 50 percent of the new business opportunities of the entire globe. The demand for major polymers in the region is 64 MMTA and is growing at a rate of 7.2 percent per annum. The demand for Polyolefin is around 42 MMTA and is growing at a rate of 7.6 percent per annum. It is expected that by around 2005, this region will be accounting for almost 40 percent of the global

demand of the polymers. China and India will play a major role in the Asian region in the future. Both these countries will occupy more than 50 percent of the entire demand share of the Asian region.

Plastic Industry in India

After 1992, India changed its approach from a controlled economy to market driven system. Its objective of global integration has brought in a lot of new aspects like pragmatism, consumerism, technology-driven approach, joint ventures, and foreign direct investment. This has benefited the industrial development in the country phenomenally. Plastic industry is one of the industries, which is showing tremendous potential in the near future. It is called as the sunrise industry because of the scope that it is emanating for the country.

The cracker capacity in India is 24, 75,000 TPA/ 2.475 million tons per annum. The break-up in gas and liquid is given below:

Figure 1.1

Cracker capacity in India (In tons / annum)

Gas Crackers	**Capacity**
IPCL - Nagothane	4,00,000
IPCL - Gandhar	3,00,000
GAIL - Auriya	4,00,000
Liquid crackers	
NOCIL	75,000
IPCL - Vadodara	1,30,000
Reliance - Hazira	7,50,000
Haldia	4,20,000
Total	24,75,000

Source: Frost and Sullivan

Out of the entire cracker capacity, polymers have a share of 60.5 percent of the entire market of petrochemicals

Figure 1.2

Market structure of Petrochemicals

Types	**Product variation Share %**
Polymers	60.5
Elastomers	03.3
Synthetic fibers	14.8

Surfactants	11.4
Others	10.0

Source: Frost and Sullivan

Given below is the break up of different polymers, their actual installed capacity and the production in KT. The estimated installed capacity is based on the actual monthly production returns reported by the industrial units upto Sept. 2001.

Figure 1.3

Installed capacity and production of major polymers (in KT)

Products	2000-01		2001-02		2001-02		2002-03	
	Actual installed capacity	Production	Actual installed capacity	Production	Estimated installed capacity	Production	Installed capacity	Production
LDPE	200	184	200	200	200	185	200	200
LLDPE/ HDPE	1445	1132	1445	1350	1490	1350	1490	1450
PP	1330	1170	1330	1300	1330	1400	1330	1450
PS	354	195	360	200	354	225	354	300
PVC	780	760	780	780	780	825	780	850
Total	4109	3441	4115	3830	4154	3985	4154	4250

Source: Frost and Sullivan

Given below is the break-up of production and consumption of polymers in India annually

Figure 1.4

Production and consumption of Polymers in KT

Year	Production	Consumption
1999-00	2707	3146
2000-01	3441	3293
2001-02	3985	3735

Source: Frost and Sullivan

The demand for polymers has been growing at a double-digit rate for quite some time. This is due to the increase in demand for plastics in domestic as well as the export market. The consumption of plastics by the end of 2010 is expected to touch 12.5 million tons. According to national experts, India will rise to become the world's third largest plastics producer by 2010.

Growth trends

Plastic is one of the fastest growing industry segments in India. At present there are 25,000 to 30,000 plastic processing units in the country. Consumption of plastics will be touching 4 million tons per annum in almost 2 years and is growing at a rate of 14 percent per annum.

The plastic industry has been witnessing tremendous growth due to the widening of its application spectrum and penetration of new generation polymers in all the key sectors of Indian economy. In spite of all these records, compared to world standards, the size of the Indian plastic industry is small. This is because of the low per capita consumption of plastics, which is 3 kgs. as compared to 20 kgs., the global average. However, the per capita consumption of plastics is expected to increase to 5.5 kgs. by the year 2003 and this will be a tremendous boost to the industry in the future.

Figure 1.5

Demand supply balance of polymers in India

All Polymers	Capacity	Production	Import	Export	Demand	Demand Growth
1995-96	1797	1261	579	27	1813	13
1996-97	2428	1348	651	52	1947	07
1997-98	2305	2016	444	130	2330	20
1998-99	2409	2217	593	56	2754	18
1999-2000	3482	2706	546	236	2017	10
2000-01	4109	3441	226	374	3266	08
2001-02	4199	3985	330	602	3735	14

Source: Frost and Sullivan

Exports have been increasing considerably for the past few years and this will be another major factor for the growth in the plastic industry. The growth projection for exports is around 15 percent for the next few years. Given below is the export projection till the year 2005.

Figure 1.6

Trends in plastic exports and projection

Year	US $ (in million)	Growth rate (%)
2000-01	720	16.00
2001-02	833	15.69
2002-03	958	15.00
2003-04	1100	14.82
2004-05	1265	15.00

Source: Frost and Sullivan

Processing Technology

Plastic processing is generally done through processes like injection molding, Blow molding, Extrusion process, Rotational molding, and other processes.

Figure 1.7

Process – wise breakup of different goods

Injection Molding	Blow Molding	Extrusion	Others
• Crates • Household goods • Furniture • TV Cabinets • Luggage • Electrical/ Electronics components • Packaging • Tailoring materials • Toys	Detergent bottles • Shampoo bottles • Oil containers • Mineral water bottles • Cans	Woven sacks • Packaging films • Pipes & Profiles • Wine Coatings • Mono filaments • Box strapping	• Disposable containers • Storage tanks • Calendared sheets

Source: Frost and Sullivan

Figure 1.8

Share of total capacity by major processing segments

Extrusion	66
Injection molding	20

Blow molding	06
Others	03
Hand operated machines	05
Total	100

Source: Frost and Sullivan

Extrusion

Extrusion is the largest processing sub sector. Plastics extrusions market accounts for more than 2,600 KTA. There are around 15,000 processors who operate with the extrusion process installed base of extrusion machinery estimated at 19,000 nos. The major products manufactured with the extrusion processes are - films, pipes, profiles, filaments, rods, woven sacks, wire and cable products, sheets and foamed products.

Injection Molding

The second major process used in manufacturing of plastics is the injection molding process. The market for injection molded items nears to about one million tons and there are around 6,500 processors of plastic who use injection molding process. Installed base of injection molding machines in the country is around 35,000. Injection molding is undertaken in-house by manufacturers or sub contracted to plastic processors. However, the extent of subcontracting varies from segment to segment and from one manufacturer to another. Injection molding processors undertake multi product processing. Molds are often supplied by mold makers. Most of the companies have lower clamping force machinery with a capacity which is less than 3000 tons.

Following are some of the major applications of injection molding – auto components, white goods, luggage, household articles, kitchen ware, furniture, travel ware, writing instruments, gifts/ novelties, etc

Features of Indian injection molding industry:

- Commodity grade plastics used
- Sub-contracting high. Segment dominated by processors who manufacture a wide range of products
- Both branded and unbranded products available in the market.
- Unbranded products: Processors sell directly to retail outlets in the market;

- Branded -Few large manufacturers of branded products who sub-contract more than 90 percent to processors.
- Some large processors in addition to processing, also brand products and sell in the market (e.g. - National Plastics).
- Low value end product - does not necessitate the use of good quality & high cost machines

Blow Molding

- Market for blow molded products: 300,000 tons per annum; 1,500 blow molding units
- Population of blow molding machines in the country estimated at 7,000 nos.
- Blow molding is a process used to manufacture hollow plastic articles by blowing air into polymer resin against a solid core
- Products include bottles, barrels, jars, toys, barrels, automobile parts, etc.

Drums/Barrels

- Manufactured both by large and small scale units
- Large manufacturers use imported machinery and mold products in-house
- Products upto 5 liters capacity - manufactured by processors in the small scale sector
- Raw material constitutes 80 – 85 % in drums, barrels
- Usage wide and varied
- Major processors: Sintex Industries, Balmer Lawrie, Padmini Polymers and Nilkamal Plastics.

Bottles/Containers

- Fastest growing sector
- Replacing conventional glass containers in the beverage sector
- Market for PET containers estimated at around 500 million. pieces per annum
- Molded in-house or outsourced by beverage manufacturers like Parle, Coca-Cola, Pepsi
- Major processors: Pearl Polymers; Padmini Polymers; Jauss Polymers and Perfect Pet.

Application of plastics in the industry

Commodity plastics in India account for about 85 percent of the total consumption of plastics with engineering and other accounting for the balance. The main application of each major plastic is in the industrialized areas. The large tonnage of commodity plastics is mainly used for packaging. PVC is mostly used for durable and infrastructure applications in building construction and public works. Engineering plastics and ABS are mainly used in automobile and electrical industry in the broadest sense, including appliances, telecommunications, Radio-TV etc. Three important plastics namely, Poly vinyl chloride (PVC), Polypropylene (PP), and Nylon have the widest balanced range of applications. PP is the most diversified of all the commodity plastics with the fastest growth rates.

The fastest growing applications are in packaging, and PET bottles. In building construction, plastics are only 1-3 percent of the total material tonnage, but at least 10 percent of the total value, mainly in secondary construction. The fastest growing plastic markets in building construction are pipes, windows, and doors and geo textiles in public works. The electrical industry is another major consumer of plastics with cables and wires. There is rapid growth of applications in agriculture and consumer goods also.

Figure 1.9

Polymer Consumption in Major sectors - 2002 in India in KTA

	Market size	**Growth rate**
Wires and cables	282.5	16
Consumer packaging	1325.5	14
Bulk Packaging	545.9	14
Building and construction	430.6	16
Transportation	140.5	13
Plasticulture	236.7	18
Automobiles	75	14
Consumer goods (including consumer durables)	640	14
Fibers	57.46	13
Total	3735	

Source: Frost and Sullivan

Consumer plastic goods

Consumer plastic goods account for approximately 15 % of the market. Within this market, household ware and kitchen ware is the largest segment both in terms of domestic demand and the export potential from India. The total imports of household articles, personal care products, and kitchen ware by US totaled $ 1000 million in 2002. Writing instruments and travel ware are other promising segments having a potential to generate export revenues. The Indian plastic processing industry possesses strong capacities and capabilities in these segments.

Consumer goods include Household ware, Kitchen ware, Writing instruments, molded luggage, molded furniture, and personal care products, Toys, gift articles and novelties, tailoring materials, etc. Almost 50 percent of the plastic manufacturers have some operations in this particular category.

Given below is the break up of the following consumer goods in polymer consumption, revenues, and the respective growth rates for 2002

Figure 1.10

Break up into different categories of consumer plastics

Categories	KTA	Size in Revenues in billion	Growth rates
Molded Luggage	150	12.0	10
Molded Furniture	140	9.0	25
Writing Instruments	40	13.6	20
Kitchenware, table ware and house hold products	190	14.7	15
Total	520	49.3	

Source: Frost and Sullivan

Structure of the Indian consumer plastic industry

Figure 1.11

Processing capacity of plastics in India

No. of units	22,000
No. of Machines	58811
Installed Capacity (KT)	9617
Consumption (virgin + recycled)	4500

Investment (Rs.cr)	9400
Average operating rate	55%

Source: Frost and Sullivan

Plastic industry is dominated by the small scale entrepreneurs, which account for more than 70 percent of the entire break up. However the turnover of these companies is less than Rs. 10 million and the average total output of these companies is less than 200 MTA / unit. The top 150 companies account for the consumption of 60 percent of the total polymers. The northern and the western regions are known as the major plastic processing centers. Daman, Mumbai, and Delhi are the major plastic processing locations. In south, Tamil Nadu is the major centre for plastic processing.

Industry structure of the consumer plastic industry in India catering to the six focus segments

Tier 1: Large processors

Number of companies: 20-25

These companies have a turnover of Rs. one billion and above. Some of these companies are listed on the stock exchange also. They have large plastic processing capacity ranging from 10,000-12,000 MT per annum. The work force strength is ranging from 2000-2500. Most of these companies have sales offices in all major metros and cities. They involve in major branding exercises and emphasize on quality of the products. Some of these companies have export oriented units and almost 10-15 percent of the turnover is through exports

Some major companies are VIP Industries, Pearlpet Industries, Add pens, Samsonite Industries, Luxor writing instruments limited, Bright Brothers, Nilkamal, National pens, Cello, etc.

Tier 2: Medium Processors

Number of processors: Less than 30

These companies have a turnover of Rs. 300 million and above but below Rs. 1 billion. These companies are owned by independent entrepreneurs and are not listed on stock exchanges. They have an average plastic processing capacity of around 5000 – 6000 tons per annum. Most of these companies have some presence in export markets, though the revenue that they earn through exports varies from 5 – 10 percent. The work force ranges from 140 – 200 people. They have some presence in major metros and cities through their sales offices or distribution networks. They don't spend heavily on advertising but they believe in branding their products.

Some major companies are Prima Plastics, Tokyoplast Industries, Sunrise containers, Linc writing instruments, Cello plastics, etc.

Tier 3: Small scale processors

Number of processors: Less than 200

These companies have a turnover of Rs. 50 million and above but below Rs. 300 million. These companies are owned by entrepreneurs and none of these companies are listed on the stock exchange. They have an average plastic processing capacity of 500 tons per annum. Many of these companies do not operate in the export market. The work force strength is ranging from 50 to 100 people. They have presence in some regions and cities. They do some branding exercises but don't spend heavily on it.

Some major companies are Alkon plastics, Kisan Plastics, Asian advertisers, Fancy fittings etc.

Growth opportunities for the Indian Plastic Consumer Industry

Certain factors will act as a catalyst for the growth of plastic usage in India

Per capita consumption of plastics

Per capita consumption of plastics in India is 3 kg as compared to the world average of 20 kg. Industrialized regions like Western Europe and North America have per capita consumption of 65 kg and 117 kg respectively. It is expected that the consumption of plastics individually will grow in the future due to natural resource crunches and increasing size of the population also. Due to this, it is expected that by year 2006, per capita consumption of plastics will be around 6.

Exports

Exports of plastic products from India are growing steadily at a rate of around 15-20 percent for last few years. The total exports of plastic goods have crossed US $ 800 million in the year 2001-02. The markets showing good potential for exports are UAE, USA, and UK. Exports to US have been growing at a rate of 33 percent and are poised to grow even more in the future. However, compared to other fast developing countries, India is lagging behind. India's exports of plastic goods are only 2 percent of production, accounting for only a little more than 50,000 tons of plastic goods. At present, Indian goods account for almost 1 percent of the total export market. But as barriers for trade are going down, it is expected that Indian industry will be able to have a larger share of export market in the future.

Cost effective manufacturing

India has a good potential in terms of the capacity, infrastructure, and the availability of cheap labor. Manufacturing is a sunset industry in the west. But the plastic consumption in this region is highest on the per capita basis. A shift in the manufacturing base from the west to a region with low labor cost high knowledge and technology base can be expected. India has a good competitive advantage on this basis.

