panorama

The magazine for Muller Martini customers

Spring 2012

Stand out from the competition and focus on innovation – Muller Martini presents visitors to its booth at this year's drupa with a personal fitness program

MÜLLER MARTINI

"Panorama" Interview Series
BRIC Countries

Brazil, Russia, India and China are commonly referred to as the BRIC countries. According to prominent economists, the four emerging markets can overtake the seven most important industrial nations (G7) in two decades. Parallel to a healthy economy and a high level of dynamic economic growth, the graphic

Interview with Romi Vohra and P. R. Lakshminarayanan

"Greater Automation Needed at Many Indian Printing Plants"

In addition to India's strong population growth rate, the government's considerable efforts in the field of education are contributing greatly to the boom of the graphic arts industry in India. Romi Vohra, managing director at Repro India Ltd., headquartered in Mumbai, and P. R. Lakshminarayanan, managing director at Muller Martini India, believe that their industry will continue to grow in the coming years in a similar fashion.

▶ **"Panorama": India's graphic arts industry, unlike that of many Western industrialized nations, has been recording annual growth of around 12 percent for some time now. What lies behind this welcome development in your country?**
Romi Vohra: High population growth is contributing greatly to the increasing print volumes. More people also means more readers. Second, and this is of significantly greater importance for our industry, due to the considerable efforts of our government in the field of education the demand for textbooks and learning materials is increasing. Approximately a half of all Indians are aged fewer than 24. That gives you some idea of the massive demand for books at all levels of education!

Is this growth distributed evenly throughout all segments of the graphic arts industry, or are certain print products benefiting more than others?
Romi Vohra: The book market for schools and universities, which I am very familiar with, is undoubtedly the most important pillar of India's graphic arts industry. In light of the great challenges in education in India, that will remain the case for some time.

P. R. Lakshminarayanan: Daily newspapers are also recording strong growth. On the other hand, stand-alone consumer magazines are somewhat stagnant in India. There is an increasing number of titles, but the print runs are generally decreasing, with the result that the total quantity of magazines is barely changing.

Looking to the future, are you expecting the graphic arts industry in India to report similar growth over the next few years?
Romi Vohra: I do not anticipate that the boom will tail off in the coming years. The thirst of young Indians for more education is too great for that. Our company's figures are indicative of that: in 2010 our turnover grew by 30 percent, and 35 percent in 2011. We are anticipating growth of 30 to 35 percent again this year.
P. R. Lakshminarayanan: Since 2004, the Government of India has been collecting a special tax called "education cess" of 3 percent towards education. From those massive revenues, a lot of money is also flowing into the printing industry. More print products for students means that more Indians have a higher level of education and better paid jobs. That makes a more attractive target audience for advertising – a spiral effect that has positive results for our industry.

How important are exports to the Indian printing industry?
Romi Vohra: Exports really are a great opportunity for our industry. That will remain the case, provided that Indian printing houses can better combine their strengths. That is why Repro launched the "Book City" project. Together with other firms, we would like to create specialists for certain products and production processes, such as higher automation, on the present heterogeneous market. Everyone should play

"The book market for schools and universities is undoubtedly the most important pillar of India's graphic arts industry."
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arts industry is flourishing in all four countries – for "Panorama", the aim of an interview series is to take a look behind the scenes at printing houses and finishing businesses in the BRIC countries. See Panorama 2/2011 (Brazil) and 3/2011 (China).

They know India's graphic arts industry like the back of their hand: Romi Vohra (right), managing director at Repro India Ltd., and P. R. Lakshminarayanan, managing director at Muller Martini India.

to their strengths on their market. By investing in larger equipment on the basis of cooperation arrangements, we can strengthen our position in the export business.

P. R. Lakshminarayanan: Exports have grown continuously in the past few years. Indian printing houses have also recently discovered Africa in particular as an attractive growth market. However, logistics and increasingly tight timeframes will pose a growing challenge to Indian companies. That is why many companies are setting up their new production facilities to the vicinity of the larger ports.

In parallel with the growth of the graphic arts industry, companies have also significantly increased their investments in production machinery over the past few years. Are these increases predominantly capacity adjustments or are they also motivated by the desire to modernize production systems?

P. R. Lakshminarayanan: Both factors are driving the investments. Expansions are generally to cater to increased print volumes and modernization due to relative scarcity and resultant higher wages for skilled labor.

What is the situation with regard to the production machinery of medium to large-sized Indian printing houses and finishing companies?

P. R. Lakshminarayanan: The spectrum is very wide. Only a few large companies, however, have the necessary cash flow to be able to afford the most modern, highly automated equipment. That is why many medium-sized and also smaller printing houses are investing in secondhand machines. That holds opportunities for Muller Martini India. We often install and service these older machines. By doing so we create a relationship with the customer that one day will result in the purchase of new systems.

