India: Packaging Equipment Industry

Industry Overview

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Date: August 2006

Summary

The size of the Indian packaging industry is $14.7 billion. Packaging machinery manufacturers in India find most of the demand for their products in the food processing and pharmaceutical sectors. Approximately 45 percent of the packaging machinery and materials produced is absorbed by the food processing sector alone, 25 percent for pharmaceuticals, 10 percent each for personal products, tea and coffee, industrial products industries. The Indian market for packaging equipment is expected to grow at an average annual growth rate of 10 percent over the next two years. Imports of packaging equipment to India are currently over $130 million. Plastic flexible packaging dominates the Indian packaging industry. Laminated products including form-fill-seal pouches, laminated tubes and tetra packs are growing at around 25 percent annually. There are about 600-700 packaging machinery manufacturers in India, the majority of which are in the small and medium sector located all over India.

Market Demand

The Indian packaging industry is estimated at approximately $14.7 billion and estimated to be growing at 15 percent annually. Despite good growth rates, the per capita consumption of packaging in India is approximately $15 against a world average of around $100. The growth in the packaging industry in India is mainly driven by the food and the pharmaceutical packaging sectors. The large and growing Indian middle class, along with the growth in organized retailing in the country are fueling growth in the packaging industry. Another factor, which has provided substantial stimulus to the packaging machinery industry is the rapid growth of exports, which requires superior packaging standards for the international market. With this the need for adopting better packaging methods, materials and machinery to ensure quality has become very important for Indian businesses.

The Indian packaging industry is dominated by plastic flexible packaging. The traditional rigid packaging users have also been seen to shift to flexible packaging in recent times. According to industry sources, the main reasons for this is that flexible packages are found aesthetically attractive, cost-effective and sturdy. Consumer preference for the use of convenient packaging and packaged products in affordable quantities in laminates is also one of the main reasons that have contributed to the growth of flexible packaging in India. The food-processing sector is the largest user of flexible packaging, accounting for more than 50 percent of the total demand. The flexible packaging segment is estimated to be growing at over 35 percent annually. Major players in the flexible packaging sector are Paper Products Ltd. and Flex Industries.

The packaging industry in India is a mix of both organized medium to large players as well as very small players with a localized presence. The industry is comprised of a large number of manufacturers of basic materials, converted packages, machinery and ancillary materials. Domestic demand for packaging has been anticipated to grow rapidly within the next five years. Recognizing this trend, the industry is gearing itself to adopt scientific and functional packaging.

Three specific segments can be identified for opportunities in packaging equipment in the Indian market. The unorganized sector represents the larger opportunity, given the increasing quality-consciousness of end customers. The cost of equipment and upgrades hold the key to success in this segment. Large companies, primarily the multinational corporations (MNCs), which comprise another segment would be guided for the choice of such equipment by the global policies and standardization of their parent company. The organized segment, which caters to the major food and pharma companies are conscious about quality and the ability to produce various packaging products, thereby enabling them to address a larger market.

Market Data

The Indian market for packaging equipment is characterized by a few large manufacturers with a nationwide presence along with a large number of small players in the unorganized sector with a regional presence. There are approximately 700 packaging equipment manufacturers in India, 90 to 95 percent of which are in the small to medium sector located throughout India. Imports of packaging equipment to India are currently over $130 million. Major suppliers of packaging equipment to India are Germany, Switzerlnd, and Italy. Other major suppliers of packaging machinery to India include Taiwan, Korea, China, and the U.S.

Increasing investments by both domestic and foreign companies in the Indian food processing sector, especially in beverages, dairy products, processed food, edible oil, and marine products have expanded the market for packaging machinery. The food processing industry has contributed in a major way to the growth of the packaging industry. According to the Indian Institute of Packaging (IIP), only two percent of India's total processed food is packaged compared with 70 percent in western countries. This forecasts large growth in this sector.

Best Prospects

Packaging machines such as automatic form-filling and sealing machines, tetra pack aseptic packaging machines for sterilized filling and packing of liquids, and testing instruments offer considerable business opportunities. The Indian packaging machinery manufacturers in the unorganized sector mostly fabricate general-purpose equipment to serve the basic needs of the industry.

One area that has been identified as having good market potential is equipment for manufacturing aluminum beverage cans. Machinery for cleaning and drying containers; automatic high speed labeling machines and capping machines; sealing machines for cans, boxes, and other containers; machinery for filling, and closing bottles and cans; packing/wrapping machines; and moulding machines also offer good prospects.

Key Suppliers

Indian imports of packaging equipment consist mainly of highly automated advanced machines and systems. The major equipment suppliers to the Indian market include Germany (with a 42 percent share), Italy (20 percent share), Switzerland (eight percent share), and others including Taiwan and the U.S. (the remaining 30 percent). Imports from the U.S. according to industry sources account for approximately five to seven percent, totaling approximately $8 million.

Currently, there are an estimated 20 major companies in the organized sector that manufacture packaging machinery. Technology, price, delivery, and performance standards are critical factors that determine whether packaging equipment can be sold in the Indian market. Due to intense competition in the end-user market, the cost of equipment and low running cost remain one of the primary factors that influence the sale of the packaging equipment. Upgrading would be another extremely important factor in the buying decision of Indian end-users. After-sales service is also a key concern of buyers.

