

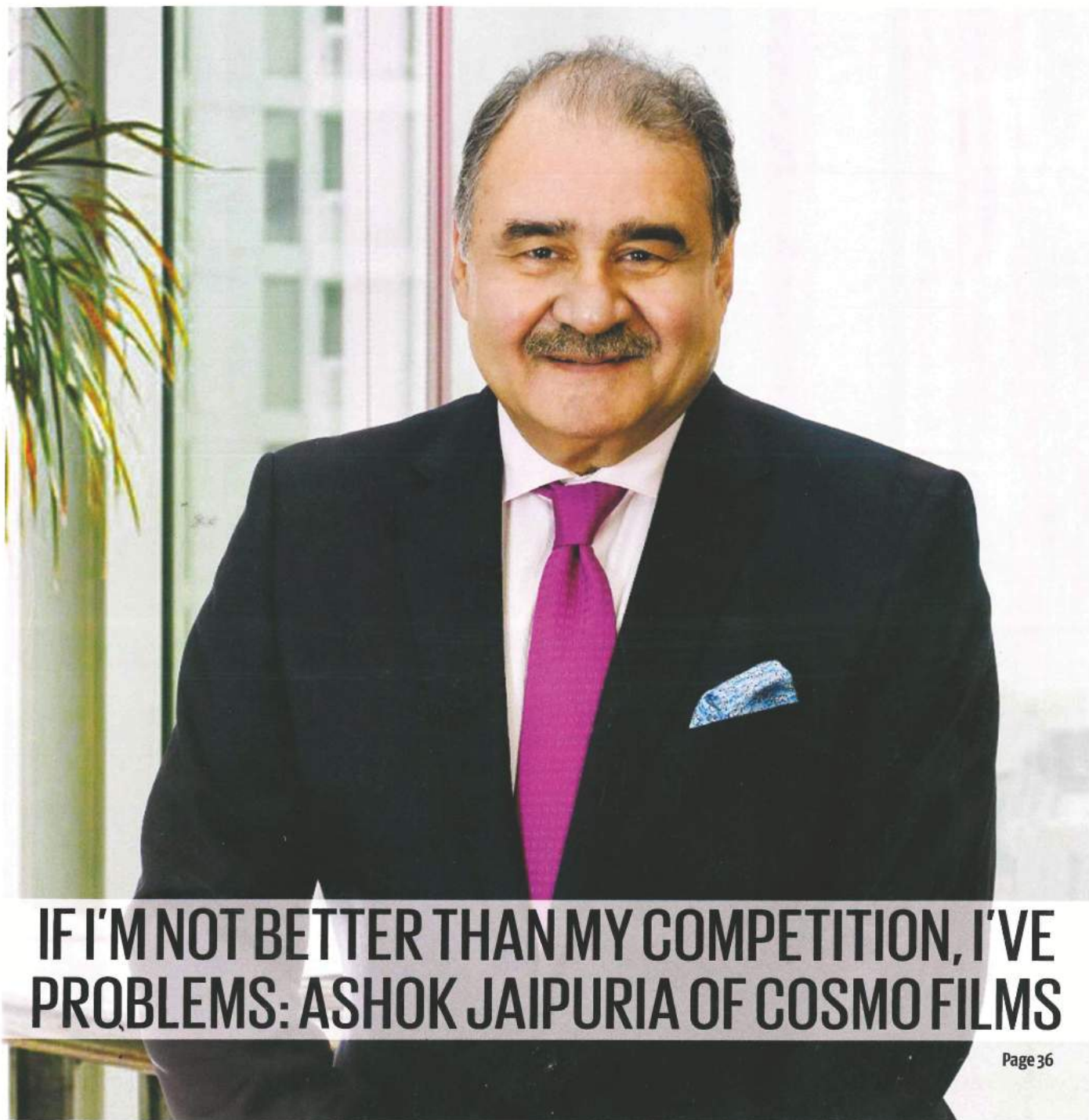
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IF I'M NOT BETTER THAN MY COMPETITION, I'VE PROBLEMS: ASHOK JAIPURIA OF COSMO FILMS

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If I'm not better than my competition, I've problems in my business

Since its establishment in 1979, Ashok Jaipuria, the promoter, chairman and managing director of Cosmo Films, has turned the company into a USD 300-million business, producing 2,00,000 tonnes of BOPP and CPP films a year. Jaipuria narrates the journey with Rahul Kumar



Born and brought up in Kanpur, Uttar Pradesh, and coming from a business family (the Swadeshi Cotton Mills and the Swadeshi Polytex, which had a turnover was around Rs 600-crore in 1979), business was in Ashok Jaipuria's blood. But he decided to chart his own path.

