



EXECUTIVE ACCESS

INDIA'S LEADING GLOBAL SEARCH FIRM

TÊTE-À-TÊTE

CONVERSATION WITH LEADERS

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TÊTE-À-TÊTE is a regular series of interactions that Executive Access has with top industry leaders, CEOs, and founders of organizations. Our latest issue brings you first-hand insights from our exclusive chat with Pankaj Poddar, Group Chief Executive Officer, Cosmo Films Ltd.

Pankaj Poddar

Group CEO

Cosmo Films Ltd



Mr Pankaj Poddar is currently the Group CEO of Cosmo Films Ltd., heading the company's fast-growing consumer business Zigly, alongside their multiple trade verticals, viz., Films, Labeling & Packaging, Specialty Chemicals, Ferrites, Masterbatches & Textile Chemicals. Being at the helm of a fast-growing global organization, his contribution to the year-on-year growth of the company is unmatched.

His career spans over 26 years, wherein he was a turnaround specialist, and quick decision-maker with strengths in commercials, analytics, negotiation, team engagement & strategy building, which mirrored in his leadership at Cosmo Films. His journey with Cosmo Films began in 2011 as the CFO, managing its financial operations in India & overseas. Later, he went on to become the President - India Operations and eventually the CEO in 2013, successfully leading multiple verticals for the company.

In addition to his ongoing role at Cosmo Films Ltd. as the Group CEO, he is a regular speaker at various packaging industry forums and resides on the board of the Organization of Plastic Processors of India, IFCA and Plastic India.

Before Cosmo Films, he held senior financial positions at large multinational companies, namely, Ernst & Young, Reckitt Benckiser, Delphi Automotive and Avon Beauty.





Tell us about your journey Pankaj, how was it transitioning from a finance to a CFO to ultimately donning the CEO's hat.

I started my training with EY in '95 and completed it in '98, that's the year I became a CA. So I had some great learnings with EY. During those days EY itself was evolving, so I had the privilege of working for some months in taxation for a couple of years in M&A and internal audit as well, but the majority of the work I did was US & Indian GAAP over the seven years I was there.

I also learned about different industries having worked for clients in the Chemicals, FMCG, Automobile, & entertainment industries. From early on, I was always keen on how operations could be streamlined, I remember a client that I advised was so impressed with my suggestion on their royalty spending that their MD personally called & congratulated me. The next year, the finance head requested me to help again, and I was able to identify something that resulted in more savings. I used to go beyond just my true and fair brief into the depth of things. This was the beginning of my journey.

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In Reckitt Benckiser, I was in the internal audit department where I was responsible for India, Sri Lanka, & Bangladesh. There again I found a major fraud being perpetuated for many years. When I identified it, the entire management was replaced. Thus my span gradually increased to 23 countries giving me a lot of international exposure.

I then joined Delphi, where my first job was in internal controls. Here too, many issues needed to be sorted out and we brought that to 0 within a single year! Here too I received a letter of appreciation from the global CEO for the achievement. I aspired to expand my role beyond controls and hence started doing things outside this as well, within six months, business finance, costing and 5-6 people within finance started reporting to me and I became Divisional CFO. The first task given was to close down operations, but we did a study with data of 7-8 years and found that turning around operations would cost less than closing. We could identify the reasons for the losses and attack them. Within a year that division making a \$10 million loss made a \$2 million profit. making. I was then given a second and third division where we were able to make a similar impact and then became the India CFO there.

I then had a short inning in AON, where within a small window, despite a less-than-promised budget and a small revenue of INR 100 crore, we managed a profit.

