

# For a **Royal** Bath

Royal Ceramics Lanka Limited is a public quoted company listed on the Colombo Stock Exchange. Having started operations approximately 15 years ago as the only homogeneous porcelain tile manufacturer in Sri Lanka, it still holds that distinction. In 2000 Vallibel Holdings bought a majority stake in the company and in 2002 Royal Ceramics embarked on a major re-branding exercise, which resulted in the birth of the Rocell brand. Tharana Thoradeniya is the Director of Marketing and Business Development of the Royal Ceramics Group. He is also the Chief Executive Officer and a Director of the Board of Rocell Bathware. He is also responsible for all branding, product development and marketing aspects of the Royal Ceramics Group and is responsible for the complete operations of Rocell Bathware.

In this interview with *Business Today* he talks about the manufacturing plant that is currently being commissioned, its operations and the high quality products customer's can expect.

By Sheahan Ganeshan



## Could you briefly describe operations after the launch of the Rocell brand?

With the launch of the Rocell brand we carried out a total marketing exercise. Basically a new product line was introduced to the market, we started expanding our distribution network and we came out with new display concepts. We have some of the best showrooms in the country, not only in the household care segment but across the board.

Through these initiatives, we managed to regain the market leadership position and we became the number one flooring company in Sri Lanka. Right now we have approximately 40% market share in the floor tiles business and we are the number one producer in Sri Lanka. We have two plants. One in Eheliyagoda - which produces porcelain tiles - and the other one in Horana, which produces glazed ceramic tiles.

## What prompted the birth of Rocell Bathware?

We wanted to diversify into other areas of business, especially into lifestyle related areas, so this was a natural choice. Towards late 2005



conductive to high capacities and optimises efficiencies. We will also adopt all European norms of manufacture in bathware specifically in terms of product and process testing as well as in research and development.

**What is the investment you are making in this plant?**

We are investing Rs 1.5 bn in this plant. It is one of the single largest investments into a production facility in Sri Lanka. From the perspective of the Royal Ceramics Group it is the single largest investment we have ever undertaken in our 15 year history. Naturally, this is a very important and a significant project for us.

**Is this investment purely from Royal Ceramics or have you partnered with any others on this project?**

No. This money comes from internally generated funds as well as debt capital. We don't have any partners. This is a 100% owned subsidiary of Royal Ceramics Lanka Limited.

**"Rocell Bathware is a state-of-the-art production facility equipped with the latest innovations in production and process technologies."**

we made a conscious decision to go into the bathware business. That was the birth of this project. For the past two and a half years we have been working on this project and it is nearly in completion.

**Could you describe the plant that you have constructed?**

If you look at the Rocell Bathware project itself, this plant is one of the most advanced and sophisticated bathware manufacturing plants in the region. I would venture out to say it's the best in south east Asia. This is the outcome of careful conceptualisation, design and selection of appropriate technology during the last two years. Rocell Bathware is a state-of-the-art production facility equipped with the latest innovations in production and process technologies. Two of the world's leading bathware technology providers, Unimak of Turkey and Sacmi of Italy are the lead suppliers of machinery and technology to the plant.

If I am to give you a background

to the global bathware industry (also commonly referred to as sanitaryware), Turkey is the largest producer in the world. They produce about 20 million pieces of bathware per annum. Italy is the second largest, producing approximately 7.2 million pieces a year. Both Unimak and Sacmi are leading technology providers to the global bathware industry. We have taken a technology that is used and proven in the most developed bathware markets in the world.

A ninety cubic meter kiln, semi pressure casting machines, automated driers and robotic glazing lines differentiate our plant from that of its counterparts in the south east Asian region. Access to advanced technology and production processes gives us the ability to produce a range of sophisticated products in a process which is environmentally friendly,

**Could you elaborate on the standards you follow?**

There are European Union standards and ISO standards for bathware, both for product and process specifications. We call them European norms. All our products conform to these European norms. We are also looking at making certain product lines which conform to Australian standard specifications as we plan to sell some of our products in Australia. But mainly our product standards, product quality and testing procedures would be based on ISO and European norms.

At present Sri Lanka does not have an established standard for bathware. Standards are very important, especially when it comes to water closets (WC's) and flushing capacities. Most of the low quality, low cost pieces you would find in the local market do not

flush with 6 litres of water. Instead, their flushing capacities range from 9 litres to 13 and 14 litres. Europeans are very strict on how much water you use to flush, especially in the wake of an increased awareness towards minimising environmental impact through sustainable living. All our products, therefore, would come with 6 litre flushing capacities together with dual flushing capabilities, so that you use only half the water for a lighter flush.

