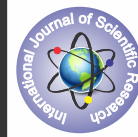


SWOT Analysis of Indian Plastic Industry



Management

KEYWORDS: Indian Plastic Industry, Opportunities, Strengths, Threats, Weaknesses

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ABSTRACT

Plastic industry, a product of post-world war II era of technological revolution, has played a key role in improving quality of life everywhere in the world. In India, this was regarded as a 'sunrise industry' in the Seventh Plan document.

Since then, it has emerged as Rs 55,000 crore industry, employing directly and indirectly over 3 million people and has achieved an export turnover of Rs 13,000 crore. The industry provides vital inputs to all key sectors of the economy like agriculture, infrastructure, healthcare and consumer goods. The industry offers cost effective products that help improve quality of life for common man. One of the most globalised sectors of Indian industry, the plastic industry's paramount role in meeting India's developmental challenges is widely acknowledged. Against this background, a modest attempt has been to make a SWOT analysis of Indian Plastic Industry

INTRODUCTION

Indian plastic industry made a humble beginning in 1957 but has registered a fast growth since then. The growth accelerated in the 1960s and with the liberalisation of Indian economy in 1991, it has shown tremendous growth and diversification and is now the star performer along with other fast growing industries like electronics, computers and white goods. Whereas the developed world has reported 3-4 per cent growth, the Indian plastic industry has reported double digit growth each year. It is now estimated that the plastic industry in India will grow at a rate of over 15 per cent per annum for several years to come. Currently over 600 processing units operate in the plastics industry, of which approximately 200 contribute significantly to the total volume of processed products. Of these, approximately 30 are large companies coming especially from the former state owned enterprises before 1990.

India is one of the most promising exporters of plastics among developing countries. The Indian plastics industry produces and exports a wide range of raw materials, plastic mold extruded goods, polyester films, laminates, molded/ soft luggage items, writing instruments, plastic woven sacks and bags, PVC leather cloth and sheeting, packaging, consumer goods, sanitary fittings, electrical accessories, laboratory/medical surgical ware and travel ware, among other products. The wonders of plastics cut across all sections of society. Due to its molding capacity, its versatility, its non corrosive and moisture resistant properties, its physical and chemical strengths, its economic viability, its easy process ability and also its attractiveness and durability in all weather conditions, it has become a material of choice and of universal use.

The major uses of plastics are in the packaging industry, building industry and in the manufacturing of pipes, fittings, electrical accessories, consumer goods, house-ware, toys, furniture and in host of other spheres of life. A time has come when plastics industry has the capacity to influence the progress of all other sectors. Plastic industry is regarded as 'sunrise' industry due to its increasing versatility and growing worldwide demand. No wonder we are living in the plastic age. Plastic material is gaining notable importance in different spheres of activity and the per capita consumption is increasing at a fast pace. Continuous advancements and developments in Plastic technology, processing machineries, expertise, and cost effective manufacturing is fast replacing the typical materials.

SWOT Analysis of Plastic Industry:

SWOT is a well-known marketing acronym, representing a process used to help businesses take an in-depth look at them. SWOT stands for strengths, weaknesses, opportunities and threats. By careful evaluation of these points, an organization can begin to improve its operation and, ultimately, its bottom line. The SWOT approach can be a real eye-opener for those companies willing to honestly evaluate their good and bad points. However, it also can be difficult and sometimes painful. But the end result will be a better understanding

of your place in the market, and the steps needed to become a better, more efficient business.

This same procedure can be applied, in a broader sense, to the Indian plastics industry. As with any market, we have been hit hard in recent years by the economy's general downturn. However, a review of our strengths, weaknesses, opportunities and threats can be helpful for putting into perspective what the future can bring for those in this industry. They are not addressed in their exact order, but all are covered.

STRENGTHS

- Good qualification of existing personnel
- India has a solid base in polymers
- Produces huge quantity of recycled plastic.
- Smaller wages compared to similar companies in the EU
- SMEs capable of orienting themselves gradually towards export
- Permanent tendency of creating new companies with foreign capital that can compete successfully on third markets
- Developing market connected to future investments in industries that need plastic parts (cars, Constructions, electronics, electro-technical, food)
- Strong Supporting Industries
- Widespread Usage

