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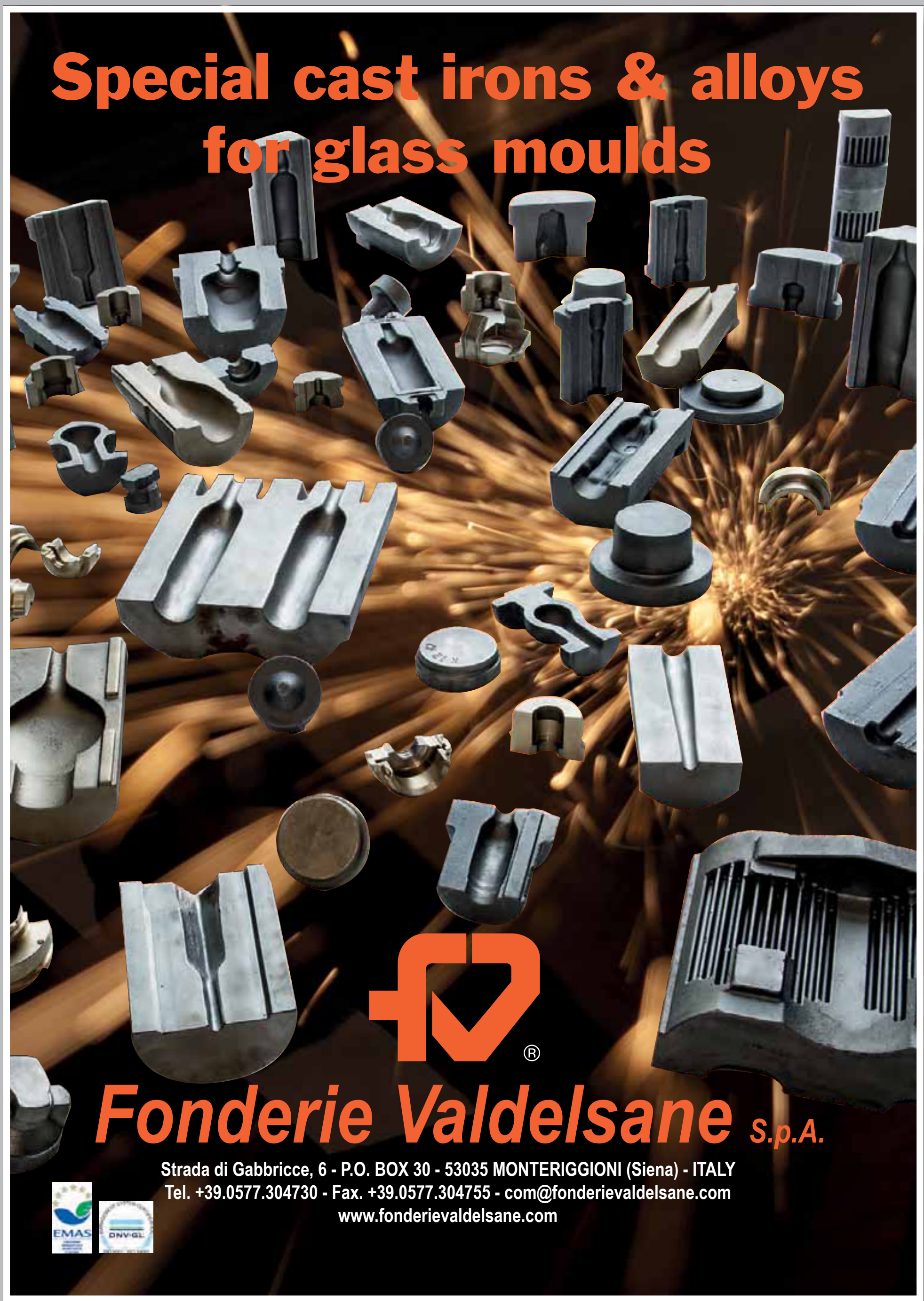