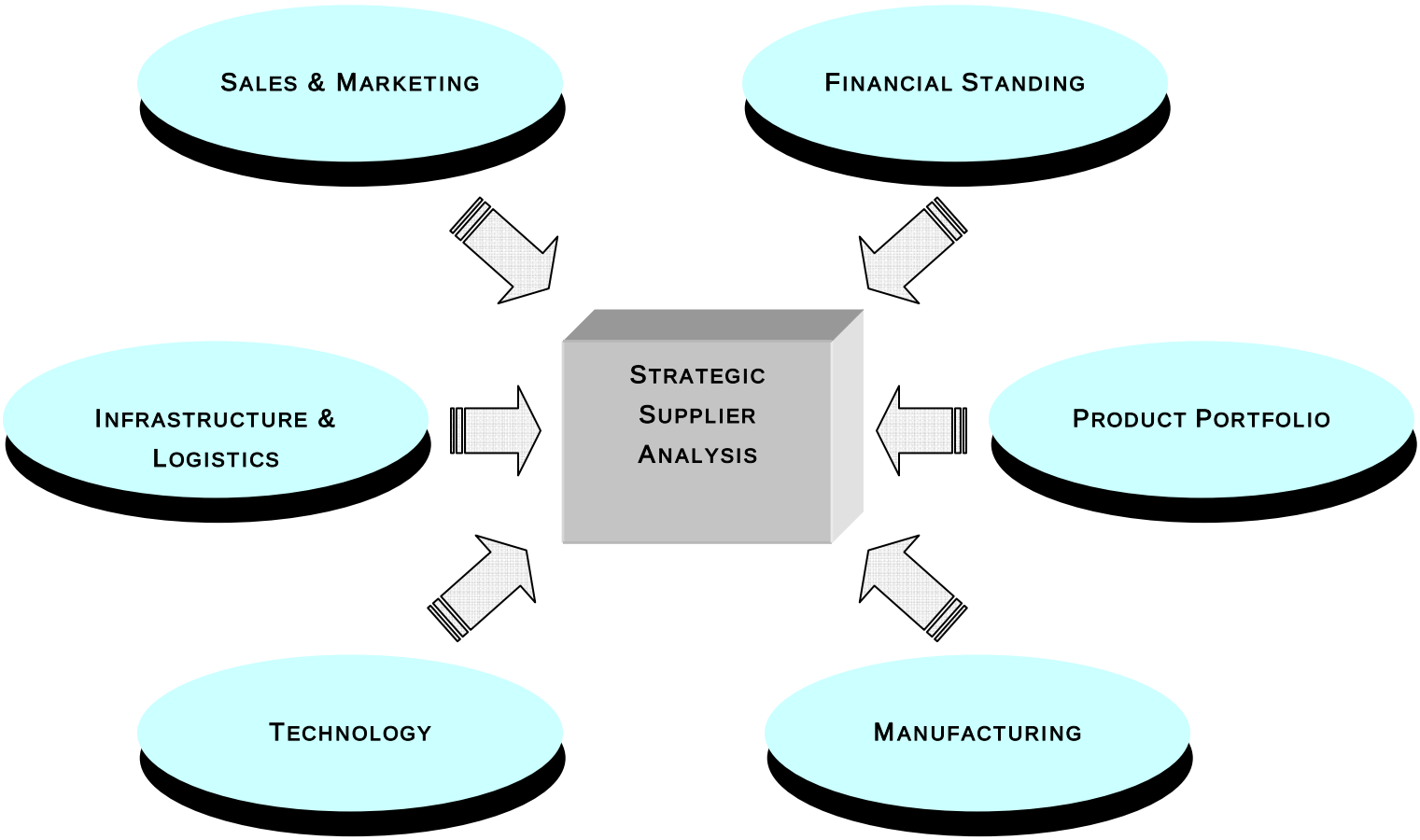
The Indian plastic industry has an enormous opportunity in satisfying the consumer needs in virtually every sector. It took 30 years for India to consume first million ton of plastics. The second million ton was consumed only in 5 years. Today, India consumers almost 2.5 million ton of plastic each year and is racing to consume 7 million ton a year by the year 2007. However, it would be still lower than China's current India. The fundamentals in terms of low consumption base, coupled with lower prices, will accelerate the rate of growth of plastics in India.

Chapter 2

Research Methodology

The schematic given below briefly explains the approach adopted by Frost & Sullivan to achieve the objectives of the study -

The diagram below, illustrates the various parameters that each potential supplier was evaluated on. Each of the parameters consists of a set of measurements to ascertain the degree of competence and the export competitiveness of the potential suppliers. These measurements were collated and analyzed to provide strategic recommendations to Plexconcil.



Primary research involved extensive interviews with important manufacturers of plastic consumer items in India, with an aim to obtain information on a set of measurements for each parameter as given below. These measurements will be collated and analyzed to provide strategic recommendations to Plexconcil.

Manufacturing - Production capacity for different products, Capacity Utilization, Production efficiency, Production staffing, Labor costs, Production cost/sales, Material cost, Production cost, Other Manufacturing Advantages/ Disadvantages if any

Sales & Marketing - Sales by product, Sales growth, Exports to Domestic Sales Ratio, Key export target markets if any, Pricing Structure & Flexibility, Marketing Budget Allocation if any, Level of Brand Equity in markets currently operating in, Overseas Marketing/Distribution alliances if any, Number of sales offices, Distribution of sales by office

Financial Standing - Capital expenditure plans of the company, Debt/equity profile of the company, Ability to raise finance for potential capital expenditures in the short-term/ long term, Gross and operating margins, Growth in earnings over the last three years, Flexibility to pursue strategic acquisitions

Product Portfolio - Range of products and services offered by the company, Target markets for each product, Ability to structure its sales, product development, and support teams to serve these market segments, Unique product benefits offered to the end-user segments, Products for niche markets

Technology - Technology-based advantages with regard to the products and services that the company offers, value & tangibility of these benefits to customers

Infrastructure & Logistics - Extent of IT adoption in enabling functions such as sales and marketing, distribution, information gathering, planning, strategizing, Specific IT products and services have been implemented / planned by the company, Current Supply Chain Management practices

Chapter 3

Total Market – Strategic supply-side of Indian Plastic Products Manufacturers – 2001-2005

Market Overview and Definitions for Indian plastic products manufacturers

The study is focused on the Indian plastic manufacturers who produce consumer plastic products that are mentioned below:

- Molded furniture
- House ware
- Kitchen ware / table ware
- Personal care products
- Molded luggage
- Writing instruments

Plastic is one of the most widely used commodities of the 21st century. It has helped to save the world of its natural resources by becoming an easy replacement to most of them like wood, metals, and other elements. Plastic contributed to 5.6 percent of the total chemical output amounting to $ 90 million USD in the year 2002.

In the year 2001, the global polymer capacity was 170 MMTA and is growing at a rate of 10.5 percent per annum. Out of this, more than 35 percent of the capacity is in Asian region having a demand of 64 MMTA for major polymers, which is growing at a rate of 7.2 percent per annum.

The total cracker capacity is 2.48 MMTA and the polymers have a share of 60.5 percent in it.

Given below is the production and consumption of polymers in India

Figure 3.1

Total Plastic Market: Production and consumption of Polymers in KT

Year	Production	Consumption
1999-00	2707	3146
2000-01	3441	3293
2001-02	3985	3735

Source: Frost and Sullivan

Industry structure

At present there are 25,000 to 30,000 plastic processing units in India. The number is bound to grow in the years to come due to the ever increasing demand of plastics in the country. Today, plastics find application in almost all walks of life from consumer plastics, engineering plastics, agriculture, or packaging. However, the per capita consumption of plastics in the country is as low as 3 kgs as compared to the world average of 20 kgs. It is expected that this will be growing to 5.5 kgs by the year 2004, becoming the biggest driving factor for the industry in the near future.

The plastic exports from India have been growing at a rate of 15 percent per annum and is expected to be so for the forecast period also.

Challenges Facing the Indian Plastic Industry

Figure 3.2

Indian Plastic Industry: Impact of Industry Challenges (India), 2002-2005

Challenge	1-2 Years	3-4 Years
Indian plastic industry is largely an unorganized market	High	High
A huge amount of investment will be required for meeting the huge local demand of plastics by the year 2010	High	High
Low per capita consumption of plastics of the country has become a major challenge for the industry	High	Medium
Exports from china have adversely affected the exports from India	High	Medium

Source: Frost & Sullivan

Indian plastic industry is largely an unorganized market

More than 70 percent of the total plastic industry is an unorganised market operating in small regions of the country. They do not have a well defined management structure and professionalism and most of them are owned by the private entrepreneurs. They use the outdated machinery for manufacturing of the products which have lesser processing speed and precession levels. Most of these companies have a spare capacity of almost 50-60 percent as they cannot manufacture according to the needs and requirements of the end users. The cost of manufacturing is also high due to higher defect rates and lesser production. All these factors are severely hampering the growth prospects of these companies.

On the other hand, even the organized sector is mostly in the hands of individual entrepreneurs. Very few of these companies are listed on the national stock exchanges, making them private entities of the entrepreneurs. Due to this, decision making of these companies is centralized and slow.

A huge amount of investment will be required for meeting the huge local demand of plastics by the year 2010

The plastic processing machinery is expensive and forms the major component of the capital expenditure for the industries. Due to this, most of the companies prefer to buy old second-hand machineries from other units or import them from abroad. Though these machineries are priced cheaper than the new ones, the buyers have to compromise on the efficiency of the machines. These machines lack in their processing speed and precision levels, making them unsuitable for most of the modern day requirements. Lesser efficiency also means higher cost of production which makes the products manufactured uncompetitive in the domestic as well as export market.

It is expected that by the year 2010, 12.5 million tons of polymers will have to be processed to meet the demand of the end users. If the capacities have to be increased to that level, the number of machines will have to increase from 53,000 to 101,000 and the installed capacity will have to go up from 10.3 million tons to 30 million tons. This would require about Rs. 28,000 crore in terms of investment in the processing industry. If this is not done, the demand will have to be met by imports from abroad.

Low per capita consumption of plastics of the country has become a major challenge for the industry

India has one of the world's lowest per capita plastic consumption and that is 3. The average global per capita consumption of plastic is 20. The usage of plastics in the country is still limited mainly to the urban and the semi-urban areas. The plastic penetration in the rural areas is very limited. Since

more than 70 percent of the Indian population lives in the rural areas, the overall use of plastic becomes very low.

However, the scenario is changing fast and it is expected that by the year 2004, the per capita consumption of plastic will increase to 5.5, which will be a tremendous boost for the industry.

Exports from China have adversely affected the exports from India

China is the major exporter of consumer plastics all over the world. With huge capacities, and cheap labor, the Chinese manufacturers are able to produce the finished products at a highly subsidized price. China dominates the market in all the products that are the focus of this study in the major parts of the globe like North America, Europe, and Asia.

Indian exports of plastic products have been tremendously affected in the last few years due to the Chinese exports. Cheaper price and reasonable quality of most of their products have made the exports from India unviable for the global market. However, after the initial set-back, some of the Indian companies have been able to uphold themselves in the tough market scenario and it is expected that in the future, the growth of the exports from India will be upto the expectations.

Market Engineering Measurement Analysis – Indian plastic manufacturers of House ware, kitchen ware, personal care products, molded luggage, molded furniture, and writing instruments

Chart 3.1

[Indian plastic manufacturers of House ware, kitchen ware, personal care products, molded luggage, molded furniture, and writing instruments]: Market Engineering Measurements (India), 2002

Measurement Name	Measurement	Trend
Market age	Development stage	
Revenues	Rs. 65.5 billion	Increasing
Potential revenues (maximum future market size)	Rs. 99.6 billion	Increasing
Base year market growth rate	15 percent	Increasing
Forecast period market growth rate	15 percent (average)	Decreasing
Units	22,000	
Price sensitivity (depending upon the products)	Low or medium	Decreasing
Total potential customers	More than 3 billion	Increasing
Number of products	More than 50	Increasing

Industry average R&D spending by product	negligible	stable
Degree of competition	8	Increasing
Degree of technical change	low	stable
Customer loyalty	3	Decreasing
Market concentration (percent of base year market controlled by top three competitors)	40 percent (average)	Decreasing
Industry profitability margin	10- 15 depending upon the product	Decreasing

Source: Frost & Sullivan

Market Drivers

Figure 3.3

Indian plastic manufacturers of House ware, kitchen ware, personal care products, molded luggage, molded furniture, and writing instruments: Market Drivers Ranked in Order of Impact (India), 2001-2005

Rank	Driver	1-2 Years	3-4 Years
1	Per Capita consumption of the plastics is increasing in the country	High	High
2	The availability of cheap resources and labor will be one of the major driving factors of the plastic industry in India.	High	High
3	Rraw materials manufactured in the country are sufficient to meet the local as well as the export demand	High	Medium
4	There is a huge surplus capacity available for any added production	Medium	Low

Source: Frost & Sullivan

Per Capita consumption of the plastics is increasing in the country

The per capita consumption of plastics in India in the year 2001 was 3. This is one of the lowest per capita consumption indices of the world. The global per capita consumption of plastics is 20. However, this trend is now changing and it is expected that the per capita consumption of plastics by the year 2004 will be 5.5.

This will mean that the consumption of plastics will increase significantly in the years to come. It is expected that by the year 2010, the total consumption of plastics in India will be 12.5 million metric tons, which will be the third largest in the world only after USA and China.

The availability of cheap resources and labor will be one of the major driving factors of the plastic industry in India.

After liberalization of policies, India has become one of the world's major manufacturing hub. The availability of cheaper and quality resources like labor, raw materials and investment friendly bureaucracy have become the major driving factors for foreign investors as well as the local entrepreneurs.

Plastic industry has also become one of the major benefactors of these conditions. Many entrepreneurs were able to establish themselves successfully due to the cheaper labor and availability of cheaper resources. Moreover the huge market potential and low technology requirements of the industry have been some other major factors for the growth of the industry. This may become the major driving force for the industry in the years to come provided the bureaucracy also provides the essential support.

Raw materials manufactured in the country are sufficient to meet the local as well as the export demand

The raw materials used for manufacturing plastics are produced in the country itself and plastic processors do not have to depend upon imports for this. Raw materials like PP, HDPE, LDPE, PS and PVC all are manufactured locally and the imports of these products are negligible. Reliance petrochemicals is one of the major manufacturers of these products in the world and is based in India. Other manufacturers like GAIL, Haldia Petrochemicals, NOCIL, IPCL, etc., are the other suppliers of raw materials in the country.

There is a huge surplus capacity available for any added production

The total plastic industry has a surplus capacity of almost 40 percent and would be able to produce more depending upon the demand of the market. This surplus capacity is however coming from the unorganized sector which does not have the requisite processing speed or the precision levels for producing the high end products. However, these capacities could be easily utilized for manufacturing the regular products as and when required.

Market Restraints

Figure 3.4

Indian plastic manufacturers of House ware, kitchen ware, personal care products, molded luggage, molded furniture, and writing instruments: Market restraints ranked in order of impact (India), 2001-2005

Rank	Restraint	1-2 Years	3-4 Years
1	The industry has not achieved economies of scale	High	High
2	Distribution networks for the export market are weak	High	High
3	Marketing and advertising of the products is neglected by the manufacturers	High	High
4	Government's initiative for promotion of the industry required to a greater extent	High	High
5	Most of the companies are privately owned enterprises	High	Medium

Source: Frost & Sullivan

The industry has not achieved economies of scale

According to the estimates, India has 22,000 units and 53,000 machines with the total processing capacity of 10.3 million tons of virgin and recycled plastics. USA has almost the same number of units but their processing capacity is 28 million tons and China has almost 55 million tons of capacity. An average Indian manufacturer does not have a processing capacity of more than 150 MT per year, which is very less. This is due to the unavailability of the latest machineries with higher processing speed. Because of this, the manufacturing costs of the products are high and the products become unviable for the export as well as domestic market.

Distribution networks for the export market are weak

The network of distribution is not developed well in the export markets all across the globe. An Indian company is represented by a merchant exporter or at the most by a brand manager who is responsible entirely for the exports of the company in that region. Besides this, very few companies have warehouses in the export market where the goods can be stocked. The merchant exporter can be a distributor, or an indenter who is responsible for the exports from the company. He generally buys the products from the supplier and sells it under his own brand name.

Due to this, the products exported do not get a good representation in the market and become more expensive as compared to other exported goods from other countries.

Marketing and advertising of the products is neglected by the manufacturers

Most of the manufacturers of plastic goods do not market their products upto the required extent. Many companies do not even brand their goods and the advertising is solely the responsibility of the distributors who push the products to the retailers and end users. Even the companies having

marketing departments have their advertising budget of not more than 5 percent of the total costs. This fails to give any proper representation to the products and they are unable to attain their actual market potential.

Government's initiative for promotion of the industry required to a greater extent

Government of India offers some export promotion schemes to the suppliers in order to encourage exports in other countries. Some of them are drawback schemes, Duty exemption passbook scheme (DEPB), Duty Free Replenishment Certificate scheme (DFRC), and advance licence scheme. Most of these schemes have limited incentives to offer and are insufficient for encouraging the manufacturers especially in the medium and small scale sector. Besides this, more efforts of representing the Indian suppliers would be needed to promote the Indian exports in the foreign markets.

Most of the plastic manufacturing companies are privately owned enterprises

Less than 5 percent of the plastic processing companies are listed on the national stock exchanges. Most of them are therefore owned by individual entrepreneurs or are partnership firms. Because of this the decision-making in such companies is highly centralized and slow. Moreover, most of the companies are family owned businesses with limited specialized people.

Slow and centralized decision making and the lack of professional experts, affects the proficiency of the organization to an enormous extent.

Revenue Forecasts

Figure 3.5

Indian plastic manufacturers of House ware, kitchen ware, personal care products, molded luggage, molded furniture, and writing instruments: Revenue Forecasts (Region), 2001-2005

Year	Revenues (Rs. Billion)	Revenue Growth Rate (%)
2001	57.3	
2002	65.5	14.5
2003	74.9	14.8
2004	86.0	15.3
2005	99.2	15.9
Compound Annual Growth Rate (2002-2009): 15.0%		

Note: All figures are rounded; the base year is 2001. Source: Frost & Sullivan

The above mentioned figure is the revenue forecasts for the period 2001-2005 with the base year as 2001. In the year 2001, the market revenues for the Indian plastic products of House ware, Kitchen ware, Personal care products, molded furniture, and molded luggage were totaled to Rs. 57.3 billion. This figure is going to grow at a CAGR of 15.0 percent till the year 2005. It is expected that in the year 2005, the total market revenues will be Rs. 99.2 billion from the above mentioned products.

