

POWERCLUB

A MERALCO PUBLICATION | JUNE 2014

ANALYSIS:

MINDANAO POWER CRISIS

What went wrong,
and how do we fix it?

INDUSTRIAL LUMINARIES ON PROFILE:

ANGLO WATSONS

HARDROCK AGGREGATES

INTEGRATED
MICROELECTRONICS

URATEX

2013
Corporate
Industrial
Luminary

**PAUL
RILEY**

PMFTC Inc.
President

THE
LUMINARIES
OF 2013

PLUS: *An Evening of Light and Magic*



SPREADING THE LIGHT EVERYWHERE

This issue, we celebrate how companies help communities – and the country – shine, and look at places where more light needs to be cast.

Let's begin with the success stories of PMFTC Inc. and of Filinvest Development Corp., the top winners of the 2013 Luminaries Awards, which we, at the Manila Electric Co. (Meralco), hand out annually. Though having different business models, these companies share a passion in caring for the communities they inhabit, by creating jobs, promoting environmental projects, and sharing knowledge. The same passion fuels De La Salle University's plans to create future science and technology leaders, and Anglo Watsons Glass Inc.'s drive to take local brands to global prominence.

We hope these and other Luminaries inspire all businesses to make the Philippines a more prosperous and civil country – a vision Meralco deeply shares, in and out of the boardroom.

On rare occasions, communities – and prosperity – can be created from scratch. Ciudad de Victoria is a massive mixed-use development in Bulacan being built by the Iglesia ni Cristo. Crowned by the spectacular Philippine Arena, the site is being developed in close participation with MServ, a Meralco subsidiary that provides a wide suite of power and engineering solutions.

Lastly, we turn to Mindanao, a land of abundance struggling with a festering power crisis. However painful or difficult, government must take the steps necessary to ensure efficient power generation and distribution on this island. Perhaps what is needed is the same kind of creative innovation and community spirit demonstrated by our Luminaries, to unlock the promises that Mindanao holds for the country.

Victor S. Genuino
Vice President and Head, Corporate Business Group

THE MERALCO LUMINARIES

Every year, the Manila Electric Co. (Meralco) stages an event to celebrate the country's top corporations. This is the annual Meralco Luminaries Awards, where we recognize our Outstanding Partners in the public and private sectors, companies and government units which have harnessed technology for innovation and showcased excellence in power management. These are the innovations that revolutionize the way business and public service are done in the Philippines.

The Awards are given to partners across several categories, including Commercial Corporations, Industrial Corporations, Local Government Units, and Small and Medium Enterprises. These Luminaries are all recognized leaders that, in collaboration with Meralco, do more than drive economic growth and national development, but positively impact the lives of our people.

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POWERCLUB



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EDITORIAL TEAM

Publisher Edna T. Belleza
Editor in Chief Ma. Stella F. Arnaldo
Creative Director/ Associate Editor Dondi Limjenco
Art Director Jane Kristine Cruz
Copy Editor Esmi Barrera
Project Manager Joey Anciano
Production Artist Arthur Astuniano
Production Coordinator Michelle Acantilado

Contributors

Arlene Adto, Karen Capino, Vincent Coscolluela, Tina Dumlaog, Excel Dyquiango, Iris Gonzales, Jing Lejano, Jerome Morales, Gerard Anthony Naval, Jun Pinzon, Fennie Tan, Kathleen Valle, Katrina Vinluan

MERALCO EDITORIAL ADVISERS

Customer Retail Services
Alfredo S. Panlilio
Corporate Business Group
Victor S. Genuino, Alex C. Cabugao, Cecilia M. Domingo, Germalyn A. Solidum
Marketing
Jose Antonio T. Valdez, Edeliza T. Lim, Nina V. Posadas, Nix V. Lopez, Quinnie G. Blanco, Ness G. Ramos

Meralco, Ortigas Avenue, Pasig City
Telephone: (632) 632-8771
Fax: (632) 632-8771
www.meralco.com.ph

We welcome comments and suggestions. Please send them to:
meralcopowerclub@meralco.com.ph

Photography by Jen Pinzon, Grooming by Fennie Tan

POWER RATES DROP IN JUNE

Reductions in cost of energy from electricity suppliers drive down generation charge

Meralco residential customers paid around 84 centavos less per kilowatt-hour (kWh) in June, which translated to almost ₱168 in savings in a household consuming of 200 kWh. Customers consuming 300, 400, and 500 kWh per month are experienced net decreases of ₱252, ₱336, and ₱420, respectively.

The price decrease marked the second straight month that power rates had gone down, due to a combination of factors across the power supply chain.

First, the cost of purchases from the Wholesale Electricity Spot Market (WESM) decreased by ₱11.94 per kWh, partly due to the implementation of the Energy Regulatory Commission's (ERC) secondary price cap in the WESM. This was followed by lower transmission charges, and a corresponding reduction in taxes and other charges, including a system loss charge.

From last May's amount of ₱5.97 per kWh, June's generation charge went down to ₱5.31 per kWh or a decrease of ₱0.66 per kWh. Transmission charges dropped by ₱0.04 per kWh, along with a cumulative reduction of ₱0.05 per kWh in subsidies and the system loss charge. Taxes also decreased by ₱0.09 per kWh.

For more news and other tips, visit the Meralco web site at www.meralco.com.ph.

