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Market Report

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IN CONVERSATION WITH:



Mr Anantshree Chaturvedi

Vice Chairman and CEO

FlexFilms

Anantshree Chaturvedi is Vice Chairman and CEO of FlexFilms International which is the global film manufacturing arm of UFlex Limited. Anantshree holds the charge of the NAFTA region for the films business. He is additionally responsible for Global Product Stability, R&D and HR Protocols, and is Chief Cultural Officer at UFlex and its sister concerns. Anantshree holds a graduate degree from Babson College with a triple major in Finance, Global Strategic Management and Economics, and learned about flexible packaging both domestically and internationally with hands-on experience as a trainee and apprentice in India, Mexico, Poland, Egypt, UAE and the US, subsequently spearheading UFlex' expansion into the US. He brings with him a vast array of experience right from his first job at the age of 15 as an intern and assistant to the late US Senator Edward M. Kennedy, followed by stints at DreamWorks, TJ Maxx, Accenture, Mubadala and his own Venture Capital firm co-founded while at college.

Here he talks to Orientate about the exciting developments taking place within FlexFilms and also the challenges of being a biax film producer in today's world.

OR: The Covid pandemic has brought about a whole new set of challenges for companies. How has the Covid pandemic affected FlexFilms?

AC: For a film manufacturer, the biggest challenge of Covid, at least initially, was – how do you stay operational without shutting down? There was confusion initially as to whether we were essential or not, and Flex took the lead, especially on the Indian market, to clarify with the Government and other authorities that we are essential. Some of our competitors had to shut down for a few weeks but we did not. We clarified our position - we produce food packaging, medical packaging, PPE - and we stayed operational.

The second challenge was, and continues to be, to make sure you don't have a Covid outbreak inside your facility. Our global safety teams were amazing. They started talking to me

about the pandemic back in January and I have to admit, at first I didn't take it seriously. I felt they were overreacting; wanting to spend an extraordinary amount on sanitiser and temperature sensors. We have very good safety teams with people coming from large companies and had dealt with big disasters, trained in these scenarios, and I feel lucky they started talking to me about this early on. Even though I was a little skeptical, I didn't want to get caught out because I hadn't listened to the safety committee's suggestion; and the CEOs from the American and European businesses were also adamant that we needed to get these things done, so I did approve it, although it wasn't generally a popular decision. Although India, the Middle East and other locations were not in the same preparation mode, because we had started making preparations in Europe, America and Mexico early on, we pushed through the implementation into other regions to maintain the global standards. So, this initial vigilance saved us a lot of heartache, and educating people about the fact we are essential and being able to keep running throughout, and not having any serious outbreaks in any of our facilities.

“Covid made me realise as a CEO that the world was a lot more localised than I had imagined – each country and region made up its own rules, its own parameters”

OR: What are the main challenges being a CEO during this Covid pandemic?

AC: The natural challenges exist – making sure the supply chain is running, that customers have their product on time and, if there are delays, that this is communicated. Then there are additional challenges in terms of making sure the PPE requirements are fulfilled across the board, making sure you are touching base with the global facilities and understanding their requirements.

Covid made me realise as a CEO that the world was a lot more localised than I had imagined – each country and region made up its own rules, its own parameters, and you had to

quickly adjust and play by their set of rules and parameters. For example, you could not ship masks from one country of origin to another. These localised challenges are still alive on paper and could be reinstated at any time, and this was a harsh learning lesson. It was maybe forgotten about during the last few decades of globalisation and free trade but it is something that will go into the business plans of companies in the future.

The third big learning point is that no matter what you do inside your facility, the cultural understanding of your global locations is imperative. The ability for your leadership to be able to communicate to your people on a cultural level and help them understand why their actions can either help maintain the safety of the organisation, the unit they are part of and their family, or destroy it - became very important. One example is, in Latin American regions where social distancing and not going out for BBQ parties at the weekend or large social gatherings was very hard to implement. You would do everything right inside the plant but then you would have the workforce put themselves in very exposed situations during their off-work hours and there be a high risk of infection coming back into the plant. We had to do a lot, just to educate people and ask them to moderate their behaviour at least temporarily.

“Flex was on a growth trajectory before Covid and I am proud to say that we have stayed on the growth trajectory, which has showed me the strength that Flex has within its group ”

OR: As CEO of a global biax film operation, you embraced a huge responsibility and have achieved much at a young age. What further challenges lie ahead? How do you see your role developing in the future?

AC: Flex was on a growth trajectory before Covid and I am proud to say that we have stayed on the growth trajectory which has showed me the strength that Flex has within its group. The leadership stayed committed and, although projects got delayed by a month or two, they were not delayed longer and nothing was cancelled. So, this showed me a different strength within the organisation.

