

Case Study: Packaging Industry



Background

Rexam HTW Beverage Can (India) LTD is the leading 2pc beverage can maker in the Indian subcontinent. The company is a joint venture between Rexam PLC of UK & Hindustan Tin Works Ltd (HTW). The first 2pc beverage can project broke ground in October 2005 by Hindustan Tin Works Ltd and later on October 14th 2006 REXAM, the world leader in consumer packaging bought 51% of the company resulting into the formulation of this joint venture. This plant has started to replace the currently imported Aluminum cans. The capacity of the current line for 33cl only is 400 million units. The JV has been set up with the objective to locally manufacture DWI (Draw – Wall – Ironed) Beverage Cans for the Indian sub continent and meet any other customer demands using the wide REXAM & HTW portfolio. The two companies have joined forces taking a long term view of the market and wish to create awareness of the REXAM HTW brand and make REXAM HTW perceived as the leading and preferred beverage can supplier in the India subcontinent.

Key Challenges

- To be known as the leading can manufacturer in the market supplying to reputable high profile clients in food and beverage sector
- Positioning in media as the sector is not written about regularly
- Less awareness of the brand Rexam HTW in media
- Understanding the technicalities of the sector and be able to convey to media

Communication Objectives

- Position Rexam HTW and Hindustan Tin as leaders in food and beverage can manufacturing
- Promote Rexam HTW's initiative with regard to environment and increase awareness that cans are sustainable packages
- Positioning as an authority for related stories on the sector with media

Strategy & Key Initiatives

- Regular feed to media on the developments at Rexam HTW
- Familiarization meetings for the spokespersons hereby educating media on the technicalities of the sector from a layman's perspective
- Plant visits for media
- Interactive events
- Participation in industry events for networking and visibility

Special Projects

- **NDTV Greenathon**
 - An environment friendly initiative by NDTV and participation from the big-wigs from the corporate world. Positioning of Rexam HTW in the programme helped in the overall visibility of the brand
- **UTVi budget special**
 - Rexam HTW was positioned as one of the lead panelists on the budget special show with emphasis on expectation in the manufacturing sector
- **BevCan School**
 - Support was garnered by Rexam HTW clients and media in terms of understanding the can packaging sector and related areas

Key Initiatives - Corporate

- Launch story
- Profiling story
- Cover Story
- Industry story

Selected Media Coverage

Can do: beer sees highs in large cans

Anita Sharan
Mumbai, March 4

THE CAN is cool for urban youth, be it beer or cola. And a can maker is talking high growth amid a slump in the economy.

Ask Pepsi, whose MyCan initiative has caught youth fancy quickly, or Kingfisher, which is offering beer in 330 and 500 ml cans in larger numbers to conquer a market historically viewed in terms of 750 ml bottles.

"Canned beer used to account for just about 2 per cent of our total beer volumes three years ago. Today, that's gone up to 16 per cent and in five years, I see it growing to about 20 per cent," said Kalyan Ganguly, president, United Breweries, which owns the market-leading Kingfisher brand.

UB has just placed its first order for India-made 500-ml cans from Rexam HTW, an Indo-UK joint venture which is already supplying 330 ml cans to soft drink and beer makers. Rexam, now making in India the cans it earlier imported from its Turkish plant, is set to close with a Rs100-crore revenue figure in 2008-09.

Sanjay Bhatia, managing director, Rexam HTW, said, "By buying cans made in India, drinks manufacturers gain at least a 10 per cent advantage on cost on both 330 and 500 ml sizes. We saw how quickly can demand was growing and decided to invest in its manufacture, first in the 330 ml size and now in 500 ml size too. In 2005, overall demand for cans was around 50 to 60 million units. Last year, the demand was 400 million units."

Kingfisher expects to close fiscal 2008-09 with 330 million cases of beer sold, of which 10 million cases would have been in cans. "Going by the trend, in the next fiscal, we expect 20-25 per cent growth in canned beer," he said.

He said 500 ml cans could prove to be cheaper in terms of unit consumption, blending value-for-money pull with urban cool.

YES, WE CAN

- By buying cans made in India, manufacturers stand to gain a 10% cost advantage in both 330 and 500 ml cans.
- Kingfisher expects to close fiscal 2008-09 with 330 million cases of beer sold, of which 10 million cases would have been in cans.