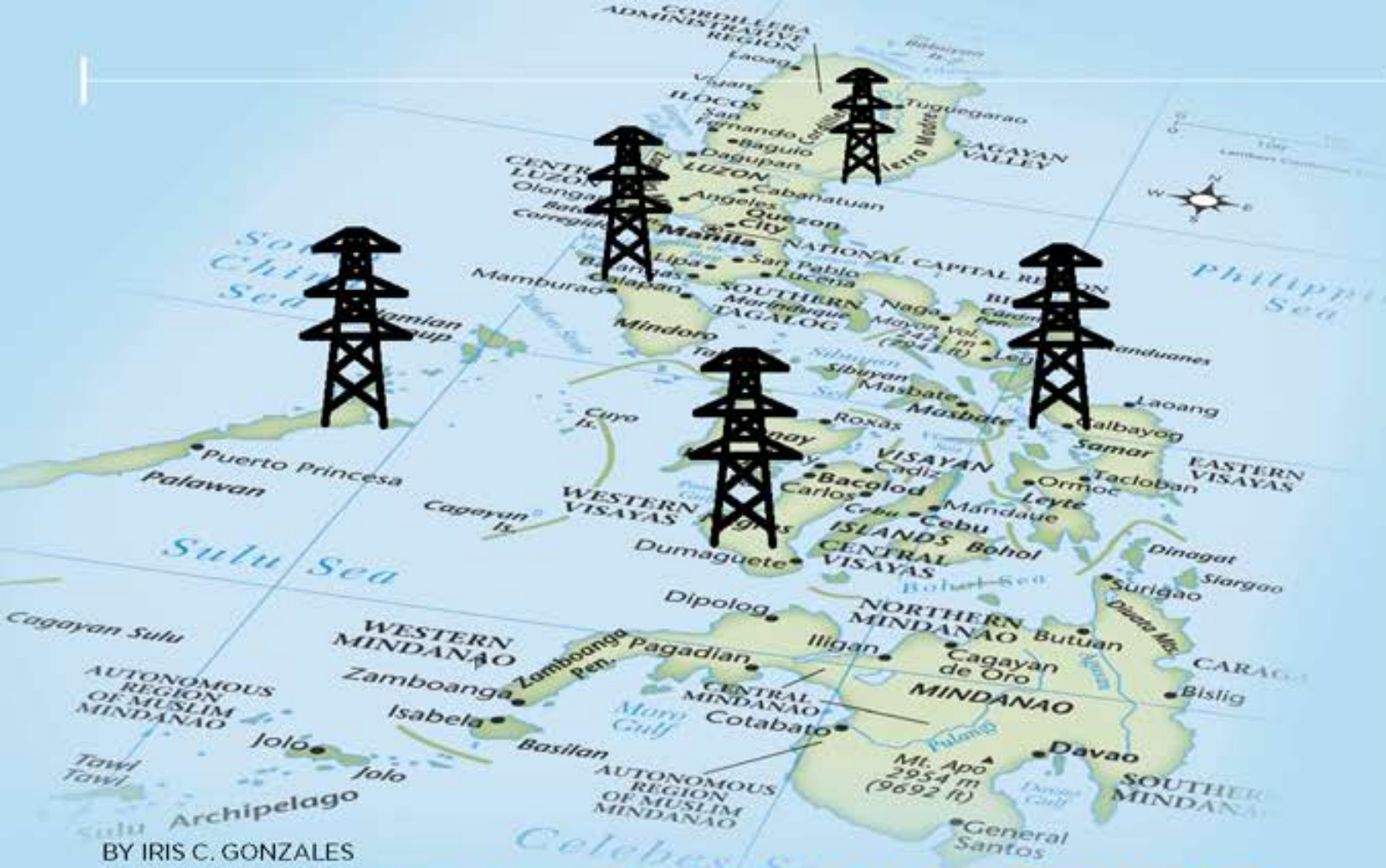
MERALCO ADVISORY

JUNE 2014 RATE CHANGES

RESIDENTIAL CONSUMPTION OF 200 KWH



Taxes = Value-Added Tax + Local Franchise Tax + Universal Charges
Others = System Loss Charge + Subsidies



BY IRIS C. GONZALES

UNDERPOWERED POTENTIAL

CAN MINDANAO FIX ITS POWER PROBLEMS IN TIME TO TAP ITS VAST ECONOMIC PROMISE?

Between 10 mystical mountain ranges and two overflowing rivers lies Mindanao, the country's second largest and southernmost island. It is home to glistening crescents atop golden mosques; pristine beaches and iconic waterfalls; hectares of plantation and mountains of gold and ore.

Dubbed the country's food basin, Mindanao can feed the whole Philippines yet has some of the poorest citizens because of its stark contrasts. Vast banana plantations sprawl beside tiny plots tilled by struggling farmers, and some of the richest mineral deposits lie in

poor and desperate communities.

The irony is keener on the subject of electricity; for all its indigenous sources of energy, the island faces a power crisis. It is now at its worst, claims Mindanao Business Council (MBC) Chairman Vicente Lao: "Last February 27 was the first time the Mindanao grid collapsed."

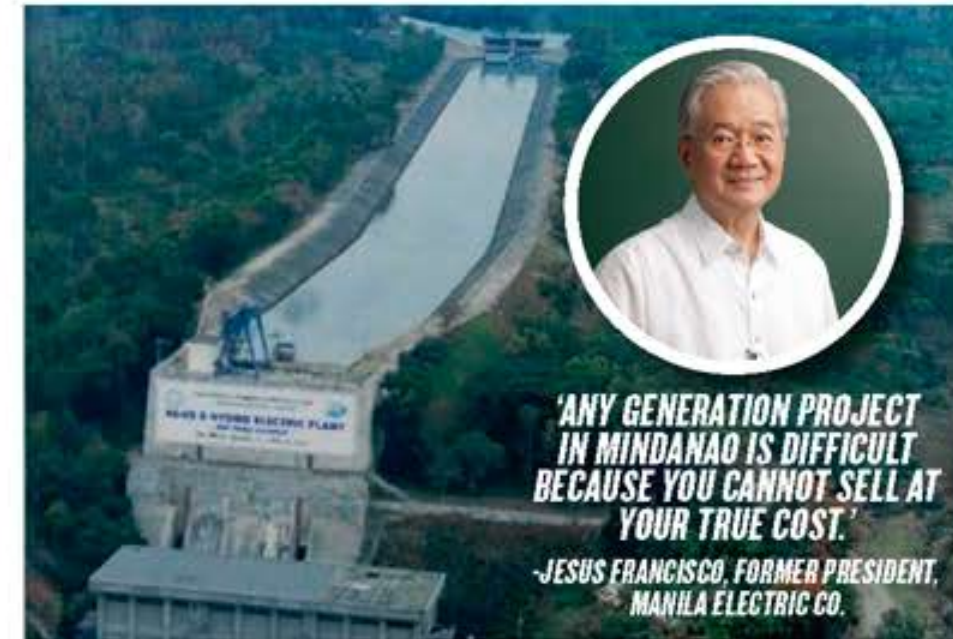
POWER, DAILY INTERRUPTED

The power outage that paralyzed the island stemmed from a malfunction at the 210-megawatt (MW) Steag State Power Plant in Misamis Oriental. The plant is expected to

be operational again by June.

