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 form 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 10 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 Rs 100-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.

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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.

THE FINANCIAL EXPRESS

INDIA INC

Beyond the boardroom
■ Angad Paul doesn't want to rest on the laurels of his father, Swraj Paul, and is keen to carve out his distinct identity
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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, Cerelac, Everyday, Tata Coffee, Asian Paints and Cherry Blossom. The company has a joint venture with Rexam, 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 FE's* **Saikat Neogi**. *Excerpts:*

What are the growth prospects for the tin packaging sector?

Total packaging industry in India is around Rs 35,000 crore, of which metal packaging accounts for around Rs 3,000 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-kg canisters. Apart from tin containers, there are other metal products like closures, 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 2006 the market size of beverage cans was 50 million cans per annum and this year we will be closing at 350 million cans and next year it would be around 450 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 next year and then we would have some competition.

The raw materials like tin plates are completely imported. But with the dollar hovering at around Rs 50, it is definitely not lucrative to import. For beverage cans, the sector imports 100% 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 CENVAT will reduce the excise duty. Import duty was introduced to give protection to the domestic market and it is still high. We are trying to bring this point to the government's notice that this particular segment is kept out of the import duties. This sector constitutes less than 1% of the total steel production in the country and this 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 prices of tin plates hasn't dropped and companies are not revising the prices downwards. 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 food companies, which are eyeing India 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 scale. That will help the entire packaging industry in the country. On the beverage side, various types of products will drive growth of packaging like milk-based products and non-carbonated drinks.

What are the environmental hazards associated with metal packaging?

As far as the packaging industry is concerned, it is totally environment friendly. The tin plates and cans after the use by consumers are melted and recycled scientifically 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 rentals of malls and shops as they have gone up steeply in the last few months.

Is the industry working on any energy conservation mechanisms?

Globally, 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 retailers' level metal packaged products are cost effective as they chill faster than plastic or glass bottles and save energy.

What are your future plans?

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

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MARKETING&ADVERTISING MANAGEMENT&STRATEGY

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.
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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

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 downtrend

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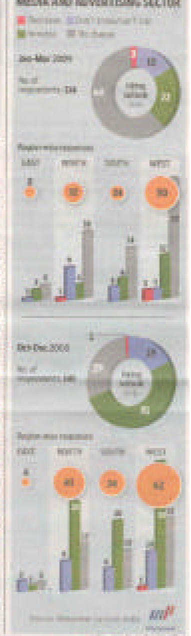
Consumer goods firms not only reduced the weight of products, some also launched these in smaller sizes to drive volumes

HR TRENDS

Bleak prospects

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

EMPLOYMENT OUTLOOK FOR THE MEDIA AND ADVERTISING SECTOR



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 apartner 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.