Demand Analysis

Plastic processed goods in India have a great scope during the forecast period especially considering the fact that it is taken to be a major substitute for most of the other raw materials like wood, and metals. Commodity plastics form the major part of the market with demand for consumer items and packaging; both are showing tremendous growth potential. House ware, kitchen ware, personal care products, molded luggage and writing instruments, and molded furniture, are the sectors which have shown good potential in the future both in domestic as well as in the export market.

On an average, the demand for the products in the above mentioned sectors is growing at a rate of 12-15 percent annually during the forecast period. Some sectors like furniture and luggage have shown growth rates of 20-25 percent in the last few years and the trend is expected to continue for the forecast period also. Personal care products sector is the only one showing sluggish growth for the last few years. This can be attributed to the fact that this sector suffers from the lower awareness of hygiene by its consumer and is not able to grow upto its required potential. This trend is changing slowly but it is expected that the demand for these products will grow by 8-9 percent annually. Writing instruments and house ware both will show average growth in demand of 11 and 12 percent respectively.

Given below is the percentage wise growth in demand of the different sectors for the forecast period:

Figure 3.6

Indian plastic manufacturers of House ware, kitchen ware, personal care products, molded luggage, molded furniture, and writing instruments: Sector wise - growth in demand

Year	House ware (%)	Personal care (%)	Molded luggage (%)	furniture (%)	Writing insts. (%)
2002	12.0	9.0	25.0	20.0	11.0
2003	12.0	8.5	25.0	21.0	11.0
2004	13.0	8.0	26.5	20.0	11.0
2005	12.0	8.0	25.0	22.0	12.0

Note: All figures are rounded; the base year is 2001. Source: Frost & Sullivan

Technology Trends

The major technologies used for manufacturing the plastic processed goods are:

1. Injection molding machines
2. Blow molding machines
3. Extrusion process

House ware, kitchen ware, personal care products, molded luggage, molded furniture, and writing instruments, all are manufactured by injection molding machineries. Some of the major manufacturers of such machines in India are DGP Windsor, Klockner Pentaplast, Milacron (Cincinnati), L& T and Godrej. Different types of IMMs are Ram-type, Toggle machines, and hydro-mechanical machines. They come in the capacities of 80 tons to 2,500 tons and above depending upon the requirements of the manufactured products.

There have not been many changes in the technology used for manufacturing the products. The precision levels and the processing speed of the machines have shown improvements over the years but the overall technology used for manufacturing is the same. It is expected that there will be no major changes in the technological inputs for the prime manufacturing during the forecast period.

Competitive Structure

There are around 30,000 plastic processing manufacturers in India out of which 85 percent are in the unorganised sector. In all, around 2500 plastic manufacturers in India deal with house ware, kitchen ware, personal care products, molded luggage, molded furniture, and writing instruments.

The total number of manufacturers in each sector is:

1. House ware, kitchen ware, and table ware - 1600
2. Personal care products - 500
3. Plastic writing instruments – 350
4. Molded luggage – 150
5. Plastic molded furniture – 500

There are different types of manufacturers in each category:

1. Local manufacturers
2. Local manufacturers and exporters
3. Contract manufacturers for other companies
4. Traders of imported goods and products

Most of the products manufactured by the organized sector are sold as branded products. The price of the product, quality and durability, branding and innovation in products are the major influencers in the buying decision of the customers.

Figure 3.7

Plastic processing industry in India: Competitive structure of the house ware, kitchen ware, personal care products, molded luggage, molded furniture, and writing instruments

Number of players	2500
Types of competitors	Local manufacturers Local manufacturers and exporters Contract manufacturers Traders and importers
Distribution Structure	Domestic: • Suppliers/Manufacturers to end-users • Suppliers/Manufacturers to

	distributors or end-users • Suppliers/manufacturers to distributors. From distributors to retailers and from retailers to end-users. Exports: • Suppliers/Manufacturers to merchant exporters. Merchant exporters to end-users. • Suppliers/Manufacturers to end-users
Key End-User Groups	Household and consumer products
Competitive Factors	Quality of products Price Brand of the products Innovation and new products

Export benefits offered by the Government

In order to boost exports and to facilitate better business opportunities, Government of India has initiated certain schemes for the Indian exporters.

The different schemes are as follows:

DEPB (Duty Exemption Passbook Scheme): Currently, it is 18 percent of the freight on board (FOB) value of the product exported with a capital of maximum allowed rate of Rs.50/unit. This varies from product to product.

DFRC (Duty Free Replenishment Certificate scheme): An exporter can import raw material of volume equal to 105 percent of the export quantity without paying customs duty, surcharge and special additional duty.

Drawback scheme: This is an export promotion incentive, payable for goods manufactured in India with duty-paid inputs whether indigenous or imported. Branded products also can be exported under this scheme, fixing the brand rate for draw-back by submitting an application to directorate of drawback. The rates vary for product to product and brands under this scheme.

Advance Licence: An advance licence is granted for the import of inputs without payment of basic customs duty. Such licences are issued in accordance with the policy and procedure in force on the

date of issue of the licence and shall be subject to the fulfillment of a time-bound export obligation, and value addition as may be specified. Advance licences may be either value based or quantity based.

Generally, exporters look for credit as it ranges from DP (Delivery against Payment) and credit delivery etc. Occasionally some large importers go for LC payment with certain big manufacturers.

Initiatives taken by key players to boost exports

Government of India and the organisations like Plastics export promotion council (Plexconcil), All India plastic manufacturers association (AIPMA), and Organisation of plastic processors of India (OPPI), has taken certain initiatives for promotion of exports.

Some of them are listed below:

1. Organization as well as participation in the trade exhibitions in the country as well as abroad. The latest amongst such exhibitions was the 'Arabplast-2003'. A large number of plastic products manufactured by various Indian companies were exhibited amongst the others and conferences were organized for promoting Indian capacities and capabilities in the field.

2. Plastindia -2003 was organized in the month of February and March, 2003 in New Delhi. Many countries participated in the exhibition displaying their products and technologies. Indian products, technologies, machineries, and raw materials were also displayed in the exhibition. Conferences on different issues like manufacturing, marketing, raw materials and markets were organized during the exhibition.

3. A delegation of Indian plastic manufacturers and bureaucrats visited China in the year 2000-01 to have an understanding of the business process followed by the country for the domestic as well as export market. The capacities as well as capabilities of the country were also studied during the visit. The focus was to have a better understanding of the Chinese manufacturing process and capacities and at the same time to find ways and means of collaborating along with them for capacities as well as technologies, for the domestic production and exports.

In addition to these initiatives, a more proactive approach needs to be taken by the government and the individual companies in order to boost the exports of these products from the country. Some of these measures could be –

1. Industry expects more concessions in the form of schemes that are offered by the government. They expect the duty exemption to be increased from the current rate of 18 percent in the DEPB scheme. At the same time, the incentives paid in the form of concession on various raw materials are also expected to increase in the drawback scheme.

2. There can also be a government initiative on tracking the various markets for plastics across the globe by having some kind of representation in different countries. This can be used to get a feedback about the different markets and the products sold in those markets and at the same time forecast the requirements of goods and services in the future.

3. Participation in more exhibitions and conferences for export promotions is required in order to create awareness of the Indian products. Small and medium scaled enterprises can also be encouraged to participate in such exhibitions nationally as well as internationally.

Acronyms

Plexconcil – Plastic exports promotion council

PP – Polypropylene

PE – Polyethylene

HDPE – High density polypropylene

LDPE – Low density polypropylene

PVC – Poly vinyl chloride

IMM – Injection molding machine

PS – Polystyrene

SCM – Supply chain Management

Chapter 4

Strategic Supply Side Analysis of Indian manufacturers of Plastic Molded Furniture

Introduction to the industry

Plastic molded furniture is one of the segments showing good potential in the domestic as well as export market. Plastic furniture has been a good replacement for the natural resources like wood and metals as it is cheaper as well as durable. Its aesthetic value has also been higher than that of steel. Due to all these factors the products are well accepted. The plastic furniture industry has shown good potential for exports as well. The goods are already exported to various countries around the globe. It is expected that the reach of the industry in the local as well as the export market will grow further.

Availability and price trends of raw-materials like high density polyethylene and polypropylene influence the profitability of players in this industry. Middle and low income segments are the major consumers of the molded plastic furniture. Consumption of molded plastics is highly sensitive to price. The high cost of freight charges incurred for transporting molded finished products makes cross border movement of the goods difficult.

Product segments considered

Product segments considered under this category are:

- Garden / Lawn Plastic Chairs and Stackable chairs (Reinforced / Laminated or other wise)
- Plastic foldable chairs
- Baby Chairs, rocking chairs
- Tables
- Tables for babies
- Stools
- Tea-poys, etc.

Market size

The total molded plastic industry was valued at Rs 9000 million, corresponding to 140 KT of plastic for the year 2002. This includes the total demand in the domestic market plus the exports happening from India.

The Indian plastic furniture industry has a capacity to process 235 KT of plastic and the industry is currently operating at about 60 % of its capacity, with an average industry defect rate of about 5 %.

Exports constitute a meager 2.4 % of the industry sales, adding to about Rs 220 million in 2002. The domestic to exports ratio in this industry is almost 40:1.

Major companies in this sector are planning to increase their capacities by 15 to 20 percent in the next 3-4 years.

Industry Growth

The industry is growing at a rate of 25 percent annually. The domestic market has been showing a consistent growth of 25-30 percent for the past few years. In the export market, growth rate is slightly less at 20-22 percent for the year 2001-02. But otherwise, for the past two years, the industry has almost doubled in its size.

Average industry cost components and margins

Different components of pricing are the raw material costs, manufacturing costs, labor costs, sales and marketing costs, transportation costs and other administrative overheads. Raw material cost constitutes more than 50 percent of the total cost involved in the manufacture of these products. Transportation is another factor that influences the pricing of the product. This is especially because these products occupy a larger volume and transportation becomes difficult mainly in the export market.

The expenditure on sales and marketing can range from 1.5 to 5 percent of the entire expenditure. In smaller companies, marketing and branding activities are less. They concentrate more on their distribution networks for the product sale. In medium as well as large sized organizations, the expenditure on branding activities is more. A considerable amount ranging from Rs. 1million to Rs. 5 million could be used for marketing activities, like brand promotion, traveling for new markets, and participation in exhibitions etc.

There is a 20 % increase in the price of the product from the ex factory price to the retailer price. Usually sales tax is negligible since most of the units are located in backward areas.

Gross industry margins can range from 7-10 % of the total turnover. Net margins are usually in the range of 3-4 % of the turnover. Exports may have an average margin of 2 percent or even less.

Figure 4.1

Indian Consumer Plastic Goods Market: Key Industry Cost Components and Margins (Molded Plastic Furniture), 2002

Component	Percentage of turnover
Raw Material Cost	50
Manufacturing and Labor cost	25
Other costs (Sales, marketing, adv., overheads)	15-20
Gross Margins	5-10

Source: Frost & Sullivan

Technology developments in the manufacturing processes

Injection molding process is used to manufacture plastic furniture. The capacities used for manufacturing these products range from are 350-850 tons. There has not been much development in terms of technology. Most of the injection molding machines are manufactured in India. Some of the major suppliers of these machines are – DGP Windsor, L & T, and Milacron. Many of the small to medium sized companies use second hand machines that lack in the overall processing capacity and efficiency. But the newer machines are capable of having greater precision levels and processing speed.

Molds used for manufacturing differs as per the requirement, but the machine used for manufacturing the products is more or less the same.

Strengths and Weaknesses of the molded plastic furniture industry

Strengths

2. Plastic furniture is well accepted due to its durability, aesthetics, and the cost.
3. Industry fairly well developed with at least 10 companies having a presence in the export market, and another 20 having capabilities for entering the international markets.
4. Emphasis on brand promotion in the international markets aids in improved recognition of the Indian industry in the international markets.

Weakness

5. The machinery used by most manufacturers are old and do not match the requirements of the current scenario.
6. Highly concentrated industry, with almost 65 % of the market with the top 5 players.

Development of MIS within the industry

MIS is done mainly through the distribution network and the retailers. Some of the companies have teams who have to gather the data about different factors of the business processes. Information technology (IT) is not much developed in the plastic industry. Only some medium and large scale companies are involved in interconnectivity of supply chain management systems (SCM). But this is yet to be accepted and picked up by the industry in general.

Competitive Scenario in India

There are around 500 manufacturers of molded plastic furniture in India in the organized sector.

Main players in Tier 1, Tier2, Tier 3

Tier 1: Large scale manufacturers

No of players: 5

These companies are having a sales turnover of Rs. 1000 million and above. These companies have exports in different regions which account for 5 to 7 percent of their entire turnover. The growth rates

that these companies have are ranging from 10-15 percent in the domestic market and 20-22 percent in the export market.

Companies in this category are: Nilkamal furniture, Prima plastics, Prince, Maniyar plastics etc.

Tier 2: Medium scale manufacturers

Number of players: 25-30

These companies have a sales turnover of Rs. 100 million and above. None of these companies are listed on stock exchange. Some of these companies have presence in the export markets also. The domestic growth rates of these companies are around 10 – 15 percent.

Companies in this category are: National plastics, Family plastics, Decoplast, Supreme Industries, etc.

Tier 3: Small scale manufacturers

Number of players: 400

These companies have sales turnover of less than Rs. 50 million but more than Rs. one million. None of these companies are listed on the stock exchange. Very few of these companies have presence in the export market which is insignificant. The domestic growth rates of these companies are around 10-12 percent.

Companies in this category are: Sunshine products, Choice polyplast, Klowin Polymers, etc.

Niche product manufacturers in India

There are no niche players in the product segment in India.

Role of merchant exporters in the value chain

Most of the companies in the sector have merchant exporters or agents, who are based in the export market or locally. They buy the goods from these companies and sell it to the end users. Such products are generally not branded and the merchant exporter / agent use his own brand to promote the products or are sold unbranded in the export market. Bigger companies are represented by an Export manager who looks into the exports as well as decides promotion activities as well as pricing of the commodities.

Development of distribution structure

Plastic furniture in the domestic market generally, has a strong distribution setup. Ideally the goods move in the pattern as mentioned below:

Domestic Market

Factory → Distributor → Dealer / Retailer → End-user

Export Market

Factory → Merchant exporter / Agent → Retailer → end user

Factory → Retailer → End user

Factory → Institutions

Distribution network has a significant impact on the business process of the company. This acts as a medium of accelerating the selling activity as well as business promotion. It also acts as a source for gathering inputs about the product as well as test market for new products. Since most of the companies do not spend heavily on the marketing activity, distribution plays an important role in business development.

Distribution network in export market is still not developed to the required level. Goods are generally shipped to the respective country to the agent or the merchant exporter and the company does not look into the sale of the products. Since the goods are bought by the agents, the sale becomes the agent's responsibility. Manufacturers seldom study the Consumer Buying Behavior in export markets.

Export Competitiveness of the Industry

Total amount of exports of plastic furniture form India amounted to Rs. 220 million in the year 2001-02.

Exports of the plastic furniture generally happen more in the African and the Middle East region. Countries like UAE, Keya and Nigeria are the major markets for such products. The exports to US / North American markets is insignificant. There were no exports to US or North America in the period of 1998-2000. The total exports to American markets were to the tune of Rs. 0.2 million only.

All the products in this category have a good scope in the export market. Especially the Garden Chairs and the Stackable chairs have a good potential in the export.

Existing tie ups/ arrangements with importing companies (wholesalers/ distributors/ retailers, etc)

Some companies have exclusivity contracts with some agents in the export market. This is because of the existing competition in these markets that refrains the companies to operate in an independent scenario.

Extent of customization of products for export markets

The products are customized according to the end user needs. The design, style, as well as the pattern is all upon the requirement of the customer in the export market.

Chapter 5

Strategic Supply Side Analysis of Indian Manufacturers of Luggage Industry

Introduction to the industry

The luggage industry consists of soft luggage and molded luggage. The industry is worth Rs12 billion presently. The entire luggage market is in the hands of the unorganized sector with the organized sector contributing just 45-50% of the total market. The unorganized players have an edge over their counter parts on the price front, due to pricing of their products at significant discount to established players. The key players in the organized segment of the molded luggage industry are The Piramal Group (through 2 companies VIP Industries and Blow Plast Ltd), Samsonite Corporation, Universal Luggage, and Safari Industries. Before the entry of US based Samsonite Corporation, VIP Industries and Blow Plast Ltd. were the dominating players in the industry. Samsonite is the global leader in the luggage industry.