In the 1980s, it was the time of the License Raj. The government decided what to produce and where to produce. "Thanks to this, India as country was industrialised and did not evolve as pockets as is in the case of China," Jaipuria says. And, when he planned to start his own business, he was recommended BOPP.

"When BOPP was recommended, my logic was simple. Packaging is the need of the future and BOPP is a product, which has a competitive cost. Thus, I was reasonably sure of the success," he says.

The initial production capacity of Cosmo Films was 800 tonnes per annum. "Today, we produce more than two lakh tonnes of BOPP films per annum with multiple Bruckner and DMT film production lines at different locations," he adds.

The first Cosmo Films line came up in Chikalthana, Aurangabad in Maharashtra in 1981. The lines in Waluj came up five years later, in 1986, followed by the Shendra plant, both in Aurangabad.

"It was my destiny to enter the BOPP films manufacturing business. My family was happy with the decision, and the director general of technical development gave me inputs, guidance and direction, as that was not the age of internet and Google. Their guidance has been valuable," he says.

But the project needed money, and Jaipuria did not have the sum. So, he borrowed from friends and took loans. "I needed to submit around 20% of the total cost of the project, the remaining was financed. The government body insisted that we do a 'public issue' from day one, and

we did," he says.

Jaipuria says that in film manufacturing, the equipment, recipes, and processing parameters, inclusive of right raw material, is the key to success. "Bruckner has been our major equipment supplier. We have a relationship with Bruckner for the last 40 years. We treat the company as our business partner. We treat our employees, banks, suppliers, shareholders and customers as our own family," he adds.

He says around 70% of the company's total production are quality and value-added products. "R&D is the backbone of Cosmo Films. We currently have a team of 30 specialists who are all highly qualified, including doctorates in their respective subjects," he explains.

Beyond films

Over the last four decades, sustainability has been the core mantra behind everything Cosmo Films has done. "We have always aimed to offer products and solutions that are eco-friendly. We follow a sustainable development model, which is inclusive of the natural environment," says Jaipuria. With this vision, the company has diversified from packaging films to speciality chemicals under the banner Cosmo Speciality Chemicals. This was followed by the pet care division, Zigly.

Cosmo Speciality Chemicals produces masterbatches, adhesives, coating materials and other value-added chemicals through innovations based on sustainable science. "We are diversifying into one or two related segments, such as cast polypropylene (CPP) films because sustainability is a major issue. The CPP will play a major role, and will help not only with business growth, but also provide eco-friendly alternatives to our customers," he says.

Meanwhile, Zigly is the company's first endeavour in the B2C business. The parameters are completely different, says Jaipuria. "Customer acquisition, social media integration, customer satisfaction and branding take precedence," he adds.

For Jaipuria, to be successful in any business needs three things – market, the capacity to offer quality products as per market need, and consciousness about the cost. Your products must not be overpriced.

"If you consider these three points, then every business is a good business," he says.

Another possible area of diversification is polyester films manufacturing. "We are not there yet because we are still considering whether we can do more value addition. The basic rule is, if I am not better than my competition, I have problems in my business," he says.

He explains, "We are working in the BOPP value-added films market. These are speciality films. That's why the competition is less. The customers also pay higher prices for speciality films, especially for higher quality, good service and fast delivery. In the entire process, the mindset plays a major role.

The company is looking at more overseas manufacturing facilities as well. But Jaipuria says that now is not a good time as logistics and freight costs are too high. All input costs are high. He gives an example. The cost of energy in Europe is Rs 35 per kg and in India, it is Rs 8 per kg. How will they compete?

The culture of innovation

"We don't punish our employees for their mistakes. We ask them to analyse their mistakes – how it happened, why it happened and that it should not be repeated," he says. "Our industry friends are very happy to hire people from Cosmo with a substantial hike. If you have such a reputation in the market, it gives you a sense that you have done something right."

The business mantra

"New players have entered the industry in the last few years. Meanwhile, existing film manufacturers are also increasing their capacity. The kind of opportunities we have today, we could not even imagine 10-15 years earlier. There will be more and different kinds of opportunities in the next 10 years," he says.

