Industry analysis of indian ceramics: profits and challenges

Ceramic Industry in India is about 100 years old. It comprises ceramic tiles, sanitaryware and crockery items. Ceramic products are manufactured both in the large and small-scale sector with wide variation in type, size, quality and standard.

India ranks 7th in the world in term of production of ceramic tiles and produced 200

million sq. meters of ceramic tiles, out of a global production of 6400 million sq. meters during 2003-04.

State-of-the-art ceramic goods are being manufactured in the country and the technology adopted by the Indian ceramic Industry is of international standard.

Capacity and Production

There are, at present, 16 units in the organized sector with an installed capacity of

21 lakh MT. It accounts for about 2. 5% of world ceramic tile production Ceramic tiles industry has been growing at about 12% per annum.

In India, per capita consumption of ceramic tile is 0. 15 sq. mtr. per annum compared with 2 sq. mtr. per annum in China and 5-6 sq. mtr. Per annum in European countries.

These are exported to East and West Asian countries. The exports during 2003-04 were about Rs. 180 crore.

Sanitaryware is manufactured both in the large and small sector with variations in type, range, quality and standard. At present there are 7 units with capacity of 86, 500 tonne per annum and, there are about 200 plants with a capacity of 50, 000 tonne per annum in small scale sector.

The industry has a turn over of Rs. 400-500 crore. This industry has been growing at the rate of about 5% per annum during the last 2 years.

Potteryware signifying crockery and tableware are produced both in the large scale

and small-scale sector. There are 16 units in the organized sector with a total installed capacity of 43, 000 tonnes per annum.

In the small-scale sector, there are about 1200 plants with a capacity of 3 lakh tonnes per annum. Majority of the production of ceramics tableware is of bone china and stoneware. The export of potteryware during 2003-04 was of the order of Rs. 85 crore.

The investments in the last five years are approx. Rs 2000 crores. The industry also enjoys the unique distinction of being highly indigenous with an abundance of raw materials, technical skills, infrastructural facilities despite being fairly capital intensive. A total of over 5, 50, 000 people are employed in the sector. Out of this, 50, 000 people are directly employed and 5, 00, 000 are indirectly associated. The potential is huge considering the per capita consumption of ceramic tiles in India. Currently it is at 0. 30 square meters per person in comparison to over 2 square meters per person for like countries like China, Brazil and Malaysia

Current Status:

India is projected to figure in the top 3 countries manufacturing ceramic tiles by 2010..

Countries like Malaysia, Thailand, Indonesia, Sri Lanka and Vietnam are setting up their own plants. China has emerged as a major competitor. Producers from Spain and Italy have the advantage of lower transportation costs while exporting to USA and Germany. In India, the per capita consumption is as low as 0. 30 square meters per person compared to China (2 square meters per person), Europe (5 to 6 square meters per person) or Brazil (2. 5 square meters per person). Rising disposable incomes of the growing middle class and 40 million units of housing shortage hold out a great potential.

A major change that took over the ceramic tiles industry, was the introduction of vitrified and porcelain tiles. These new entrant product types are said to be the tiles of the future. Internationally these tiles are already the major sellers. These category of products account for 13% of all organized sales in this industry.

These new products and the conventional wall & floor tiles have together made the organized industry grow to a formidable Rs. 3000 crores industry. This coupled with a spate of expansions by many players make the industry look very promising in the future.

The Indian Industry has developed an export market although at the lower end. In volume it constitutes less than half a percent of the global market. (Presently India does not figure in the list of major exporting countries). But this reality could change as Indian exports are rising at the rate of 15% per annum. The top-end of the global export market is presently dominated by Italy (40. 8%) and Spain (26. 4%).

Export Potential of Indian Ceramics

Introduction

The ceramic industry in India is about 100 years old and forms a sizeable industrial base at present. India is 8th largest producer of ceramic products.

In India, raw materials are available in sufficient quantity and in powder form e. g., Feldspar, Talc powder, Dolomite, Wallastonite, Calcite, Raw crushed soil, Clay etc.

Since these raw materials are available nearby the manufacturing plants of ceramic companies the transportation cost goes down.

In India, Morbi, Mehsana, and Himmatnagar are major hubs for ceramic industry.

The industry holds a share of 2. 5% in global production. Though India holds a minuscule share of 0. 77% of global trade of ceramic products in 2002.

India majorly exports to Saudi Arabia, African countries, UK and UAE and imported from China and Italy

Ceramic tiles sector…

There are 16 units in the organized sector and 250 units in the unorganized sector manufacturing ceramic wall tiles, floor tiles and vitrified tiles.

India accounts for nearly 2. 5% of the world production.

The domestic ceramic tile industry is growing at a rate of 8% per annum. Estimated size of the ceramic industry is approx Rs. 3300 crore out of which the share of SSI sector is around Rs. 1200 crore.

India's the per capita ceramic tile consumption is 0. 09 sq. mt. p. a. as compared to 1. 2sq. mt. in China and 5 sq. mt. in European countries.

Indian tiles are competitive in the international market.

Sanitary ware…

Sanitary ware is manufactured both in large and small sectors with wide variance in type, range, quality and standard.

This industry has been growing by around 5% per annum during the last two years.

Sanitary ware items are presently being exported to East and West Asia, Africa, Europe and Canada.

Pottery…

Potteryware such as crockery and tableware is produced both in organized and unorganized sectors.

There are 16 units in the organized sector with a total installed capacity of 43, 000 tonnes per annum.

Bone china crockeryware is being imported from Bangladesh and Sri Lanka in view of the better availability of raw material there.