The consumption of molded luggage is generally made by the middle and low income segment and this segment is highly price elastic for the low income segment. This segment witnesses aggressive price competition from local players and coupled with higher raw-material prices have resulted in lower realizations for the organized players in the industry.

Product segments considered

- Molded luggage
- Soft luggage
- Hand bags
- Trunks (rigid structured)
- Suit cases
- Attaché Cases

- School satchels

All these products except hand bags, trunks and school satchels are available in variations of premium, regular and economy.

Key Industry Features

Market Size

The total molded luggage industry was valued at Rs 12000 million in terms of revenue corresponding to 150 KT for the year 2002.

Luggage industry in India has a processing capacity of around 200 KT per annum. The large scale sector has a capacity of around 75 KT per annum and the medium and small scale sector has a capacity of around 125 KT per annum. Tier 1 companies in this sector processed about 60 KT in 2002.

Exports constituted about 2 percent of the total industry turnover in 2002. The Domestic to export ratio of the industry currently is about 45:1.

Industry Growth

The luggage industry is growing at a rate of 9-10 percent every year. Exports have been fluctuating constantly each year, showing growth in a year and negative growth in the next. In the year 2001-02 luggage industry had shown a negative growth by almost 15 percent, whereas in the previous year, exports grew by almost 17.6 percent.

Average industry cost components and margins

Average industry margins range from 8 – 14 percent depending upon the products as well as the sector in which the company is operating in. In exports, the margins range from 10-15 percent. But due to the rising competition they are coming down consistently.

Large scale corporations spend 5-7 percent of the total sales on the sales and marketing. This involves, branding, product promotion techniques, as well as exhibitions and trade fairs. Small scale players don't emphasize much on the marketing activity. Their main focus is on pushing the products through distribution methods and pricing.

The different component in pricing are the raw material cost, manufacturing cost, labor cost, sales and marketing costs, transportation costs, other overheads, dealer margins and excise and other taxes.

Two major factors in the pricing component in the domestic industry are raw material cost and the excise and the sales taxes. Raw material form almost 40 percent of the sales turnover. Overheads and dealer margins in the domestic industry amount to 5-7 percent of the listed price. In the export market, raw material cost and transportation cost form the major cost components.

Figure 5.1

Indian Consumer Plastic Goods Market: Key Industry Cost Components and Margins (Molded Plastic Furniture), 2002

Component	Percentage of turnover (Domestic)	Percentage of turnover (Exports)
Raw Material Cost	35-40 %	35-40 %
Manufacturing and Labor cost	30%	25
Other costs (Sales, marketing, adv., overheads, transportation)	15-20%	20 – 25%
Gross Margins	8-14%	10-15%

Source: Frost & Sullivan

Technology developments in the manufacturing processes

Technology used in manufacturing the plastic furniture is injection molding machines. The installed capacities for manufacturing these products in this sector generally range from 350-850 tons. There have been limited technology developments in this sector.

Strengths and Weaknesses of the industry

Strength of the industry

1. The organized industry is well structured with good manufacturing and marketing practices
2. Most the companies in the organized sector are listed.

Weaknesses of the industry

1. The Industry is dominated by unorganized sector.
2. The machines used by the unorganized sector lack in processing speed and precision and cannot be useful in manufacturing of latest requirements of the market
3. Unorganized sector has got negligible presence in the export market.
4. Industry is not price competitive in the export markets. Exports of soft luggage from China are on the rise, and even the tier 1 manufacturers loosing share in the international markets.

Competitive Scenario in India

There are around 150 luggage manufacturers in the country in the organized sector. The unorganized sector consists of around 2000 players.

Main players in Tier 1, Tier2, Tier 3 in the Organized sector:

Tier 1: Large scale manufacturers

Number of players: 4

There are 4 large scale manufacturers of luggage in India. They are Samsonite Corporation, Piramal Industries, Universal luggage, and Safari Industries. The turnover of these companies is Rs. 500 million and above. The average plastic processing capacity of these companies is 20,000 MT per annum. All these companies are listed in the stock exchange. They have good presence in the export market also with a turnover of around Rs. 100–200 million. Samsonite Corporation is US based company, who is the global leader in the luggage market. The growth rate of these companies is around 10-15 percent.

Tier 2: Medium scale manufacturers

Number of players: around 50 companies

The average turnover of these companies is around Rs. 50 million and above but less than Rs. 500 million. The average plastic processing capacity of these companies is around 4000 – 5000 MT per year. None of these companies are listed on the stock exchanges. Some of the companies have export market also, which is to the tune of Rs. 10-20 million.

Tier 3: Small scale manufacturers

Number of players: around 100 companies

The average turnover of these companies is around Rs. 1 million and above but less than Rs. 50 million. The average plastic processing capacity of these companies is around 2000-3000 MT per year. None of these companies are listed on the stock exchanges. Some of the companies have export sales also, that range from Rs. 0.5- 2 million per annum.

Role of merchant exporters in the value chain

Merchant exporters play a significant role in the value chain especially for the small and the medium manufacturers. They act as the market-source for these companies in the foreign countries. They also get in the information about the new product development and also bring the feed back for the products in the markets. Since, the companies do not have warehouses or sales locations in the foreign destinations; it becomes difficult for these companies to operate in the foreign markets without merchant exporters. The products are not marketed or branded in the foreign countries by these companies. It depends on the merchant exporter to market as well as sell the products.

Large scale manufacturers have their own sales offices and warehouses. Therefore there is no role for the merchant exporter in the value chain.

Development of distribution structure and role of channel players in the export process

Luggage industry in the domestic market generally, has fairly well developed distribution setup.

Ideally, the goods move in the pattern as mentioned below:

Domestic market:

Factory → Distributor → Dealer / Retailer → End-user

Export Market:

Factory → Merchant exporter / Agent → Retailer → end user

Factory → Wholesaler/ Importer → End user

Factory → Institutions/ Special orders for Corporates obtained during trade fairs, etc

Distribution network has a significant impact on the business process of the company. This acts as a medium of accelerating the selling activity as well as business promotion. It also acts as a source for gathering inputs about the product as well as test market for new products.

Distribution network in export market is developed to a certain extent for the large scale manufacturers with sales offices and warehouses to co-ordinate the entire distribution network. Technology also plays an important part in the distribution network with the entire distribution managed through supply chain management network.

In the case of small and medium scale manufacturers, goods are generally shipped to the respective country and to the agent or the merchant exporter. The company does not have to look into the sale of the products as the goods are bought by the agents, the sale becomes their responsibility.

Export Competitiveness of the Industry

Exports form a very small part of the total industry turnover. In 2002, the total exports of plastic luggage goods totaled Rs 225 million.

Exports from India happen mainly to Middle East, Europe, and USA. Exports to US and other North American countries amounted to Rs. 26 million in revenues during the year 2002. India exports Rs. 24.4 million worth of goods to USA alone.

While exports to US markets have shown a healthy growth in the last few years, the overall exports from the Indian industry have shown negative growth during the last year, mainly due to the influx of Chinese goods in the international markets.

The products exported by the large scale manufacturers are branded in the foreign markets also. Some of the well known brands are Samsonite, VIP, Safari, Aristocrat and Encore.

Some companies have exclusivity contracts with some agents in the export market. This is because the competition in the market which refrains the companies to operate in an independent scenario.

Products having a good export potential

Molded luggage, soft luggage, and hand bags have shown tremendous potential in terms of exports around the globe.

Export initiatives by key players/ degree of customization

A few manufacturers, mainly the tier 1 companies, take initiatives to customize the products based on buyer requirements in the export markets. Products have special interiors and designs for each export market. Some companies also have an in house R &D teams and imported molds specifically for the export business.

Small scale and medium scale manufacturers offer a limited degree of customization based on the requirements of the merchant exporter or the importing party.

Chapter 6

Strategic Supply Side Analysis of Indian manufacturers of Writing Instruments

Introduction to the industry

Writing instruments industry in India is one of the industries, which has some presence in the global scenario. Global brands like Reynolds, Parker, and Pilot have their presence in the Indian industry through their tie-ups with the local players. Besides this, the local manufacturers have also made their presence felt through brand promotion campaigns and adopting new technologies. Brands like Linc pens, Cello, Add pens, Flair pens, Lexi pens have good acceptance in the market.

In the export market also, the performance of the writing instrument industry is better than that of other plastic consumer industry goods. More than one percent of the pens imported into the US market are from India. However, Indian pens are not generally branded in these markets. The ones that are branded are the ones that are manufactured in India by multinational companies like Reynolds. Though Indian companies are doing well in this market, there is still a lot of scope for improvement in terms of manufacturing as well as business practices.

Product segments considered

Product segments considered are given as follows:

- Ball Point pens
- Gel Pens
- Felt tip pens and markers
- Glimmer gel pens

Key Industry Features

Market Size

The total turnover of Indian writing instruments totaled Rs. 1370 million in 2001-2002. Out of this, the organized sector constitutes about 80 % of the total production. Out of the total sales, exports comprised 12 percent of the total revenues of the Indian industry. The domestic to export ratio was almost 7.5:1 for the year 2002.

The existing capacity in the writing instruments industry is around 50 KT per annum. The industry is currently working at about 80 % efficiency, with a defect rate of about 3-4 %.

Industry Growth

The domestic industry is witnessing a growth rate of around 20-22 percent per annum. It is expected that the local industry for the writing instruments will grow consistently for at least next five years. The export market has shown some decline in the growth for last two years. This is because of increase in the competition in the export market due to the lifting of the trade barriers. In the year 2001-02, the decline in the growth was about 8 percent from the last year.

Average industry cost components and margins

Average margins in the writing instruments are in the range of 7-15 percent. This depends largely upon the types of the pens, quality, and the sector in which the manufacturer is operating in. In the unorganized sector, the price components like excise and taxes as well as sales promotion and advertising costs are irrelevant due to which, the entire structure of pricing is affected. A manufacturer with a decent capacity in the organized sector can hope to make a margin of 7-10 percent. In the export markets, the margins are even lower by 2 percent. This is due to the intensity of the competition that exists in the international scenario for the writing instrument business.

There is no fixed marketing and sales budget for the exports. Exports are done mainly through agents or merchant exporters and there is no brand building in the international market. The main expense comes in the form of traveling to trade fairs and exhibitions. The budgeting is done percentage wise or can depend upon the previous year's budget. The main expenses come in the advertising and promotion activity for brand building.

Figure 6.1

Typical cost components as a percentage of total cost

Components	Local – large scale in percent	Local – medium / small in percent	Export in percent
Raw Material cost	60	65	48
Manufacturing cost	7	15	9
Labor cost	5	10	7
Sales and Marketing cost	9	Sales, marketing cost, and transportation will cost 3-5	15
Transportation cost	3		6
Other overheads and dealer margins	9	2-4	10

Source: Frost & Sullivan

Technology developments in the manufacturing processes

Technology used in manufacturing the plastic furniture is injection molding machines. The capacities used for manufacturing these products are 80-180 tons. There has not been much development in terms of technology. Large scale organizations use new molds, which give them specific advantages in terms of quality of the product and the speed of manufacturing. Though, there are new technological inputs in the terms of nib or ink-fluid technologies but this has nothing to do with the plastic processing techniques.

Strengths and Weaknesses of the industry

Strengths

1. Fairly developed segment, with many of the tier 1 and tier 2 players having export capabilities.
2. Tier 1 players, especially companies like National pens, Luxor, Lexi, Cello emphasize on brand presence in the export markets and have developed a good network in the international market.
3. Some tier 1 and tier 2 players also have outsourcing tie ups with global writing instrument leaders; Indian companies are able to meet the international quality specifications.

Weaknesses

1. Tier 3 segment is underdeveloped, with about 85 % of the companies contributing to only 15 % of the total revenues.
2. There is a significant amount of spare outdated capacity available with the industry, but cannot be capitalized.

Competitive Scenario in India

In the organized market, there are around 400 - 450 manufacturers of writing instruments in India.

Main players in Tier 1, Tier2, Tier 3:

Tier 1: Large scale manufacturers

Number of players: 5-10

Large scale manufacturers have a turnover of Rs. 1 billion and above. They have a plastic processing capacity of 1500 MT per annum. All these companies have a good presence in the export market. None of these companies are listed on the stock exchanges and are privately owned companies. All these companies have national presence. They have branded products in the market and spend heavily for brand promotion.

Some of them are: Reynolds, Luxor, Cello Pens, Add Pens, Flair pens, etc.

Tier 2: Medium scale manufacturers

Number of players: 25-30

Medium scale manufacturers have a turnover of more than Rs. 100 million but less than Rs. 1 billion. They have a plastic processing capacity of around 300 MT per annum. Some of these companies have limited presence in the export markets also. They all are privately owned companies and have regional presence in the country.

Some of them are Lexi pens Linc pens, Saber pens, Montex pens, Rotomac pens

Tier 3: Small scale manufacturers

Number of players: 200-300

All these companies have a revenue of Rs. one million and above but less than Rs. 100 million. They have individual plastic processing capacity of 20-25 MT per annum. They don't have any brands and

have an insignificant presence in the export market. They all are small regional players who cater to the local market.

Role of merchant exporters in the value chain

Most of the companies in the medium scale operations have merchant exporters or agents, who are based in the export market or locally. They buy the goods from these companies and sell it to the end users. Such products are generally not branded and the merchant exporters/ agents use their own brands to promote the products. The products are also sold in institutions like corporations, fast food outlets, gifts and novelties etc.

Large sized companies are represented by an Export manager who looks into the exports as well as decides promotion activities as well as pricing of the commodities. Many of the brands like Reynolds, Parker, and Pilot are manufactured in India and sold in the export market. Besides, some local brands have brand value in Middle East, Asian and African markets also.

Development of distribution structure and role of channel players in the export process

Writing instruments industry in the domestic market generally, has a strong distribution setup.

Ideally, the goods move in the pattern as mentioned below:

Domestic market:

Factory → Distributor → Dealer / Retailer → End-user

Factory → Institutions

Export Market:

Factory → Merchant exporter / Agent → End user

Factory → Merchant exporter / Agent → Retailer → End user

Factory → Institutions

Distribution network has a significant impact on the business process of the company. This acts as a medium of accelerating the selling activity as well as business promotion. It also acts as a source for gathering inputs about the product as well as test market for new products.

Distribution network in export market is developed to a certain extent for the large scale manufacturers with sales offices and warehouses to co-ordinate the entire distribution network as some of the companies are Multinational concerns. Some large and medium scale manufacturers have

representatives in the export market as Managers. They look out for new venues of business for the company.

Export Competitiveness of the Industry

The exports of writing instruments from India totaled to Rs. 1,640 million in the year 2001-2002. About Rs 600 million worth of pens were exported to the North American market, out of which Rs. 578 million were in US itself. Significant exports from India also happen to the European market.

Products having a good export potential

Products that are manufactured from India, which are inexpensive and are commonly used, are having great potential in the export markets. Some of these are Ball point pens, Glitter Add gel pens etc.

Brands that are exported are form the Indian market are the international brands like Reynolds, Parker and Pilot. Local brands also have some presence in the Asia, Middle East, and Africa.

Existing tie ups/ arrangements with importing companies (wholesalers/ distributors/ retailers, etc)

The markets are dynamic and price driven. Because of this, the manufacturers prefer to sell to all the importers who approach the companies. Some multi national companies also outsource some of their requirements from Indian manufacturers.

Extent of customization of products for markets

Products are customized according to the needs of the end users. A great deal of customization is possible in the writing instruments with style, color, logo printing, and ink. All this depends upon requirements of the end users, especially in the institutional sales.

Chapter 7

Strategic Supply Side Analysis of Indian manufacturers of Plastic Household and Kitchen ware Articles

Introduction to the industry

Household ware, Kitchenware, tableware, together, is the biggest segment in the consumer plastic industry. The products manufactured in this category find applications in all the walks of life. They are used as utensils, cleaners, grooming products, products for storing and stacking, etc. Products like thermo ware are having a wide presence in the domestic markets as well as exports. There are around 22,000 manufacturers of plastic commodities in India out of which, around 50 percent of the total manufacturers have operations in this segment. All the manufacturers of household ware, kitchen ware, tableware and have a wide range of products in their portfolio. This can be ranging anywhere from 25 to 50 different products with different variations, models, and designs.