I see Flex developing in three ways: more global locations, more facilities and a bigger outreach. But the next step, not just for Flex but for the film industry in general, is to really understand how they are going to balance out the challenge of growth and sustainability. Everybody wants to grow with more volume, more lines and we are now getting into the 10.6 metre line scenario, but the world is looking in many different directions in terms of sustainability with multiple solutions in play.

For Flex and any film company it is understanding the balance of how much resource and time you put towards natural organic growth, how much towards sustainability, and how do you make those two goals meet. Right now,

those two goals meet, but at opposite ends of the page, because although the industry recognises the challenge and inevitability of what is to be done, machine manufacturers still haven't reset their parameters on sustainability. They are still making the same equipment and going wider and bigger and saying that for sustainability you just have to change your raw material. They are not looking at films with different layers that are more recyclable - can we make substrates with materials that will be easier to disjoin later on - we haven't got to that part of the science yet. So, this is what I see for Flex going forward, finding that balance and adjusting the resources along with having sustainable growth and, as I always say, leaving the commodity business to somebody else.

OR: In early 2019, FlexFilms revealed ambitious expansions plans, including three greenfield facilities in new countries of operation for the Group. A lot has happened since then, can you update us on the status of these developments?

AC: Earlier this year we installed new biax lines in Poland and Egypt, which shall be operational soon. We have also built three new greenfield facilities - we are the only Indian origin company in the world to simultaneously expand into three new locations - Russia, Nigeria and Hungary - Russia is operational, and Nigeria and Hungary should be commercialised by Q1 next year.

OR: You have added / are adding significant capacity in Europe, a mature and highly competitive market. What added value proposition are you able to offer?

AC: In Hungary, we are introducing a specialised high barrier BOPP line, our world first, developed by us and working with big CPGs who are seed customers. Hungary is going to be a specialised offering and is unique within our portfolio. It's also an experiment to see if we can have a more significant impact on the BOPP market. Poland is a growing market and the wider region remains attractive, and over time when you have local manufacturers in certain locations, new capacities get added. For us, we are present in that market and if we don't grow then that market share will get divvied up by new entrants, so in some markets we choose not to increase our capacity and market share and in others we choose to - in Europe we want to play a bigger part and make sure we maintain our market share.

OR: FlexFilms will soon be the first domestic supplier of BOPET in Nigeria. What have been the main challenges in establishing this facility? Is there anything that has surprised you?

AC: The biggest challenge in Nigeria is that they are growing so fast and aggressively that if you don't keep up with their pace they will take you out of the equation and move on. If you go to Nigeria and want to commit to a project, everything happens right away. Within two or three days all the meetings are taking place and you don't get time to think and analyse the best way to do it. You either commit immediately or the opportunity goes to someone else. On the other hand, the country is a developing nation with resource allocation issues and then all of a sudden you encounter issues with things that may not come to you in

time such as power and roads, and you have to learn how to chase it. It is part of the cost and also part of the return. It is a fantastic country, it taught me a lot about how fast the world is changing and it is really interesting. There is a hunger and spirit in Nigeria, where they want to overcome their Colonial past and I can relate to this. For them, what is most important is their growth - that they can develop their infrastructure and come out of poverty, and leave what they were left with in the past, behind. Sustainability and climate change (our Western priorities) are not their priorities at the moment.

OR: Are there any further expansion plans you can share?

AC: Although I believe in a new line for the US, I am undecided as to what that line should be and we have held off US expansion. Polyplex is adding a new line, so we will need to readjust our plans. However, the new US line will help keep importers out and benefit all of us operating in this market, creating a more localised market. For our expansion plans, I want to expand in the US market, we are looking at other markets also across the world – Brazil, I think, will be the next market looked at not only by us but also by a lot of regional competitors.

There needs to be a reassessment of what will be the products for the future. All our lines, whether in Nigeria, Poland or Hungary, are going to make products for the market right now but they also have the ability to be tweaked for the next generation of products that fit the sustainability portfolio, at least for our group. But I cannot say for sure this is the case with somebody else's line or asset.

OR: What is your long-term vision for the company?

AC: The long-term vision for FlexFilms is that it has to, not only for the survival of its own well-being but for the survival of the industry in general, be able to educate the layman consumer about plastics. What seems to happen is that we are able to trickle down to industry experts and even expert consumers who have a basic understanding of material science. In contrast, the average consumer has absorbed into their soul that all plastics are evil and not something that will sustain or benefit, that plastics are something they want to avoid. This creates a real problem for our entire industry. The challenge is how do I penetrate and get the person sitting in the Greenpeace conference to understand that plastic can be infinitely recycled and used to make other products; that so many items are made of plastic, and packaging is only a small part.