A Department of Energy (DOE) inquiry pinned the shutdown on an automatic circuit breaker failure during a voltage frequency fluctuation at said plant. Daily rotating blackouts as of April 14 affect nearly the whole island, according to the National Electrification Administration (NEA).

NEA data shows average rotating blackouts last anywhere from one to three hours in Zamboanga del Sur and Zamboanga del Norte, Bukidnon, Lanao del Norte, Tagum City and 17 towns in the Davao Region, as well as Mati and 10 other towns covered by the



**'ANY GENERATION PROJECT
IN MINDANAO IS DIFFICULT
BECAUSE YOU CANNOT SELL AT
YOUR TRUE COST.'**

**-JESUS FRANCISCO, FORMER PRESIDENT,
MANILA ELECTRIC CO.**

Davao Oriental Electric Cooperative (Doreco).

Outages last for four hours in Cotabato Province, while General Santos City and nine other towns in South Cotabato get one-hour interruptions. Sultan Kudarat's Tacurong City and 16 other towns endure seven-hour blackouts.

The Autonomous Region of Muslim Mindanao, Marawi City and 40 other towns in Lanao del Sur were declared an interruption-free zone, but 30 towns under the Maguindanao Electric Cooperative Inc. (Magelco) suffer from 14.5 hours of rotating blackouts. In Caraga, daily power outages last for one to 4.5 hours.

The energy demand clearly outstrips the Mindanao grid's capacity. DOE figures peg the capacity at 1,124 to 1,267 MW in 2012 and 2013, with demand at 1,311 to 1,417 MW.

As of 2013, Mindanao's power comes from hydroelectric plants (52 percent), diesel (31 percent) and coal (10 percent), while the balance comes from biomass and geothermal sources, according to the Mindanao Development Authority.

A NECESSARY STOPGAP

Of the February 27 shutdown, DOE Secretary Carlos Jericho Petilla muses: "There should have been more reserves." Accused of not having done enough to address the crisis, he says this is an old problem with no easy fix.

"The solution is to build more plants," he notes, adding that the DOE is rallying the private sector to build power plants nationwide.

In July 2013, President Benigno S. Aquino Jr. issued Executive Order 137, to implement the Mindanao Modular Generator Sets Program and help avert another critical power situation in the region.

Electricity cooperatives will generate additional energy capacities with rented or purchased generator sets.

The DOE released roughly P4.5 billion from the Malampaya funds, administered by the NEA, as loans to these Mindanao cooperatives. (The Malampaya funds are basically royalties paid to the national government by companies which explored the Malampaya gas field in Palawan. The royalties are required of all energy explorations as per Presidential Decree 910 of March 22, 1976, to be used for energy development projects or any project approved by the President.)

But the crisis did not begin with the grid shutdown; Mindanao's rotating blackouts began in the summer of 2012. These power outages combined with the precariously low energy reserves are due to the island's insufficient baseload-generating capacity.

That's the finding of government think tank, Philippine Institute for Development Studies (PIDS), in a 2013 report.

'HYDROELECTRIC POWER IS INCONSTANT'

Baseload power plants produce reliable energy at a constant rate to meet a continuous demand for electricity. Traditional baseload plants run on coal, geothermal or nuclear energy.

Hydroelectric power plants, the source of more than half of Mindanao's energy, have a limited baseload capacity due to water levels that do not remain constant. This is true of other renewable energy sources, such as wind and solar power.

The PIDS report summarizes: "The Mindanao region not only runs short of baseload generating capacity but also depends heavily on hydropower. More than 51 percent of generated power in Mindanao comes from hydropower plants. This makes the power system susceptible to reliability problems when drought occurs."

Watershed deforestation in the region and its attendant river siltation further slash the capacities of hydroelectric power plants. The report adds: "The siltation of the Agus River and the Pulangui River and delays in the rehabilitation and maintenance of the Agus and Pulangui hydropower complexes worsened the electric power crisis."

The PIDS report proposes that the generation capacity must exceed demand to provide reserves for ancillary services.

Consolidated 2010 to 2019 forecasts by distribution utilities estimate a 4.28 percent annual average growth rate of electricity demand for Mindanao, markedly higher than the 3.63 percent national annual average growth rate for the same period.

AMEND EPRA AND ADD PLANTS

As business-council representative and a construction-company owner, MBC's Lao speaks of the concerns of fellow Mindanao entrepreneurs and echoes the PIDS recommendation.



**'THE QUALITY OF DISTRIBUTION
IS ALSO AN ISSUE, AND THERE
MUST BE IMPROVED EFFICIENCY.'**

**-T-JADER REGIS, ASSISTANT VICE PRESIDENT,
NCCC MALL, DAVAO CITY**



He wants the DOE to urge the National Grid Corp. of the Philippines (NGCP) to contract ancillary services as mandated by the Electric Power Industry Reform Act (Epira) of 2001. NGCP is the country's transmission highway operator.

"The law says they're (NGCP) supposed to provide back-up power, and they have to contract that," Lao insists. With enough energy reserves, he says the situation will improve significantly especially when supply is tight.

Tjader Regis, assistant vice president of New City Commercial Center (NCCC) Mall in Davao City, sees the need for more baseload plants. "There will be new power plants by

2015, but by then, the capacity might be just enough for today's needs," he says.

The PIDS report asks the government to ease the entry of new baseload capacity projects, and address



private-sector misgivings such as "what to do with the hydropower complexes that will be the biggest competitor of new entrants."

Lao is skeptical of privatization. He says the business sector favors amendments to the Epira, "which needs to be revisited because it is not solving the problem."

He confides that Mindanao businessmen oppose the privatization, mandated by the Epira, of the Agus and Pulangi hydroelectric power plants. He thinks the whole energy sector should not be handed over to private companies that may be mainly profit-oriented.

THE HIDDEN PRICE OF POWER

Providing a historical perspective, former Manila Electric Co. (Meralco) president Jesus Francisco weighs in, and says the power firm would have invested in Mindanao had it not been limited by its franchise agreement. "Meralco is a distribution utility," he elaborates. "We did not have the mandate to go beyond our franchise area, and that franchise area was very much defined."