This industry has the largest turnover in sales amongst all the plastic consumer industries. It has a larger number of exports than any of the other consumer segments, in the terms of numbers as well as in value. However, there are only 1,600 companies, which are operating in the organized sector while the rest fall in the unorganized category. The organized sector, though lesser in number, is responsible for around 65 percent of the total revenues and almost 100 percent of the exports.

Product segments considered

Products covered in this segment are given below:

Curtains and drapes including panels and valances; napkins, table covers, mats, scarves, runners, doilies, center pieces, and furniture slipcovers, dustbins, buckets, brooms, baskets, cleaning products, mattresses, soap dishes, towel rails, holders, toilet paper holders, towel hooks and similar articles for bathrooms, toilets or kitchens, Salt, pepper, mustard and ketchup dispensers and similar dispensers,

Plates, cups, saucers, soup, bowls, cereal bowls, sugar bowls, creamers, gravy boats, serving dishes and platters, other articles that are used in the kitchen for the preparation or storage of food or beverages, casseroles storage containers, serving ware, and plastic trays.

Key Industry Features

Market size

The total market size of the household ware, kitchen ware and personal care products industry is around Rs. 15 billion in value. Out of this, around 65 percent of the total value is contributed only by the organized sector. Though the unorganized market is large in size, the contribution to the industry from this sector is only 35 percent.

The household ware, kitchen ware and personal care products industry has total capacities of around 300 KT per annum for the year 2001-02. However, the total amount of production was around 190 KT per annum for the year 2001-02, which was almost 65 percent of the capacity. It is expected that the total capacity will grow by around 20 percent in the next 5 years.

The total exports of the household ware, kitchen ware and personal care products are almost Rs. 780 million, which is only 6 percent of the entire market. The domestic to the export ratio is almost 17:1.

Industry growth

The domestic industry for the household ware, kitchen ware, and personal care products is growing at a rate of 10 – 12 percent per annum. Export market is growing at a rate of 15 – 20 percent annually.

Average industry cost components and margins

Average gross margins in the domestic markets range from 10-15 percent. This depends on the products manufactured, the manufacturer, the quality of the products and the markets in which the manufacturers are operating in. The export markets have a margin of 5-7 percent. However the net margins range from only 3-4 percent in the domestic market and around 2 percent in the exports.

Some companies especially in the large scale thermo ware and personal care segments like toothbrush, spend on advertising as well as and brand promotions. However in the other plastic items section, there are no major branded products in the market and therefore the advertising and sales budget is less.

In exports also, some companies like Eagle flasks and Milton are sold as branded products in some of the markets. But otherwise, the sale of these products is mainly done through value pricing shops by most of the companies. Therefore, the spending on sales and marketing is negligible.

The major components in pricing are the raw material costs, manufacturing costs, labor costs, Sales and Marketing costs, Transportation costs, tax structures and other overheads and dealer margins. The major components of the costs are the raw material costs, covering almost 50 percent of the total costing. Manufacturing costs can range from 10-20 percent depending upon the products that are being manufactured. Another factor for the manufacturing costs is the company's capacities. Transportation forms another important portion of the costs, especially if the products are to be sold in a distant market (from the company's manufacturing location). Some of the companies also have a C and F agent in the distribution process. If such is the case, then the transportation costs are shared by the company and the C& F agent together.

Given below is the pricing structure of the products in the domestic and the export market.

Figure 7.1

Indian Consumer Plastic Goods Market: Key Industry Cost Components and Margins (Molded Plastic Furniture), 2002

Component	Percentage of turnover (Domestic)	Percentage of turnover (Exports)
Raw Material Cost	40-45 %	40-45 %
Manufacturing and Labor cost	15-20%	25-30%
Other costs (Sales, marketing, adv., overheads, transportation)	15-20%	20 – 25%
Gross Margins	10-15%	5-7%

Source: Frost & Sullivan

Technology developments in the manufacturing processes

Injection molding machines are used to manufacture Household ware, Tableware / Kitchen ware, and personal care products. The capacities used for manufacturing these products are 80-450 tons. There has not been much development in the terms of technology of manufacturing. But the newer machines are capable of having a greater precision levels and processing speed. Large scale organizations do use such machines, which give them specific advantages in terms of quality of the product and the speed of manufacturing. Since there is a lot of spare capacity available in manufacturing, a large number of products of different utilities are manufactured by these companies. Some of the major Injection molding machine manufacturers are Milacron (Cincinnati), DGP Windsor, and L & T.

Strengths and the weaknesses of the industry

Strengths of the industry

1. There are access capacities available in the market, which can help to boost the production in the future.
2. Many players in the medium scale industry are also selling branded products, which will be good for the future prospects of the industry.
3. The amount of investment required to start the business in this segment is low.

Weaknesses of the industry

1. The industry is dominated by a few players in terms of revenues as well as number of goods produced.
2. Export markets are tapped by very few players because of non-availability of resources in terms of representations in the foreign markets as well as capacities.
3. Imports from the Chinese manufacturers are hampering the growth of the industry. Indian products find it difficult to compete in the price-sensitive markets, both at the domestic and the export level.
4. Most of the companies are privately owned entities and are lacking in managerial aspects.

Competitive Scenario in India

Of the total number of manufacturers of 22,000, almost 50 percent of the manufacturers have some operations in this segment. In the organized sector, the total number of manufacturers is upto 1,600. In the overall industry, the number may go around 11,000.

Main players in Tier 1, Tier2, Tier 3 in the Organized sector:

Tier 1: Large scale manufacturers

Number of players: 4-5

The large scale manufacturers have a turnover of Rs. one billion or more. The average plastic processing capacity is more than 10,000 tons per annum. All these companies have good presence in the export market. They have sales offices as well as ware houses in the countries wherever they have some operations. Though they are privately owned companies, they have good management structure and an effective distribution set up.

Name of the companies are: Milton Plastics, Eagle Thermo ware, Cello, and Prince Plastics

Tier 2: Medium scale manufacturers

Number of players: 15

The medium scale manufacturers have a turnover of Rs. 250 million or more but less than Rs. 1 billion. The average plastic processing capacity of these companies is between 4000 – 5000 MT per annum. These companies have some presence in the export market through their export Managers or merchant exporters / agents. These companies are privately owned concerns. They have regional as well as national presence in the markets.

Name of the companies: Prima plastics, Arham plastics, Babubhai Enterprises

Tier 3: Small scale manufacturers

Number of players: around 1500

These companies have a turnover of Rs. one million and above but below Rs. 250 million. They have a production capacity of 150 –200 MT per annum. These companies are operating on a regional basis catering to the local market. They do not have any branding exercises. The sales are completely dependant on the distributor of the company. Some of these companies also have a small export market.

Some of the players in this category are Anmol Exports, Gala brush, Family plastics, etc.

Niche product manufacturers in India

Niche products can be easily manufactured in India. This is because there is availability of the spare capacities in the manufacturing. The manufacturer needs to have an understanding of the requirements of the customer for customization of the molds.

Role of merchant exporters in the value chain

Merchant exporters play a major role in the business process of this segment, especially in the medium scale and some of the small scale companies. Since these companies do not have any presence in the

export market, they completely depend upon the business opportunities given by the merchant exporters to them. Since the market is highly price sensitive and competitive, some of the companies even prefer to go for exclusivity contracts along with the merchant exporter for ensuring themselves of some export business.

Development of distribution structure and role of channel players in the export process

Household ware and Kitchen ware segment has a strong distribution set up at least in the domestic market.

Ideally the goods move in the pattern as mentioned below:

Domestic market:

Factory → Distributor → Dealer / Retailer → End-user

Export Market:

Factory → Merchant exporter / Agent → Retailer → End users

Factory → Retailers → End users

Distribution network has a significant impact on the business process of the company. This acts as a medium of accelerating the selling activity as well as business promotion. Distribution network is also a source for gathering inputs about the products as well as a medium for test marketing of new products. Since most of the companies do not spend heavily on the marketing activity, distribution plays an important role in business development.

In the export market, only the players of the large scale sector like Eagle thermo ware, and Milton Plastics have some decent distribution networks with warehouses and distributors in some markets. Otherwise, the rest of the industry depends upon the Merchant exporter for developing their business in the export market. The agents or the export merchants are completely responsible for the sale of the products as well as business development.

Export Competitiveness of the Industry

Amount of the exports in the Household ware, Kitchen ware and table ware, happening from India totaled to Rs. 780 million in 2002. US and North American markets are the major markets for Indian exporters. The total exports from Indian companies in this region amounted to Rs. 230 million in revenues. This forms the major portion of the exports happening from India. Some of the major companies in exports are Milton Plastics, Eagle thermo ware, Cello Household appliances Pvt.

Limited, Nirmal Polyplast, Tokyoplast International Limited, National Flask Industries, Narang Enterprises, BT Plastics and allied Industries, Champs.com Corporation, Royal Enterprises, Star industries limited, etc.

Products like thermo ware and table ware have shown good demand in the exports especially in the US and the North American markets. In these countries, tableware itself is the largest consumer item imported in the country. Kitchen wares have good demand especially in the value shops. However, this market is completely dominated by Chinese products because of the price competitiveness. Indian products will have to compete in the market, which is highly competitive in terms of price feasibility and availability, if they want to gain a significant share of the exports in the future.

At present, most of the exports in this segment happen to the countries like USA, UAE and UK.

Very few of the products are branded in the export market. Some of them like Milton and Eagle have some brand value in the foreign markets. Otherwise, there is not much branding happening in this particular segment.

As far as tie ups with agents and distributors in the export markets are concerned, many of the companies prefer to have them with the agent or merchant exporters in order to secure their export business in that region. This has been the trend in many export markets especially in Africa and Middle East. Most of the companies have a local merchant exporter or distributor, who looks after their export business exclusively in a region but mostly there is no formal tie up between the two parties.

Products can be customized according to the needs and the requirements of the customers. They can be custom made into various different sizes, colors, and features for the customers benefit.

Chapter 8

Strategic Supply Side Analysis of Indian manufacturers of Plastic Personal Care Products

Introduction to the Industry

India, being one of the most populous countries in the world, with the total population crossing one billion, is a market which has a good potential in the personal care products. The market for personal care products in India has been dominated by the large global conglomerates like Colgate Palmolive, Hindustan lever, and Gillette India limited. There are also some other players like Balsara, Dabur, Elder pharmaceuticals etc. who have shown their presence in this category.

However, due to the low hygiene and health awareness in the country, the personal care market is still in the developmental stage. For the past three years, plastic products catering to this segment have also shown a sluggish growth especially in the toothbrushes and shaving brushes category. A greater awareness to the personal hygiene will ensure the growth of the market during the forecast years.

Product segments considered

Product segments considered under this category are:

- Tooth brushes
- Shaving brushes
- Bristles
- Brushes for cosmetics like nail polish brushes, Eyeshades, etc.
- Combs
- Hair brushes

- Baby care products like brushes for cleaning of feeding bottles
- Body brushes

Key Industry Features

Market size

The total plastic personal care products market is estimated to be Rs. 16.2 billion out of which around 80 percent of the revenues come from the organized sector.

The Indian plastic personal care products industry has a capacity to process 40 KT and the industry is currently operating at about 60 % capacity utilization i.e. 24 KT, with an average industry defect rate of about 3 %.

Exports constitute a meager 7.1 percent of the industry sales, adding to about Rs 1.16 billion in 2002. The domestic to exports ratio in this industry is 13:1.

Major companies in this sector are planning to increase their capacities by 8 to 10 percent in the next 3-4 years.

Industry Growth

Lesser awareness in hygiene and health consciousness has traditionally affected this market for many years. Due to this, growth of the industry has shown sluggishness and the trend has continued for the past three years also. Even after good emphasis on branding of these products, the companies operating in this sector are not able to reach their optimum growth potential. Moreover, the major plastic personal care products are toothbrushes and shaving brushes. Most of the companies marketing these products are the international conglomerates, which have a marketing strategy of product bundling for example, a free toothbrush along with the toothpaste or a free shaving brush along with the shaving cream. This has further affected the industry as the products are being viewed as freebies by their consumers. However the market is showing a growth rate of 8-10 percent and is expected to continue for the forecast period. The competitiveness of this industry is also expected to increase due to the advent of some major multinational companies in this sector, in the year 2001-02.

The exports of the goods from India had a negative impact mainly due to the exports from China. The export market showed fluctuation continuously for the last 3 years. It is expected that the market will stabilize during the forecast period and will grow at a rate of 5-7 percent annually.

Average industry cost components and margins

Different components of pricing are the raw material costs, manufacturing costs, labor costs, sales and marketing costs, transportation costs and other administrative overheads. Raw material cost constitutes more than 50 percent of the total cost involved in the manufacture of these products. Transportation is another factor that influences the pricing of the product.

The expenditure on sales and marketing can range from 25-30 percent of the total cost. This is because companies dominating this sector are multinational conglomerates which emphasize on marketing and advertising for building the brand value. In the medium and the smaller companies, marketing and branding activities are less. They concentrate more on their distribution networks for the product sale. In medium as well as large sized organizations, the expenditure on branding activities is more. A considerable amount could be used for marketing activities, like brand promotion, traveling for new markets, and participation in exhibitions etc.

There is a 20 percent increase in the price of the product from the ex factory price to the retailer price. Usually sales tax is negligible since most of the units are located in backward areas.

Gross industry margins for the manufacturer can range from 7-10 percent of the total turnover. Net margins are usually in the range of 3-4 percent of the turnover. Exports may have an average margin of 2 percent or even less.

Figure 8.1

Indian Consumer Plastic Goods Market: Key Industry Cost Components and Margins (plastic personal care products), 2002

Component	Percentage of turnover
Raw Material Cost	50
Manufacturing and Labor cost	15-20
Other costs (Sales, marketing, adv., overheads)	25-30
Gross Margins	5-10

Source: Frost & Sullivan

Technology developments in the manufacturing processes

Injection molding process is used to manufacture plastic personal care products. The capacities used for manufacturing these products range from are 80-180 tons. There has not been much development in terms of technology. Most of the injections molding machines are manufactured in India. Some of the major suppliers of these machines are – DGP Windsor, L & T, and Milacron. Many of the small to medium sized companies use second hand machines that lack in the overall processing capacity and

efficiency. But the newer machines are capable of having greater precision levels and processing speed.

Molds used for manufacturing differs as per the requirement, but the machine used for manufacturing the products is more or less the same.

Strengths and Weaknesses of the plastic personal care products industry

Strengths

1. Increased awareness and improved hygiene practices is leading to a development in the industry
2. Major international players are competing in this sector with a strong emphasis on branding and advertising.
3. Exports especially in the toothbrushes and shaving brushes sector, is poised to grow during the forecast period, as the trend of manufacturing the products from the contract manufacturers in India and selling them in the international markets is increasing.
4. Local players are focusing on branding exercises and the market is getting more organized.

Weakness

1. More than 75 percent of the market is dominated by the multinational companies and the presence of most of the local companies is limited to the contract manufacturing or regional presence.
2. Exports from India have not been able to compete with the cheaper Chinese exports and are losing the already diminutive global market share.
3. Most of the companies in manufacturing still use out-dated machineries having low plastic processing capacity and precision level.

Development of MIS within the industry

MIS is one of the major functions in this industry that aims at gathering information and planning the market development in the future by adequate manufacturing, marketing, and distribution activities. The importance to this function is enhanced mainly due to the presence of major multinational companies. These companies also emphasize on developing a steady supply chain management system involving their contract manufacturers, suppliers and distributors. The interconnectivity between them is also well established electronically.

The smaller players however do not have such a good structure in MIS. They gather information through their distributors, stockist, and retailers for the planning and production. The use of electronic technology of these purposes is limited.

Competitive Scenario in India

There are around 150 manufacturers of plastic personal care products in India in the organized sector.

Main players in Tier 1, Tier2, Tier 3

Tier 1: Large scale manufacturers

No of players: 10

These are the large scale contract manufacturers for the multinational companies like Colgate-Palmolive (Brand-Colgate), Hindustan Lever Limited (Brand-Pepsodent, Close-up), SmithKline Beecham (Brand-Aquafresh), and Gillette India Limited (Brand-Oral-B). They manufacture products for the local market as well as for the international markets like USA, Europe, and Middle-east. Some of them also manufacture products for the local companies like Balsara (Brands-Promise, Meswak), Dabur, Elder Pharmaceuticals, etc. These companies also have started selling the products under their own brand names in the domestic markets.

The companies in this tier have a sales turnover of Rs. 500 million and above. The market for these companies is sluggish showing a growth rate of 5-7 percent annually. They manufacture toothbrushes and shaving brushes for other companies.

