

A movie with a happy ending 09/30/2005

Home entertainment ensures Videolar's good performance among plastic processing companies.

The automotive market is still the strong suit in the country's plastic and rubber industry sales. Last year, more than 2.2 million cars were sold in Brazil and abroad: Since the auto parts segment alone represents 53% of sales in that sector, companies already had reasons to celebrate, but there was more to come. The icing on the cake was poured by the home entertainment area. DVD sales went through the roof in Brazil in the last years. In 1999, 300,000 units were sold, which represented 5 million reais in sales. In 2003, that number skyrocketed to 3.5 million units, a 90 million reais market. In 2004, according to the National Association of Consumer Electronics Manufacturers (Eletros), 3.2 million DVD players were sold double the previous year's number. Videolar was the one to benefit from this happy ending, and the company was the industry's champion in AS MELHORES DADINHEIRO ranking.

THE BEST	
COMPANIES	POINTS
Videolar	138
Borrachas Vipal	130
Pirelli Pneus	117
Plásticos Mueller	90
Sansuy	30

Created in 1988, in the town of Caxias do Sul, Rio Grande do Sul, Videolar began manufacturing videocassettes in the VHS format. At its São Paulo unit, the company translated and subtitled the movies so that the Brazilian public could watch Hollywood's blockbusters in Portuguese. The new media came little by little: in 1992, the company began producing audio tapes, and in 1994, CDs. The biggest boost came in 2003, when it started its DVD line. In 2004, that technology was the main responsible for Videolar's 50%-plus growth in sales, which leaped from R\$ 626.3 million to R\$ 982.5 million. The term's liquid profit had a performance comparable to those same blockbuster movies the company brings to Brazil: it soared from R\$ 1.1 million in 2003 to R\$ 91.2 million last year a growth of more than 8,000%. Even more incredible is knowing that, according to the company's executives, the market is still far from saturated. "This year, we expect a modest growth, from 15% to 20%", says Lirio Parisotto, Videolar's president.

According to Parisotto, the expansion plan has already been laid out. Currently, the company produces 5.8 million DVDs every month. An investment of US\$ 100 million will increase that monthly production capacity to 8 million units. With four plants in Brazil and two in Argentina, Videolar has 30 products in its portfolio, including computer diskettes and recordable CDs. In its Manaus units, the company transforms 27,000 tons of plastic and produces 120,000 tons of polystyrene (a kind of plastic resin) every year. Concern for the environment doesn't take a backseat to growth at Videolar. The company is getting ready to obtain ISO 14001 environmental management certification, which attests responsible residue treatment, minimizing of wasted resources and other actions to protect nature. The company also participates in local projects in Manaus which assist former drug users, HIV-positive children and promising new filmmakers.

For the companies that manufacture plastic or rubber products outside the automotive assembly lines or the domestic entertainment market, however, the situation in 2004 was not that good. "This is a worrying year", sums up Merheg Cachum, the Brazilian Association of Plastics Manufacturers (Abiplast) president. "The machines bought in the period of prosperity are idle now". The industry's growth cycle was interrupted by the rising of the basic interest rate and by the fall of the dollar, which reduced the competitiveness of Brazilian companies and stagnated exports. "The current exchange rate favors only imports, increasing production in Asia and generating employment opportunities abroad", says Cachum. Suffering from a deficitary trade balance for years, the plastic industry's intention was getting out of the red. The goal was to achieve a surplus of US\$ 1 billion in ten years, but that deadline was bumped to at least 12 years. The rubber industry, however, even with the plummeting dollar, should increase its exports. "The dollar plunge forced a revision of prices, but with the exception of Mexico, the other foreign markets maintained their export contracts", states Ademar Araújo Queiroz do Valle, executive director of the Brazilian Association of Rubber Products Manufacturers (Abiarb). High or low, the exchange rate is not one of Videolar's main concerns, since the company exports only 3% of its annual production. "In our field, production is localized because you need agility to refill your inventory", says Parisotto. The thorn in the company's side is not so much the oscillation of the American currency as it is piracy. In Brazil, according to Videolar's own data, for each legally manufactured DVD, five bootlegged ones hit the market. Regardless of the title, this is a movie which always ends in tears.

FINANCIAL MANAGEMENT		HUMAN RESOURCES MANAGEMENT	
COMPANIES	POINTS	COMPANIES	POINTS
Videolar	54	Videolar	35
Borrachas Vipal	42	Borrachas Vipal	31
Pirelli Pneus	39	Pirelli Pneus	30
Sansuy	30	Plásticos Mueller	25
Plásticos Mueller	29	Bridgestone Firestone	23

SOCIAL AND ENVIRONMENTAL MANAGEMENT		INNOVATION AND TECHNOLOGY MANAGEMENT	
COMPANIES	POINTS	COMPANIES	POINTS
Borrachas Vipal	30	Plásticos Mueller	27
Videolar	26	Borrachas Vipal	27
Pirelli Pneus	25	Videolar	23
Plásticos Mueller	9	Pirelli Pneus	23
Bridgestone Firestone	7	Bridgestone Firestone	5