I then joined Cosmo as CFO. At that time there was no CEO. So the chairman himself was doing the role of CEO, but he was not very operational. There was an ex-CEO who was acting as a consultant. The chairman realized the kind of work I had done and gave me a few tasks which I was able to perform to his satisfaction within the first one or two months, so he asked me to take decisions based on the consultant's recommendations. Thereby, I started getting the exposure right from the beginning. Within 6-7 months, the Chairman asked me if I would like to take the CEO's role. While I aspired to take this up, I wasn't sure about moving out completely from the Finance function. So I did a dual role for almost 1 - 1.5 years. It must be 16 to 20 hours of work every day because I was playing both the CFO role and that of the President for Indian operations. Within a year I was asked to start handling the Netherlands as well, but I said that would be too much, and we gave the subsidiary to another gentleman. By 2013 the chairman wanted me to manage everything and I became CEO.

When I joined Cosmo in 2011, it had an INR 800-900 crore turnover and even EBITDA loss in that month. We did a lot of internal corrections, increased the domestic sales, improved our pricing and a lot of other areas and within 4-5 months we started making decent money. However, in 2013 a lot of new lines came up and all of a sudden profitability crashed. We had to think about every small CAPEX happening at that stage. Being the pioneers, we had a lot of old assets which were very inefficient. We made modifications to those assets over two years, cut down costs drastically and also tried reducing some fixed costs. This helped us keep fixed costs flat while sales improved. In 2015-16, demand surpassed supply and prices went up again. That gave us some relief, and we decided to do something special.

Cosmo was earning decent money on thermal lamination films, where we were World #2 and post-acquisition of GBC we became World #1 but lost a lot of money. Though it was a loss-making proposition, the cost of laying people off was very high in these countries. While operations in the Netherlands were closed, the US was making a USD 5 million loss. Thermal in developed countries was coming down, but was going up in developing countries. So we started selling to the developing countries. We then added our other line – Packaging Labels in the US, Japan, Korea and Europe, that strategy went well and the US which was at one point making huge losses, started making a lot of money for us. We wiped out all the old losses. This was a good starting ground, but there is only so much cost reduction one can do with old lines, they wouldn't ever be able to keep up with new lines. We hence started creating R&D capabilities and got into many different product lines. We set up sales verticals and invested in marketing which we were not doing earlier. This was a huge strategic shift in the firm's journey.

This was not easy, in the first few months we incurred new losses as meeting customer expectations was not easy. Fortunately, we were patient and kept at it and slowly but surely we started reaping the benefits of our investment. We intend to create 80% of our sales through specialities which is quite a tall ask and we're still in the process of achieving that.

Is the Indian market ready for these speciality films?

Well, that's the only reason that we export so much. The Indian market takes some speciality films, but we export all over the world. We focused a lot and we leveraged the US, Japan, Korea and European operations. Our focus continues to be increasing specialty sales and it played well.

How did you decide to get into pet care? That doesn't seem immediately intuitive.

In this industry, one needs to continuously increase volumes to keep up with the competition, but to keep chasing the 50% target is not easy because it takes a long time to win customers, hence we wanted to look for something in the consumer business. We studied close to 70 businesses and eventually zeroed in on this. The industry was going at a fast pace, it was one where we could establish an emotional connection with people, it's a new age business, there isn't too much government interference, etc. We had several criteria and based on that we gave scores and we eventually ended up with two industries, which we liked. Finally, we decided to get into pet care.

Initially, we didn't understand what was going on in the US as we didn't engage any consultant. Everything was in-house and during COVID we decided to hire people. Then we started building a team.





Vet Clinic



Grooming



Products

In hindsight, due to COVID, the pet care business has zoomed.

Yes, it is one reason, but we started before COVID. In our minds, in developed countries, families are smaller. That led to pet adoption and hence we felt that India would also go through that same transformation where families were getting smaller. Eventually, Indian parents will adopt a pet. The timing became right because of COVID.

Tell us a little about the other businesses Cosmo is into?

Chemicals is another area that is looking good in the industrial space, we have started doing a lot of diversification in and around the film area as well. We recently got into the massive adhesive coating business. We're also into rigid packaging window films which are very closely linked to the film business. So there are some businesses which are very close to the film side and others not so much, such as the ferrites business.