Names of the companies: Schiffer and Menezes, Sunehari Exports, United Bristlers, Cello Oral hygiene, etc.

Tier 2: Medium scale manufacturers

Number of players: 25-30

These manufacturers operate at a regional level, manufacturing products like toothbrushes, shaving brushes, combs, and other personal care products. Some of these companies also brand their products in the local market. Many of these companies export their products to the markets like Middle-East, Asia, Africa, and also in Europe and USA. They have the sales turnover is in the range of Rs. 100 million to Rs. 500 million.

Some of these companies are Crystal plastics and metallizing private limited, B.T. Plastics and Allied Industries, Stallone Overseas Pvt. Ltd., Royal Enterprises, Bonny products private limited, etc.

Tier 3: Small scale manufacturers

Number of players: 100

These companies have sales turnover of less than Rs. 100 million but more than Rs. one million. None of these companies are listed on the stock exchange. Very few of these companies have presence in the export market which is insignificant. They mainly manufacture products which have low branding value like the body brushes, combs, and hair brushes.

Companies in this category are: Joshi Plastic Industries, Bombay commercial company, Sapphire Exports, Brush Solution, Gala brushes, Dolly Plastics Private Limited, etc.

Role of merchant exporters in the value chain

Most of the companies in the sector have merchant exporters or agents, who are based in the export market or locally. They buy the goods from these companies (mainly the medium scale manufacturers) and sell it to the end users. Such products are generally not branded and the merchant exporter / agent uses his own brand to promote the products or these products sold unbranded in the export market. Some of the medium scale companies are represented by an Export Manager who looks into the exports as well as decides for the promotion activities as well as pricing of the commodities.

The merchant exporters sell their products to the end users through the value stores. Institutional selling is also another medium of generating business for them. Hotels and resorts are the main venues for institutional selling for the merchant exporters.

Development of distribution structure

Plastic personal care products in the domestic market have a strong distribution setup. Ideally the goods move in the pattern as mentioned below:

Domestic Market

Manufacturer /Contract manufacturer → Distributor → Dealer / Retailer → End-user

Distribution network has a significant impact on the business process of the company. This acts as a medium of accelerating the selling activity as well as business promotion. It also acts as a source for gathering inputs about the products as well as test market for new introductions. Multinational

companies appoint distributors for their products in each of their markets differentiated geographically. They supply these products to the retailers or institutions.

Medium and small scale manufacturers are heavily dependent on their distributors for pushing their products in the market. Because of lesser emphasis on marketing activities, distribution chain forms the main source of product selling, promotion and market information.

Export Market

Manufacturer → Merchant exporter / Agent → Retailer → end user

Manufacturer → Merchant exporter / Agent →Institutions

Manufacturer → Retailer (value shops)→ End user

Many multinational companies source their products through the contract manufacturers in India and sell it in the international markets. They have distribution networks setup in each of the countries they operate in. They also sell their products through value stores and institutions.

For the export market, medium and the small scale manufacturers mostly deal through merchant exporters who buy the products from the manufacturers and sell them in their respective markets. Some of these manufacturing companies also have export managers who are responsible for selling the goods in the market.

Export Competitiveness of the Industry

Total amount of exports of plastic personal care products from India amounted to Rs. 1.16 billion in the year 2001-02. This is a meager 7.2 percent of the total revenues from plastic personal care products.

Exports of the plastic personal care products happen more in the African and the Middle East region. Countries like UAE, Kenya and Nigeria are the major markets for such products. The exports to US / North American markets is insignificant. They were only Rs. 8.8 million in revenues in the year 2002. The exports have been drastically affected due to the cheaper Chinese exports world over.

However, this condition is bound to improve in the forecast period due to the increase in the contract manufacturing of products like toothbrushes and shaving brushes by the multinational companies for their global markets.

Extent of customization of products for export markets

The products can be customized according to the end user needs. The design, style, as well as the pattern is all upon the requirement of the customer in the export market.

Chapter 9

Benchmarking on Export Competitiveness

Introduction

The key parameters for successfully addressing the export opportunities provided for plastic consumer products by the US markets would include:

5. Distinct manufacturing advantage
6. Technological superiority
7. Financial Strength
8. Efficient Logistics Management
9. Effective Marketing & Sales Strategies

Manufacturers, distributors and retailers are increasingly looking at alternative and cost effective manufacturing bases to increase the profitability of their operations. China, undoubtedly, has capitalized on this vast opportunity cutting across product categories and industry sectors. Their dominance in plastic consumer items is evident from US import statistics. While in some product categories China accounts for about 45-50% of the total imports market, it has a near monopolistic supply in others reaching upto 94% of the market.

The competitive benchmarking exercise compares 5 Asian countries across the various parameters that determine the export competitiveness at an individual company level. This analysis does not include Macro-economic parameters like overall economy, government efficiency, business efficiency, infrastructure etc. Competitive benchmarking based on macro economic issues is covered in the study done to assess the market opportunities in USA.

The parameters for this benchmarking exercise include:

1. Manufacturing Economics
2. Financial Soundness
3. Service Quality Parameters
4. Sales & Marketing Advantage

The ranking of India relative to the other four competing economies is provided in this chapter.

Manufacturing Economics

Figure 9.1

Production	Capacities Capacity Utilization Rate Production Efficiency
Cost Parameters	Raw Material Costs Labour Costs Production Cost Overheads Cost of Production to Sales Ratio Fixed Costs
Manufacturing Advantages	Raw Material availability & sourcing advantage Investment benefits for exports Subsidization on Utilities Economies of Scale Benefits
Product Capability	Product range capabilities Product Quality Consistency in maintaining product specifications
Technology	State-of-the art manufacturing capability Source of Technology

Figure 9.2 – Manufacturing Economics- Relative ranking of each country

Country	2002	2001
Taiwan	2	2
Korea	6	4
China	1	1
India	3	3
Indonesia	4	5
Malaysia	5	6

Source: Frost & Sullivan

Financial Soundness

Figure 9.3

Profitability	Economic Value Added Gross margins Operating Profit Margins Growth in Earnings
Financial Structure	Debt/Equity Structures Source of Capital Cost of Capital Employed Ownership profile
Investment Affinity	Plans for Capital Expenditure Access to funds for Capex Flexibility to pursue strategic acquisitions Opportunities and Openness for overseas investments

Figure 9.4- Financial Soundness-Relative Ranking

Country	2002	2001
Taiwan	5	3
Korea	1	2
China	3	4
India	4	5
Indonesia	6	6
Malaysia	2	1

Source: Frost & Sullivan

Sales & Marketing Advantages

Figure 9.5

Product parameters	Product focus (Price Vs. Volumes) Capability for wider product range Unique product benefits/ product for niche markets
Distribution Advantages	Current distribution strengths in the USA (marketing/distribution alliances) Ability to forge relationships with channel members Margins offered
Sales measurements	Sales by product category Sales Growth Target Export Markets Sales force capability Sales offices
Marketing Strategies	Pricing and payment terms Flexibility Distribution strategies Marketing budget allocation Presence in trade shows/ fairs Ability to form cartels Promotional strategies

Figure 9.6 – Sales & Marketing Advantages – Relative Ranking

Country	2002	2001
Taiwan	2	3
Korea	3	2
China	1	1
India	5	5
Indonesia	6	6
Malaysia	4	4

Source: Frost & Sullivan

Service Quality Parameters

Figure 9.7

Logistics	Ability to meet delivery commitments Supply chain management practices Extent of IT adoption Warehouse Management Liaison offices
Service to supply chain	Adaptability to changes in deliverables Market Responsiveness Deployment of service personnel Ordering mechanism Addressing product Quality issues
Complaint Management	Replacement of defective products Ability to absorb late delivery penalties

Figure 9.8- Service Quality Parameters- Relative Ranking

Country	2002	2001
Taiwan	2	3
Korea	3	2
China	1	1
India	5	4
Indonesia	6	6
Malaysia	4	5

Source: Frost & Sullivan

Figure 9.9

Overall Rating of Competing Countries

Country	2002	2001
Taiwan	2	3
Korea	3	2
China	1	1
India	5	5
Indonesia	6	6
Malaysia	4	4

Source: Frost & Sullivan

Chapter 10

Profiles of Key Suppliers of Plastic Consumer Items in India

VIP INDUSTRIES (BLOWPLAST LIMITED)

Blow Plast Ltd, DGP House,
88 C Old Prabhadevi Road,
Mumbai 400 025, India
www.vipbags.com

Type of Company	Company is listed on all the major stock exchanges of India. It is a part of the Piramal group
Products and brands manufactured	Products – Hard and soft luggage, trolleys, totes, Vanity cases, Brief cases, Executive cases, Buddy range, Delsey, Caludio Basile, Foot loose bags. Brands – VIP, VIP Alfa, VIP, Travelite, VIP – Odyssey, VIP- Elanza
Sales Turnover, Rs 2002	Rs. 2200 million
D:E break up	Domestic – Rs. 2000 million Exports – Rs. 200 million
Company performance	Growth in sales – The growth rate in sales is 10 percent and the export growth rate is 5 percent. Capacity: Production ratio – Capacity 15000 pieces a day (average) – almost 100 percent capacity utilization Gross and operating margins – Gross margins – 15-20 percent, net 7-8 percent Capital Expenditure plans on machinery (if any) - Nil Recent Mergers and Acquisitions - Nil

Manufacturing Capability	Total capacity – Around 15000 pieces per day No of machines – 20 injection molding machines Type of machines (type/ imported machine) - local as well as foreign companies like Toshiba, Siemens, Tata, etc. Factory – 4 manufacturing units at Nashik, Sinner, Nagpur, and Jalgaon Work force – 2500 workers(inclusive of administration staff) Production costs – 65 percent of the total costs Technology developments - Nil Process efficiencies - Nil
Marketing and Distribution	Top 3 export markets if any – Europe (England, Belgium and France), Gulf (UAE), and Africa. Offices and Warehouses – Sales offices have warehouses also - 22 Overseas marketing/ distribution alliances - Nil Specific IT implementations for enabling sales and distribution related functions – IT implementations in MIS. All offices are interconnected by IT networks. Website implemented for facilitating better business.
Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Flexibility in pricing - medium

Source: Frost & Sullivan

Nilkamal Furniture

77/78, Nilkamal House,
Road No. 13/14,
MIDC, Andheri (East),
Mumbai - 400 093
India
www.nilkamalplastics.com

Type of Company	Manufacturers of plastic molded furniture
Products and brands manufactured	Products – Chairs, Tables, stools, baby chairs, rocking chairs for babies, Crates Brand – Nilkamal
Sales Turnover, Rs 2002	Rs. 350 million
D:E break up	Domestic – Rs. 332 million Exports Rs. 18 million
Company performance	Growth in sales – Domestic – 10-15 percent (average), exports – 20 percent Capacity: Production ratio – 1:1 Gross and operating margins – Gross – 7-8 percent of the total price Net margins – 3-4 percent Capital Expenditure plans on machinery (if any) - Nil Recent Mergers and Acquisitions - Nil
Manufacturing Capability	Total capacity - total plastic processing capacity is 3000 tons per annum. Capacity utilization - almost 100 percent No of machines – 50 injection molding machines Type of machines (type/ imported machine) – Imported as well as local Number of factories – 5 factories in India Work force – 900 (inclusive of administration) Production costs – 70 percent (inclusive of the raw material) Technology developments - Nil Process efficiencies – Nil

Marketing and Distribution	Top 3 export markets if any – Africa markets, Gulf region and Asia. Total sales force – 250 people Offices and Warehouses – 25 sales offices and 10 warehouses Overseas marketing/ distribution alliances - nil Specific IT implementations for enabling sales and distribution related functions – Supply chain management is done with the help of information technology
Pricing	Components in pricing for domestic and export products • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Flexibility in pricing - medium

Source: Frost & Sullivan

PRIMA PLASTICS

41, National House,
Chandivali Junction,
Saki Vihar Road, Powai,
Mumbai – 72. India
www.primaplastics.com

Type of Company	Manufacturers of molded plastic furniture
Products and brands manufactured	Products – Chairs, tables, teapoys, stools, rocking chairs for babies, bins and crates, etc. Brand - Prima
Sales Turnover, Rs 2002	Rs. 500 million
D:E break up	Domestic – Rs. 450 million Exports – Rs. 50 million
Company performance	Top 3 products – Chairs, table and stools Growth in sales – 10 percent (exports – 15 percent) Capacity: Production ratio – 1:1 Gross and operating margins – gross margins of 20 percent Capital Expenditure plans on machinery (if any) – not at present Recent Mergers and Acquisitions – nil
Manufacturing Capability	Total capacity – 6000 tons per annum Type of machines (type/ imported machine) – automated CNC equipped injection molding machines No of Factories – 2 (Vapi and Daman) Work force – 140 (inclusive of administration staff) Production costs – 65 percent of the total costs Technology developments - Nil Process efficiencies- Nil
Marketing and Distribution	Top 3 export markets if any – African markets Total sales force – 20 people Offices and Warehouses – 6 sales offices across the country and 5 warehouses (tie-ups for warehousing along with private entrepreneurs) Overseas marketing/ distribution alliances – Nil Specific IT implementations for enabling sales and distribution related functions – Nil

Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Flexibility in pricing – medium

Source: Frost & Sullivan

Bright Brothers limited (Consumer Division)

B-54, Wagle Industrial Estate,
Rd. No. 33, Gnyaneshwar Nagar,
Thane – 400 604.
www.brightbrothers.co.in

Type of Company	Manufacturer of plastic household articles and kitchenware and tableware products (This is the consumer division. There is also another division that deals into engineering and automotive components)
Products and brands manufactured	Products – Household containers, flasks, Glasses, Plates, Bowls, Buckets, mugs, etc. Brand - Brite
Sales Turnover, Rs 2002	Rs. 80 million
D:E break up	The company only had domestic sale in the last year, though they have exported in the past
Company performance	Growth in sales – the growth in sales were almost 25 percent Capacity: Production ratio – 1:1 Gross and operating margins – On an average, gross margin is 7-8 percent. For some products it goes as high as 25 percent also Capital Expenditure plans on machinery (if any) - Nil Recent Mergers and Acquisitions – Nil
Manufacturing Capability	Total capacity – 75 MT / year (for the consumer division alone) Type of machines (type/ imported machine) – Injection molding machines (mostly the production is outsourced) Factory Area - 8 units all over India. [Main ones are Tarapur (Thane), Pondicherry, Faridabad, Pithampur (M.P.), Gurgaon (Haryana), & Wagle Ind. (Thane)]. Work force – between 900 – 1000 (including the administration) Note: this is for the whole group and not for consumer division alone. Production costs – 65 percent of the total costs Technology developments – Information technology is used for tracking different business processes like sales and distribution.