India’s Share of Global Production

2. 5%

Global Industry Growth Rate

11%

Indian Growth Rate

8%

Organized Industry Turnover

Rs. 16. 56 billion

Share of Wall Tile

42%

Share of Floor Tile

46%

Share of Vitrified and Porcelain Tile

12%

Investment in the Last 5 Years

Rs. 16 billion

Ceramic tiles industry statistics

Big players of Ceramics in India…

Company

Brand

Market share

H&R Johnson

Marbonite

21%

Kajaria Ceramics

Kajaria

13%

Murudeshwar Ceramics

Naveen diamontile

5. 5%

SPL

Greviti, Somany

—

Spartek

—

—

Regency Ceramics

—

—

Bell Ceramics

—

—

Leading manufacturers Overseas…

RAK Ceramics

UAE

Kaleseramik

Turkey

Nanhai

China

Unorganized Sector

4Ps for ceramics Marketing…

The 4Ps are like different levers that can be used in different degrees to achieve the same objective…

Product…There is a wide range of designs and sizes to choose from. Introduction of two new categories…Vitrified tiled and Porcelain tiles

Price…The price range is very vast. Due to capacity expansion supply is increased so price is lowered down by 35%. Moreover price war from china has also lowered down prices.

Promotion…Advertising is done in leading Construction magazines and interior design journals. Taking part in international exhibitions is routine.

Place…Wide distribution network in Middle East and African countries. Products delivered within 1 weeks of order.

Strategies adopted by Indian companies

Somany Tiles, a Delhi-based manufacturer of floor tiles, has entered into a strategic partnership with Kaleseramik, Turkey's leading tiles manufacturer, to market its products in Middle East.

Nitco tiles has opened its exclusive showrooms in Lebanon, Qatar, and some other Arabian countries.

Small industries choose merchant exporters to market their products. Delhi based Maharani Enterprise is the largest exporter of ceramic products from the country.

CAPEXIL provides trade inquiries to their member companies.

Export Potential

Demand of Ceramic products heavily depends on a country's Construction industry

The housing sector is expected to grow because of low interest rates on housing loans.

So we can target countries with heavy infrastructural development

By creating awareness in public about hygiene, we can increase demand of ceramic tiles over marble or mosaic tiles.

Ceramics are imperishable products and requires less hassle so it is a plus point to export them.

Export composition

The major ceramic products which are exported are as bellow…

Sanitary wares

Ceramic Tiles

Household articles

Crockery items

Ornamental ceramic products

Luster tiles

Vitrified tiles

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Country

2002 (US $ mil)

% share

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3604. 16

18. 59

Germany

1706. 19

8. 80

France

1407. 72

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19385. 11

100

India's Export Destinations (US $ mil)

Export Destinations

2003

Saudi Arabia

14. 84

UK

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UAE

12. 93

Sri Lanka

6. 51

Bangladesh

4. 33

USA

4. 15

Kuwait

2. 77

Australia

2. 61

Germany

2. 41

Qatar

2. 36

Top 3 Importers of Glazed Ceramic Tiles (2002)

Country

Value (' 000 US $)

USA

1421174

France

597143

Germany

483835

USA

Import of glazed tiles by USA (2002)

Exporting countries

Value (' 000 US$)

Quantity (' 000sq meters)

Unit Price($ per sq. mt.)

% of import from

Italy

628953

57244

11. 0

44. 2

Spain

281282

35964

7. 8

19. 8

Mexico

160145

25374

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2247

235

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Import of glazed tiles by France (2002)

Exporting countries

Value (‘ 000 US$)

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346832

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Challenges…

Major factors that have caused margins to shrink are dumping and anomalous custom duty structure in India.

Last year nearly Rs. 100 crore worth of imported tiles were dumped into India.

Moreover tiles from china are routed thru' SAARC countries to evade the anti dumping duty

Problem is intensified by china's entry in Bangkok agreement, so Chinese goods will attract only 10% duty against current 15%.

Another major problem… Rising fuel costs of manufacturing due to increase in prices of LPG and raw materials such as zirconium and titanium.

On the other way because of the price war from China, domestic tile manufacturers cannot increase their price. This directly reduces their sales and profitability further. So they are in catch22 situation.

Support of Government to ceramic sector

FDI limit in the real estate and property sector, and the government's thrust on the housing sector through initiatives like the Bharat Nirman and the National Urban Renewal Mission (under which the government aims to focus on 66 select cities) are set to accelerate the growth of ceramic industry.

The ailing ceramic industry will get Gas Pipeline within 4 months from Gujarat State Petronet Ltd (GSPL), as part of the proposed state-wide gas grid.

Government has established Indian Council of Ceramic Tiles and Sanitary ware (ICCTAS). The goal of this council is " To promote sales of products of ceramic tiles and porcelain articles by India in domestic and overseas markets".

Its activities are to arrange Trade exhibitions, Events, Seminars and representation of India ceramic manufacturers overseas.

There are some local associations like, Gujarat Ceramic Floor Tiles Manufacturers Association (GCFTMA), which represents the unorganized ceramic tiles manufacturers of Gujarat.

By doing research at Ceramic Research Institute in Calcutta, government has suggested to the manufacturers that energy cost, which is about 25% of total cost, can saved by micro processor based control system and variable speed drivers. By this way companies can save 15% of manufacturing cost.

Conclusion

-The increased domestic market demand will automatically boost the industry's sustainability at international level. But to increase export in the most advanced and remunerative markets, it has become essential to establish a loyal sales network and a brand name that is recognized and respected by industry professionals.-

Special thanks to…

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