It was always a small, INR 50-60 crore business that hardly made INR 3-4 crores of EBITDA and they went for an LED assembly, Alicia that made significant losses because timing was wrong and we did not do enough backward integration. Those operations became loss-making and cash flows were a big challenge. So in 2020, I was asked to start having an overview. Covid hit this business significantly. There were no finances even to pay to the vendors, a lot of over dues and so on. We then tried replicating our model in films that had seen success by getting into specialities and spending on research. The business which had never made more than 4-5 crores of EBITDA ever, in 50 years made an EBITDA of INR 28 crores. We were able to reduce wastage from >30% to 12% and we still feel that we can do more.

Customers who visited 5-7 years back say they can't believe it's the same company! Those are the comments we're hearing these days. There is also a lot of expansion of capacity and operations are getting better.



What are your views on ESG? Given that you're in the plastics / films business, what does the future look like for you?

Plastic by far is the best material today. The only challenge is that plastic is not getting collected properly and some plastic processing is done in a way that it cannot be easily recycled. The only thing to do is to develop the entire value chain, which is in the process. It's a matter of time, I feel, another five to seven years.

India today already has one of the best recycling numbers in the world, at such a huge scale. We do 50% plus recycling. This number has the potential to go up to 70% plus, which means a lot of flexibles and small widgets can also start getting recycled. My opinion is that until there is something revolutionary, plastics cannot be replaced. That's very clear. Anything available as an alternative to plastics today has a far higher carbon footprint than plastic.

Coming to ESG again, we also get ourselves audited, we print our reports and focus on all three areas of ESG. On the environmental side, we did 19 beautiful projects and have been planting 50,000 trees which reduced our carbon footprint very significantly. On the Society part, we today teach close to 20,000 students. On the governance front, we always had a very professional board. We even had a woman inducted into the board many years ago. The company is run by professionals. So to that extent, we are very, ESG compliant.

What are your thoughts on digitization, IoT, etc. Do you think that is going to change landscape significantly for the industrial sector?

It is already changing a lot. We are on the latest SAP -SAP HANA, which itself is anyway 5 to 6 times faster than the earlier versions. So that has made the processing time much lesser for everyone. We're already doing digital invoices for our customers. We're also implementing a DMS or document management system through which there'll be far more automation in terms of vendor bill processing. In all, the entire process is taking far lesser time, and paper.

Thirdly, we can analyze data in much more depth and much faster today. That has made the lives of everyone more difficult because there's so much data! We implemented CRM through Salesforce and the entire people part through SuccessFactors.

Another area is optimisation, where we have tools for container and truck optimization which makes information available live on our system enabling us to track every truck and keep our customers informed at every stage. We also have a chatbot that can help with any Cosmo product. On the shop floor, we are trying to bring in more automation and technology, so that more data of the machines can be captured, machine learning can happen and artificial intelligence can be brought in. With this, we'll be able to forecast more accurately and locally our growing number of stores will be able to stock the over 3000 SKUs we have, optimally.

Since you've automated such a lot and other things on the industrial manufacturing plant side, is this going to lead to a substantial loss of headcount?

Headcount per unit is reducing because the new machines produce far more efficiently. Today we're able to achieve what required 400 people with just 150 people. So that is indeed one change that is happening. Even though automation is reducing our manpower requirement per unit, it is making the life of people easier on the other side. While revenue has gone from INR 800 crore to INR 3200 crore – grown 4x, our headcount across functions has only gone up 1.5x. Fortunately, we never had an occasion where we had to fire people because we're automating.



What is your view on the talent space in India? Are you facing any challenges?

I feel that the world and especially India is already talking a lot about work-life balance, work-from-home, four-day work weeks, etc. but as a leader, while one needs to keep up with the times, one also needs to balance work demands. In a country where the growth aspirations are much higher, we cannot afford to become Europeans already. We have to learn from history that the countries that grew fast, have gone through all the hard work and grit. If we want to become a developed country, the people of this country will have to work harder, smarter. They will have to put in those efforts or risk lagging. I feel that at least for the next 10 years, the Indian workforce will have to still go through the grind. We simply can't afford to be laid back.