In the past three years, 325 new printing houses have sprung up in India, and similar growth is anticipated in 2012. What effect does the increase in printing houses have on finishing?

P. R. Lakshminarayanan: Finishing has undoubtedly gained in importance. Many (new) customers of Muller Martini India who have invested in printing presses come to us later because they would like to finish larger volumes automatically. Since many such companies previously performed the entire finishing process by hand, the new machines often come from the entry-level or middle performance segment.

Then would you say that print finishing will continue to gain importance in the coming years?

Romi Vohra: There is no doubt about it in my opinion. Higher automation is needed at many Indian printing houses, as I men-

Facts and Figures about the Printing Market in India

- Between 2006 and 2011, the graphic arts industry in India grew by an amazing 73 percent.
- In 2011, the graphic arts industry in India had a turnover of 21 billion US dollars.
- India's printing houses print 10 million tons of paper per year. As a result, the Indian paper industry shows an annual growth rate of 8 percent.
- There are 250,000 printing presses in India – among these 75 percent have either one or two printing units, nearly 30,000 are large format machines.
- Almost 80 percent of all Indian printing houses are family-run businesses.
- In India, 2,200 graphic arts businesses produce 1.3 billion softcover books per year.
- Every year, 90,000 new books are issued in India by 19,000 different publishers.
- The total daily circulation of all 8,000 Indian daily newspapers is 107 million copies.
- According to a survey, leading representatives in the graphic arts industry expect annual growth rates of over 35 percent for digital printing, over 20 percent for large size printing, over 15 percent for package printing as well as over 12 percent for both web offset printing and sheet-fed printing.

Interview with Romi Vohra and P. R. Lakshminarayanan

P. R. Lakshminarayanan: "Thanks to our local presence, we are very close to our customers"

"Panorama": Mr. Lakshminarayanan, the graphic arts industry in your country has been enjoying very high growth for years now. What does that mean for Muller Martini India?
P. R. Lakshminarayanan, managing director at Muller Martini India: It is true that the graphic arts industry in India has grown at a continuously high rate over the past decade. However, owing to the capital-intensive nature of our industry, there have been ups and downs with regard to investments. The great challenge for Muller Martini India is to serve the market and our customers optimally during both the up and down periods.

Which segments in particular have experienced growth in the past few years?
All business divisions of Muller Martini have experienced growth. However, growth has been particularly high in the areas of newspaper mailroom systems and hardcover and softcover production.

In your eyes, what is the reason for Muller Martini's huge success in India?
Thanks to our local presence, we are very close to customers despite the size of the country. Such close partnership based on proximity to customers, coupled with great confidence in the Muller Martini brand, gives graphic arts companies a strong sense of comfort.

With a population of 1.2 billion and a surface area of 3.3 million square kilometers, India is a huge country. How do you guarantee service and delivery of spare parts to such a widely spread customer base?
Several years ago we set up local support centers in the most important cities. Although we have centralized our spare parts service at our headquarters in New Delhi, we have steadily increased the inventory of spare parts at those local support centers according to the machines installed in the given area. It is said that "the salesman sells the first machine, and then the service sells the next!" That is why we – using the big advantages of the Muller Martini service package MMServices – will continue to place great emphasis on service.

P. R. Lakshminarayanan: "We place great emphasis on service."

"Print finishing needs to reach the same high technological level like printing presses."
Romi Vohra

tioned earlier in connection with the country's export opportunities. We have many modern printing presses in India, but print finishing needs to reach the same high technological level.

What role do wage costs play in the increasing automation?
Romi Vohra: Salaries are one aspect. To remain an attractive partner to our foreign customers ensuring shorter delivery is much more important.
P. R. Lakshminarayanan: It is true that wage costs are rising in India in parallel with economic growth. Since it is increasingly difficult to find qualified machine operators in the graphic arts industry, they do not come cheap.

How important are finishing processes (keywords: finishing, inserts, glued-in inserts) in the production of print products?
P. R. Lakshminarayanan: Making print products more attractive has recently increased slightly in importance. However, since these processes can be performed by unqualified, and therefore inexpensive, workers, they are mostly done by hand. That is why there are few card gluers in use in India, for instance.

As you mentioned, daily newspapers are booming in India, unlike in many Western industrialized countries. Some 107 million copies are sold daily, accounting for 20 percent of world production. What makes the Indian dailies so strong?
P. R. Lakshminarayanan: In addition to the strong population growth, it is predominantly low prices that explain this great increase. More and more Indians can afford to buy a daily paper. A second and third daily newspaper is also quite common. At newsstands they cost between 3 and 5 rupees (6 to 10 US cents), while a monthly subscription with door delivery costs just 100 to 150 rupees (2 to 3 dollars). However, these low prices also have a downside, which is not without its risks. Because newspaper publishers depend heavily with about 70% coming from advertising revenues, in an economic slump, that would have disastrous consequences.