#### **What are the products that are being manufactured at the plant?**

As regards our production capabilities, Rocell Bathware will produce vitreous china (porcelain) bathware products as well as large format fine fireclay products. We would manufacture WC's, bidets, washbasins and other accessories that go along with that.

Fine fireclay is one of the latest innovations in the ceramics industry. Apart from using an advanced production technology, fine fireclay allows the manufacturer to produce large format products in ceramic. This is the latest design trend in the European and North American markets where large format products are in vogue.

The bathroom was purely a functional space a few decades ago but has evolved into being an integral aspect of peoples' lifestyles. Now it has elegance, style and uniqueness all built into it. It has become a showpiece and an extension of one's lifestyle. This evolution has occurred as a result of changes in our own lifestyle, realistically when you think of your home you spend a considerable amount of your time - in the morning and evening - in the bathroom. So it is important that you have a pleasing ambience to spend that time.

In today's day and age, bathrooms have superior functionality because bathware products have evolved over 150 years. At the same time uniqueness, design and elegance are critical in 'individualising' or 'customising' the experience derived. This is where we are coming in, in terms of the local market. We want to redefine the bathware category the way we did with the floor tile category.

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Our product portfolio will not include bathtubs but we have collaborated with a specialist Italian taps and fittings manufacturer called Gugliemi. The range will complement our bathware product portfolio with greater focus on high quality, stylish products for the more sophisticated customer.

#### **Are those taps retailed both in Sri Lanka and Italy?**

Yes. The brand is marketed as Rocell by Gugliemi and is Italian in design and manufacture. It is available in the Sri Lankan market and can be purchased from any of our 35 outlets. It is also retailed in Italy but under the Gugliemi brand name.

#### **Are all your products sold locally?**

If you look at the tile business, approximately 90% of our products are marketed locally. We have about a 40% market share and we are the market leaders in that category. Exports contribute approximately 10% to our total floor tile business. However, in relation to bathware 75% of our production will be marketed locally and 25% will be exported.

Presently there are no serious manufacturers of bathware products in Sri Lanka. 99% of the products are imported into Sri Lanka and about 75% of that comes from India. The rest come from Indonesia, China, Thailand and a very small quantity from Europe.

Even though Sri Lanka imports bathware products from India, we have identified a great market potential for us to sell to India. The upper end of the Indian socio-economic groups such as upper middle class consumers have understood international design trends and are partial to high quality products. As a result, we are seriously exploring opportunities in India with our bathware products

because we deliver high quality, design and affordability.

Australia, Singapore and some of these regional markets are also on the agenda for penetration. Eventually, in the long term we will tap the European markets. But at the onset we will concentrate on the region.

In terms of the plants' production capacity, we have the capability to produce 250,000 pieces per annum but at any given time we can double this production capacity, up to 500,000 pieces. We have put in all the necessary infrastructure to double the production capacity which includes slip storage tanks, compressed air lines, water lines, gas distribution, electricity, panel boards. Everything has been designed leaving allowances for expansion of the production capacity.

In a very short span of time when the capacities are met with the demand we will increase the production capacity. Hopefully that will take place in the next one to one and a half years.

#### **What are the production processes that you use? Are these what you devised for yourselves?**

Actually the bathware industry is quite old and up to the 1980's there were no major changes in production technology or processes. Most of the manufacturers did manual casting on plaster moulds. But during the 80's a lot of companies migrated into mechanised casting, which is low pressure casting. Low pressure casting technology has developed over a period of time, perhaps the last 30 years. It is at an advanced stage now.

For production we use low pressure casting technology. Glazing was done manually like in the case of spray painting in the past. Recent advancements to the glazing process have seen the utilisation of robotics for glazing.

We too use robotics for glazing to give us the required quality and consistency. There have been various technological advancements in kilns, on the firing cycles. The kiln which we have in our plant uses the latest technology and is one of the most recent kilns designed and released by Sacmi.

In terms of the core production process, it hasn't changed much so we would be adhering to the European way of manufacturing bathware. But if you take India and China, India has a huge bathware industry but it is like a cottage industry, it comes from the unorganised sector. The products which are on the Sri Lankan market come from there. They are unbranded which is why they can sell them at such low prices. They use different types of processes. It's non-standard.