And even if it did invest in Mindanao, he says it "would have been a generation project. But any generation project in Mindanao is difficult because you cannot sell at your true

cost," referring to the cross-subsidy system that was the norm for Mindanao.

Long dependent on cheap hydro-powered electricity, Mindanao has been subsidized by other grids that hid the true cost of electricity. This price distortion has made power generation unattractive to potential investors.

A SWITCH TO COAL, DIESEL, AND THERMAL

The latest data from the DOE puts the total committed capacity in Mindanao from now until 2015 at 515 MW.

The 200-MW coal-fired power plant of Sarangani Energy Corp., located in Maasim, Sarangani, is scheduled to run by February 2015. The 15-MW diesel power plant of Mapalad Energy Generation Corp. in Iligan City is operational. Both projects are by the Alcantara Group.

The Aboitiz Group's 300-MW Therma South Inc. in Davao del Sur is set to come online by November 2014.

But NCCC's Regis observes that apart from supply, "the quality of distribution is also an issue, and there must be improved efficiency."

The business sector is particularly hopeful for relief soon, as the energy crisis hikes its expenditures.

"Power interruptions can decrease production outputs, and affected dealers rely on generators, consume more fuel and increase their operating costs," explains Raymond Zorilla, vice president for corporate affairs of Phoenix Petroleum. His company has retail stations throughout Mindanao.

MBC's Lao declares Mindanao can attract the investments it needs only with adequate power supply. "The government needs a comprehensive energy plan for Mindanao," he pleads, "or we cannot invite investors, or tap our manufacturing and mining prospects."

"Without enough power, Mindanao will remain an agricultural island," he concludes. One that abounds in untapped gold and minerals, a plantation haven that keeps small-scale farmers impoverished, and a region that for all its renewable energy resources chokes in the grip of an energy crisis. ☘



In a ceremony held last April 7, 271 Meralco linemen, engineers, and technical personnel were recognized for their dedication and hard work during Meralco's power-restoration activities in Cabanatuan, Leyte, Aklan, Capiz, and Iloilo.

Looking Back on a

Hopeful Future

One Meralco Foundation puts typhoon survivors on the road to recovery.

Six months after being hit by the most powerful tropical cyclone ever recorded, the survivors of Supertyphoon Yolanda (international code name Haiyan) in Leyte and Iloilo have gradually picked up the pieces of their lives and begun rebuilding their future.

Much of this recovery is made possible by the generosity and massive goodwill coming from all over the world. That generosity didn't just come in the form of money or material goods; thousands of volunteers flocked to affected cities and towns, each one adding to the sense of hope and optimism that would bring light and life back to these communities.

The Manila Electric Co. (Meralco) helped in the recovery of Yolanda-hit areas, well beyond assisting in the repair of damaged power infrastructure. Volunteers from the One Meralco Foundation spearheaded a number of reconstruction projects that

include the building of new classrooms at nine schools in Leyte, Iloilo, Capiz, and Aklan. Funds for this project came from the "1 Day 2 Give" drive, where Meralco employees were encouraged to donate a day's salary to this effort.

These contributions by Meralco employees were warmly acknowledged at a gathering of typhoons Yolanda and Santi survivors last April 7 at the Meralco Multi-Purpose Hall in Ortigas. (Typhoon Santi struck Eastern and Central Luzon in October 2013.)

At the event, 271 Meralco linemen, engineers, and technical personnel were recognized for their perseverance and hard work during Meralco's power-restoration activities in Cabanatuan, Leyte, Aklan, Capiz, and Iloilo. Present at that ceremony were representatives from various electrical cooperatives and local governments, giving testimony to the skill and dedication of Meralco's workforce. ☘

'THERE SHOULD HAVE BEEN MORE RESERVES. THE SOLUTION IS TO BUILD MORE PLANTS.'
-CARLOS JERICO PETILLA, DOE SECRETARY

PMFTC President
Paul Riley

PLANTING THE SEEDS OF GOOD DEEDS

PMFTC INC.

**BLENDING TOGETHER THE BEST OF EAST AND WEST
TO BENEFIT COMMUNITIES AND THE ENVIRONMENT**

BY JING LEJANO

With seven brands and close to 75 percent share of the local cigarette market, PMFTC Inc. is truly a force to be reckoned with. The company currently holds the lead in the premium and low-price cigarette segments, as well as a strong portion of the mid-price segment. Given that the Philippines is the third largest tobacco market in the region (next to Indonesia and Japan), these numbers are quite impressive indeed.

Yet PMFTC President Paul Riley has even bigger goals in mind. The company already exports its products to Thailand, Korea, and Australia, but he reveals he would like the company to be an exporter to the European market. "I think it's one of the biggest potentials we have."

The company's remarkable performance continues despite the many challenges it continues to encounter. Chief among these are advertising restrictions brought about by the Tobacco Regulation Act of 2003. Committed to the responsible manufacture, marketing, and distribution of tobacco products, PMFTC is very stringent in complying with the law.

Restricted access to traditional advertising tools creates some difficulty, but "the most important thing is the product itself," Riley notes. "We put a lot of energy and effort to make sure it is the best product, and to talk to the consumer as much as we can directly. In that way, we go straight to the consumer. Talking to consumers one-on-one is probably the best way."

NURTURING A STRONG LOCAL NETWORK

PMFTC brings together the capabilities of local skills in tobacco manufacturing with the experience and reach of a global network that spans 150 countries.

"We both brought to the table different things," Riley says. "We have an international portfolio, and they have a very strong local profile here: the combination of these two is quite strong. In terms of manufacturing capacity, we have a factory in Batangas and they have a factory in Marikina. We also have a larger distribution network and expertise in information-technology systems in the back office, so the synergy of these two is quite good."

Riley is quick to attribute PMFTC's strengths to the unique skills and talents of its local workforce of more than 4,000.

"We have a number of (Filipino) employees throughout the world," he says. This is because "the Philippines has good education standards, and Filipinos have good

communication skills, speak English, and don't mind living outside the country."

While some of its raw leaf comes from Brazil and the United States, most of the tobacco is sourced locally.

Riley confides: "We have 5,000 contracted farmers from whom we buy directly. We contract them to grow and help them raise the quality as well."

