

Turning Passion into Profit: FM Plastics Industries Limited

Introduction

While each of us has a unique blend of abilities, a great many people's internal melody does not mix into a tune that everybody else is singing. So, when you instruct them to follow some articulated mandate set out by the society, they simply keep on changing harmonies till they find their true calling. Towhidur Rahman is the living embodiment of that notion. He is motivated by an odd cocktail of adventure and curiosity. In a span of 12 years, he has tried numerous ventures- starting from a job at a buying house, stock market, printing business, travel agency and even a 9am-5pm job at a local bank. However, his passion eventually for the very first time met with reality when he managed to establish "FM Plastic Industries Limited" in 2008. The power of true resilience and persistence helped Mr. Rahman to give his company a completely new look that now employs 180 people in a 55,000 sq ft. facility with an annual sale of BDT 185.3 Mn.

A square peg in a round hole

Mr. Rahman's dream to become an entrepreneur started early in his life. After passing his graduation, he initially joined a buying house in 1996. He worked there for around a year, and later left the job because it didn't seem like a right fit for him. Since he had relatives working in the stock market, he then decided to become a stock broker. Although he had significant earning opportunities there, money wasn't the motivator for him. He constantly felt like he could do more with his skillset and the job left him dissatisfied. Eventually he said good bye to that job as well and focused on trying to start his own venture. Throughout the years, he tried his luck with starting businesses in money exchange, printing, travel agency and manpower export. After some serious disputes with his business partners, he left the manpower export business as well.

As entrepreneurial options started to seem bleak to him, in June 2002 he joined a local bank and managed to get high up in the ranks quickly with his exceptional skills and work ethics. However, it still didn't give him that sense of achievement which he dreamt to achieve.

Inception of FM Plastic Industries limited

On a regular day at his banking job, Mr. Rahman identified a window of opportunity which he eventually converted into his passion project. While he was handling a client, who came in to seek for a loan at the bank, he found out about the prospects of plastic business in Bangladesh- specifically manufacturing and selling plastic biscuit trays. He quickly offered to be a partner in the business as he saw genuine potential to make a

living out of it. Initially, he invested BDT 0.5 Mn and promised to pay the rest later. For 3 months, he spent his extra hours going to the production facility and tried to be as involved as possible. However, misery followed him here as well. His partner declined to continue to do business with him. This was a huge road bump that he thought he couldn't recover from. But, yet again, he was patient and resilient.

Since he didn't have the technical skills required for the procurement and manufacture of the finished good, he felt hapless. Later, he started gathering information about the process from the maintenance workers of the machines. He was so impressed by them that he offered the 2 maintenance workers to be his partner in his new plastic business. He didn't ask for any financial investment from them. He just wanted them to bring in the technical support required for smooth operations.

It all began in the ground floor of his house with just two machines. He left his job at the bank to focus all his time and energy into this venture. The initial challenge was to manage electricity line with 440 voltage to operate the machines. After he solved that issue, he found out that his "biscuit trays" wasn't popular to his customers as it was expensive. It was difficult for Mr. Rahman to compete with other competitors in terms of cost as he was not in a position to enjoy economies of scale from his operations. Then he started producing blister packaging. Blister package is preformed plastic package used for consumer goods and pharmaceutical products. He also received an order from UAE to produce packaging for the foods. After receiving several noise complaints for running heavy duty machines in a residential area, he relocated his factory to Kamrangirchar, a well-known area for factories near Dhaka city. This relocation facilitated large scale operation, cheaper raw materials sourcing and on time delivery to customers.

Bangladesh plastic industry

The plastic industry has been growing at about 20 percent a year on the back of spiraling demand from domestic and export markets. In fiscal year 2017-18, the domestic market size of plastic products hit Tk 25,000 crore, according to the Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA).

Plastic exports rose 31 percent year-on-year to \$117 million last fiscal year, according to the data provided by the Export Promotion Bureau of Bangladesh. The average plastic consumption in Bangladesh is about 2 kg per person. In contrast, in India it is 6 kg and 40 kg in Gulf countries and 10 kg in Southeast Asia.¹ Bangladesh currently manufactures 142 plastic items and the number is increasing by day by day. The country mainly exports intermediate products like film plastic, household items and garment accessories to the US, Canada, Europe, China, India and Nepal.

¹ Plastic industry shows promise as demand rises, The Daily Star, March/2018

Bangladesh has only 0.6 percent share of the \$546 billion global plastic market.² The BPGMEA has set a target to achieve 3 percent of the global market by 2030 and the government is providing 10 percent cash incentive to the exporters to help them achieve that target. As of now, total investment in the sector is around BDT 20,550 crores. The plastic sector is the 12th highest export earning sector for Bangladesh. The plastic goods manufacturers are also contributing to the growth of the garment sector by working as one of the backward linkage support industries for this sector.

According to the standards set by BPGMEA, the big businesses of the plastic sector are those which have invested at least BDT 100 crores, the medium ones have investment worth of BDT 10 crore and the small businesses have invested at least BDT 50 lakh. The plastic goods manufacturers have created at least 1.2 million jobs in a total of 5,030 small, medium and big factories across the country.³

Some 175,500 people are working in small units, 444,000 people in 1,480 medium units and 10,000 people in big units. Besides, indirect employment is 200,000 and dependent manpower is 400,000 in the sector.