Marketing and Distribution	Total sales force - 30 Offices and Warehouses – 5 sales offices and ware houses along with them Overseas marketing/ distribution alliances - Nil Specific IT implementations for enabling sales and distribution related functions – The company has developed in-house computer software to track different operations like production / sales / distribution and retail network.
Pricing	Components in pricing for domestic and export products • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Flexibility in pricing – medium (depends upon the quantity and clients)

Source: Frost & Sullivan

NATIONAL PEN AND PLASTICS INDUSTRIES (EOU OF FLAIR PENS)

Plot no. 2, Shed no. 1, Udyog Nagar,
S.V. Road, Goregaon (W),
Mumbai -62, India.
www.flairpens.com

Type of Company	Manufacturer and exporter of writing instruments (This is an EOU of Flair writing instruments)
Products and brands manufactured	Products : writing instruments like plastic pens, metallic pens, mechanical pencils Brands: Flair, Pierre Cardin, Flair Sporty, Pentel, Land Mark
Sales Turnover, Rs 2002	
D:E break up	
Company performance	Total sales – Rs. 210 million Growth in sales – (only exports – almost 50 percent) Capacity: Production ratio – 1:0.7 Gross and operating margins – Gross margin is 7-15 percent depending upon the product Capital Expenditure plans on machinery (if any)- nil Recent Mergers and Acquisitions – nil
Manufacturing Capability	Total capacity – 25 million pieces /year No of machines – 53 molding machines and 3 gel refill assembly machines Type of machines (type/ imported machine) – High precision equipments imported from Japan, Germany, and Switzerland. Other IMMs from India. Factory – 5 factories (in Mumbai Silvassa and Daman) Work force – 1500 workers (including the administration staff) Production costs – 75 percent of the total costs Technology developments – Usage of thigh precision equipments for manufacturing

Marketing and Distribution	Total sales force – For this unit, there is an export manager who coordinates the entire operation. For local market, they have 10 sales officers. Offices and Warehouses – One warehouse in Mumbai besides the factory storages Overseas marketing/ distribution alliances – 1. Marketing alliance with Pierre Cardin (France) for the Subcontinent market. 2. Have marketing and distribution alliances in the middle east and Far east markets for tapping exports in those regions Job work assignments from international companies – Manufacturing writing instruments for Pierre Cardin (France). Caters to their domestic as well as export market. Specific IT implementations for enabling sales and distribution related functions - nil
Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Margins offered to different parties in the value chain - amounting to 10-15 percent of the total cost Flexibility in pricing – moderate (depends upon the order and the client)

Source: Frost & Sullivan

SUPREME INDUSTRIES LIMITED

17/18 Shah industrial Estate,
Veera Desai Road,
Andheri (West),
Mumbai – 400053.
www.supremeplastics.com

Type of Company	Manufacturer of industrial and engineering products, and consumer plastic products
Products and brands manufactured	Products - Industrial and engineering products, storage and material crates, molded furniture, house ware, PVC Pipes and fitting systems, packaging film, BOPP film, cross laminated film and products, multilayer sheets, protective packaging products, disposable containers, calendared PVC rigid film and sheeting, PP Mats, and petrochemicals Brand – Supreme - umbrella brand name
Sales Turnover, Rs 2002	Rs. 13000 million (of the entire group)
D:E break up	Rs. 120 million (for kitchen ware, house hold ware and molded furniture)
Company performance	Growth in sales – 20 percent for the last three years (of the group) Capacity: Production ratio – 1:0.9 Gross and operating margins – 4-5 percent Capital Expenditure plans on machinery (if any) – Major investment of Rs. 200 million for EPS and HIPS disposable products plants in Goa. Joint venture with Huntsman Chemical corporation, USA Recent Mergers and Acquisitions – Joint venture with Huntsman Chemical corporation, Partnerships with Rasmussen Polymers Development AG, Switzerland, and Klockner Pentaplast GmbH, Germany for machinery manufacturing

Manufacturing Capability	Total capacity – 80,000 tons per annum (for the entire group) Around 4000 tons for the House ware, Kitchen ware and molded furniture Type of machines (type/ imported machine) • Injection molding machines of the capacities of 130 T – 2250 T • Extrusion machines for PVC pipes and fittings and packaging films • Blow molding machines • Blow film processing The group owns a company by the name of Klockner Pentaplast limited, which deals in manufacturing of plastic processing machineries Factory Area – Existing factories in Mumbai, Calcutta, Daman, Hosur, Jalgaon, Khopoli, Malanpur, Noida, Pondicherry, Talegaon, Taloja. The unit for House ware, furniture, and Kitchen ware is in Vapi Work force – 1600 (including the administration staff) around 250 for the house ware, furniture, and kitchen ware unit Technology developments – Recent introduction of an IMM with larger capacity of 2250 tons. The R& D and technology centre at Mumbai with comprehensive tool rooms for innovation and up-gradation for all the in-house products. Process efficiencies: The company works with a total quality control mindset with online quality monitoring systems for the entire manufacturing process. The unit in Mumbai was the first ISO 9002 certified plastic industry in India.
Marketing and Distribution	Top 3 export markets if any – Gulf (Saudi Arabia, Kuwait and Oman), Europe (UK, Belgium, Holland), and Canada Offices and Warehouses – in 8 locations (metros and cities) Overseas marketing/ distribution alliances – Marketing and distribution alliances in Gulf and Europe Specific IT implementations for enabling sales and distribution related
Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins Gross and net margin for the company Flexibility in pricing - Medium

KISAN CREST -GAURAV AGRO PLAST LTD - A KISAN GROUP COMPANY

Tex centre, 'K' Wing, 26- A Chandivli Road,
Off. Saki Vihar Road, Andheri (E)
Mumbai 400 072. India
www.kisangroup.com

Type of Company	Manufacturers of plastic molded furniture
Products and brands manufactured	Products – Chairs, Tables, Stools, teapoys, Baby chairs , Bins and crates Brand – Kisan
Sales Turnover, Rs 2002	Rs. 150 million
D:E break up	No exports
Company performance	Growth in sales – 10 percent Capacity: Production ratio – 1:0.7 Gross and operating margins – 70 percent (inclusive of raw materials and labor) Capital Expenditure plans on machinery (if any) – not for consumer division but may go for Processors and Window Profiling machines. Recent Mergers and Acquisitions – nil
Manufacturing Capability	Total capacity – 30,000 tpa (for all the divisions) Type of machines (type/ imported machine) – Kisan uses – Injection molding machines, Blow molding machines and extrusion machines (This is for the entire group) Factory Area – 11 units in Silvassa, Tarapur, Roha, and Pritampur Work force – Around 1000 (500 in production, 125 for the sales rest into administration) Production costs – 70 percent Technology developments- nil Process efficiencies – IT implementation to a great extent in all the business processes like Mini ERP for MIS

Marketing and Distribution	Total sales force – 125 Offices and Warehouses – seven offices and warehouses Overseas marketing/ distribution alliances - nil Specific IT implementations for enabling sales and distribution related functions MIS and IT network for sales and distribution
Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Flexibility in pricing - Medium

Source: Frost & Sullivan

Asian Advertisers

D-71, Road No. 16, MIDC,
Andheri (East)
Mumbai- 400043.
www.asian-group.com

Type of Company	Manufacturer and exporter of household articles and kitchen ware
Products and brands manufactured	Products – keep warm containers, Jugs and other household articles Brand – Asian
Sales Turnover, Rs 2002	Rs. 65 million
D:E break up	0.61:1
Company performance	Growth in sales – 15 percent in local market and 20 percent in exports Capacity: Production ratio – 1:0.55 Gross and operating margins – 7-8 percent on an average (2-3 percent net margins) Capital Expenditure plans on machinery (if any) - nil Recent Mergers and Acquisitions – nil
Manufacturing Capability	Total capacity – 440 tpa No of machines – 10 Type of machines (type/ imported machine) Imported machines – 4, Indian – 6 total =10 (cost Rs. 80 lakhs) Factory – 3 units in Daman Work force – 75 Production costs – 70
Marketing and Distribution	Total sales force – operates through distribution networks Offices and Warehouses – one in India Overseas marketing/ distribution alliances – 1. 30 indenting houses in various parts of the globe who have a marketing alliance with Asian Advertisers 2. We have marketing alliance in the UAE. Specific IT implementations for enabling sales and distribution related functions - DUN & BRADSTREET database for import of plastic products in USA.

Pricing	Components in pricing for domestic and export products • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Margins offered to different parties in the value chain: The margins offered to distribution networks and dealers amount to 28 percent of the price of the product Flexibility in pricing - moderate

Source: Frost & Sullivan

LINC PENS AND PLASTICS LIMITED

Satyam towers
3, Alipore Road,
Kolkotta - 700 027.
INDIA.
www.lincpen.com

Type of Company	Manufacturer and exporter of writing instruments
Products and brands manufactured	Products – Pens (metallic and plastic), markers, Gum stik pens, pencils, Glitter pencils, Erasers Brands – Linc, Mitsubishi, Uniball, Bensia
Sales Turnover, Rs 2002	Rs. 582.1 million
D:E break up	14:1
Company performance	Growth in sales – 12 percent annual growth Gross and operating margins – 9.5 percent for the year 2002 Capital Expenditure plans on machinery (if any) – Plans to increase capacity as per the increase in demand Recent Mergers and Acquisitions - Nil
Manufacturing Capability	Type of machines (type/ imported machine) – Imported as well as Indian machines. Injection molding machines from Germany and South Korea Factory – 2 units in Goa and Kolkotta Work force – 250 Production costs – 75 percent of the total costs
Marketing and Distribution	Total sales force - 30 Offices and Warehouses – one sales office in Calcutta and one ware house in Howrah Overseas marketing/ distribution alliances – Marketing and distribution tie-ups with Mitsubishi Pencil co. Japan and Bensia, Taiwan for manufacturing and selling their products in the local market. Key factors influencing export decisions Specific IT implementations for enabling sales and distribution related functions – Website have been a major medium for advertising and selling of the products. This has been an effective tool especially during the promotion of products in trade fairs and exhibitions in the local as well as international market.

Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Flexibility in pricing - Moderate

Source: Frost & Sullivan

Add pens limited

Business Park, 6th Floor,
Chincholi Naka, S.V Road,
Malad (West), Mumbai.
www.addpens.com

Type of Company	Manufacturer and exporter of writing instruments
Products and brands manufactured	Products – Gel and refill Pens (metallic and plastic), Markers, roller pens Brands – Add
Sales Turnover, Rs 2002	Rs. 1370 million
D:E break up	45:1
Company performance	Capital Expenditure plans on machinery (if any) - nil Recent Mergers and Acquisitions - nil
Manufacturing Capability	Type of machines (type/ imported machine) – Injection molding machines (local as well as imported) In Umergaon plant, all the machinery used is of Japanese make. Factory Area – 5 units over all but the major production plant is in Umergaon, Gujarat and Daman Work force – 200 workers including the administration and the sales staff Technology developments – The company has been achieved an ISO 9000 certification. The injection molding machines are computerized for precision control. The manufacturing is done with the help of Japanese technology.
Marketing and Distribution	Offices and Warehouses – one sales office in Mumbai. Overseas marketing/ distribution alliances – Distribution and marketing alliances with importers in all the exporting countries. Specific IT implementations for enabling sales and distribution related functions – Nil
Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Flexibility in pricing - medium

Source: Frost & Sullivan

FANCY FITTINGS LIMITED

259/145, Minerva Industrial Estate,
2nd floor, Sewri Bunder road,
Sewri (East),
Mumbai – 15.
www.fancyfittings.com

Type of Company	The company offers high standard accessories used for bags & luggage. Fancy produces wide range of plastic fasteners & buckles for the automobile, home appliances, travel wear, sportswear, garments and shoe industries.
Products and brands manufactured	Luggage Fittings - Buckles/Hooks, Locks/Clamps, Handle/Puller, Trolley (Pulling Handle), Studs/Straps, etc Shoe fittings and saddle fittings
Sales Turnover, Rs 2002	Rs. 120 million
D:E break up	5:1
Company performance	Gross and operating margins – 10-12 percent gross Capital Expenditure plans on machinery (if any) – not at present. Current investment - USD one million Recent Mergers and Acquisitions – nil
Manufacturing Capability	Total capacity – around 4000 tons Type of machines (type/ imported machine) and numbers: Injection molding machines – 25 of capacities ranging from 50T – 600T Blow molding machines - 1 Dry color mixing machines - 3 Factory Area – Daman – 3000 sq.ft (2 units) Work force – 200 Technology developments – Quality control and quality assurance are the core functions. Process efficiencies – CNC panels installed on most of the machines

Marketing and Distribution	Total sales force – 5 personnel and an manager Offices and Warehouses – 3 Mumbai, Delhi and an overseas office in Durban, south Africa Overseas marketing/ distribution alliances – Distribution alliance for the North American markets – Bruce Plastics Inc. Pittsburgh, PA. Specific IT implementations for enabling sales and distribution related functions – In order to have better business coordination, the offices are networked by software named Interlink. Business transactions through emails are also encouraged.
Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Flexibility in pricing - reasonable

Source: Frost & Sullivan

CHAMPS .COM CORPORATION

121/123, Modi Street,
Fort, Mumbai -400 001
India

Type of Company	Manufacturer and exporters of soft luggage Exports writing instruments, tableware and kitchen ware also.
Products and brands manufactured	Products – soft luggage, executive briefcases, Handbags – executive and household, school bags, Trays – PP files and folders White boards and notice boards, Plastic stencils and rulers and other packaging utilities Brand – Champs
Sales Turnover, Rs 2002	-
D:E break up	-
Company performance	Growth in sales – Exports are showing a growth of almost 25 percent Capacity: Production ratio – not available Gross and operating margins – 7-15 percent (industry average) Capital Expenditure plans on machinery (if any) - nil Recent Mergers and Acquisitions - nil
Manufacturing Capability	Total capacity – Not available Type of machines (type/ imported machine) – • Molding Machines. • Stitching Machines. • Double stitching. • Welding machines. Factory – 2 units in Sewri, Mumbai Work force – 25-30 Technology developments - nil Process efficiencies – nil

Marketing and Distribution	Offices and Warehouses - one in Fort, Mumbai Overseas marketing/ distribution alliances – Marketing and distribution alliances in Middle east. • Farookh International – Dubai • Alta-kafa - Doha Specific IT implementations for enabling sales and distribution related functions – nil
Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Flexibility in pricing - moderate

Source: Frost & Sullivan

ALKON PLASTICS PRIVATE LIMITED

29-AB, Govt. industrial Estate,
Kandivali,
Mumbai – 400 067
India

Type of Company	Manufacturer of office and household storage systems
Products and brands manufactured	Products – Modular system, multi system/data binders, multimedia organizers, paper trays, floppy / zip/ CD boxes, super system / use all boxes, material handling bins, etc.
Sales Turnover, Rs 2002	Rs. 24 .6 million
D:E break up	3:1
Company performance	Growth in sales – 10-12 percent Gross and operating margins – 10-15 percent (gross) Capital Expenditure plans on machinery (if any) - nil Recent Mergers and Acquisitions - nil
Manufacturing Capability	No of machines – 6 Type of machines (type/ imported machine) – Local make machines from DGP Windsor and SM plast Factory – one unit Work force – 25 people Technology developments - nil Process efficiencies -nil
Marketing and Distribution	Total sales force – 5 Offices and Warehouses – one office and warehouse in the factory Overseas marketing/ distribution alliances - nil Job work assignments from international companies - nil Specific IT implementations for enabling sales and distribution related functions - nil

Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Flexibility in pricing - moderate

Source: Frost & Sullivan

MANGIRISH PLASTICS

218/ 5, Ashirwad,
Ram Mandir Road,
Goregaon (w),
Mumbai – 104,
India

Type of Company	Manufacturer of Household articles
Products and brands manufactured	Products – Plastic household articles like round containers, Packaging boxes, Dispensers etc
Sales Turnover, Rs 2002	Not available
D:E break up	No exports till date
Company performance	Top 3 products – • Round Containers • Packaging boxes • Dispensers Sales of top 3 export products if any – no exports Growth in sales – Company started last year Capacity: Production ratio – 1.67:1 Gross and operating margins – gross margin - 8-15 percent depending on the product Capital Expenditure plans on machinery (if any) – not at present Recent Mergers and Acquisitions – nil
Manufacturing Capability	Total capacity – 150 tons /year No of machines – 4 Type of machines (type/ imported machine) – Injection molding machines Factory - 2 units Work force – • Technical – 2 numbers • Supervisors – 4 • Workers - 20 Production costs and efficiencies – 85 percent of the total costs Technology developments – nil Process efficiencies - nil

Marketing and Distribution	Sales in top 3 export markets if any – no exports Total sales force - nil Offices and Warehouses – Operations from the factory, ware house attached Overseas marketing/ distribution alliances - nil Specific IT implementations for enabling sales and distribution related functions - nil
Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Margins offered to different parties in the value chain – 10 percent to the dealer and the distribution network Flexibility in pricing - moderate

Source: Frost & Sullivan

RELIABLE PEN MARKERS

17, Mungekar Industrial Estate,
Building No.4 off. Aarey Road,
Goregaon (East)
Mumbai- 400 063
www.reliablepen.com

Type of Company	Manufacturer of writing instruments
Products and brands manufactured	Products – Ball-point Pens and refills, Markers Brand – Armour, Reliable
Sales Turnover, Rs 2002	Rs. 30 million
D:E break up	2.5:1
Company performance	Top 3 products – • Plastic Pens(extruded) • Refills (Plastics) • Refills (Metallic) Growth in sales – Domestic 10 percent , Exports – 20 percent Capacity: Production ratio – 1:0.75 Gross and operating margins – • 12-15 percent gross – domestic market • 14 percent – drawback from the Govt. Export scheme (no margin here) Capital Expenditure plans on machinery (if any) - nil Recent Mergers and Acquisitions – nil
Manufacturing Capability	Total capacity – Not available No of machines - 2 Type of machines (type/ imported machine) – Injection molding machines (local make) Factory – 2 (in Goregaon, Mumbai, and Vasai) Work force – 40 (including administration) Production costs– 75 percent Technology developments - nil Process efficiencies - nil

Marketing and Distribution	Total sales force – 6 (2 in exports) Offices and Warehouses – Sales offices one in Mumbai and two warehouses along with the factory Overseas marketing/ distribution alliances - nil Specific IT implementations for enabling sales and distribution related functions – Use of software for inventory maintenance, accounting and sales tracking.
Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Margins offered to different parties in the value chain – 7-10 percent. Retailer has a margin of 20-50 percent. Flexibility in pricing – moderate