**What is your focus on technology? Do you insist on the latest technology?**

Yes. This is the latest technology available in the bathware industry.

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If you look at our process, first you have the body preparation department, then you have the mills, then the slip storage tanks, the plungers, where the slip is made. This is then pumped into the casting machines which is where the formation of the product takes shape. These casted pieces are dried in greenware driers and later glazed using robotic glazing machines. Then they are fired. Once it is fired several different tests are done such as a dimensional stability test and a surface test to ensure that our surfaces are perfect and glazing has been done properly with no dents or cracks. Thereafter weight bearing tests are conducted by placing 500 kilogrammes of weight on each piece to determine its ability to bear that weight.

For WC's we carry out a flush test, where you put 50 golf balls into it and see if it passes through. One of the parameters of the test is to determine

if each golf ball travels a stipulated distance with the flush. Then you need to have a certain amount of fresh water replacing the used water. We also carry out a leakage test.

Our manufacturing facility has one of the most advanced and well-equipped laboratories in Sri Lanka, particularly within the ceramic industry. It has the capability to conduct R&D and product quality assurance procedures, in-house. We have all the laboratory equipment and expertise to make sure that we give a right product to the market.

An additional, second, dedicated product-testing laboratory carries out functional tests on finished products. This contains equipment to conduct dimensional stability tests, tests to determine weight bearing capabilities, flush and disposal testing as well as leakage testing.

If you look at our company, our key philosophy is that we strive to

give the latest designs and products to the market whilst ensuring that no compromise is made on quality standards. Design innovation couples with highest quality standards define what we do as a business.

**So you have a very high quality focus?**

Yes. In bathware we will make sure we are on par with any of the reputed European manufacturers such as Duravit and Villeroy Boch, which are some of the world's leading bathware brands. We will be on par with them. In order to get that required quality we will ensure that not only our production processes are on par with reputed global brands but that we will also source the finest of raw materials. We have tied up with a host of European raw material suppliers including WBB of England - the highest quality clay supplier to the global bathware market. We will utilise clay from WBB's mines in

England for the development of our bathware body.

**What is your focus on research and development?**

As I told you earlier the laboratory was established to manufacture new products. In bathware, what is most important is the body and new design development.

The initial design development of our bathware models were undertaken by two renowned industrial design companies hailing from none other than the design capital of the world, Italy. Lead designers of the design studios Sisa of Milan and Modelli of Rome have worked tirelessly to produce and perfect a range of bathware masterpieces, exclusively for Rocell Bathware.

We have now started to develop our own products here with the establishment of the laboratory and the design development centre which has got the required security and technology transfer. So in the future we would localise this aspect.

**What is your focus on staff welfare and safety?**

Safety is always very important for any manufacturing plant. If you visit our plant you will see that we follow a stringent health and safety policy. From a welfare standpoint we have so many facilities for our workers. At this facility, you will be pleasantly surprised to note that even our washrooms are on a par with star-class hotels. There are also canteen facilities and worker accommodation which is currently under construction. We believe that we look after our employees well.

**How many staff do you hope to employ?**

Initially, we will have 150 employees who will be working at the plant. Right now we are in the process of recruiting them since we have started trial production. We have already installed all the machinery so we are now commissioning the machines and we hope to start our initial production by the end of January. Most probably we will come into the market in March if everything goes according to plan.

**Is there a large amount of training that you have to give your workers?**

Since there is no bathware industry in Sri Lanka it is very difficult to get workers who have experience in this sort of technology, especially the machines. Because of that we have employed some expatriate employees. Our factory manager, production manager, and senior modeller are from other countries and have a vast amount of experience in the bathware industry. As much as 15 years or more. We are doing this because it is important that we do a technology transfer to our local workforce as well for the long-term stability of the business and the industry as a whole.

Bathware is a highly process oriented industry. So employees need to be trained very well in the process and they also have to have experience in handling the pieces. Otherwise you won't get the required results. During the commissioning period, all the raw hands go to work on this area. When I say raw, I mean raw to the bathware industry but they have experience in other ceramic industries.

But we have employed experienced expatriate employees. We need people like castors, modellers and mould makers and these are highly specialised jobs. So in total we would employ about 20 expatriate employees at the plant at the initial stages.

**Have you identified any emerging trends both internationally and locally which you would hope to capitalise on?**

Globally as I told you bathware has moved from being a functional product to a lifestyle product so with that transformation we find that bathware pieces are becoming larger. Even washbasins or WC's are quite large.

