Packing a punch

Making optimum use of its expanded capacity is the principal objective for The Tinplate Company of India (TCIL) as it seeks to strengthen its market-leading position in India and consolidate its export earnings. Under threat from substitute packaging mediums and international competitors, TCIL has opted for extensive organisational change and financial prudence. Chief executive officer Tarun Daga speaks to Christabelle Noronha about how the company he heads has become leaner, livelier and more certain of its place in the packaging industry. »
Offering eco-friendly solutions for the packaging industry

**Flexibility and nimbleness have characterised TCIL’s growth story in recent times. How would you break down the benefits of these two attributes?**

Our strategy over the last 10 years has been to increase our scale of operations and this has been followed through in two ways. The first of these has been to eliminate the bottlenecks in our facilities; doing this has resulted in our capacity increasing from 90,000 tonnes a year to 180,000 tonnes. Once this was achieved, we put our minds to expanding our facilities, and this has been an ongoing programme.

A big advantage we have is our stability and continuity. The same set of people have been managing the show from the late 1990s and they have carried the company from one phase to the next. We have, of course, been helped by the many strategic interventions we made over this period.

As for flexibility and nimbleness, I would say we have been able to enhance our operating efficiencies while keeping a tight leash on our working capital.

**TCIL had some tough choices to make in the mid-1990s. What did it take to get the company back on track?**

By the end of 1999, we were working simultaneously on three fronts. First, we were preparing the final closure of the old facility and with this came the effort to downsize. Second, we were involved with making operational improvements. Third, we had begun a financial restructuring exercise. All of this had to be done at about the same time.

On the first of these points, I must emphasise the involvement of the union and its understanding that we needed to change, that we needed to take action. On the operational improvements front, besides what we did with our facility, we reached out to our customers. We had been in an ‘us-and-them’ kind of relationship with our customers up until then, and that changed. The financial restructuring was about securing more liquidity for the company as also reducing our interest burden.

We were, as a result of all this, able to meet our financial obligations, improve the way we operated and bring our workforce down from 5,000 to the 1,500-1,800 people we have now.

**TCIL’s profit for 2010-11 has been lower than it was for the previous financial year (from ₹670 million to ₹360 million), despite revenue being roughly the same for the two periods (about ₹8 billion).**

From 2009-10 to 2010-11, we had an overall scale of improvements of about 6 per cent, but our price realisation was slightly lower, which is why the revenue picture has remained the same. The rise in the input price of raw materials was such that we could not pass this on to our customers; this was a big cause for the deviation. We thought we would be able to generate additional volumes from the new project facilities that were to be set up, but these facilities did not come up during that period.

In the tinplate industry, like with many other business models, scale of operations is extremely important. That’s what we have been working on over the last decade; that’s the only way to ensure our bottom line remains healthy.
As the industry leader in the country, how deeply are TCIL’s fortunes tied to the India growth story, which has seen a dip of late?
The average yearly increase in tinplate consumption in India over the last five years has been 4-5 per cent; that’s not exactly in sync with the GDP increase that has happened, but there is a linkage.

Our business is centred on packaging; rather, we are a raw material supplier to the packaging industry, with the tinplate sheet being converted into cans. The world over, the packaging industry’s spend is normally in alignment with the GDP of any given country. What’s happening in India is that the substitutes to metal packaging are growing faster. That said, metal packaging has tremendous advantages because of its eco-friendliness and its ability to ensure that packaged food will not get spoiled due to penetration, as can happen with road conditions in India. But elsewhere, too, substitute materials enjoy a slightly better growth in comparison with metal, thanks mainly to the ‘shapeability’ factor.

What about TCIL’s sales and marketing initiatives?
Our endeavour in sales and marketing has been to get the industry together. Our immediate customers are fabricators of cans and improving our relationship with these customers has been an ongoing effort since the late 1990s, which was when we formed the Tinplate Promotion Council. From there on we have tried to move down, and then further down, the industry value chain. Our raw materials come from steel suppliers. What we manufacture goes to can fabricators, who in turn supply to brand owners, who then send their product to wholesalers and retailers, who are the final link to end consumers.

So we began with the fabricators and worked at enhancing our relationship with them. As we progressed we found that the decision-maker was the brand owner, who in turn is selling to end consumers. What we are doing now in terms of development work is engaging with consumers.

In sales we have followed a consistent strategy for a while now and this has translated into definitive domestic and international portfolios. Twelve years back, we were exporting 25 per cent of what we produced. We are doing pretty much the same today, the difference being that our volumes are much larger.

What are the challenges TCIL faces, in India and in the countries to which it exports, in terms of increased competition, regulatory requirements and market needs?
We have a 35-per cent share of the market in India and one big challenge is to deal with the competition from imports, which serve 55 per cent of this market. International companies in this space produce between 0.5 and 1 million tonnes a year (compared with TCIL’s 241,000 tonnes in 2010-11). That means we have to increase our scale of operations. The second challenge is connected to the growth of the industry in India and the consumption taking place here. The third is to get consumers to better understand metal packaging, tin cans and tinplate as a packaging medium.

What kind of advantages does TCIL have by way of its links with Tata Steel? Are you well placed to make the most of these advantages?
Having Tata Steel as a next-door supplier is perhaps our biggest advantage. In addition, having access to Tata Steel’s international spread helps us promote our business. They provide us their services and we can also count on their expertise in various operational areas, especially through the Netherlands-based Tata Steel Packaging.

We have invested money to reach an annual capacity of 380,000 tonnes as fast as possible. This has been possible due to, among other reasons, Tata Steel increasing its stake in TCIL from 32 per cent to 45 per cent to 61 per cent. That makes it all the more important to deliver on the faith reposed in us.