Most of these farmers, such as those in Misamis Oriental, are growing tobacco for the first time. PMFTC is very hands-on in asking these farmers to strictly follow proper agricultural as well as labor practices. These standards are meant to protect the rights of the farmers and ensure the high quality of tobacco. When a conflict arises between a national law and a company standard, PMFTC follows the stricter policy to ensure fair treatment for the farmers.

RELIABLE POWER GENERATION

One other strength PMFTC draws on is its partnership with the Manila Electric Co. (Meralco). "Success in collaboration happens when two companies share the same vision," Riley says. "In the case of PMFTC and Meralco, cost-efficiency and savings are fundamental, but the bigger triumph is that via our collaborative efforts to increase business profitability, we are also able to make a positive impact on the community and the country."

With the help of Meralco, the company is able to effectively pursue programs to increase profitability. At the same time, PMFTC is also able to address the mandate of its parent, Philip Morris International (PMI), to reduce the environmental impact of its various units across the globe by as much as 20 percent.

In April 2013, PMFTC went back to the Meralco grid; the former previously took care of generating power on its own. An analysis of a comprehensive power study proved that shifting to Meralco will be more sustainable

in the long run given the supply outlook of bunker fuel vis-à-vis that of the Luzon grid.

Connecting back to Meralco also assures PMFTC of a continuous supply of good quality power critical to its operations. "We sometimes work 'round the clock, therefore we want to make sure that we have the power when we need it, as we need it," Riley stresses. "And not just any power but good quality power, which means our equipment will work at optimal level if we have power that does not fluctuate."

Taking a proactive role, Meralco put together a comprehensive assessment for PMFTC and outlined the supply outlook of bunker fuel. This was then compared to reconnection to the Meralco grid. An analysis showed the latter option will be more sustainable in the long run.

Within a year after shifting energy-sourcing requirements back to Meralco, PMFTC reduced its energy consumption by 35 percent. This is 15 percent more than PMI's mandate. To further improve this reduction, the company is currently exploring the viability of utilizing solar panels for its operations at the Batangas facility.

SOWING FOR GOODWILL

PMFTC's social agenda goes above and beyond lowering its carbon footprint and achieving cost efficiency in its everyday operations. Every day, the tobacco company undertakes projects, big and small, to give back to the community.

Riley shares: "We have initiated our own projects, small-scale, but we'd like to think that it is getting bigger and bigger as we go on. We have planted four million trees, most of these are located in the northern Luzon area. We are continuing this in Batangas and around the area."

As PMFTC continues to grow and expand outside the Philippines,

it will no doubt provide more opportunities for its employees and continue to improve the lives of farmers.

Riley concludes: "We are very proud of the work we have done with the farmers, and with other stakeholders like the local communities and the local government. We have found ways to give some sort of livelihood, not just to the farmers but also the communities around."

**'WE HAVE AN
INTERNATIONAL
PORTFOLIO, AND THEY
HAVE A VERY STRONG
LOCAL PROFILE HERE'**

-PAUL RILEY, PRESIDENT, PMFTC INC

Profile Photography by Jun Pinzon, Grooming by Arlene Adio, Location Photography by Daniel Tan



PMFTC's state-of-the-art cigarette manufacturing plant in Tawauan City, Batangas



With Meralco's help, PMFTC reduced energy consumption by 35 percent.

A car safety system that not only knows you are stepping on the brakes, but also whether you are applying enough pressure to avoid a collision. A vehicle management system that optimizes the use of road systems with safety, fuel efficiency, and ease of travel in mind. An eye-tracking device that enables users to control the computer with direct eye movements.

These are just some of the many cutting-edge projects that Integrated Micro-Electronics Inc. (IMI) is working on, some components of which are already operational in a few countries.

The 21st largest electronics manufacturing services (EMS) provider in the world based on 2013 EMS revenues (per *Manufacturing Market Insider*), IMI continues to grow and prosper despite a struggling global electronics outsourcing industry.

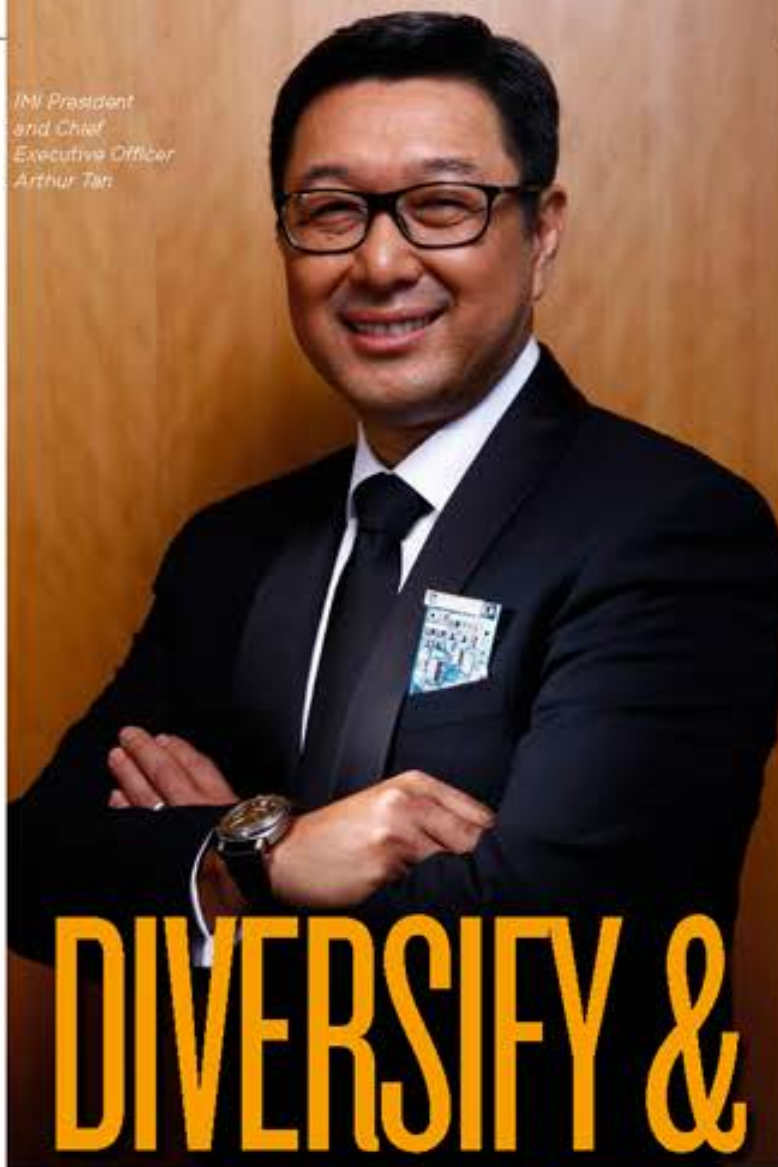
The company's total revenue grew to US\$745 million in 2013, up 12.6 percent from US\$662 million in 2012. Its corresponding net income of US\$10.5 million nearly doubled from the previous year's US\$5.6 million.