Source: Frost & Sullivan

TOKYOPLAST

Tokyo House, 9/49, Marol Co-Op.,
Industrial Estate, M.V. Road,
Sakinaka, Andheri (E),
Mumbai, Maharashtra,
India.
www.tokyoplast.com

Type of Company	manufacturers and exporters of thermo ware, kitchen ware, house ware, toys and general merchandise items
Products and brands manufactured	Thermo ware, Kitchen ware, House ware, Toys and General Merchandise items Brand – Tokyoplast
Sales Turnover, Rs 2002	Rs. 300 million
D:E break up	1:4
Company performance	Growth in sales – 20 percent Capacity: Production ratio – 1:0.8 Gross and operating margins – 10-15 percent depending upon the products Capital Expenditure plans on machinery (if any) - nil Recent Mergers and Acquisitions – nil
Manufacturing Capability	Total capacity – 5000 tons per annum No of machines - 30 Type of machines (type/ imported machine) • Injection molding machines – 25 • Blow molding machines Factory – 2 units in Daman Work force- 350 people in production Technology developments – Emphasis on technology and innovativeness
Marketing and Distribution	Top three export markets – US, Europe (Germany and France) and Africa Offices and Warehouses – Two sales offices and ware house in Daman Specific IT implementations for enabling sales and distribution related functions – nil

Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins Flexibility in pricing – moderate

Source: Frost & Sullivan

ANMOL EXPORTS

219/2, New Sonal Link Industrial Estate,
Opp. Movie time Cinema, Link Road ,
Malad (west),
Mumbai – 400 064.
India

Type of Company	Manufacturer and exporter of kitchen ware and table ware products
Products and brands manufactured	Products – Thermo ware Brand - Toto
Sales Turnover, Rs 2003	Rs. 19.2 million
D:E break up	1.04:1
Company performance	Top three products – Casseroles, Twin plates, Daawat, Chef Deluxe Set Growth in sales – Inception in June 2002 Capacity: Production ratio – 1:1 Gross and operating margins – 7 percent gross Capital Expenditure plans on machinery (if any) – nil Recent Mergers and Acquisitions – nil
Manufacturing Capability	No of machines – 6 IMM Type of machines (type/ imported machine) -Injection molding machines (local) Factory Area- Vasai, 5000 sq.ft. Work force – 45 (inclusive of the administration staff) Technology developments – nil
Marketing and Distribution	Sales in top 3 export markets if any – Saudi Arabia and Africa Total sales force - 10 Offices and Warehouses – 2 sales offices. Ware house with the factory Overseas marketing/ distribution alliances - nil Specific IT implementations for enabling sales and distribution related functions – nil

Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins Flexibility in pricing – medium depending upon the order and the client

Source: Frost & Sullivan

SUNSHINE PRODUCTS

25/1, Narayana Mudali Street,
Chennai – 600 079.
India

Type of Company	Manufacturers of household articles, molded furniture, and kitchenware and tableware
Products and brands manufactured	Household articles like buckets, mugs, trays, glasses, plates etc. Brand – sunshine
Sales Turnover, Rs 2002	Rs. 15 million
D:E break up	Domestic – Rs. 15 million Exports started only this year
Company performance	Growth in sales – 15 percent Capacity: Production ratio – 1:0.85 Gross and operating margins – Gross margins – 15 – 20 percent Capital Expenditure plans on machinery (if any) – Rs. 25 million Recent Mergers and Acquisitions – Nil
Manufacturing Capability	Total capacity – 500 tons per annum Type of machines (type/ imported machine) – local machines Factory – One factory in Chennai Work force – 40 workers and 10 administration staff Technology developments – nil Process efficiencies – nil
Marketing and Distribution	Top export markets if any – UAE and Sri Lanka Total sales force – 6 sales officers Offices and Warehouses – one (sales office and warehouse) in Chennai Overseas marketing/ distribution alliances - nil Specific IT implementations for enabling sales and distribution related functions – nil

Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Flexibility in pricing – low

Source: Frost & Sullivan

Family Plastics and Thermo ware

Plot No. 54, Industrial Development Plot,
Monvila, Kulathoor P.O.
Thiruvananthapuram-695 583,
Kerala
www.familyplastics.com

Type of Company	Manufacturers of Household and kitchenware articles. Recent operations in molded furniture also
Products and brands manufactured	Products – Air tight containers, Daily household articles, dinner set, spoons, etc. Also manufactures furniture like chairs, tables, stools and baby chairs. Brand – Family
Sales Turnover, Rs 2002	Rs. 120 million
D:E break up	4:1
Company performance	Growth in sales – 30 percent in the domestic market and almost 100 percent in exports (The company has recently started exporting their products) Capacity: Production ratio – 1:1 Gross and operating margins – Gross margins for local market is 15 percent and for export market is 7-8 percent Capital Expenditure plans on machinery (if any) - nil Recent Mergers and Acquisitions - nil
Manufacturing Capability	Total capacity – Plastic processing capacity of 2500 tpa Machines and factory investments - Rs. 2500 million till date Type of machines (type/ imported machine) – Indian Injection molding machines (DGP) Factory – One in Thiruvananthapuram Work force – 160 (inclusive of the administration staff) Production costs and efficiencies – 65 percent (inclusive of raw material and other costs) Technology developments - nil Process efficiencies - nil

Marketing and Distribution	Total sales force – 5 sales people along with a manager and one export manager Offices and Warehouses – 2 sales offices in Kerala and Tamil Nadu (warehouses attached) Overseas marketing/ distribution alliances – Distribution and marketing alliances mainly in Gulf (UAE) Specific IT implementations for enabling sales and distribution related functions - nil
Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Flexibility in pricing – Moderate

Source: Frost & Sullivan

GALA BRUSH LIMITED

Hindustan Kohinoor Industrial Complex,
Gr. Flr., Opp. MTNL GM's Office,
LBS Marg, Vikroli (W),
Mumbai – 83.
www.gala-brush.com

Type of Company	Manufactures and sells all types of brushes for household applications. Sells in export market also.
Products and brands manufactured	Products – Household brushes but not personal care products Brands – Gala brushes in the domestic market
Sales Turnover, Rs 2002	Rs. 110 million
D:E break up	0.96:1
Company performance	Growth in sales – 7-10 percent Capacity: Production ratio – 1:1 Gross and operating margins – 25 percent in exports, 35 percent in local market Capital Expenditure plans on machinery (if any) – Plans to increase capacity by 10 percent. This is for introducing some new products as well as old products Recent Mergers and Acquisitions – nil
Manufacturing Capability	Total capacity – 6 lakh pieces per year. Plastic processing capacity of 5000 tons per year Type of machines (type/ imported machine) – Injection molding machines with CNC panels for precision and control (Italian make) Total investment – Rs. 25 million Factory - 2 units in Asangaon and Anand (Gujarat) Work force – 36 in production alone Production costs – 65 percent (inclusive of raw material and labor) Technology developments - nil Process efficiencies-nil

Marketing and Distribution	Total sales force – 75 Offices and Warehouses – 25 offices with store houses. One independent go down Overseas marketing/ distribution alliances – Yes in most of the export markets. Specific IT implementations for enabling sales and distribution related functions – Nil
Pricing	Components in pricing for domestic and export products – • Raw Material cost • Manufacturing cost • Labor cost • Sales and Marketing cost • Transportation cost • Other overheads and dealer margins • Gross and net margin for the company Flexibility in pricing – moderate

Source: Frost & Sullivan

Chapter 11

Strategic Recommendations- road map for improving export competitiveness

The market opportunity for exports of Plastic consumer products to USA is immense. The exposure of US markets to imports is expected to increase by 10-12% CAGR in the next three years. However imports have been severely hit in 2002 attributable primarily to the terrorist attacks on September 11, 2001. With regulations and customs clearance becoming stricter, most of the major buyers have been worried about not getting timely shipments from the Asian region. In addition, the US economy has had one of its worst years in recent times and consumer spending has been adversely hit. Consumers are calculative about their expenditures and go for value driven purchases.

This could provide a great opportunity for imported products in 2003. One of the major indicators of this trend has been the raising number of Discount stores and the decrease in the volume of business of departmental stores.

While the opportunity definitely exists, Indian manufacturers face an uphill task in increasing the export competitiveness and to successfully tap the US market for plastic consumer products. This chapter covers issues that Indian manufacturers need to address for successfully exporting the US.

The study on the US markets revealed that awareness of India as a reliable and cost effective source of plastic consumer goods is the most important restraint for exports from India. This issue needs to be addressed at two levels:

At the Country-Industry Level where associations need to organize periodic road shows for showcasing India as an alternative for sourcing plastic products

At the Product category-Company level: Leading manufacturers of individual product categories need to work in cohesion by forming cartels to target the US markets.

The possibility of forming cartels is dependent on the ability and willingness of companies operating in the same product-markets to leverage on synergies and target potential markets as a consortium instead of approaching the markets individually.

The formation of cartels would increase the competitive advantage in the following ways:

5. Increasing awareness of India as a sourcing base by way of projecting a uniform image during trade fairs and exhibitions, which are the primary avenues for business development

6. Offering a wider product basket for distributors to ensure a higher level of distributor interest and subsequently an increase in the bargaining power

7. Reducing the cost of transportation and still maintaining the ability to meet delivery commitments by combining shipments

8. Eliminating price undercutting and ensuring uniformity in commercial aspects

9. Bettering order fulfillment by way of increased capacities for fast moving products

10. Sharing investments in R&D and technology for upgrading manufacturing capabilities.

Ability to score high on all these parameters has been one of the key success factors behind China's immense competitive export advantage. This study on Indian manufacturers reveals that the level of willingness to work in synergy is different across different products categories. The possibility of forming cartels and the competitive advantage that would be provided in the short and long term for different product categories is tabulated below.

Figure 11.1

Competitive advantage from Cartel Formation

Categories	Short-Term (2-3 years)	Long-Term (greater than 3 years)
Molded Luggage	Low	Low
Molded Furniture	Medium	Low
Writing Instruments	High	Medium
Kitchenware, table ware and personal care products	High	High

Source: Frost and Sullivan

The competitive advantage for forming cartels has been evaluated based on the following parameters:

1. Manufacturing synergies

2. Marketing Synergies

3. Financial Synergies

4. Logistics synergies

The willingness of companies for leveraging synergies on the above parameters is tabulated below:

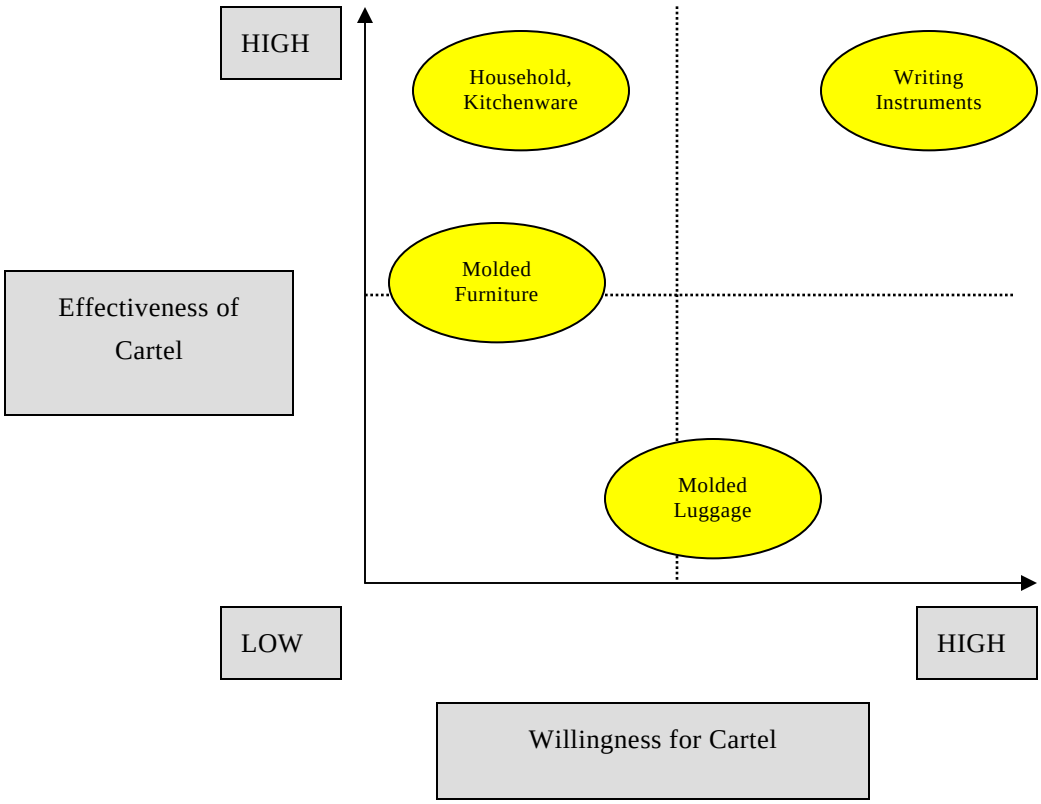
Figure 11.2

Willingness for Cartel Formation

Categories	Willingness for cartels			
	Manufacturing	Marketing	Financial	Logistics
Molded Luggage	✓	X	X	✓
Molded Furniture	X	X	X	✓
Writing Instruments	✓	✓	X	✓
Kitchenware, table ware	X	X	X	✓
Personal care products	X	X	X	✓

Source: Frost and Sullivan

Recommendations for cartel formation would depend on a mix of willingness and effectiveness of this strategy for improving export competitiveness. The matrix below depicts the findings.



The above matrix reveals that writing instruments category has the highest benefits of cartel formation and the willingness among major players is also high. While the effectiveness for forming cartels to cater to the household and kitchenware categories are high, primary research reveals that the market is fragmented and players are not as willing, to leverage synergies in addressing the export markets.

Molded luggage and molded furniture are not expected to benefit as much as the other categories from forming cartels.

Recommendations for manufacturing:

The level of investments in down stream processing is much lower in India as compared to investments in the upstream processes like polymer manufacturing. Companies manufacturing finished products need to make substantial investments in expanding their capacities and upgrading their manufacturing capabilities to service the US markets successfully. Investments in R & D would be

critical for certain plastic products like writing instruments and food containers where design plays a key role in purchase decisions.

Maintaining consistency in product quality is another key parameter for servicing the US markets. Large companies with higher investment capabilities need to adopt advanced technologies like gas-assisted and injection compression molding to ensure consistent product superiority.

Indian companies also need to effectively leverage information technology (IT), besides modernization of tool making and machinery to make the industry more competitive to cater to the US markets.

Indian Consumer Plstic Industry - Manufacturers having a Potential to be Competitive in the Export Markets

Figure 11.3

Product Segment	Companies
Molded Furniture	Large size – Nilkamal Furniture, Supreme Furniture, National Plastics, Prince Plastics International Limited, Maniyar Plastics, Prima Plastics Medium size – Kisan Group, Choice Polyplast, My plast, Decoplast Industries, Family Plastics, Relacs Furniture
Plastic Luggage	Large size – VIP Industries, Samsonite Corporation, Universal Luggage Medium size – Viva Global, , Encore luggage, Chawla Bag house, Nikkei Impex, Champs.com Corporation, Asiatic commercial Corporation
Writing Instruments	Large size – Reynolds India, Luxor writing Instruments, Cello writing Instruments, Add Pens, Flair Pens (National), Linc Pens, Rotomac Pens, Todays writing Products limited, global Writing Instruments Medium size – Pointec Pens Private limited, Ostern Engineering Private Limited, Plastometal, Prestige writing tips, Jyoti Pens and Plastics
Household ware and Kitchen ware	Large size – Eagle Thermoware, Milton Plastics, Prince Plastics, Cello Thermo ware, Tokyoplast, Nirmal Polyplast Medium size – Gala Plastics, Family Thermoware, Jyothi Plastics, Prima plastics, Arham plastics, Babubhai Enterprises

Plastic Personal Care Products	Large size – Colgate-Palmolive, Hindustan Lever Limited, SmithKline Beecham, Gillette India Limited (Contract manufacturers – Schiffer Menezes, UTV brushes and bristlers, Sunehari Exports) Medium Size - Crystal plastics and metallizing private limited, B.T. Plastics and Allied Industries, Stallone Overseas Pvt. Ltd., Royal Enterprises, Bonny products private limited Small size - Joshi Plastic Industries, Bombay commercial company, Sapphire Exports, Brush Solution, Gala brushes, Dolly Plastics Private Limited

Source: Frost & Sullivan