

Helping rural India sleep better

Gujarat PSU GNFC is developing affordable PU mattresses for the masses

JYOTSNA BHATNAGAR

jyotsna.bhatnagar@expressindia.com



For placement of orders and payments, assistance is provided by ICICI Bank, which has developed an innovative method based on SMS and virtual accounting system. "Though we are facing glitches like high transportation and freight costs, which can, in some cases, be as high as 20%—owing to poor infrastructure and road connectivity in rural areas, which makes transportation of voluminous products difficult—and are battling the retail orientation of NSKH and GSK, we are trying to overcome these through initiatives like compressed packing and *in situ* foaming," Gupta reveals.

But what synergies could a PU foam mattress project possibly have with the overall business model of a fertiliser manufacturer? Plenty, if you consider the fact that GNFC is today the sole producer and supplier of TDI, or toluene diisocyanate, a

chemical used primarily for flexible foam applications including furniture, bedding and carpet underlay, as well as packaging applications, automotive and airline seats—not just in the domestic market, but in the entire South East Asian region as well. The Asia Pacific region is the largest consumer, with 40% share of the global TDI market.

Linking the affordable-mattress-for-the-masses project with its huge rural-based fertiliser retail network is clearly a masterstroke by GNFC, Gupta says. "Recent trends indicate that rural India is driving consumption growth. Consumption of mattresses is on the rise here, though there is a preference for economical mattresses in contrast to urban areas. Being a fertiliser company, GNFC is already entrenched in villages. Looking at the rural consumer behaviour, we are tapping the opportunity



to increase the domestic market share of TDI and have forged a collaboration with Sleepwell, a leading mattress manufacturer, to customise a mattress that can cater to the needs of rural/rurban areas."

GNFC aims to expand its rural presence by sale of customised mattresses and simultaneously push up domestic TDI sales on the back of rural consumption of PU mattresses. "The Indian mattress market is pegged at ₹9,000 crore, but there is a huge scope for expansion by unlocking potential demand from rural markets," Gupta says.

GNFC has an installed capacity of 15,000 metric tonnes per annum (MTPA) at its Bharuch plant and 50,000 MTPA at Dabhol. The chemicals business contributes more than 60% to GNFC's revenue, of which 21% is contributed by TDI.

But TDI wasn't always a winning

proposition for India's sole manufacturer, which was losing market share to cheaper imports from China, Japan, South Korea and the Middle East till a few years ago. The proactive GNFC management approached the Directorate General of Anti-Dumping & Allied Duties, which, after a probe, concluded that the organic compound was being exported to India below normal values, causing material injury to the domestic industry. Recently, anti-dumping duty has been imposed on TDI imports, with the aim of protecting domestic manufacturers from below-cost imports.

"We have responded by being aggressive in pricing to thwart competition and have built long-term relationships with our clients for assured volume," Gupta avers. The moves have reaped rich dividends, increasing GNFC's domestic mar-

ket share from 49% to 63%. The sharp increase in TDI prices, too, has firmly catapulted the PSU on the gravy train with market capitalisation crossing the \$1 billion (₹7,990 crore) mark on the back of a sustained rally in its share price, making it the third Gujarat government utility to enter the billion-dollar club. It had also achieved the highest PBT of ₹715 crore for the fiscal ended March 31, 2017.

An endeavour is being made to expand GNFC's export footprint—today, it exports TDI to more than 65 countries, offering stiff competition to MNCs, including giants BASF, Hanwha, OCI, Mitsui and Covestro. "TDI has been the major growth engine in our journey," concedes Gupta.

GNFC is now planning to create synergies with another growth engine of the company, neem oil. The first fertiliser company in the country to indigenously manufacture this oil for the government's neem coating of urea project, GNFC is setting up yet another creative precedent in the industry—that of coating mattresses with neem oil to make them resistant to bed bugs. "We are in the process of evolving methods for coating mattresses with neem oil, which is known for its insecticidal properties," gushes the GNFC MD. With its name now synonymous with several neem oil byproducts including soaps, shampoos, face wash, hair oil and mosquito repellents, all of which are doing brisk business, its foray into mass consumption and neem-coated mattresses would only add to the fertiliser major's already impressive list of best-sellers.

