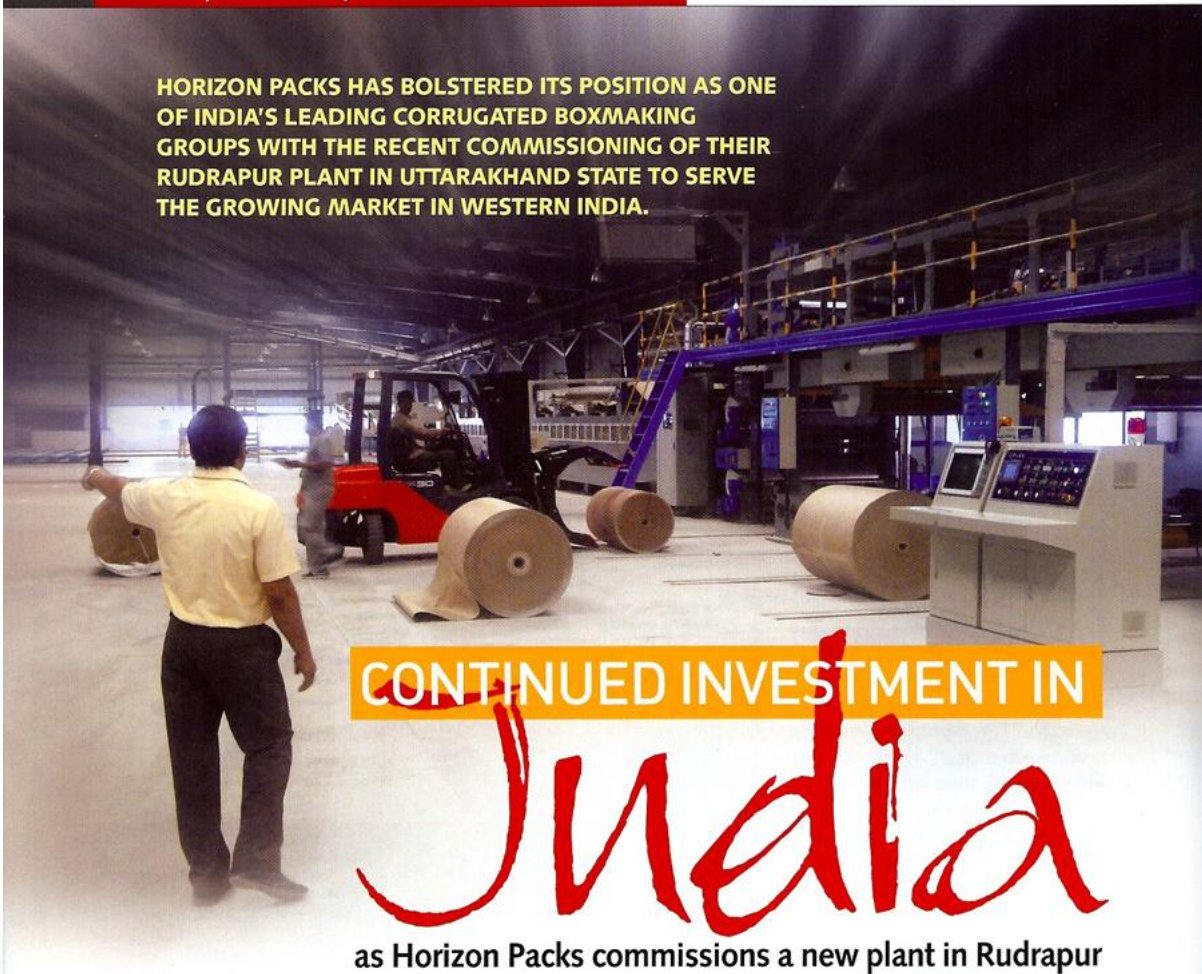


HORIZON PACKS HAS BOLSTERED ITS POSITION AS ONE OF INDIA'S LEADING CORRUGATED BOXMAKING GROUPS WITH THE RECENT COMMISSIONING OF THEIR RUDRAPUR PLANT IN UTTARAKHAND STATE TO SERVE THE GROWING MARKET IN WESTERN INDIA.



CONTINUED INVESTMENT IN

India

as Horizon Packs commissions a new plant in Rudrapur

A report by
David Hayes

It's the family-owned company's eleventh corrugated box plant — others are located in 10 different States and supply all the main regions of India.