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BEATING THE STEREOTYPE

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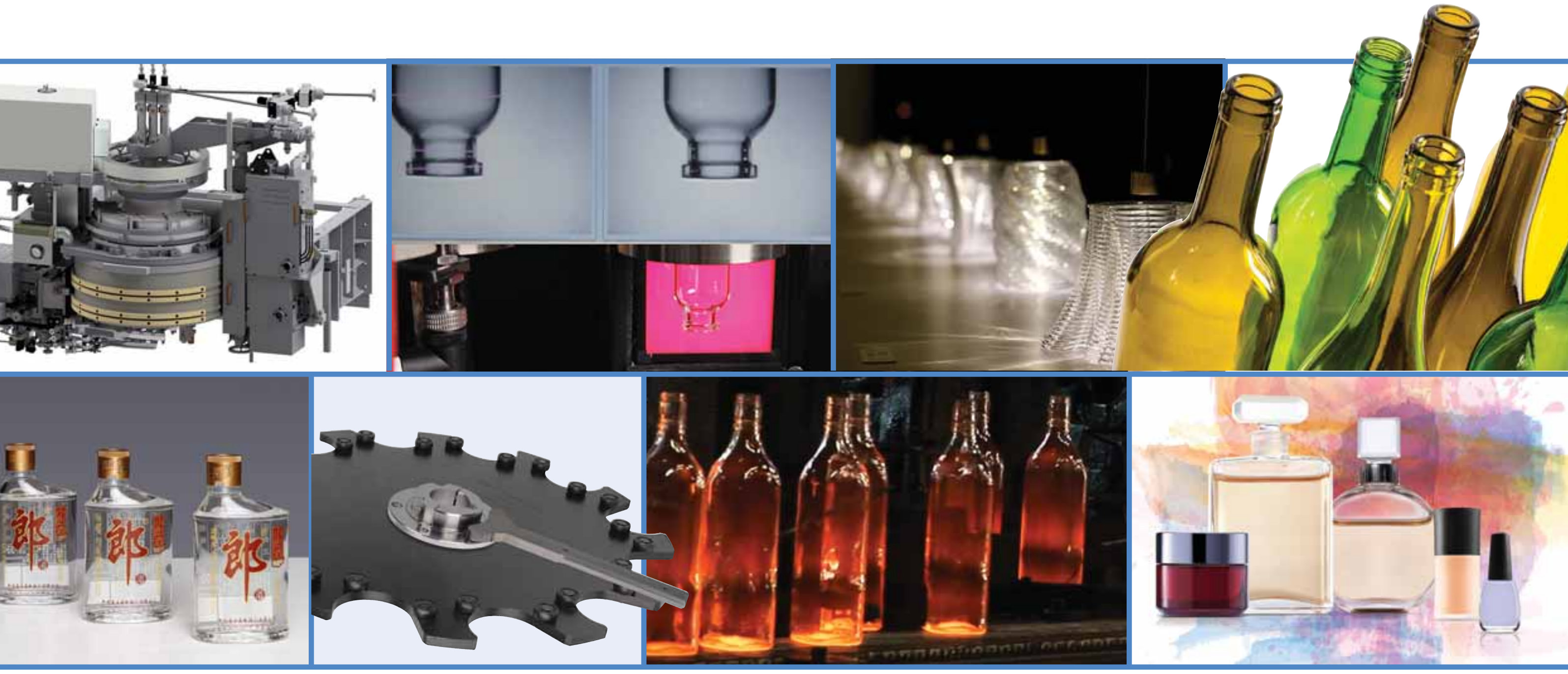

