

"Composites Distribution Business-India"

Shriram Ranade

Distribution, a vital link in any industry, is very important for the Indian composites industry. The composites industry in India is poised to grow multifold in the next few years and so is the distribution business. Distribution will be an important catalyst as the industry matures to compete for global orders on quality and cost. Using quality raw materials made from latest technology and at competitive price, will be one of the most important challenges faced by the moulders. Distributors will shoulder a large part of this challenge and help the Indian composites industry grow in leaps and bounds.

Composites distribution business in India started long ago when few importers started importing resins and glass fibers from Europe/US. These importers got it in very small quantity and sold to moulder in their nascent stage of development. Importers were the only source of getting these raw materials. Import consignments were less in volume and frequency. As the use of composites grew, these importers began importing more regularly and the material was available in ready stocks. But the business picked up in the real sense when local manufacturing took shape. Once these raw materials were made locally, the distribution process emerged. The manufacturers now started to compete with importers and eventually grew strong, thanks to the import tariff and regulations faced by importers. Some industry segments got reserved for small scale industry forcing large MNC's to withdraw their interests in India. At a point, imports almost stopped, except in few rare instances. Now the composites industry comprised of the local manufacturers, their dealers and moulders. Dealers' network started taking shape- spear headed by the glass manufacturers. The dealer then started adding more products to their kitty and

thus born a concept of 'one-stop-shop' in the Indian composites industry. Trading in all the other raw materials along with glass proved cost effective and made sense for the dealers and the moulders too. Now distribution took center stage in the industry.

As the industry grew and volumes started to build, a lot of moulders also started sourcing directly. Different manufacturers were born for the supply of glass, resins and chemicals. Competition caught up with all the players and now everybody was fighting for their share of the industry. This phase made the distribution business more relevant and important. As the import regulations got eased and tariffs came to more realistic levels, imports began all over again. Now, distributors turned importers too. The circle got complete as we stand today, to leap-frog into future multifold growth. Now we have a very stable distribution industry in India which represents the local manufacturers and also the import. All along this evolution, moulder was the biggest beneficiary and that is the way it has to be.

Distribution today, is in a very stable phase of business and plays a responsible role in the Indian composites industry. It is looking at the ongoing changes in the industry as the best opportunity to expand and grow strong. The Indian industry is undoubtedly one of the few opportunities of double digit growth for the global composites industry. Indian moulders are getting enquiries for large global contracts and tie-ups. Recession and environmental concerns coupled with high labour costs are compelling the western world to look eastwards. India's internal consumption and government's priority of spending on various infrastructure projects have further sweetened this growth

opportunity for the composites industry. As the composite manufacturing picks up, it will consume large quantities of varied raw materials. Global industry players are keen to participate in this and thus we see the entry of respected brand names in India.

Globally, distribution has always been an integral part of the composites industry. Our industry needs different and complex raw materials. Moreover, as the quality of each individual raw material affects the overall performance of the finished component, it is very important to source correctly. All these individual raw materials are manufactured by different companies located in different areas. Hence, sourcing different raw materials from different manufacturers is a very complex, time consuming and costly process. India, being a large country with different states, languages, cultures and tax systems complicates the process further. Each region requires a local approach for marketing. Moreover, having in-depth local knowledge is very important for a company to be successful. This builds a very strong case for local distribution to exist and thrive.

India now luckily has a very large network of distributors across the nation. So, the manufacturers trying to participate in the Indian composites industry have lot of options to sell their products. Most of them are first time entrepreneurs developing a successful business out of nothing. Conventionally, distributors are known to give service and credit. This is a very important part in India. Credit and its recovery are the major challenges faced by distribution companies. Practical experience in dealing with different raw material manufacturers and understanding the local consumers are their biggest assets. As such, we have seen a trend of

Tutorial Feature

successful distributors growing larger in size by the day as they build up these assets and capitalise on it. This also becomes a major bottleneck for a start-up distribution company. But the successful ones have a very bright future ahead. Lately, India witnessed the entry of large multinational companies forming joint venture with the companies in India to distribute their products. This is a very encouraging trend and their success will pave way for more such players looking to set-up operation in India. Distribution in India was mainly a service provider giving credit. But of late, distribution companies have taken up promotion of equipment, processes and represent manufacturers of finished products for the composites industry. This has helped moulders to adopt new manufacturing techniques and access to the latest products available globally. We also have examples of distribution companies with presence in different parts of the country reaching in different geographies. Thus they are full scale companies. We now need distribution companies who also have technical staffs to support the customers to

resolve process related problems and promote technical aids to solve day-to-day problems. This is already happening in small pockets. But as the distribution companies grow large, they can afford to train their sales staffs, employ technical experts and arrange demonstration of recent production methods. Raw material manufacturers in turn also need to take this extra effort to educate the channel partners to promote the best practices in the industry. With the advent of large multinationals manufacturing glass and resins, this has already begun. These companies have started following the concept of channel partners and well defined the distribution policy. This is a very important and healthy development. Local manufacturers are also revising their policies and will eventually develop a channel partner concept for selling. This will create conducive environment for distribution companies to develop pan-India network.

But local small distributors will still be very important. They will keep on dotting the market space. Indian

composites industry has just begun to grow. It will grow in all directions and regions. So serving such diverse regions and geographies will still be a very complex process. But as business grows, there is enough for everyone. Consolidation is yet to happen. But if it will eventually happen, we will then see all these dots aligning together to form a chain of distribution network. Only large distribution companies can employ the best talent; provide the best service and also be the most cost effective suppliers. They can play on large volumes and source the best products for moulders. We are already seeing this happen in India. This is just the beginning and we will witness more distributors growing into large distribution companies in near future.



Shriram Ranade
Managing Director,
Link Composites Pvt. Ltd.



ERCON

ERCON FRP Products

conforming to international quality and excellence



ISO 9001 Certified



ERCON FRP CROSS ARMS



Pultruded Fibre Glass Profiles



ERCON FRP GRATINGS & Complete Walkways, Working platforms etc.



ERCON DISCHARGE ROD cum HOT STICK



ERCON FRP CABLE TRAYS for power & instrument cables



ERCON FRP STEP LADDERS for Safe Electrical Maintenance



FRP DOOR FRAME SECTIONS

ADVANTAGES:
High Strength, Long Life, Light Weight, Corrosion Resistant, Electric Insulation, Fire Retardant

ERCON COMPOSITES

F-123, M.I.A., Phase-II, Basni, Jodhpur-342005 (INDIA) Tel.: +91-291-2744064, 2742772, Telefax: +91-291-2741263
E-mail: ercon@ercon-india.com Website: www.ercon-india.com