

MODERN PLASTICS



Print this page

World Tour

December 1, 2004

ETP base stymies India's growth

By Matthew Defosse

The plastics processing industry in India has grown at double-digit rates for much of the last 10 years, and some estimates say plastics demand there will trail only China and the U.S. by 2010. But without a solid base of domestic engineering thermoplastics compounders, Indian processors keen to use these materials will have to continue paying an import tariff of up to 20%, or stick to processing commodity polymers.

Bluntly stated, there are few independent engineering thermoplastics (ETP) compounders in India producing good quality compounds, explains Manish Minosha, an executive at color and additive masterbatch supplier Rajiv Plastics Industries (Mumbai).

Minosha blames the lack of suitable compounds on poor equipment, with many compounders unwilling to invest in twin-screw extruders. Competition is based solely on price, he argues, not added value; charges for compounding averages less than €0.25/kg, he says.

At packaging processor Jitsan Corp. (Mumbai), director Jitendra Sanghvi also laments the lack of compounders. And of the ones available domestically, he says, "The R&D is very poor...Those [processors] who want particular compounds have to import."

Minosha's firm uses top-of-the-line twin-screw compound extruders from German and Japanese manufacturers, he says, and often fields requests to supply not just masterbatches but also complete engineering thermoplastics compounds. But, he adds, processors want quality on the cheap and expect Rajiv to match the prices of the smaller compounders. "Customers want world-class products at very low prices," he notes. For this reason, even firms such as his, with the necessary infrastructure, are reluctant to enter the compounding market.

Someone has to, though, as India's processors are being pushed to move beyond simply processing plastics packaging for the domestic market toward parts production for the country's fast-growing automotive industry.

"I think the automotive industry will drive the Indian plastics industry forward," says Lalit Shah, managing director at Plastemart (also Mumbai), an Internet-based platform for plastics information, consulting services, back-office operations, and sales.

Shah knows the market; he started and ran a cable extrusion plant selling into the automotive market, but sold that to found Plastemart. He sees a tremendous push in the country to increase the use of plastics in cars; currently it is about half the nearly 130 kg/vehicle of cars made elsewhere. And even as the amount of plastics per car is on the rise, so is total vehicle production, with 1 million cars/yr expected to leave Indian carmakers' plants by 2006.

Shah says the government recognizes the problem and is forming a council to promote the development of downstream sectors in India. But ETP supply is also short; the country's leading suppliers, notably Reliance Industries and IPCL, supply only commodity materials.

Still, Shah says the situation is not so dire. According to Plastemart, the compounding market is expected to grow about 10% to 12% annually in the next five years. Participating domestically are some 200 compounders, though most are quite small; only a dozen or so produce more than 10,000 tonnes/yr. Despite their optimism, Plastemart officials agree that there is a need for more joint ventures or cooperation between domestic compounders and foreign-based ETP suppliers to ensure market growth.

Others note that without ETP suppliers setting up shop there, the ETP compounding market will never flourish. "There will be a rising demand in India, but until the ETP suppliers are there, there won't be the compounding market," notes Andrew Hopkins, GM of Owens Corning's automotive solutions business. OC runs a manufacturing joint venture with Tata Motors, processing exterior parts of sheet molding compounds for the OEM.

Hopkin's point is well taken; the five leading suppliers of polyamide and polycarbonate are all in China, or soon will be, but none as yet make these materials in India.

Matthew Defosse mdefosse@modplas.com

Contact information

Plastemart www.plastemart.com
Rajiv Plastics Industries www.rajivplastics.com