The number of people employed in the plastic goods manufacturing sector is equivalent to one fourth of the people employed by the garment sector. Job opportunities in the plastic sector are spiraling. Bangladesh imports around 120,000 tons of plastic raw materials each year and it is continuously growing.

Collaboration with SEAF

The potential of the plastic sector of Bangladesh along with his entrepreneurial acumen helped Mr. Rahman to quickly gain momentum in plastic goods manufacturing business, however, he faced a new challenge- capital shortage. The first external investment for F M Plastic came from South East Asian Fund (SEAF) in 2013. Mr. Rahman initially submitted a plan for BDT 25 Mn to SEAF. After the review of his proposal, it was revealed that BDT 25 Mn would not meet up the working capital needs of the company. SEAF suggested him to re-do the proposal asking for BDT 30 Mn worth of support. After reviewing the modified proposal, SEAF approved the said amount. It was a debt investment. He eventually repaid the debt and this paved the way for building a sustainable relationship between SEAF and FM Plastics Limited which later appeared valuable for both the parties.

Capital management

Mr. Rahman has been an adept strategist when it came to resource allocation in his business. His prudent capital management techniques had both debt and equity capital

² ibid

³ Plastic industries show promise as demand rises, Chanchao, June/2018

component. SEAF was impressed by his proficient financial management techniques and offered to invest more fund in FM Plastic for expansion of the production facility. In 2015, Mr. Rahman submitted another proposal to SEAF to finance BDT 10 Mn. Even though he asked for a loan again, this time SEAF showed interest to be an equity partner. Later, SEAF requested Mr. Rahman to submit an application for larger financing and he submitted a BDT 100 Mn proposal for equity financing. SEAF accepted the proposal and invested through equity instruments with a 50% Ordinary and 50% Preferred Shares mix. The fund was utilized in building the factory and procuring new equipment for product and market expansion.

His success mantras

“The secret to my success is that I always try to be updated with the market information, so I can quickly adapt to its dynamic nature” – Mr. Rahman.

This is just one of the many things he does differently than an average entrepreneur. To him, differentiation is a must. Whether it is the product itself, or some hard to imitate product feature, or industry knowledge, or control of critical resources like raw materials – bring some form of differentiation in whatever you’re working with.

He credits his win-win attitude with the stakeholders for the success of his business. He says, “Take care of your stakeholders and they will take care of you. There is no shortcut to success”. He has consistently focused on building relationships with his stakeholders such as suppliers, employees, customers and investors, which in turn allowed him to gain their trust. This has increased the overall productivity of his business operations. One such incidence is his streamlined supply-chain to ensure fast, on-time delivery. This causes the costs to run higher than that of his competitor but the corporate clients of FM Plastics are more than okay to pay an extra price for faster delivery.

He mentions three essential traits that are critical for entrepreneurial success: courage to do the unconventional, vision to foresee what others can’t, and patience to endure mountainous adversities.

Continuous process innovation

FM Plastics has built a strong value chain which is the foundation behind their phenomenal growth. Their primary activities in particular the inbound logistics, operations, outbound logistics, marketing and sales, service is performed through a tightly aligned structured process which consequently help them to ensure timely delivery of quality products to their customers. The support activities of FM Plastics, i.e., firm infrastructure, HRM, technology management and procurement, also follow a structured process resulting faster and efficient execution of primary activities. The

primary activities specifically inbound logistics, operations and outbound logistics emphasizes highly on decreasing cost while marketing and sales, services activities emphasize primarily on increasing revenue.

Recognition

Mr. Rahman's unmatched business spirit and tenacity earned him recognition and respect from SME Foundation and from Bangladesh Investment and Development Authority (BIDA). He has also participated in several TV interviews in Channel I, ATN Bangla, BTV, Maasranga TV. These accolades inspire and motivate him to expand his business operations despite the continuous hurdles of running an entrepreneurial venture.

Growth at a Glance

Table 1: FM Plastics at a Glance

Total Investment	
During getting SME award in 2018	Current condition
281 Mn	319 Mn
Total Sales	
During getting SME award in 2018	Current condition
118 Mn	185 Mn
Annual Production Capacity	
During getting SME award in 2018	Current condition
600 Ton	882.32 ton
Total Manpower	
During getting SME award in 2018	Current condition
160	180

The road ahead

To this day, Mr. Rahman considers him pushing through and rising above despite the first failed partnership in the plastic business as his biggest accomplishment. Sense of ownership, recognition and social respect motivates and fuels him every day to take his

venture to new heights. He looks forward to export his products and earn a position in the global plastics market. He has plans to develop self-reliant strategic business units (SBUs) and invest in process automation to ensure quality and fit with the global standards.

Discussion Questions:

1. Entrepreneurs are known to do a lot of “trials and errors” before they hit the “sweet spot” of product-market fit. What key entrepreneurial lessons can one take from the trials and errors of Mr Rahman throughout his entrepreneurial journey across different industries?
2. “A premium quality product succeeds despite a premium price” – Elaborate this statement keeping the FM Plastics case in mind.
3. How does an entrepreneur apply the knowledge of the Value Chain concept to run their business operations in a profitable way? Discuss in light of the case of FM Plastics.
4. Putting yourself in the shoes of Mr Rahman, how would you go about strategizing for self-reliant SBUs and taking the company at the global level?