

Trailblazing with tin

In January 2010, The Tinplate Company of India (TCIL) celebrated its 90th birthday. It's been a long and hard journey for the pioneer of tinplate production in India. Today TCIL is India's industry leader with 35 per cent market share. It has the largest tinplate-making facility in South East and West Asia, and an export portfolio comprising 25-30 per cent of its products. In an interview with *Tata Review*, **Tarun Daga**, who took over as the managing director in June 2009, talks about the company's internal and external growth, and the vision and strategy for the future.

The recession has particularly impacted the steel industry and its related sectors. What were TCIL's experiences in 2008-09 and the aftermath?

In the run-up to the recessionary phase there was a lot of speculative buying; the meltdown led to the cycle of de-stocking at the buyers end in almost all industries. However, TCIL's flexible production runs ensured optimum capacity utilisation through small-lot supplies. Unlike its global peers, TCIL has always followed a short- to medium-term pricing strategy, which further helped in flexibility.

In the aftermath of the recession, three things happened. Firstly, buyers became more cautious and insisted on just-in-time deliveries. Secondly, customers, especially in non-food packaging end use in India, Europe and South East Asia, opted for new grades and cheaper products from China and Asia. And thirdly, credit facilities became scarce.



TCIL managing director Tarun Daga

What initiatives did the company undertake to maintain smooth operations? What were the major challenges?

TCIL had ongoing expansion projects to double its capacity to 380,000MT between 2006 and 2010. These projects were taken up in phases, with the tinning line (downstream phase) being commissioned in September 2008 and the cold-rolling mills complex (upstream phase) during 2008-10. While internal accruals helped to an extent, funding was a challenge and culminated in a rights issue in September 2009.

From an operating standpoint, the strategies and action plans continued to be the same. We continued to maintain exports as a significant portion of our business. Within the domestic market, we ensured spread in customer and product base.

The only area which had a greater focus than before was working capital and cash management. TCIL followed a tight credit policy during this phase with increasing securitisation and insurance coverage. There was a shift from 'made-to-stock' to 'made-to-order' inventory practice.

From a tinplate manufacturer, the company is moving into metal packaging solutions. What are the expectations from this strategy?

Till recently, packaging received little attention beyond being a storage, protection and transport function. However, of late, brand marketers have started using packaging as a differentiator, as a marketing strategy tool and a primary mechanism for branding. The changing role of packaging demands that TCIL interact with brand marketers to understand their changing needs. So we undertake research to understand consumer perceptions. The focus is to engage with brand owners on matters that go beyond discussing input raw material prices.

The company produces tinplate and tin-free steel for a range of sectors — food industry, electronics, manufacturing, etc. How has the company's product profile changed over the years?

Considering the small size of the Indian market and the company's need to increase scale to remain competitive, TCIL has followed a strategy of driving its export business. Within the small but growing Indian market, TCIL focuses on maintaining its presence in all product segments.

Globally, tinplate has maintained its competitiveness

with other packaging media through 'light-weighting', ie, making more number of cans per unit of tinplate consumed. Reductions in packaging and supply-chain costs have driven packaging weight reduction globally. Accordingly, TCIL has also reduced the average thickness of finished products by over 10 per cent in the past decade.

Exports form a big component of TCIL's turnover. Where do TCIL products go?

Exports form 25-30 per cent of TCIL's portfolio. Stringent quality control has elicited an increasing response from discerning global clients. TCIL tinplates are used for packaging a wide variety of processed foods (Italy, Thailand, etc), fish (Philippines, Indonesia, etc), confectionery and dairy products (Singapore, Malaysia, etc), and in beverage crowns (Africa). Our products also go into non-food applications such as paints, pesticides and lubricants (Sweden, UK, UAE, Oman, Iran, Turkey, Jordan, etc).

TCIL markets its products through its own team based out of Kolkata and through representative offices of Tata Steel and Tata Steel International overseas. The company is able to leverage customer knowledge from their extensive marketing and distribution network.

Was the export market impacted by the recession?

Yes, the export market was affected by the recession, especially in the EU and the Middle East. In both the regions, the end use sectors related to infrastructure industries such as paints and chemicals were badly affected due to the slow-down in construction activity. The demand from the food packaging industry was steady but was met mostly through de-stocking from high inventory levels. As a result, fresh demand for tinplate was low from these markets. However, most South East Asian buyers were active and followed quarterly buying cycles. As a conscious strategy, TCIL maintained its presence across a diverse set of countries and customers to mitigate the effects of the global slowdown.

The rise in food consumerism in India has led to a corresponding increase in demands for food packaging. How has this benefited TCIL?

The growth in the Indian economy has been complemented by a growth in retail and food consumerism, and has correspondingly impacted the packaging industry. Working households have now become the norm, which means more ready-to-eat foods. Shopping habits have also changed: from daily purchases from *kirana* stores to longer shelf-life products from supermarkets; from products sold loose to packaged products; from limited range and availability to unlimited range and available the year round.



The TCIL facility at Jamshedpur is one of the largest in Asia

TCIL has greatly benefited from the food consumerism revolution. It has responded by making available a vast array of products in different shapes, sizes and quantities.

Total tinplate consumption in India has increased from 300,000 tonnes to 460,000 tonnes in five years, but in terms of per capita consumption it is still abysmally low compared with global standards.

Has there been any innovation in the packaging industry in India?

There has been a lot of innovation in the Indian packaging industry — the tinplate two-piece beverage can, tetrapak for milk and juices, pet for fruit juices, etc, to name a few. There have been new designs in the shapes of cans and innovation in convenience features such as easy-open ends. Better surface properties of tinplate have allowed for striking graphics and images to be printed or embossed on the can.

What was the impact of the JRD QV award on the company? What role did TBEM play in helping to deal with the effects of the economic slowdown?

The tough economic situation in the late 1990s had impacted the morale of our people. The business excellence movement helped us to re-focus on strategies, processes and systems. In spite of the economic slowdown, TCIL did not change its strategic direction of pursuing its growth agenda based on future competitiveness and sustainability. On the procedural side, all performance indices were addressed towards ensuring effective working capital management.

The JRD QV in 2007 award instilled a sense of self-belief among our people that they could make a difference and that a positive change does indeed yield results. The award was also recognition of the robustness of the company's strategy followed since 1998. ●