Beyond the boardroom

■ Anand Paul doesn't want to rest on the laurels of his father, Swag. Paul, and is keen to carve out his distinct identity

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By Incentivation

■ Rahul Sharma of Shakti Technologies gives a preview of smart business ideas for the future

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Interview

■ "A lot of research is happening in recycling of metal packaging," says Sanjay Bhatia, MD, Hindustan Tin Works

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INTERVIEW ■ SANJAY BHATIA, MD, HINDUSTAN TIN WORKS LIMITED

'A lot of research is happening in recycling of metal packaging'

Hindustan Tin Works (HTW) is a leader in metal packaging and has been meeting the requirements of products and companies like Lactogen, Cerber, Berridge, Tata Coffee, Aarav Foods and Gherry Bhatnagar. The company has a joint venture with Aarav, which is a leading global consumer packaging company and the largest beverage can maker in the world. Sanjay Bhatia, MD, HTW, outlines the growth prospects of the can business in India and the company's growth plans. In an exclusive interview with FTI, Sanjay Bhatia, shares:



What are the growth prospects for the tin packaging sector?

Tin packaging industry in India is around \$1,35,000 crore, of which metal packaging accounts for around \$1,00,000 crore. The total size of the industry is around 4 lakh tonnes, which is the consumption of raw materials like tin plates. These raw materials constitute part of the steel industry because the base is of steel like HR coil and CR coil. These are transformed into 50 gm to 15-gm cans. Apart from tin containers, there are other metal products like the cans, which are used on bottles.

What is the growth driver for the industry?

Overall, the industry is growing at around 2%-3%. When we talk about growth, it is in the beverage can segment which has gone up significantly. In 2005 the market size of beverage cans was 50 million cans per annum and this year we will be closing at 250 million cans and next year it would be around 400 million cans. In India, only we make beverage cans and the rest is imported.

Why don't we have competition in the domestic market?

It is a highly capital intensive sector and unless there is a demand, plant operation is not very feasible. There is one plant that is opening up every year and there we would have some competition

The raw materials like tin plates are completely imported, the work the dollar lowering at around \$1.61, it is definitely not lucrative to import. For beverage cans, the sector imports 20% of its requirements. In food cans, around 40% is imported and import duties play a very important role in it.

Will the recent duty cut help the sector?

The 4% reduction in GST will reduce the excise duty. Upon duty was introduced to give protection to the domestic market and it is still high. We are trying to bring this price to the government's notice that this particular segment is large part of the import market. This sector contributes less than 1% of the total steel production in the country

and that will hardly affect steel production here.

In the last couple of months the steel price has come down from its peak. How will it benefit the packaging sector?

It will benefit the users, but unfortunately price of tin plates hasn't dropped and companies are not seeing the price downward. Prices of alternative packaging are coming down and it will adversely impact the tin packaging industry in the country.

How will the government's focus on food processing help packaging sector?

We see growth in the processed food industry as the government is serious about creating agri-export zones and

food processing zones. There are a lot of big kind companies, which are coming in and would set up base here. I would say that since India has abundant raw materials like fruits and vegetables, there is a huge potential for processed food from India. Multinational companies should join hands with local players to build up mode. That will help the entire packaging industry in the country. On the beverage side, various types of products will drive growth of packaging like soft-based products and non-carbonated drinks.

What are the environmental benefits associated with metal packaging?

As far as the packaging industry is concerned, it is really environment friendly. The tin plates and cans after they are by consumers are melted and recycled, essentially and it is converted into steel again.

What about R&D? Is any innovation taking place in this sector?

We are gradually working on reduction of weight and make it lightweight. This will reduce waste and save energy. We are also working on various shapes of cans, which would be popular with the younger generation. It would help save materials of waste and shape as they have given up mostly in the last few months.

Is the industry working on any energy conservation mechanism?

Definitely, a lot of research is happening in conserving energy for metal packaging. A lot of research is happening in recycling of metal packaging products. In fact, metal packaging is cost effective compared to glass or plastic. Even at industrial level, metal packaged products are more effective as they don't have the plastic or glass bottles and save energy.

What are your future plans?

Some products, new markets and increasing capacities are our future plans.

CAMPAIGN

MARKETING & ADVERTISING MANAGEMENT & STRATEGY

GOING STRONG

Slowdown? Not for FMCG sector

While a price hike was the first line of defence in a bid to protect margins, cost-cutting, a judicious product mix and new launches helped consumer goods firms buck the downturn

By Vinay Kulkarni
Senior Editor

A time when the economic and industry sectors such as auto, textiles, aviation and financial services are seeing their gloomiest downturn, the consumer goods sector in India has managed to buck the trend with some companies posting double-digit growth in net profits in the first half of fiscal 2009 thanks to healthy sales. Led by consumer goods company Bhartiya Detergent Ltd. in Q3, which reported net sales of Rs.2,263.24 crore in April-September, the sector averaged a massive growth of 17.20% in the first half of 2009-10, although the volume growth was a bit slow.