Giving the example of how Cosmo Films started, Jaipuria says that when he started the company, his ambition was to cross the Rs 600-crore mark in the next 10 years, because it was the turnover of the group owned by his family in 1979 (Kanpur, Uttar Pradesh-based Swadeshi Cotton Mills, which was later renamed Swadeshi Polytex and Swadeshi Mining and Sugar Mills). "It went off well. Our value system was strong from day one. We were clear that we will not do injustice with anyone," he says.

However, the pandemic was especially a trying time for him. "I was concerned about our employees and their families. I used to have a weekly dashboard that stated who is suffering from Covid and what his/her requirements were," he says. "First, we took care of our people, and then the business. Technology helped a lot. Logistics was a pain, as trucks were not available. Another concern was the unavailability of raw materials. The pandemic made health a priority for all of us. It is a good development. Hygiene has become a norm. This has increased the demand for packaging," he adds.

Born in 1953, Ashok Jaipuria has a degree in Business Administration and Marketing Science (1973), and a diploma in Marketing Science (1974). Known as a successful entrepreneur, an outstanding humanitarian and a philanthropist, Jaipuria is the promoter, chairman and managing director of Cosmo Films, a public-listed company with an annual turnover of approximately USD 300-million. The company has its manufacturing locations in Aurangabad (Maharashtra) and Vadodara (Gujarat) in India, and in Asan, South Korea and Hagerstown, USA, with offices spread across all metro cities in India and Tokyo, Japan. The company exports its products to over 80 countries across the globe. He is also the promoter and chairman of Cosmo Ferrites, a public-listed company, which manufactures and exports soft ferrites in India.

Jaipuria received the Outstanding Achievement Award in 2013 at the second Speciality Films and Flexible Packaging Conference, conferred by the Chemicals and Petrochemicals Manufacturers Association, Mumbai. He was also named in Best under a Billion, Forbes Global 200 Best Small Companies for 2003 by the *Forbes* magazine. He was also conferred with the UdyogRatna Award by the Government of Himachal Pradesh.



Sustainability is going to be a major issue overall

Ashok Jaipuria of Cosmo Films in conversation with Rahul Kumar

Rahul Kumar (RK): Good results at the start of the year. PAT up 65% YoY. What is the reason for the numbers? Capital allocation?

Ashok Jaipuria (AJ): Demand, supply and commodity prices always play a role at the bottom line. Commodity pricing has been high. It's been good. All the players have high profitability. Around 8-10 new lines will come for polyester, and there will be pressure on the margins. Thus, if we stick to our path of value-added and speciality products, it will be good for us. We hope to produce 60-70% speciality products after the expansion. This is a phenomenon.

We will manufacture different kinds of films such as shrink films, technical films, polyethylene terephthalate glycol films and others. We will also manufacture thermal films in-house. Our board has a clear vision of where to go and how to reach there.

RK: How does one deliver ROI in this day and age?

AJ: Cost, value-addition, customers' satisfaction and higher pricing/margins. Whether it is return on investment (ROI), return on capital employed (ROCE) and return on equity (ROE), it all depends on how you measure the company. At Cosmo Films, we like to measure it as ROCE. How much capital was invested and what the return for stakeholders is? This is our simple formula.

RK: You are planning for a specialised polyester line in FY23 and a BOPP line FY25...

AJ: Yes, we are expanding. We have purchased around 35 acres of land near our Waluj plant. The site will be completed in the next three years. Besides the BOPP and the polyester lines, there will also be a chemicals plant. We have also invested on a CPP line. After 2025, the total production of films at Cosmo will be 3-3.5-lakh tonnes per annum.

RK: How often do you meet with your customers?

AJ: Nowadays, I don't meet with my customers often, but I am in touch with them. A few of them are with us from day one. I have my own MIS and processes to know what is happening. We do believe in



customers' satisfaction for our own existence.

RK: Any learning from any customer?

AJ: A tough customer teaches you. If you want to learn, then serve tough customers. Some of our customers want us to deliver within five days. The product quality is acceptable at .001% and no more. Some of our customers insisted that we change our manufacturing processes and put cameras on the film production lines. They said they do not have confidence in your quality without the online camera system. They helped us with the ad hoc test. They insisted on 99.4% accuracy of the product. We have learnt a lot from our customers. There is a perpetual learning curve with tough customers.

RK: Are brands doing enough? For instance, are global brands investing more in packaging design and materials with long-lasting properties?