A 1.8 metre corrugator imported from Hubei Jingshan of China was installed at the Rudrapur plant which started up in March this year. The line is designed to run at 200 metres per minute and produces both double and single wall board. Converting equipment installed at the new plant includes a 3-colour Dong Fang printer-slotter-rotary-die-cutter, a folder gluer from Oshitani of Japan and a refurbished Isowa casemaker.

"We are planning to produce 3,000 tonnes of board per month within one year — 80 per cent of

the plant's capacity — working a three shift day," explained Horizon Packs Managing Director, Kirit Modi. "All conversion is in-house and we employ 110 staff at Rudrapur."

The choice of Rudrapur for the company's latest investment follows the decision of several end-user customers to build new factories near the city, lured by attractive financial incentives to encourage industrial investment and support economic development in the area.

"We opened our Rudrapur plant because of government policy to offer benefits to investors in this region," Modi noted. "It was the same for our Baddi plant which we opened in 2006 to supply customers in New Delhi and northern India. Central government wants to promote growth in these areas — particularly for those manufacturers who produce fast moving consumer goods.

Horizon Packs
Managing Director,
Kirit Modi.





RUDRAPUR IS OUR LARGEST PLANT AND THE LARGEST CORRUGATED BOARD PLANT IN NORTHERN INDIA. IF WE LIMITED OUR DISTRIBUTION RADIUS TO 200KM THEN WE COULD NOT ACHIEVE FULL CAPACITY AT RADRAPUR," MODI SAID.

"Our customers moved to Rudrapur and we followed. The market for corrugated in this area only started about two years after tax incentives were announced. There was no market there before. Colgate, for example, now produces toothpaste in Baddi to distribute all over India."

The central government's national highways construction programme has resulted in considerable improvement in road transport in India during the past five years. Horizon Packs supplies customers within a 400km radius of the new Rudrapur plant while most of the

company's other corrugated boxplants supply clients within a 200km radius.

"We are delivering to clients within a 400km radius from Rudrapur to New Delhi, Noida and Faridabad," Modi said. "Rudrapur is our largest plant and the largest corrugated board plant in northern India. If we limited our distribution radius to 200km then we could not achieve full capacity at Radrapur."

Some 70 per cent of boxes produced in the Rudrapur plant are used to pack fast moving consumer goods while the balance is for packing TV sets and white goods including refrigerators. Food represent about one third of the fast moving consumer goods, while beverages (including cola drinks and mineral water) account for about 25 per cent.

Although Horizon Packs is keen to expand sales in Rudrapur, price competition is severe — and some market sectors are not profitable. "Beer is mostly in bottles but they go into cheap boxes — customers want the lowest possible quality at the lowest price," Modi noted. "We're not

going into that business with this new plant."

Most of the TV sets and white goods produced in the Rudrapur region are for the growing domestic market. Major white goods brands subcontract production to OEM manufacturers which have set up production facilities in the area. "The white goods are for markets in central and northern India while toiletries and other fast moving consumer goods produced in Rudrapur are distributed further," said Modi.

The new plant produces double wall board packaging for some white goods. Two or three colour printing is usually requested.

Single wall board, mostly C flute, is produced to pack fast moving consumer goods including toiletry products. "Clients appreciate the quality of packaging from our new plant. They can optimise their box specifications," Modi said. "We emphasise value added structural design, quality graphics and board specifications. Our boxes perform well in spite of poor local logistics (road conditions and cargo handling)."

Packaging for fast moving consumer goods are generally printed just one or two colours. However, Horizon Packs expects a trend to use more colourful graphics will develop in future. "The



market for multi colour printing will develop when organised retailing develops and people can see the packs displayed in shops," Modi said. "Once more supermarkets and hypermarkets come to India, our customers will want good display boxes. But right now, boxes are just for transporting goods."

Wide Spread

Until the Rudrapur plant opened, Horizon Packs' newest plant was the company's Chennai (formerly Madras) factory opened in 2008. The plant is equipped with a refurbished 1.6 metre corrugating line from Agnati of Italy. Converting equipment includes a 3-colour printer-slotter-rotary die-cutter from SR Pack of Shanghai. Working a three shift day, the Chennai plant is capable of producing 1,200 tonnes of corrugated board a month. Half of the output is double wall board, the other half is single wall.