According to research firm IC Nielsen, the total consumer goods market in India during the same quarter was estimated at Rs.2,354.22 crore, a growth of 13.8% over the same period last year. In the second quarter ended September, the market was estimated

at Rs.2,081.75 crore, registering a growth of 18.6% over the same period a year ago. The industry is expected to grow to Rs.61,164 crore by the end of fiscal 2009, up from Rs.41,170 crore in the last fiscal, a growth of 48%, says the Federation of Indian Chambers of Commerce and Industry, or FICCI.

These growth figures were, however, not easy to achieve. The sector faced the heat of rising prices of essential commodities and trade off during the first quarter of 2009-10. Price hikes were the first line of defence in the battle to protect margins. Most consumer goods companies lifted prices by 8-10% during the first half of the fiscal.

Large and developer brands saw a considerable increase in prices as the cost of raw materials went up substantially. F&B, which markets a range of personal and home care products that include various price points, announced prices by at least 10% on various brands. "Consumer spending is slow but we have managed to grow. We have expanded volume growth in a high inflationary environment and offset that with input through aggressive cost management and judicious pricing," states

Menon, chairman, F&B, and after the company announced its September quarter results.

F&B clocked a 16% increase in net profit for that quarter at Rs.40.82 crore against Rs.35.11 crore in the same quarter a year ago. The company's net sales increased by 13.7% at Rs.4,863.87 crore, up from Rs.4,284.01 crore. "Net sales of bakery and dairy products under Britannia Industries Ltd increased 22.3% and net profit increased by 10.0% in the July-September quarter compared with the same period last year. Britannia had increased the prices of its products in certain categories by 3-7%. "Our growth has come from a healthy mix of underlying volume growth, price increases and improved product mix," says Pooja Chandra, vice-president, sales, marketing and operations, Britannia Industries.

Similarly, Marico Ltd lifted prices of its flagship hair oil brand Parachute by about 10%, while Unilever Ltd's products became dearer by 10-15%. "By taking the rising input cost, inflation and overall dollar in margins, most FMCG companies have achieved a weighted average price hike of 10-15% during the last six months across product categories," an October report by Mumbai-based brokerage Angel Broking Ltd said. "Categories such as soaps, cosmetics, food items, oil, coffee and dairy (products) will need treatment to rise." Finally, cost-cutting initiatives are helping companies to offset a portion of price hikes to better to protect their margins. "At

least economic environment, most companies work towards optimising inputs and financial and reducing its overheads. They also become cautious about the way they are going to market and targeting a specific consumer segment," says Jyoti Mishra, partner, retail and consumer products, Frost and Young India Ltd. Under GlaxoSmithKline Consumer Healthcare Ltd, which makes the health drinks, Hataka and over-the-counter products such as pain relievers Indin and Anadol. In, but in the last six to nine months undertakes cost-reduction programmes in areas such as packaging, raw material and other overhead costs. "If we would not have done all of these, our financial performance would have been poorer," says Shashidhar Son, vice president, marketing, GlaxoSmithKline.

In raw material cost-spurred, companies such as Nestle India Ltd and Dabur India Ltd reduced their operating programmes in January, changed raw materials. "Intelligent buying of raw materials is among the various initiatives undertaken by Dabur to increase efficiency and reduce cost of operations," says Anil Sharma, vice chairman, Dabur. "We do what is called for cost control, we focus on changing the raw material combinations such as glycerol, gum, sugar, etc. So, while we don't buy in bulk in the physical market, buying in futures exchange helps in protecting our margins."

"Many companies looked at cutting their direct operational costs. For instance, Double Happiness set up material handling to drive efficiency," says Angel Broking analyst Anand Chak. "As crude oil prices increased, we did the use of paper-based packaging materials. Consequently, firms started to look at innovation and come up with new packaging. "In case of metal cans being used by soft drinks companies and their cans, we started using this for plastic as compared to that of metal without compromising on performance, which effectively saves down packaging cost. Anil Mishra, vice president, business development, Buxton BVM Beverage Co (India) Ltd, "Takes a 1%

reduction in cost per can saves a bit of cost savings." According to Nielsen, around 200 million beverage cans are sold in India every year.