IMI President and Chief Executive Officer Arthur Tan attributes the company's robust growth to two factors: its geographical diversification (it operates in the US, China, Singapore, Czech Republic, Bulgaria, Mexico and the Philippines), and its focus on high-margin products and services in the automotive, industrial, medical, and telecommunication industries.

While IMI is a global enterprise, it is fervently committed to the task of nation-building. Of the 20,000 people it employs worldwide, half are stationed in the Philippines. Tan says: "We're employing close to 10,000 people now. Just last year, we were able to add close to 4,500 jobs locally. Right now, we are still focused on some more growth locally. We are constantly trying to build [on] that."

To maintain its competitiveness, IMI

IMI President and Chief Executive Officer Arthur Tan



DIVERSIFY & CONQUER

INTEGRATED MICRO-ELECTRONICS INC.

**WITH A FEW TRICKS,
A FILIPINO EMS PROVIDER
EXCELS IN THE COMPETITIVE
INT'L ELECTRONICS MARKET.**

BY JING LEJANO

continually seeks ways and means to grow its profit and operations. This is where its partnership with the Manila Electric Co. (Meralco) plays a critical role.

In the manufacturing industry, Tan says, two large components drive cost: labor and energy. Paying a premium for labor is a given. "We don't want the cheapest employee. We want the best employee and pay accordingly," IMI, he adds, provides its employees with a good range of benefits and advantages "that they need in order to be part of the world economy."

With energy also driving IMI's manufacturing operations, Meralco, he stresses, will continue "to play a very important [role] in how we're going to be able to develop this country and this industry."

Since IMI operates in seven countries, Meralco understands the need for cost competitiveness and has taken steps to ensure it. For starters, Meralco made IMI's circuit connection perform more efficiently by transferring customer loads that share their circuit with another, reducing IMI's exposure to power disturbances. IMI's load-side facilities are regularly tested by MServ, a fully-owned Meralco energy services company, not only to monitor power quality, but also to identify areas where IMI can improve operations.

Looking ahead, IMI is looking to hit US\$1 billion in revenues by

2016 by serving more firms in the mobile, consumer, digital, automotive, aerospace, infrastructure, power, and healthcare sectors. It also hopes to capture, or recapture, companies—particularly from Japan—that are revisiting its sovereign manufacturing risk portfolio, such as China, Thailand and Indonesia.

Expanding operations in the Philippines will undoubtedly boost IMI's revenues; it also represents a challenge for Meralco to continue to provide the power and the support needed to meet IMI's projected demands. ☐

Profile Photography by Jan Pinzon, Grooming by Fannie Tan

Yes, they're ubiquitous, but what would our comfort and civilization be like without foam mattresses and monobloc plastic furniture? From homes to hotels, schools to offices, and at churches and restaurants, the products of Uratex—one of the ventures of the RGC Group of Companies—literally touch the lives of Filipinos across many generations.

Established in 1968 by the late Robert Cheng and his wife, Polyfoam-RGC International Corp. Chief Executive Officer, Natividad Yap Cheng, Uratex initially focused on foam products and has today branched out to include the manufacture of automotive seating as well as textiles. Its growth isn't slowing down, either, according to Cheng.

INVESTING IN EXCELLENCE

"Growth demands that we develop our people, our technology, and our systems," she says, adding that the company views itself within a broader perspective. "We need to be globally competitive. We continue to measure ourselves against the best in the world in technology and productivity. Then we innovate continuously to bridge any gap."

The company prides itself in a strong culture of excellence that insists on following world-class practices. Not only does Uratex invest in state-of-the-art facilities as well as equipment upgrades, it also directs its resources toward research and development.

This drive for quality and product superiority led the Manila Electric Co. (Meralco) to recognize Uratex as a proponent of Philippine progress, as one

POLYFOAM-RGC INTERNATIONAL CORP.

A SOFT TOUCH YIELDS SOLID EXCELLENCE

GET COMFORTABLE WITH AN ALL-FILIPINO BRAND THAT'S GUIDED BY GLOBAL STANDARDS AND WORLD-CLASS PRACTICES

BY KATHLEEN VALLE

that shares a common vision of nation-building and development. As such, it was named one of Meralco's Outstanding Industrial Customers for 2013.

Uratex is also a consistent Reader's Digest Platinum Awardee for The Most Trusted Brand. The award is decided by consumers' votes and demonstrates that Uratex's "no shortcuts to good quality" principle is highly appreciated by its customers, not just with sales but also with recognition.

It's not enough that the products are comfortable to use; the prices need to be

"cushy" as well. "We make sure that our goods are quality products that provide value for money," says Cheng.

This is a challenge Uratex constantly strives to meet, by establishing efficient production practices and preventive measures. Proper equipment maintenance is religiously observed, aside from minimizing production stoppages and product rejects, it also saves on power.

PEAK/OFF-PEAK HIKES SAVINGS

Meralco is instrumental in helping Uratex keep costs down, through its Peak/Off-Peak (POP) rates program. Under the program, customers are encouraged to run their manufacturing operations during hours when electricity demand is at its lowest—which makes the cost cheaper.

Since availing of POP in September 2011, Uratex has saved an average of P60 million every year. "When we enrolled in the time-of-use or POP program, we substantially reduced our electric bill by availing of lower rates at night and on Sundays," shares Cheng.

Another Meralco-initiated project—conversion to primary metering to reduce system loss—brings in an average of P8.4 million in annual savings. This program was initially implemented at the most power-intensive facilities such as the Valenzuela plant, but the goal is to implement the program at all the Uratex factories.

INVESTMENT IN EXPANSION

The accumulated savings enable Uratex to do more than maintain its affordable prices; the company has re-invested the money in even more energy-efficient equipment for its Valenzuela plant, and

expanded its operations in General Santos, Iloilo, and Tacloban.