Elsewhere in southern India, Horizon Packs' Poothurai plant near Pondichery in Tamil Nadu State was opened in 2007 and is equipped with a 1.6 metre corrugating line installed by Hubei Jingshan of China. Designed to operate at 100 metres per minute, the line is capable of producing 1,800 tonnes of corrugated board monthly. Converting equipment includes a 3-colour printer-slotter-die cutter and 2-colour printer slotter from



THE MARKET FOR MULTI COLOUR PRINTING WILL DEVELOP WHEN ORGANISED RETAILING DEVELOPS AND PEOPLE CAN SEE THE PACKS DISPLAYED IN SHOPS," MODI SAID. "ONCE MORE SUPERMARKETS AND HYPERMARKETS COME TO INDIA, OUR CUSTOMERS WILL WANT GOOD DISPLAY BOXES. BUT RIGHT NOW, BOXES ARE JUST FOR TRANSPORTING GOODS."

Dong Fang of China. Currently 70 per cent of the board produced is double wall.

"All our new machinery investment since 2006 has been planned to improve capacity and increase productivity," Modi commented. "Unlike most Indian boxmakers, we've selected Chinese, Taiwanese and Japanese equipment. As you go up the productivity and capacity ladder you pay more. We're happy where we are."

Horizon Packs' other corrugated boxplants are located in Baddi in Himachal Pradesh State, Kolkata (formerly Calcutta), Daman, Chhindwara, Khamgaon, Pondicherry and Bangalore. "We have a corrugator in most of our factories, except at Baddi, where we have two machines," Modi said.

Opened in 2005, the Baddi plant is equipped with two 1.6 metre width corrugators installed by Micro Mechanical Works of Mumbai. Both lines operate at 50 metres per minute and each is designed to produce 750 tonnes of board a month. Currently 60 per cent of the board produced is double wall. Plans call for the Baddi plant to be upgraded by the end of 2010 with one of the existing corrugating lines to be replaced by either a Chinese or Taiwanese 1.6 metre corrugator designed to operate at 120 metres per minute. "We're upgrading. We're going for higher speed and a better quality machine as we replace older machines," Modi remarked.

"The new corrugator capacity will be 2,000 tonnes per month, so the plant



capacity will increase to 2,750 tonnes per month. "We will see if the market supports two corrugators at Baddi, or else we will take out the remaining lower speed line to increase efficiency," says Modi. "We'll do it this year as a priority to ensure Baddi becomes more profitable."

Meanwhile, Modi noted that India's corrugated industry has been largely unaffected by the global economic downturn so far — due to robust domestic economic growth. "We focus on fast moving consumer goods. Those items are for every day use and are not affected by the global recession," Modi noted. "Generally there is no over capacity here in India for good quality corrugated packaging—but there is excess capacity of lower quality products."

Horizon Packs' Group sales grew strongly by 18 per cent last year and are expected to increase at an even faster rate in 2010. "We are forecasting a 40 per cent increase in sales this year," Modi

said. "The market here is growing by 10 per cent a year and we are capturing business from lower quality producers."

India's corrugated industry consists of mostly small and medium-sized companies. Domestic market conditions would suggest that the industry is ripe for consolidation, but this is unlikely — too many boxplants are family-owned enterprises and are reluctant to become involved in merger and acquisition activities.

"What will happen is a shake out of the industry," predicted Modi, "with small low quality producers eventually forced to close down. This process started to develop two years ago and is affecting the whole market as more modern boxplants come on stream, taking business away from some of the old and inefficient plants."

Horizon Packs is considered to be unique among India's corrugated boxmakers, owning a national network of

board plants. While looking to build more production facilities in future, the company now wants to build up operations at its newer and more modern plants before investing further. "Other producers have one or two plants in one city or one region. They don't have the geographical spread that we have," Modi said. "We'd like to consolidate our Rudrapur and Baddi operations, then look again at the market in 2011. We'll go to new locations in the east and western India as we already cover north and south India extensively."

"We're not yet considering an overseas plant investment. Our next step is to go public or to link with a foreign joint venture partner. We've not spoken to anyone yet, but we expect people to come and look. Some foreign investors missed out on the Chinese market and it will be cheaper for them to come here and look now, rather than wait until the market here has matured."

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