"Other ways of cost-cutting include technological tools to lower energy consumption and automation," he adds.

Besides tinkering with the packaging material, companies such as Englewood Polymers (India) Ltd, which makes seal caps and personal care products, kept expenses down by reducing its stock keeping units, or SKUs. On 17 July 2008, at the company's annual general meeting, Chairman Justice Bhat said shareholders that the company was bringing a series of steps to drive its strong sales and become more efficient. "The company is becoming more efficient by reducing the number of SKUs. A team has been formed to reduce SKUs by 15% and the management is confident this target will be achieved by the time we will face the deadline."

Consumer goods companies also worked on reducing logistics costs even as they tried to keep a control on inventory levels and ensure better supply chain management.

"The FMCG companies have started looking at logistics more seriously now. We keep getting queries from companies dealing in apparel, food and beverage and other FMCG items of reducing inventory costs," says Anandhar



US ENVIRONMENTAL POLICY

A cap-and-trade system is seen as the most likely scenario for limiting global warming instead of a carbon tax, say Kellogg School experts. >Page C3

EXPANDING OPERATIONS

India offers many opportunities in terms of product-line entry, says TAG Heuer's Jean-Christophe Babin, allaying fears about a decline in luxury goods consumption. >Page C4



Driving growth: Anandilal Datta (top left), Nitish Chandra, VP, sales, marketing and innovation, Bihwanar; Mihir Senapaty, chief, HR and strategy, Maviva; and Anil Sharma, vice chairman, Dabur.

Single, chief executive officer, former Tropicana Subodh Lal, the signature sale of Tropicana. "Such, companies were following push-chain strategy which meant identifying up the distribution and having it to them to sell the products even when the demand was less. But now, firms are starting to follow demand-driven pull-chain."

Following this, Bihwanar (former Unilever) chief operating officer, leading Consumer Products Ltd, an ITC, says, "Cost-cutting for us is an ongoing process. We had a rethink in the supply chain management and modes of transport. Coupled with other initiatives, ITC is able to save around 10% from inventory without compromising on the quality."

Consumer goods companies are only reducing the weight of their products while maintaining the price points, says Anandilal Datta. "We re-engineered our products and placed the price point again. For instance, we introduced a big soap in 100 to cater to consumer segments. Otherwise, the same soap was 100 in customer for 100," says Anil Chugh, senior vice president, Wipro Consumer Care and Lighting, a division of Wipro Ltd.

"Initially, ITC-Celco India Ltd, which posted 10% growth in sales by volume during the September quarter, introduced a 100g 100% bottle for some of its major brands priced at 800, a move to reduce its profit margin.

Consumer goods firms not only reduced the weight of products, some also launched these in smaller sizes to drive volumes

"Small packs drive growth and increase penetration. Recently, we also launched a 100g pack for babies," says Chandra's team.

"We have moved away from symbolic or ceremonial steps which typically add-on. Companies focus on spreading value across segment. Instead, we have focused on making big sales runs and driving efficiency in them," says Mihir Senapaty, chief, human resources and strategy, Maviva. For instance, the company launched new variants of health drinks in Tufiya and Parachute.

Being open even internationally, Dabur companies focus on products to continue investing in advertising and promotion, he adds. In fact, stronger brands can grow their market share. "This year, ITC did not cut down. A&P spends and looked upward," says Anandilal. For sector analysts, consumer markets, Ho-

meopathic India, CPGs had up with actor Hrithik Roshan for the release of the limited edition, while ITC aimed to drive its core in promoting Harnad Fast Relief brand. According to Anil Datta, a division of T&A Media Research, the advertising expenditure of consumer goods sector grew by 10% in January-September 2008 compared with the same period in 2007. Fuel and leverage was the top category within this sector and 100, the No. 1 ad category.

A line of product innovation and variants also helped companies plug gaps in the consumer value chain and thereby increase turnover. ITC's 'Maviva' health care of Dabur's 'Brahmi' and 'Shylo' power factor have been in promotional portfolio targeting urban consumers, besides focusing on introducing more market brands such as 'Close-Up' toothpaste and 'Laxmi' shampoos. ITC's launched around 15-20 new products and variants, including Dabur's 'Ardor' deodorant and 'Ardor' shampoos. Dabur's better targeting popular price points, while ITC-LAR launched a range of personal care products under its new 'Viva' brand and Maviva entered the hair care segment against with 'Dabur'. "The current sentiment in the market is not likely to impact our positive plans. We will continue to expand our portfolio irrespective of the market right now, as it is beyond our control," says Anandilal, chief operating officer, ITC.