Cheng looks forward to sustaining the same level of savings in the succeeding years, and expresses hope that Meralco will "help us by conducting energy audits that will identify more opportunities to reduce usage and wastage."

It's a simple formula that works remarkably well for Uratex: operate frugally, re-invest the savings, and produce better products. Quality products, from a well-respected company, that will continue to be desired by customers everywhere. ☐

Polyfoam-RGC International Corp. Chief Executive Officer, Natividad Yap Cheng

Anglo Watsons Glass Inc.
Chairman Winston Co

HAPPINESS IN A BOTTLE

ANGLO WATSONS GLASS INC.

MAKING GLASS THAT'S FIT FOR AN EMPEROR BY JING LEJANO

Every day, Anglo Watsons Glass Inc. produces 350,000 bottles for the world's leading brandy producer, Emperador Distillers Inc. (EDI). Operations run 365 days a year, 24 hours a day. There are no days off. Shutdowns are not an option.

As Anglo Watsons Chairman Winston Co explains, the glass furnace must maintain a temperature of 1,560° Celsius. Any drop in temperature, he emphasizes, will adversely affect product quality, the efficiency of the operations, and ultimately, the cost of production.

"It's a very competitive industry, and there should be zero downtime," he stresses. "Any power fluctuation and any disruption in power supply are detrimental to the operation."

Unfortunately, power disruptions were something of a headache for Anglo Watsons from April to March 2013, at its plant in Carmelray Industrial Park, Laguna.

The causes were entirely natural: birds and snakes, landing on or crawling up electric poles, would come into contact with live wires, shorting the circuit, and sadly, ending their lives.

Once the causes were identified, the Manila Electric Co. (Meralco) swiftly came up with solutions, installing spikes on the pole cross-arms, and covers on the insulators to prevent birds from landing or touching the lines. Metal guards were also wrapped around the midsection of electric poles to prevent snakes from ascending. These simple measures ensured full, uninterrupted power to Anglo Watsons and other factories in the park, while keeping wildlife unharmed.

FROM SUPPLIER TO SUBSIDIARY

Anglo Watsons became a wholly-owned subsidiary of EDI in 2012. EDI wanted to ensure the quality of its product, from the spirit to the bottle, and acquiring the glass

manufacturing company was one way to do so. When Anglo Watsons invested in a new furnace to offset its outdated equipment, it effectively doubled its capacity. A massive amount of time and resources were also spent on staff training, as Co knew that highly-skilled manpower would translate to operational efficiency.

In 2013, EDI sold 400 million bottles of liquor, of which 28 percent were supplied by Anglo Watsons. As the Philippine economy sustains its robust performance, sales of premium liquor products are likely to increase. Co sees the liquor market expanding as more young people, mostly from the business process outsourcing sector, enjoy higher disposable incomes.

With Anglo Watsons already running at 100-percent capacity, Co and his team are looking for ways to expand. At the same time, they seek to strengthen their competencies in operational efficiency and cost management to achieve optimal revenues.

"That's why the reliability of our suppliers is very important, especially in power," notes Co. "We are very happy with Meralco's services. We have counted on Meralco to provide us with quality and continuous power supply over the years."

RESPONSIVE PARTNERSHIPS ARE ESSENTIAL

From the time Anglo Watsons enrolled in Meralco's Peak/Off-Peak (POP) rates program in 2008 until mid-2013, when it shifted to a retail electricity supplier, it reported savings of approximately ₱6 million every year. POP is an energy-pricing scheme that encourages consumers to schedule their more intensive power activities at pre-defined off-peak hours for lower generation costs.

The savings contributed to Anglo Watson's "Rebirth of Plant 1" expansion project to upgrade the production capacity of its main factory. A key element of this rebirth is its investments in better equipment to boost production efficiency. Thanks to Meralco's close involvement in this upgrade, the expanded production facility came online 30 days ahead of schedule.

"Meralco has always been a good partner to us," Co asserts, "and very crucial for us is their help in monitoring our power supply. If there are any interruptions, their reaction time is fast, which is critical to our operation."

As EDI looks to expand regionally, Anglo Watsons will be under even more pressure to up its game. As Co points out, a consumer's first experience of a product is with its packaging – and in the case of Emperador Brandy, it will be the bottle. When Emperador Brandy is marketed beyond Philippine shores, Co will move heaven and earth to make sure that all Anglo Watsons bottles are of the same world-class quality as the golden liquor it contains. ☘

Profile Photography by Jun Pinzon, Grooming by Bernice Recto

SOLID SUCCESS IN FULL SWING

HARDROCK AGGREGATES INC.

ROCKING THE CONSTRUCTION INDUSTRY

BY JING LEJANO

At the edge of Metro Manila, in the hills of Antipolo, lies the Kinabuan Formation, a massive deposit of basalt and andesite. These dull rocks in various shades of gray hardly look like the stuff of fairy tales, but to a growing economy it is virtually as good as gold.

This type of basalt is most prized by the booming construction industry for its excellent chemical properties, which react positively with cement to form the strong, durable concrete needed for tall buildings and other massive structures.

This is why, on any given day, lines of trucks wind their way up the bumpy road toward the headquarters of Hardrock Aggregates Inc. in Barangay Cupang, Antipolo City. These trucks will return filled with crushed basalt aggregates, the basic material used to build our roads, bridges, malls, skyscrapers, condominiums, and houses.

THE MARKET COMES TO THEM

Glad in his signature black T-shirt and jeans (he's loathe to wear coats and neckties), Hardrock Aggregates President Alonzo Española reveals that the company hardly engages in any marketing activity. In fact, construction companies seek out Hardrock for their requirements, quickly buying up whatever the company produces. Hardrock regularly supplies construction projects all over Metro Manila, as well as in Bulacan and

Pampanga in Central Luzon, and Calamba, Laguna, Batangas and Quezon in Southern Luzon.

Hardrock's 45-hectare facility currently has an active quarry area of 10 hectares and two complete rock-crushing assembly plants. In 2013, Hardrock produced some 15 million cubic meters (cum), or about 86,000 truckloads, of aggregates for the local construction industry.

Española reckons construction activities will remain at full throttle for the next five years. "If you look at the statistics, the market can still take it."