AJ: The market is competitive for us, and for our customers as well. For example, there might be thousands of biscuit manufacturers in India, and the retail space is limited. The only way to stand out is the packaging design and colours – packaging the way it looks. The product has to come out with colour, design and attractiveness. These things will draw the customer. The quality of the product will come into the picture only after the first purchase. Now, customers have choices. Bad packaging

defames brands and its products. That's why companies are concerned about their packaging.

RK: What is the update on strengthening sustainability goals?

AJ: We believe in sustainability. The entire world is going for it. People are concerned about the plastic waste and have started using single-layer product packaging, which is recyclable. Only polypropylene qualifies the parameters for single-layer packaging. The CPP line is for the same purpose. Customers ask for a mixture of CPP and BOPP, and not LDP and polypropylene.

Not only in the film business, sustainability is going to be a major issue overall, whether it is water, power, paper or environment. Recycling products is an option, but there are limitations. Biodegradable products are also in the market, but expensive. Indians don't waste by nature. They use, reuse, and throw.

Mono-layer is the easiest material to recycle and multi-layer is the tough,

whether it is printed or not. Removing print is not tough nowadays. Polypropylene has an advantage over polyester because it can be mono-layer.

RK: What is the next big thing to look out for?

AJ: We continue to come up to the expectations of our stakeholders – satisfaction of my customers, more returns for my stakeholders, career growth for the employers, and timely payment of loans to financial institutions. Satisfaction of all the stakeholders is the foremost and ultimate goal. For me, empathy and compassion are more important. Being kind to people, and not being arrogant and selfish – these are things, which are important. ■

ASHOK JAIPURIA AT A GLANCE

How do you unwind?

By watching a good Hindi movie. I am a Bollywood movie buff. The recent watch was *Hungama 2*.

One piece of music you love

Old Bollywood songs by Kishore Kumar, Lata Mangeshkar and Mohd Rafi, and other singers, too, especially before the 2000s.

Favourite film

It keeps changing, depending on my mood and interest.

Three books by your bedside

I love fiction and books from American novelists David Baldacci and James Patterson, and UK author Jeffery Archer.

One thing about the packaging you always utter in public forums

Sustainability. I want plastic to be a positive word. We can't live without plastic. We have to find a way to live with plastic.

Recent packaging innovation that you loved

Any packaging, which is made from recycled material.

One tech-guru (past or present) you want to meet – and why?

All. But unfortunately, I don't understand technicality much.

Favourite drink and munch

Green coffee and Parle Monaco biscuits.



COSMO FILMS OVER THE YEARS

- 1981** ● First BOPP line commissioned at Chikalthana, Aurangabad, Maharashtra
- 1988** ● Second BOPP line commissioned at Waluj, Aurangabad, Maharashtra
- 1996** ● Third BOPP line commissioned at Waluj
- 2001** ● Fourth BOPP line commissioned at Waluj
- 2002** ● Acquired Gujarat Propack, Karjan, Vadodara (fifth BOPP line)
- 2003** ● Sixth BOPP line commissioned at Waluj
- 2004** ● Seventh BOPP line commissioned at Waluj. First extrusion coating line commissioned at Waluj. First metalliser commissioned at Waluj
- 2005** ● Second extrusion coating line commissioned at Waluj
- 2006** ● Third and fourth extrusion coating lines commissioned at Waluj
- 2007** ● Fifth extrusion coating line commissioned at Waluj
- 2008** ● Sixth and seventh extrusion coating lines commissioned at Karjan
- 2009** ● GBC's commercial print finishing business acquired from ACCO Brands Corporation, USA. Eighth BOPP line commissioned at Karjan.
- 2010** ● Second metalliser commissioned at Karjan
- 2011** ● New plant commissioned in South Korea with ninth thermal extrusion coating line and second coating line commissioned at Waluj
- 2013** ● Shendra plant in Aurangabad SEZ commissioned with set up of ninth BOPP line and 10th thermal extrusion coating line
- 2014** ● Third coating line commissioned at Waluj
- 2015** ● Fourth and fifth coating lines commissioned at Karjan and Shendra respectively. Third metalliser commissioned at Shendra
- 2016** ● Tenth BOPP line commissioned
- 2017** ● First CPP line commissioned
- 2018** ● Second CPP line commissioned at Karjan. Fourth metalliser commissioned at Karjan. First lamination solvent line established in Karjan
- 2020** ● Started new speciality chemicals, adhesives and masterbatches business. Established a new R&D lab in Waluj, Aurangabad
- 2021** ● Started a new venture in B2C pet care category named Zigly