



INTERNATIONAL Convention on Colorants - 2007



ABSTRACT

POTENTIAL OF INDIAN PIGMENT MANUFACTURERS

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There is an ancient Chinese proverb - "May you live in interesting times". China has definitely made life more interesting for pigment producers in India.

The Indian Pigment Industry has largely come up during the License regime protected by high import duties. Manufacturers focussed primarily in the domestic market as due to high protection, prices were better than exports which led smaller plants also to become feasible investments. This was also true for intermediates. Hence a lot of fragmented capacities came up in pigments and intermediates. But after the liberalization regime, the import duties came down and the licensing controls were also relaxed substantially. As a result, this changed the whole scenario and the pigment and intermediate manufacturers were exposed to global competition.

As the Chinese had huge intermediate capacity, they were able to offer many intermediates at very competitive prices, especially those based on Naphthalene. As a result, it was cheaper to buy rather than make and many plants were closed down. Another major change was the licensing controls had relaxed. Thus in some products like Phthalocyanine Green, prices were very high and huge capacities were added in the country, resulting in India having the highest Phthalocyanine Green capacity. Naturally it brought the prices crashing down.

In order to grow, one of the major business opportunities for the pigment manufacturers was exports, and this is where they started encountering Chinese competition. The Chinese were able to supply competitively first because of competitive prices of intermediates and secondly because of scale. The Indian pigment manufacturers started wondering how they were able to supply at prices which were at par or below the Indian pigment manufacturers variable costs. The Chinese pigments have not made an impact so far in India in a big way as they lack a distribution network. They are successful in Europe especially with OEM and big manufacturers in the inks and plastics area. Some of the big ink and plastic customers in India have already started looking at importing Chinese pigments. So this impact may now be felt. In fact, many other industries in India, especially the Dyes Industry and Pesticides Industry have felt the impact of Chinese manufacturers in a very big way mainly due to two reasons :

- Huge capacities of intermediates.
- Huge capacities of finished products resulting in economies of scale.

China has also deliberately stayed away from some areas where they do not have scale and intermediate capacities. For example, Phthalocyanine Green where they know India has a huge capacity and also huge capacity for its main raw materials Phthalic Anhydride, Urea, Aluminium Chloride and Crude Blue. But there are many areas where Indians neither have economies of scale in manufacturing nor are we integrated backwards in manufacturing intermediates. This is especially true of Azo pigments where China has huge capacities in some of the key intermediates especially in all Naphthalene based products like Beta Naphthol, Benzoic Acid and other Intermediates like C Acid. When we do not have this kind of business model, we still try to compete on price and may fail.

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He has been actively involved with Indian Chemical Manufacturers Association. He has been past Chairman of Dyes & Dye Intermediate Sub-Committee and Planning and Development & Exports Sub-Committee. He was also Chairman of the Western Region. He has been Past President of Rotary Club of Poona. He was also Chairman of the Foreign Trade Sub-Committee of Maratha Chamber of Commerce, Industries and Agriculture.



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Recently Prof. Michael Porter gave a talk on “Why do good Managers set bad Strategies”? He stressed that Managers get into trouble as they attempt to compete head on with other companies. What has to be different is the business model. These days the competition is from one business model with another business model.

In the European and American market, customers always want the best of both worlds, European quality pigment at Chinese prices - a very tall demand indeed. But the Indian pigment producer has the potential to come quite close to it and look at a different space than the Chinese manufacturers. For this, pigment producers should have a common vision and I appreciate the vision statement of Dyestuff Manufacturers of Association of India. Let us make the “Made in India” label a prestigious one. To achieve this the Pigment Manufacturers and Govt. Authorities have to work hand in hand.

The first step for the Indian pigment manufacturer is to build an image of being a world class manufacturer by focusing on the following :

- a) SHE
- b) Regulatory requirements
- c) Supply Chain & Logistics

We have the potential to do all this.

a) Safety Health and Environment : There are many big customers who like to visit the plants before they start a relationship and it is important that due attention is paid to Safety, Health & Environment. It is not enough to have an ISO 9000 certificate that has now become a bare minimum. One has to get ISO 14000 and OHSAS 18000. More importantly the systems have to be in place, not merely for the sake of certification but also for effective operations. This cannot be an area where compromises can be made.

b) There are new regulatory requirements such as REACH which are going to prove to be very challenging and expensive, but with our knowledge and technical capabilities we have the potential to meet these requirements. It will be helpful if the Govt. sets up several recognized laboratories in the country which will help in carrying out all the various tests at reasonable costs.

c) Supply Chain & Logistics : Global customers having plants in various countries are now demanding vendor managed inventory (VMI). They would like their ERP system to be directly linked with the suppliers ERP System, all with the objective of reducing the inventory and consequently the cost.

The second step for Indian Pigment Manufacturers is to decide what kind of products to focus on.

Obviously one space which we have to occupy is Phthalocyanine Green as we have the scale and the raw materials. Similarly another product for which the Indian pigment manufacturers have the potential is Phthalocyanine Blue. Here we do not have the scale but we have the raw materials and more importantly Crude Blue. In case of Azo Pigments, we neither have the scale in most of the cases nor the intermediates which are required or manufactured in a world scale plant. So one will obviously have to focus on the niches and speciality items. This requires a great deal of learning curve and experience. If the Azo industry has to really become competitive, then we have to look at the possibility of putting some world scale plants in some of the primary intermediates like Nitro Chloro Benzenes, Nitro Toluenes and Toluidines. The potential has already been proven by 3:3 Dichloro Benzidine manufacturers.

In case of High Performance Pigments, we neither have the scale nor the intermediates and the learning curve is very limited. This is one area which may look attractive but is also risky. Many pigment manufacturers are developing and investing in plants for High Performance Pigments. However, China is already becoming strong in this area and soon these will also become commodity items.

To summarize, the Indian pigment industry's strength has been technology and consistent quality. Its weakness has been cost structure due to non-availability of intermediates at competitive prices and economies of scale. There is an opportunity for the Indian pigment manufacturer to occupy space somewhere in between the European and Chinese spectrum. The threat is that Chinese are also looking at a similar strategy and hence speed and execution will become extremely important.