The Philippine construction industry is projected to grow by 46 percent to ₱938 billion in 2014 (in terms of revenue) from ₱643 billion, according to BCI Asia Philippines Inc., a construction market information company.

The pressure is now on for Hardrock to expand its operations and preparations are underway to get a third rock-crushing plant up and running. "The plant is all ready for expansion," Española explains. "We bought a new plant two years ago but we had to develop the area first." Back-filling operations will reclaim or restore a mined-out portion of the quarry for site development of the third plant, scheduled to be online by 2016.

A SOLID PARTNERSHIP

The trucks and the diggers are powered by diesel and gasoline, but all of the

company's crushers run on electricity. This is why Hardrock works closely with the Manila Electric Co. (Meralco) to manage its electrical requirements and expedite its expansion plans.

Since quarry operations run 24/7, power supply is critical – more so when the new plant becomes operational. And since power fluctuations can result in three-hour operational delays, Meralco has installed on-site voltage monitoring equipment to minimize such incidents.

Meralco was also instrumental in keeping operating costs down. Hardrock saves an average of ₱17 million per year by shifting 52 percent of its operations to off-peak hours to avail of Peak/Off-Peak (POP) rates. The POP energy-usage program encourages customers to operate during hours when electricity demand is lower and cheaper. The upcoming installation of a Power Factor Corrector is projected to further generate annual savings of close to ₱1 million for the company.

With a reliable supply of electricity, Española is confident of Hardrock Aggregates' growth prospects. He hopes to increase its production capacity in 2014 by 20 percent to 18 million cu. m., and predicts a nearly double output by 2016 of 3 million cu. m. "We will continue to keep growing," Española asserts. "As of now, that's what we're seeing." ☘

Hardrock Aggregates
President Alonzo Española



PMETC President Paul Riley (fourth from left) receives the 2013 Corporate Industrial Luminary award from last year's winner Indophil General Manager Amitabha Basu (fifth from left). With them are: (from left): Meralco President and CEO Oscar S. Reyes, Meralco Chairman Manuel V. Pangilinan, PMETC Director for External Affairs Vannia Elera-Ting, and Meralco SVP and Head, Customer Retail Services & Corporate Communications Alfredo S. Panlilio.

AN EVENING OF BRILLIANCE

THE COUNTRY'S TOP COMPANIES COME TOGETHER
FOR A STAR-STudded NIGHT OF CELEBRATION AND SUCCESS.

On April 2, 2014, the Manila Electric Co. paid tribute to the most innovative companies and business leaders in the Luminaries Awards Night. Held at the Grand Ballroom of the Makati Shangri-la Hotel, the event was attended by the leading lights of the country's top corporations and small and medium enterprises.



Meralco President and CEO Oscar S. Reyes gives the welcome remarks.



Pagcor Chairman Cristino Negusat receives a special award from Meralco officers Oscar S. Reyes and Alfredo S. Panlilio.



All smiles during the night are (from left): Meralco VP and Head, Marketing, Customer Solutions and Product Development Jose Antonio Valdez, Oscar S. Reyes, and BPI President and CEO Cesar P. Consing.



FDC Chairman Jonathan Gotianun (third from left) receives the 2013 Corporate Commercial Luminary award from last year's winner Megaworld First VP and Head of Commercial Division Kevin Andrew L. Tan (fourth from left). With them are (from left): Meralco executives Oscar S. Reyes, Manuel V. Pangilinan, and Alfredo S. Panlilio.



Federation of Philippine Industries President George S. Chua and Meralco AVP and Head, Private Sector Relationship Management Ma. Cecilia M. Domingo.



The Meralco Outstanding Corporate Industrial Partners receive their awards from Oscar S. Reyes (third from left) and Alfredo S. Panlilio (far left). From left: Polyfoam-RGC International Corp. CEO Natividad Yap-Cheng, PMETC President Paul Riley, IMI President and CEO Arthur Tan, Anglo Watson Inc. General Manager Danilo Utanes, and Hardrock Aggregates Inc. VP for Operations Ferdinand M. Pailera.



Getting to know each other are (from left): IRRI Director General Dr. Robert Zeigler, Asia Brewery Inc. CDO Michael Tan, JG Summit Holdings President and CDO Lance Y. Gokongwei.

LUMINARIES



Meralco's Alfredo S. Panlilio (second from left) chats with Century Properties Group Chairman Jose E.B. Antonio and wife Hilda Reyes Antonio.



From left: Meralco Relationship Manager (RM) Cesar J. Dawana, Meralco Chairman Manuel V. Pangilinan, Mercury Drug President Vivian Que-Azcona, Meralco President and CEO Oscar S. Reyes, Mercury Drug VP Alice Lumanog, and Mercury Drug VP Jesus Mangrobang.



The Outstanding Corporate Commercial Partners receive their award from Meralco's Oscar S. Reyes (far left) and Alfredo S. Panlilio (far right). From left: Mercury Drug's Vivian Que-Azcona, Lyceum-Manila and Cavite President Atty. Roberto Laurel, FDC's Jonathan Gotianun, US Embassy in the Philippines Chief of Mission Brian Goldbeck, and DLSU's Br. Ricardo Laguda FSC.



FDC's Jonathan Gotianun shares a laugh with Meralco's Manuel V. Pangilinan.



Meralco VP and Head of Corporate Business Group Victor S. Genuino, with PMFTC executives led by Paul Riley, Varinia Elera-Tinga, and Manager, Public Affairs and Contributions Corporate Affairs Atty. Amy Eisma.



Meralco RM Patrick Henry T. Panlilio (left) and DLSU President and Chancellor Br. Ricardo Laguda FSC.



From left: Meralco RM Marvin V. Jovero, LTI Association President Eddie Jose, Seipi President Dr. Dan C. Lachica with wife Bernie, and ON Semiconductor Corp. President and GM Sunil Banwari.



From left: Zest-O Corp. Chairman Alfredo M. Yeo, Meralco Marketing Head, Corporate Business Marketing Nina V. Posadas, and Meralco RM Rick A. Panes.



From left: Meralco RM Bernice Gretchel P. Garcia, Iglesia ni Cristo Head Legal Counsel Atty. Glicerio "GP" Santos IV, and Meralco SVP Alfredo S. Panlilio.

LUMINARIES