ARTICLES

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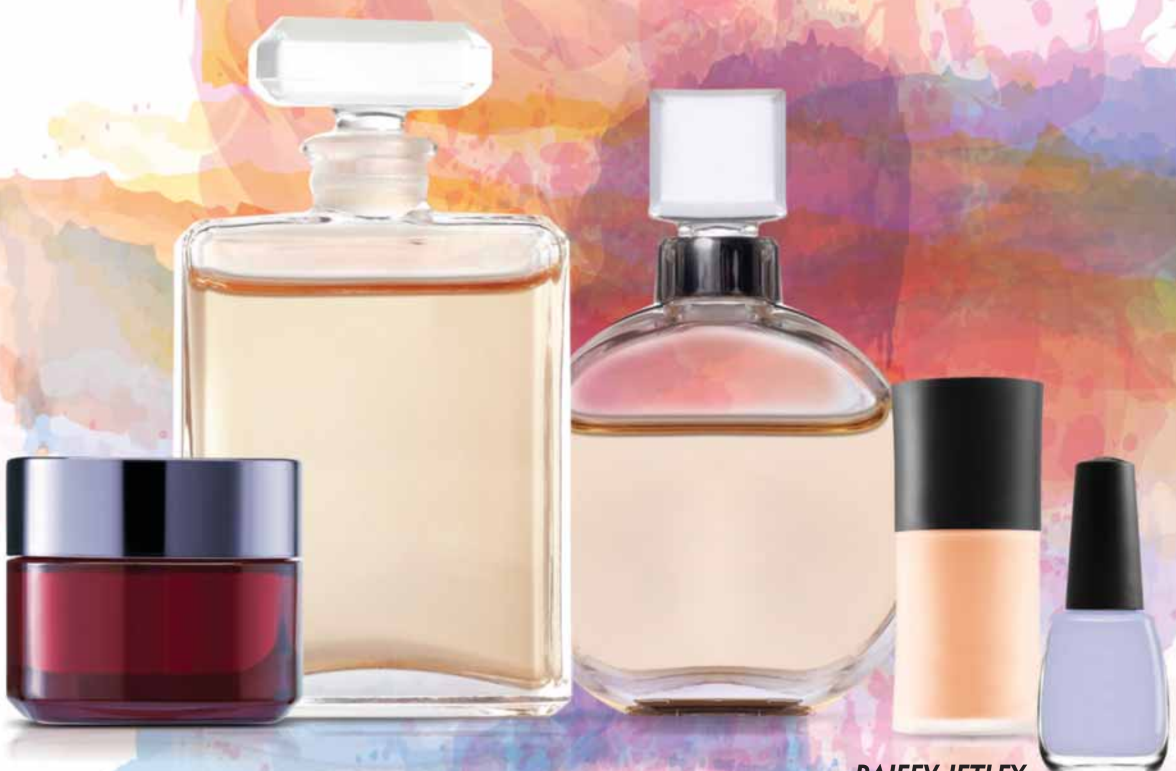
Interview

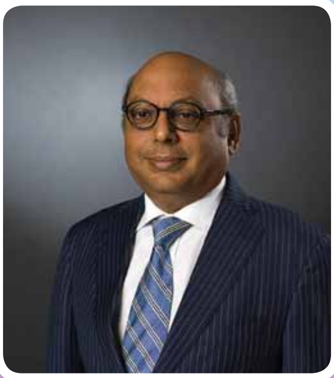
PIRAMAL GLASS

beating the stereotype



RAJEEV JETLEY

Indian Pharma and cosmetic glass bottle leader takes on the global luxury container glass giants.



Vijay Shah, Vice Chairman - Piramal Glass & Executive Director - Piramal Enterprises Ltd.

GMP&A: In your opinion, what would the approximate market (value or volume) of the global cosmetic glass packaging industry? What is your company's market share in this market?

Vijay Shah: The global cosmetic glass packaging industry is estimated to be around USD 2.25 billion as per value basis. Piramal Glass captures around 6-7 per cent of this market. The perfumery segment contributes around 80 per cent of the total cosmetic glass packaging industry and Piramal Glass captures around 4 per cent of this market. In the cosmetics segment (mainly nail polish), Piramal Glass is one of the largest players in the world and captures around 40 per cent of the market.

GMP&A: How much of your output from Indian and Sri

Lankan manufacturing plants goes to domestic markets? Which are some of your key export markets?

Vijay Shah: From our two manufacturing plants in India, in Kosamba and in Jambusar, around a quarter (25 per cent) of production goes to the Indian domestic market. And from our manufacturing plant in Sri Lanka, in Horana, around 60 per cent of production goes to the Sri Lankan domestic market. Our key export markets from India are Western Europe (France, Spain, Italy, and UK), Middle East (UAE, KSA), Brazil, and USA.

GMP&A: Chinese glass producers (both float and container glass producers) have been able to gain a huge share in export markets. What is their position in the perfumery & cosmetic glass market? Has their low cost manufacturing advantage affected your company's performance?