OR: UFlex has been working hard on sustainability, launching Project Plastic Fix and making huge progress on some of the challenges, including commissioning a pyrolysis plant and waste collection in India, and launching an 100% PCR BOPET range. Could you provide an overview of these and any further developments?

AC: We have great initiatives, we have our four pillars of sustainability, and all our sites are scaling up right now. We are looking ahead with new sites, new partners and new ways that will give us more visibility. But the main challenge is how to educate the layman consumer. It is hard to explain

to people how these technologies can contribute. With Covid, the sustainability talk died down initially but a few weeks later our R&D scientists and engineers started telling me they were receiving a lot of enquiries about sustainability because people in CPGs and converting companies were working from home and had a bit more time on their hands. So, they contacted us about our Asclepius project or our enzyme project and so sustainability has picked up again internally within organisations. They know that when Covid is over the first thing back on the map will be sustainability and this is why the food companies are recommitting to their goals. They want to reassure their audience that they are committed to sustainability. The biggest challenge we are seeing is how to get the word out.

“All our lines, whether in Nigeria, Poland or Hungary, are going to make products for the market right now but they also have the ability to be tweaked for the next generation of products that fit the sustainability portfolio”

OR: UFlex is working on an enzyme - based solution? Can you tell me about it?

AC: UFlex undertook research over the past few years to make plastics totally biodegradable and neutralise its harmful potential quickly using nature to address the problem of uncollected plastic. We have developed a sustainable solution - an enzyme based technology called Flexzyme - which quickly breaks down the molecular PE chains and biodegrades polymers back into harmless components like water, biomass and carbon.

Flexzyme technology uses a complex of specific, plant-based peptides and enzymes, which are infused into the polyolefins or polyesters in the process of making multilayer plastics. Our technology biodegrades plastic through bacterial, microbial action, moisture and heat. Polymer chains are broken down by the enzyme and bacterial processes. Under certain environmental conditions, the finished product will significantly, biologically degrade within some months, dependent on the prevailing conditions, thereby providing an end of life to plastics.

Thereby, Flexzyme technology fundamentally changes the mechanical and chemical properties of materials which makes the end product safely biodegrade into CO₂, water, nitrates and biomass in a couple of years instead of hundreds, or perhaps, thousands of years. Our biodegradable product enables PE, PP and PET to decompose both in atmospheric conditions and under soil or compost, thereby releasing CO₂, water and biomass. As enzymes are one of the most useful catalysts in nature and life, we believe that the Flexzyme technology, once launched, will prove to be one of the best ecological solutions to solve one of the greatest pollution risks. Our target is to standardise modified

polyolefins and polyesters without compromising their basic key attributes of longevity and other mechanical properties.

Flexzyme technology must not be confused with, or does not rely on, photo reactive processes, and we employ only naturally-occurring, bio-chemical agents to produce these biodegradable materials. These constituents react with most plastic types including LDPE, PP and PET. It is a highly cost-effective, eco-friendly and, most importantly, a non-hazardous technology, with applications primarily for making multi-layer packaging, carrier bags, polyethylene liners, mulch films, or any flexible packaging films.

“We need stronger collaboration amongst each other so that we can get our resources together to educate consumers about the choices they have available today for their sustainable future”

OR: Some of FlexFilms’ solutions – such as pyrolysis and waste collection – are focused on Indian market, are you looking to expand these into other regions?

AC: Wherever we are planning sites, we will roll out our sustainability initiatives. Pyrolysis will be more valuable in developing nations where energy is more of a problem, but for developed nations it is MLP, Asclepius and our enzyme solution, for other places it may be a combination depending on the region. We tailor the solution to fit the market.

OR: Some companies are looking into offering BOPE as a mono-material solution. Is FlexFilms also considering this material?

AC: We looked into this solution many years ago but the problem for us is that other companies are hedging their bets and installing BOPP/BOPE lines. According to us, looking at the premium you have to pay for BOPE and the price you get back, the payback period and ROI don’t add up. We want to get into BOPE but with a dedicated BOPE line not a hybrid line and Hungary would have been an ideal site to have such a line. BOPE has some very significant advantages but there still needs to be work done on the barrier, the sealing and on the overall haze properties. It is still a work in progress and the biggest thing holding it back is that the end customers have not seriously committed to it.

OR: In our previous interview in 2017, you mentioned that one of the main challenges has been that although customers were willing to talk about sustainability, many were unwilling to commit fiscally. Has the situation changed?