There are two types of bathware; vitreous china which is the traditional bathware and a more recent advent which is fine fireclay products. Fine fireclay is the latest development in the industry and one which facilitates the creation of large format pieces.

If for example you want a one metre by half a metre piece you cannot do it in vitreous china, you have to do

it in fire clay. Our plant is equipped to create fine fireclay products as well as vitreous china. There are very few countries in the region which have the capacity, technology and know how to create fine fire clay products. It is very new and requires a lot of advanced machinery and technology to create this type of product.

When you talk about trends there are several large pieces com-

where they use metallic glazes such as silver, gold and two-tone colours, where they have the outer of the base in one colour and the centre in another colour.

For these metallic glazes you have to have low firing temperatures in order to perfect this kind of concept. We are equipped to do that and so have the capability to produce this kind of designer pieces. So these are



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ing onto the market, which are more luxurious products. Also, white dominates the market. If you look at the bathware market in Europe, 95% of the products are white and a certain percentage uses permagon. These are the two colours that are widely used. In the south east Asian market about 50% of the products are of different colours. We think over a period of time, this trend would change and people would use white.

Then you have designer pieces

some of the trends in the international markets.

**Is there any particular reason why white is so popular in Europe?**

In bathware, white is associated with a sense of being premium. White connotes a very upscale definition of style and design. This is primarily the reason for European consumers preference for white. If you look at countries such as Indonesia and India you find a lot of coloured pieces but it is changing. Here also the use of

white is increasing because it looks more elegant.

**You said that your factory is capable of producing products that are on par with international standards. In this light would you perhaps in the future consider manufacturing products locally for foreign companies?**

We would consider it subsequent to an expanded capacity. If some reputed brands want to collaborate with us to do some OEM products for them, we would definitely be looking at op-

intention is to have 50 showrooms by the end of 2008. We have one of the best and strongest distribution networks in the country in this industry.

We do not go to the customer through intermediaries. We do have dealers in certain parts of the country which we service but our distribution strategy is to go directly to the customer so that we'll have better a dialogue with them and so that they'll experience a better service level.

industry, just like we've done within the flooring category.

We have undertaken a risk, investing a colossal amount of money – especially given that in Sri Lanka investments of this nature into manufacturing plants is uncommon – based on our confidence to recover that investment. We look to procure at least 50% market share in the next three years and be a formidable force in the ceramic industry.

One of the key motives for our expansion into this segment is the



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portunities such as that. But initially we are starting under own brand and will establish production under our own brand.

**How would you place your pricing?**

We have not finalised the pricing strategy but we want to start at around Rs 20,000 and go up to Rs 80,000, but our Rs 80,000 product would be a Rs 600,000 product from a European seller. So there is a huge price advantage. It would be the same quality, design and appearance, backed by a very strong manufacturers warranty. Of course there are products in the market that are lower than that but that is not something we can compete with.

**Where will these products be sold?**

We will sell them through our showrooms. At present we have 35 showrooms which we own and manage. We are expanding our network and within the next six months we will have five more showrooms. Our

**What will be the key benefits to both consumers and the country as a result of this investment?**

This production facility is a 180 meters in length with total facilities covering approximately 180,000 square feet. It is undoubtedly one the best manufacturing facilities within the industry even from an international standpoint. We are on par with many of the leading European manufacturers.

On product quality we assure customers that we will match or exceed the quality of renowned European brands. This will be a challenge because at the end of the day price also matters. Products are coming from India at Rs 7,000 - 10,000. That is not a market we are looking at because we won't be able to compete in that price category. Even in our floor tile business we do not get into that category.

We are looking more at a middle and upper end market. Once we position ourselves there we would be the trendsetter in the Sri Lankan bathware

economic benefit to the country. If you look at import statistics, the country imports on average 650,000 pieces annually and the declared value of these products are Rs 600 mn which is highly undervalued. If you factor another 50% that amounts to Rs 900 mn. So we would be able to save at least 50% of this foreign exchange outflow by manufacturing these products here.

Then from a consumer's point of view there will also be no requirement to replace the product every two or three years due to quality problems. We will give a very good guarantee which is naturally coming from a reputed company in the marketplace. Through our products consumers will have access to the latest product trends in the world.

So really there is a huge economic benefit and from a customer's point of view and there is the added benefit of purchasing from a local manufacturer. It will be exciting to get into the market and see how it will react. **61**