Vijay Shah: We would restrict our inputs on container glass producers, as we are only dealing in it. It's true that Chinese container glass producers are gradually gaining traction in the mass markets, but they are still not able to reach the standards required for premium or select markets. As per our estimates, around 85 per cent of the global cosmetic glass packaging market, by value, is controlled by the top 12 manufacturers, which doesn't have any Chinese container glass producer. The low cost manufacturing from Chinese container glass producers hasn't really affected us, as our focus is on customers and markets where we can provide higher value by leveraging our strong capabilities and quality standards. Our strong and long term customer base is also one of the key reason for our growth. We work closely with our customers through their product launch life-cycle to conceptualize, design, and produce personalized glass packaging solutions that exemplifies brand value, market requirements, and product concept. Today, we have 17 of the world's top 20 cosmetic companies as our customers and most of the top global players are part of our customer base across segments.

GMP&A: What are the key challenges for container glass producers in India?

Vijay Shah: The container glass industry in India is highly fragmented with the presence of a large number of small localized players and about 10 medium and large players. Many of these small manufacturers have small furnaces and lack specialized skills and expertise. The top three producers account for more than 80 per cent of the total installed capacity and the pool of experts.

Container glass packaging is a labour and specialized skill-intensive industry. Though the manufacturing process is fully automated, some of the critical functions still require the significant expertise of skilled and experienced professionals. Moreover, the increasing price of raw materials is a major challenge faced by Indian container glass producers in recent years.

GMP&A: You have your manufacturing presence in three different countries. How is container glass manufacturing different in these three countries?

Vijay Shah: We have our manufacturing presence in the USA, India, and Sri Lanka, with an overall capacity of 1,375 tons per day, with 12 furnaces and 55 production lines. Of these, India has nine furnaces, USA has two furnaces, and Sri Lanka has one furnace. All our manufacturing facilities provide similar best-in-class configuration in terms of technology, design, and layout to serve our global customer requirements. The cost of production in developing markets, such as India and Sri Lanka, where skilled manpower is cost-effective, is significantly lower than that of developed markets such as USA. From our key manufacturing facilities in India and Sri Lanka, we are able to produce glass at significantly lower costs. The majority of our Cosmetics & Perfumery container glass bottles

are produced from Indian manufacturing plants.

GMP&A: How important is glass manufacturing technology for container glass manufacturers?

Vijay Shah: Glass manufacturing technology is very important for container glass manufacturers. Though the basic glass-making concept hasn't changed over the years, the whole process has exponentially evolved through new innovation and incorporating modern technology and systems in place. On the other hand, with the rapidly changing external environment as a result of emerging technologies, ubiquitous devices, and millennials joining the workforce, many industries are getting disrupted. We are also quickly embracing this new paradigm and pioneering digital transformation and modern technology in the glass industry.

We are strongly focusing on executing our digital strategy to transform every aspect of our business, including people, processes, supply chain, and customer service to become a more agile organization. As part of our data-driven approach and overall Digital strategy, we have successfully implemented multiple digital initiatives, including a real-time plant monitoring system to improve production efficiency, voice recognition and a video analytics system to enhance productivity, as well as a real-time transportation tracking system to enable supply-chain visibility. In order to encourage innovation across the organization, we have rolled out an enterprise-wide innovation platform that enables crowd-sourcing of ideas from our employees and partners. We have gamified the complete end-to-end process, from idea generation to implementation. We have implemented a Digital Platform for Smart Manufacturing across our global locations, to increase efficiency, improve quality, and reduce energy consumption. This is a cloud-based, IoT-enabled platform for real-time monitoring. We are partnering with start-ups and academia to solve complex problems and enhance business efficiencies using disruptive technologies.

GMP&A: In Financial Year 2018, Cosmetic & Perfumery contributed around 37 per cent to your revenues, followed by pharmaceutical (40 per cent) and SF&B (24 per cent) segments. How has performance been in FY 2019?

Vijay Shah: Our Cosmetics and Perfumery segment contribute around 50 per cent to our revenue, followed by pharmaceutical segment that is around 30 percent, and specialty food & beverage segment is around 20 per cent.

GMP&A: Does your company have any expansion plans in the pipeline? If yes, could you share them with our readers?

Vijay Shah: We have recently invested around USD 85 million to modernize one of our premium perfume bottle furnace and our decoration facility in Kosamba, India. In addition, over the next two years, we are planning to invest over USD 70 million to further modernize and expand our manufacturing facilities.