AC: The situation has improved, there are case studies to prove customers have committed to products like Asclepius with significant tonnage. There has been progress made in terms of customers putting more resource behind it and pursuing it more dramatically, but the scale up has been less than 5% over the past three years. We do not yet have the necessary consumer behaviour where a consumer makes an informed decision.

A bigger thing that has driven a lot of interest in sustainability is financial markets placing bets into sustainable initiatives – green bonds, ESG bonds and because there is so much money that needs to be parked into initiatives like this, and more obligation to sustainability; this helps drive the conversation forward.

OR: In your view, what should the biax industry be doing to help improve the sustainability situation and change negative consumer perception of plastic packaging further?

AC: We need stronger collaboration amongst each other so that we can get our resources together to educate consumers about the choices they have available today for their sustainable future. This is the biggest missing link. Everybody is making tremendous efforts towards sustainability but they are working in their own isolated way. We are all doing the same thing and pitching overlapping products or variations of the same product. The problem is that although you have organisations to help, there is no consolidated effort. Everyone is working in their own silo and unfortunately only the bad news makes front page headlines.

OR: In 2017, you mentioned how at FlexFilms you are focused on the product – the products Flex can give to the market to make the company relevant, profitable, and able to grow in a strategically precise manner. Could you provide some product examples?

AC: A lot of products have been launched including:

- **Asclepius® Portfolio:** This is a core part of our global sustainability initiative Project Plastic Fix, Asclepius is a family of patent pending films with a low carbon footprint based on the use of recycled resin material inputs. New 100% PCR content offerings are available in most BOPET film types from FlexFilms. Soon our recycling facility in Mexico will start so that closed loop recycling projects can be initiated in this space with desirous third parties. This product technology won the ‘Sustainability of the Year Award’ from AIMCAL in 2019 and an FPA ‘Silver Award for Sustainability’ in 2020.
- **Monomaterials:** F-HSP plain films and new F-HSP (M) metallised films are used for all types of laminates and single use constructions, and supports many global initiatives in material simplification for better recycling efficiencies. The films are currently manufactured at our Mexico plant for supply across the Americas.
- **Advanced Barrier Materials:** Soon to be launched, our new F-UHB is a patent pending platform providing the best barrier of any BOPET film worldwide. It is suitable as a foil replacement to enhance the sustainability of various long-life flexible packaging structures.
- A sister product to this is 8um F-PAB film with ultra-high barrier and very high yield. A validation of the film came from Technical Director at a large CPG that it was the highest barrier they have ever measured in BOPET film. The 8um basis weight gives very high yields in converted structures and supports all types of material reduction desires in the converter space.

- Next Generation Film Making Process Technology (VYOM): Is a patent pending process which has shown a huge potential for improvement to barrier, yield, mechanical properties and tear properties of traditional film. This technology will witness a scale-up in late Q4/Early Q1 of next year in our Mexico plant.

OR: Where is your future growth coming from? What do you think film extruders should be doing to ensure their long-term success?

AC: I see FlexFilms' growth coming from:

1. Strengthening our product portfolio for the future. We either have to be the most economically viable, be the cheapest, or we have to have the best offering, the best quality and the best spec. If we, as a company with our geographic reach today, start getting caught in the middle then that is the sure slow way to die. So, for us, we are in the middle of figuring out which products do we sell in the most competitive way and which products do we sell the best. And how does that product portfolio look.

2. Balancing out our capital allocation - We have come to a point in our global growth where we are comfortable allocating capital to any world region suitable for us to do a project. Keeping that in mind, where is the best capital allocation and doing that in a balanced way, not overextending ourselves, not making bets that we cannot fulfil, and that's always a fine line.

Those two things combined with people and leadership. As you grow, the hardest thing is to find people to grow with, to find people to be in the leadership positions that you need them to be in and help the organisation grow, and not cause problems, slow the growth. Making a mistake is fine but how quickly can you course correct, pivot to something else? That, and HR, not only for us but everybody in general, is a big challenge for everyone, especially with Covid and the developed world paying out huge disability benefits so the incentive to work and have a job decreases. So you have to stay relevant as a manufacturing organization during this timeline. That becomes a challenge.

For the film extruders in general, the biggest thing that we all need to focus on is how do we start putting pressure or making demands on our suppliers – raw material, machine, even our construction companies who make us sustainably competitive for the future, because at the moment the onus on figuring it out is on us, and if you demand answers, their response is we'll give you the answer but it will cost you and nobody is willing to pay the price right now. Everybody is retro fitting, there are huge investments going into barrier properties but all this is happening in isolation and not in a coordinated effort. Film extruders need to focus on putting this concentrated effort back into the supply chain to deliver them a solution that makes them relevant in the future because, if that does not happen, you will see large scale capital restructuring when product portfolios change in the future.

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