What is the situation with regard to inserts in such newspapers?
P. R. Lakshminarayanan: They are (yet) nowhere near as popular as in other countries. The number of inserts has increased significantly in recent years, but for many newspaper companies it is still more economical to have them inserted by hand. That job is usually performed by the hawkers directly at distribution points. That is why there are still few inserting machines in India.

"More and more Indians can afford to buy a daily paper. A second and third daily newspaper is also quite common."

P. R. Lakshminarayanan

Do you believe there is great potential in that field?

P. R. Lakshminarayanan: Yes, certainly, since magazines or semi-commercials are increasingly delivered free as inserts to make newspapers more attractive. That business model is relatively new in India and will increase in importance in the coming years.

Are you anticipating unabated growth of newspapers in the coming years?

P. R. Lakshminarayanan: I am convinced that newspaper print runs, especially those of non-English language in tier-II towns and cities, will increase in a similar fashion in the next few years.

With 90,000 new titles and a total of 1.3 billion softcover books produced annually, the letterpress figures are also impressive. Are you anticipating similar growth in this segment to that of newspapers?

P. R. Lakshminarayanan: Yes, the number of books will increase to a similar extent. There will be increasing focus on automation for hardcover production. I am expecting that more and more companies will switch from working by hand to machine production. That will enable them to satisfy the increasing demands of both the domestic market and the export market in terms of quality and production speed.

What role does package printing play in India?

P. R. Lakshminarayanan: The growth rate in package printing is double the average for India's traditional printing industry. For Muller Martini, in India, this is largely an unexplored segment but potential will be huge when the printers will want higher print quality of packaging products.

In the last three years digital printing in India grew by 25.8 percent per year. How important are digital print products in India today?

Romi Vohra: To be honest, for us this business segment has been disappointing so far. We purchased a digital printing press four years ago, but the volume of orders has not lived up to our expectations at the time. It is true that we produce our textbooks predominantly for the government and are not in open competition. However, colleagues in other printing segments also report that they have not yet achieved a breakthrough in the field of digital printing, either.

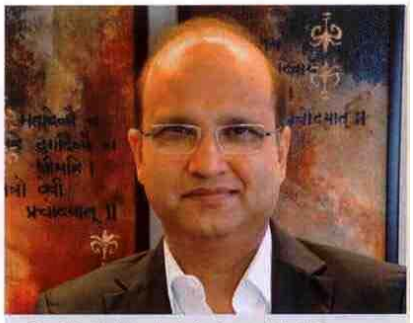
P. R. Lakshminarayanan: We need to take a nuanced view of the digital printing business in India. It is still mainly smaller print shops that are successful in this segment, which is why the investments also tend to be smaller. However, it is only a matter of time before a greater number of larger companies jump on the digital bandwagon.

How strong is the competition from electronic media (for example e-books) in India today?

Romi Vohra: In the field of textbooks, which is our strength that is unlikely to be an issue for many years. The experiences of my colleagues in the industry also show that the runs of print products are not suffering because of e-media.

Mr. Vohra, the drupa is not long off. Will you be flying to Düsseldorf?

Romi Vohra: Naturally. I have attended five drupas since 1990 and the long journey was worth it every time. This year we will fly 18 people from our company to Düsseldorf to see the innovations live at the many stands during the three to four days. We are expecting, in particular, that machine manufacturers will also show us simple solutions enabling us to produce more cost-effectively. ◀



Romi Vohra launched the forward-looking "Book City" project.

Repro produces 500,000 books – per day!

With roughly half a million books a day, Repro India Ltd. is one of India's leading book manufacturers. Some 80 percent or more are books for schools and universities. Repro prints these for various publishers, who in turn are contracted by the government. Some titles have print runs of as many as a million copies, although the number of copies typically ranges between 10,000 and 35,000.

The company, which employs 800 people at its three factories in Mumbai (where it has its headquarters), Chennai and Surat, has been relying on Muller Martini systems for perfect binding and saddle stitching since it was founded in 1993. Its most recent investment was an Acoro A5 perfect binder in 2009.

In order to improve the export prospects of India's entire graphic arts industry, Repro launched the "Book City" project that involves combining forces with printing houses (see adjacent interview). "Together with other firms, we would like to produce specialists for certain products and production processes on the present heterogeneous market," says managing director Romi Vohra. "Everyone should play to their strengths on their market. By investing in larger equipment on the basis of cooperation arrangements, we can strengthen our position in the export business."