As far as talent availability is concerned, India has a lot of good talent. But at the same time, on many occasions, especially at the leadership level, that's always a scarcity. Most leaders have gone through the grind only in silo functions and then transitioned to managing all functions. That's the largest concern in India today. I think there is a lot more training required to manage multiple functions.

Overall, it's really important that hard work has to go on for the next few years because India has a huge opportunity right now and that opportunity can only be best availed by the Indians if we work more smartly and put in more effort over the next few years.

Within the industrial manufacturing sector, what is your perspective of people of a younger age taking on more important roles? The age factor, if you will?

Well, I don't think that's a challenge right now, perhaps it could be one, 30-40 years from now. Having said that, I see a lot of changes in society. Families have been shrinking drastically from 8-10 to 4 to even one. This is a larger concern. As for the age of the population, I don't think that'll be a challenge shortly, in fact, India will have more working hands in the years to come and if we do things right, we have a very good opportunity right in front of us.



Continuing on the theme of age, what are your thoughts about individuals over 45 vs those under?

Younger people have more energy, for me, that is the most important thing. Secondly, they understand technology much more than the older folks. When I see youngsters, 10-12 years, they are so accustomed to using their mobile phones and tablets, and know how to make the best use of these tools. I also find a lot of this young generation, to be very curious. Earlier kids had very few avenues- their teachers and parents. Today, they simply utilise the internet to keep learning. Many times, we only know that something happens, but we have no idea why it happens, while the kids do.

The only challenge I think we'll face in the country and the whole world at large, over the next two decades, is people suffering from eyesight issues and mental illnesses including stress, anxiety, fear, the loneliness because of this much digital usage.

What about longevity of employees? These days 2-3 years seem “enough” from the earlier staple of at least five years, are you seeing that happen? Your thoughts?

See, what I've seen is that people at a younger age, and that was the case even when we started our career, people change fast 3-4 years when looking for opportunity. Once they feel they've reached a certain level, they used to be more stable in their job. So I still see this trend by and large.

However, in terms of confidence, unlike us when we were very afraid of leaving a job without having a new job in hand, this isn't a strong concern for today's youngsters. That's a dramatic shift and a good one at that. Corporations hence have to change, and a lot of good practices will come from the people practices side.



On your personal front Pankaj, what drives you? What's your passion?

I love my work! I've been a very focused person that way. While studying, not that I'd do it throughout the year, the time I'd spend, even if it was only two hours, would be completely focused and my grasping in that time was very good. Similarly, while working, my focus is entirely here. Honestly over the weekends if I don't have anything else to do, I'll be working. If not, I'd either be reading a book related to my industry or something similar. That's part of my DNA, I love it!

What about relaxation? Outside of work?

I do a lot of weight training these days, though sports have been driving me right from my childhood. I used to play a lot of badminton and squash, though I've reduced my active sports to a large extent. I also love travelling with my family, especially the mountains, followed by the sea!



Interviewer's Profile

MR Singh, Partner, Executive Access



MR joined Executive Access in 2008. He brings with him more than 30 years of experience across industries and geographies. He has held several HR Leadership roles in diverse Manufacturing/Industrial and Consumer Durable companies in India. He has worked in companies like Citi Bank, BHEL, Eicher, Metal Box, Eaton Corp, and Shriram Group, both in India and abroad. He has been trained in Hay Job Evaluation Methodology, Competency Mapping/Profiling, Executive Coaching and has been on the interview panel of top Business Schools and Corporates. MR is an avid sports lover and has played for the Ranji trophy.

He is an MBA from the University Business School, Chandigarh.

Contact

mrsingh@executiveaccess.co.in

+91 9811222812