WEAKNESSES

- Most equipment is physically and morally obsolete, which limits the capacity of the sector to apply new technologies and to obtain high technical products in conditions of productivity and low costs
- The former great state enterprises have been privatized through the MEBO method and are still receiving limited financing for investments. Most of the equipment is old, with medium productivity and quality performance. Only some companies invested in new equipment with competitive performance.
- The polymer price fluctuation is strongly connected to the price of crude oil.
- Low preoccupation for regaining past active traditional markets
- High production costs in companies created from the former great state enterprises with too much personnel, partially used production capacity, reduced productivity, high energy consumption, and others.
- Insufficient marketing on foreign markets
- High cost of finished plastic products
- Suffers from low productivity of workers
- Outdated machinery and equipments
- Derogatory industry image
- Lack of focus on exports
- Financial blockage

EXPORT CONSTRAINTS / THREATS

The constraints which negatively affect exports in this sector are:

- Ever increasing crude oil prices
- Import threat from Middle East
- Neighboring countries specializing in processing industries could lead to imports
- Replacement threat from substitutes.

Institutional Threats

- Gradual disappearance of the reduced labor cost advantage compared to other countries outside EU with low labor costs
- Administrative and bureaucratic barriers that determine supplementary costs to SME operation.
- High costs of capital
- Insufficient knowledge of the legislation, of financing and training programs of the EU

Financial Threats

- Insufficient promotion of financial instruments addressed to SMEs
- Insufficient foreign investment in the sector
- Relatively high costs of financing due to the high interest rate in our country, compared with those from the countries we compete against.

Legislative Threats

- Problems and bureaucracy at crossing the border
- Government bans

Manufacturer Level Threats

- Lack of domestic supply of recycled granules which could allow for better products at lower costs.
- Need to import some types of raw materials necessary to manufacture products needed for export
- Insufficient efforts of technological endowment and of applying new technologies capable of ensuring the manufacturing of competitive products, all this because of "expensive credits"
- Low interest in branding
- Shortfall of skilled labor

Sales Market Threats

- Reduced buying power of the domestic market consumers
- Aggressive competition of Asian products
- We are not yet recognized on the EU market as exporting country in this field.
- Allocate supplementary funds for the alignment of demands to foreign markets: conformity certificates, need for special product analyses in conformity with EU standards, eco-labeling, eco-production.
- Lack of market studies and of other information necessary for sustained export activity (EU quality standards, tariff and non-tariff barriers)
- Bureaucracy at the level of central administration and at border crossing points
- Fluctuating raw material prices
- High Competition exist

OPPORTUNITIES

With all the difficulties of the export activity in this sector there are some opportunities, that if well exploited, will lead to the improvement of this activity:

- Increase of investments through national capital participation and by attracting foreign companies to set up new companies in the country, or to cooperate with existing companies
- Development of company activities in management, marketing, quality, research and branding
- Orienting SMEs to accept contracts for complex products manufacturing meant for large and multinational companies
- Important investments projects in infrastructure development
- The existence of a specialized educational system capable of insuring well trained personnel and perfecting existing

personnel

- Increase in domestic market demand of products for constructions and packaging
- Plasticulture still at a nascent stage in India holds immense opportunities
- Entering high priced processed plastic exports segment
- Demand generated by industries like Retail etc.
- Booming Automotive sector
- Rising water management
- Food packaging – Riding High
- Changing Consumer behaviour

CONCLUSION

The Indian plastic industry clearly has the potential to continue its fast growth. However, over the next few years, competition in the industry is expected to increase considerably, as a result of global trends, which will become applicable to the liberalizing economy of country to survive the competition, both polymer manufacturers and processors will need to adopt radically new methods and approaches to reduce costs, improve market and customer service and management of performance. The per capita consumption of plastics in India is well below the world average. However it also reflects the many years growth ahead, as the country's economy continues to grow and upgrade the usage of products. Translating the expected growth rate into incremental demand, it is obvious that the country will remain one of the largest sources of additional demand for almost all kinds of plastics.

The plastic Industry has emerged as a leading industrial sector in India. In the history of India's industrial revolution, no industry has taken such great strides as the plastics industry. The plastic sector in India has expanded at 9% CAGR (Compound Annual Growth Rate) over the last five years and is the biggest contributor to India's GDP growth. It is estimated that the sector will grow at a rate of 15% per annum in next few years.

The Indian industry has the potential to increase considerably. The industry currently provides employment to 3 million people. However, with per capita consumption increasing rapidly, which is likely to reach 12.3 million tons, the sector has potential to generate more employment. High growth in retail packaging, pipes, bulk packaging and agricultural use has triggered the polymer demand. Also, with the huge investments in infrastructure development happening in the recent times, the plastic industry will emerge as a giant in the industrial scenario of India

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