Some of the major domestic equipment manufacturers supplying the market are Flex Engineering Ltd., (Noida), ITW Signode India Ltd. (Hyderabad), Print Pack Machinery Ltd. (Faridabad), Eagle Manufacturing Co. (Mumbai), Larsen & Toubro for various type of packaging machinery; Acrofil India (New Delhi), S.P.M. Engineering (Bangalore), E.C. Packaging (Faridabad), specifically for filling and sealing machines; S.P Ultraflex Systems (Mumbai) for flexible packaging machines; and Multi Pack Machines Pvt Ltd. (Hyderabad), and Primo Pack (Ahmedabad) for pouch packing machines.

Many domestic firms have established joint ventures with foreign companies to produce a variety of packaging machinery.

German companies are the lead suppliers of machinery for filling, closing, sealing and labeling bottles, cans and boxes, and wrapping and aseptic packaging machinery. U.S. firms mainly export filtering/purifying, wrapping, aseptic packaging and form-fill-sealing machines and extruders.

Prospective Buyers

The end-users may be classified into two sections. The first is the primary section, which may be further sub-divided into manufacturers of rigid and flexible packaging products. The second section is comprised of converters of packaging materials or manufacturers that print polyester or BOPP films. The conversion sector is primarily small-scale and is dominated by companies in the unorganized sector. This industry converts materials such as plastics, paper, and aluminum into packaging materials. Economies of scale and the quality level of the converted final packages represent entry barriers to the conversion sector. Because entry requirements are not very high as far as technology and capital costs are concerned, it has been estimated that there are approximately 16,000 players in the unorganized sector alone, accounting for approximately 45 percent market share.

Tetra packs packaging, especially for processed food, is very popular in India. The primary reason for the popularity of tetra packs is convenience, and longer shelf life. Also, tetra packs address distribution hurdles in India where distributors face transportation difficulties and extreme climate conditions. Most of the products sold in tetra packs are produced and sold by reputed food companies. These companies prefer reliable, branded and tested packaging machinery and equipment. This represents an opportunity for U.S. packaging machinery manufacturers.

The Indian market also reveals three other unique end-user segments. The captive packaging units owned by large companies, primarily MNCs, is one such segment. It is characterized by the need for turnkey project implementation of packaging equipment to cater to their specific needs. The choice of the product of the parent company and the product category largely defines the choice of the type and brand of equipment of this end-user segment.

The unorganized segment probably represents the largest opportunity in terms of volume. As buyers/end-users become more quality conscious, it will become imperative for this segment to upgrade its equipment. The key factors that affect sales to this segment are cost of the equipment, lower processing cost, and being able so seamlessly incorporate the equipment in facilities. As in all cases, the presence of after sales support would be treated as a prerequisite. This segment is likely to be extremely price sensitive.

As mentioned earlier, the organized segment catering to the major food or pharma companies, for instance, is conscious about quality and its ability to produce various packaging products.

Market Entry

Distribution methods have taken on two basic forms. The first form caters to the demand of many organizations in the organized sector, which is being met largely by a few select packaging companies in the organized sector and several in the unorganized sector. Because the unorganized sector is a prime segment for packaging machinery equipment, the distribution channel needs to be able to meet that demand as well. Manufacturers of indigenous equipment in the unorganized sector could be prospective partners for U.S. equipment manufacturers.

The second form of distribution primarily caters to the sale and execution of turnkey projects for captive packaging units for large companies and MNCs.

For new entrants to this industry, joint ventures with Indian companies will provide the necessary resources to address specific issues such as liaison with Government agencies and procurement of local products/components and related tasks. For expansion projects, the knowledge of the Indian partner regarding local procedures helps in positioning the product accurately.

Market Issues & Obstacles

There are no restrictions on the import of packaging equipment into India. No license is required for the import of packaging equipment. The current total import duty levied on packaging machinery is 27.56 percent. The components of the total import duty include a basic duty of five percent (applied on the cost insurance freight (cif) value of goods), an additional duty (popularly called countervailing duty) of 16.32 percent, a special additional customs duty of 4 percent, and an educational duty of 2 percent.

The countervailing duty is equivalent to the excise duty on similar articles manufactured within the country.

Trade Events

India Packaging Show – 2006, New Delhi, September 1-4, 2006
India Corrugated Show - 2006, New Delhi, September 1-4, 2006
Propacka India, Mumbai, October 26-28, 2006
PrintPack India, New Delhi, November 10-14, 2006
International Packtech India, Mumbai, November 23-25, 2006
India Label Show – 2006, New Delhi, December 6-9, 2006
India Pack, Mumbai, December 11-14, 2006
India Converting Show/India Flexo Show – 2007, New Delhi, August 21-24, 2007]

Resources & Key Contacts

Indian Institute of Packaging
General Secretary, Indian Printing Packaging and Allied Machinery Manufacturers Association
Director, Foreign Investment Promotion Board
Arun Kumar, Joint Secretary, Ministry of Food Processing, Government of India
Marine Products Export Development Authority
The Central Food and Technological Research Institute

For More Information

The U.S. Commercial Service in Bangalore/India can be contacted via e-mail at: Manjushree.Phookan@mail.doc.gov; Phone: 91-80-2220 6404; Fax: 91-80-2220 6405 or visit our website: www.buyusa.gov/india

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