From the promotional funds segment had several new launches, with brands such-

ing Omega 3 with 'Nutra Vita Pro' (best for health and skin) launching under Functional Food for diabetes.

Along with these supply-side initiatives, the higher affluence in rural markets also helped the FMCG sector's expansion. Largely insulated from the economic downturn, good agricultural growth and government focus on these markets have led to higher disposable incomes in the hinterland. "In the last four consecutive years, rural India has been showing very positive growth. The per capita income is growing at a rate of 8% annually. Also, the non-urban market accounts for almost 50% of the total FMCG sales in India," says Ravi Shankar Sharma, senior advisor of National Council of Agricultural Extension Research.

Developing this, consumer goods companies, but, are stepping up their focus on advertising products aimed at the mass market. "Most of the companies have realized that rural India is where the growth is now. There are not only stepping up their distribution networks in smaller cities and villages, but are also focusing on launching smaller SKUs, and acting up special offers to cater to such markets," says Anandilal's team.

The second half of fiscal 2008 is expected to be better with additional support along with the entire state sponsored by the government to boost sales. It now remains to be seen how consumer goods companies are able to see from their advantage to and the rural with even higher returns.

HR TRENDS
Bleak prospects

Starting this week, Campaign looks at hiring trends in different sectors

The trends and advertising sector is witnessing a slowdown with the net employment decline of 20% in the first quarter of 2008 compared with 10% in the last quarter of 2007, says a report by Management Services India Pvt. Ltd. The report is based on responses of Indian executives in HR, trends in media buying, training, recruitment, operations, publications and advertising agencies, among others. The question posed was: "Are you going to increase headcount for the next quarter?" Out of 114 respondents surveyed, only 22% reported an intent to increase headcount.

EMPLOYMENT OUTLOOK FOR THE MEDIA AND ADVERTISING SECTOR

Decision: 52% (Increase 11%); Growth: 22% (No Change)



Region-wise responses: 100% (Increase 11%), 100% (No Change), 100% (Decrease)



Decision: 52% (Increase 11%); Growth: 22% (No Change)



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Rexam HTW launches 500ml beverage packaging cans

OUR BUREAU, MUMBAI

REXAM HTW, a joint venture between the UK-based Rexam Plc and Hindustan Tin Works Ltd (HTW), one of the leading beverage cans manufacturing companies in India, has launched first ever 500ml steel can for beverage packaging in the country. Kalyan Ganguly, president, United Breweries Ltd, officially unveiled the can which was depicted by a specially modelled 6 feet large can on the occasion.

In order to capture the growing demand of the 500ml can market, the company has decided to invest for this can size in addition to the 330ml cans. Sanjay Bhatia, managing director, Rexam HTW, said, "We are very excited about the launch of our 500ml can which marks a revolutionary advancement in the history of can making in India and we are proud to be a partner with United Breweries (UB) in this regard." The new 500ml cans will be useful to pack beer, carbonated and non-carbonated drinks.

"We will be exporting 500ml cans to ASEAN and SAARC markets and seek to attract processed fruits & vegetables,



milk and milk products, biscuits and confectionery manufacturers of the country," Bhatia added. The packaging sector is the 3rd largest business in the country with an expected market size of over Rs 60,000 crore and an annual demand of about 150 million cans.

Rexam HTW also signed a multi-crore supply contract for the supply of 330ml and 500ml cans. On signing the contract, Ganguly said, "I am pleased to launch the first 500ml can made in India. We look forward to working together to grow the canned beer market in India."

Atit Bhatia, vice-president for business development, said, "After an in-depth study on trends and requirement of can packaging business in the country we decided to manufacture

and supply the 2 pack sizes in 202 and 206 diameter to the user industry from its Taloja plant. The much awaited 500ml cans are now made in India."

According to reports, the per capita can consumption in India is about half can per year, compared to 359 in the US. India, China, Europe and Brazil are leading markets for can business in the world. "We will be supplying 500ml cans to UB Group and look forward to getting orders from our other business partners as well and work closely with the industry to grow the beverage can market in India," Bhatia added. Further, the venture anticipates that the Indian and Chinese can market will reach 2-7 billion and 20-30 billion cans per annum in the next 10 years.