

Glass industry Q1-FY19 update

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Overview

- The production of glass sheet rose by 10% to 23.18 mn sq. mts. in Q1 FY19 over Q1 FY18, supported by an increase in sales of automobiles in the country.
- Output of glassware grew 7% to Rs. 896 cr in Q1 FY19 over Q1 FY18, owing to growth in demand for consumer durables.
- Due to a fall in demand from real estate industry, production of fibre glass declined 28% in Q1 FY19 over Q1 FY18.
- Indian exports of glass and glassware products grew 21% to USD 195 mn in Q1 FY19, compared with Q1 FY18.
- Indian imports of glass and glassware products grew 12% to USD 338 mn in Q1 FY19, compared with Q1 FY18. Imports from Malaysia saw a 213% growth during the period. Cheap imports of solar glass from China and Malaysia are one of the reasons for inadequate profits of domestic players.

Outlook

- Increase in spending power from the rural consumers on the back of good crop output and implementation of Minimum Support Price (MSP) could grow demand for automobiles- one of the biggest end user industries of glass.
- A recent Supreme Court blanket ban on all construction activities in Maharashtra, Madhya Pradesh, Uttarakhand and Chandigarh for states' inaction over solid waste management, can significantly lead to delay in deliveries and impact fall in demand for glasses used by the construction industry.
- With plastic ban imposed across various states in India, we expect a demand growth for plastic's alternative- glass, especially in the container glass segment. Industries such as liquor, consumer foods, pharma, beverages, etc. may see a shift from plastic to glass in the near term.
- Government's target of installation of 100 GW by the year 2022 is expected to enhance India's solar power capacity. An estimated 23.1 GW of total solar capacity was installed up to June 2018 and another 10-12GW is expected to be added by the end of FY19, which will boost solar glass demand in India.

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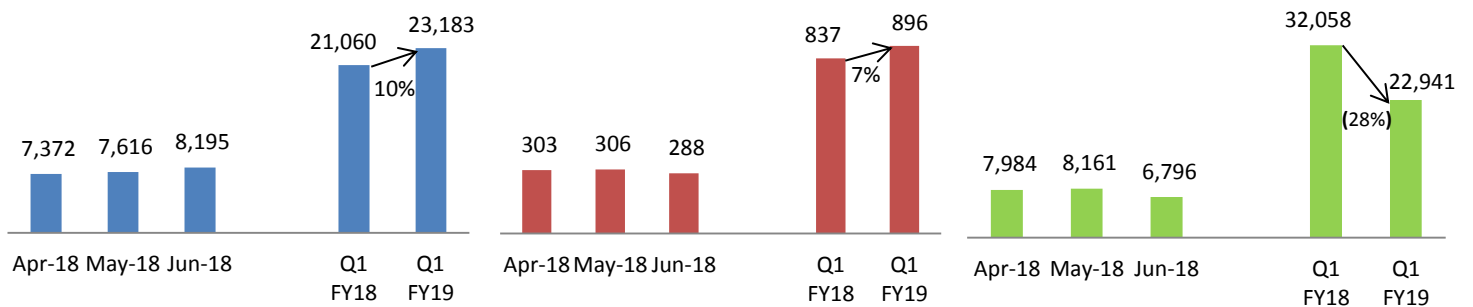
Production

- Production of glass sheet which includes toughened glass rose by 10% to 23.83 mn sq. mts. in Q1 FY19, from 21.06 mn sq. mts. in Q1 FY18. The improvement in output can be attributed to the rise in sales of automobiles in the country.
- Glassware, catering mainly to the consumer durables industry, saw a rise in output of 7% from Rs. 837 cr in Q1 FY18 to Rs. 896 cr in Q1 FY19, owing to the rise in orders from its user industry.
- Due to a fall in demand from real estate industry, production of fibre glass declined sharply by 28% from 32,058 tonnes in Q1 FY18 to 22,941 tonnes in Q1 FY19.

Chart 1: Glass sheet ('000 sq. mts.)

Chart 2: Glassware (Rs. cr)

Chart 3: Fibre glass (tonnes)



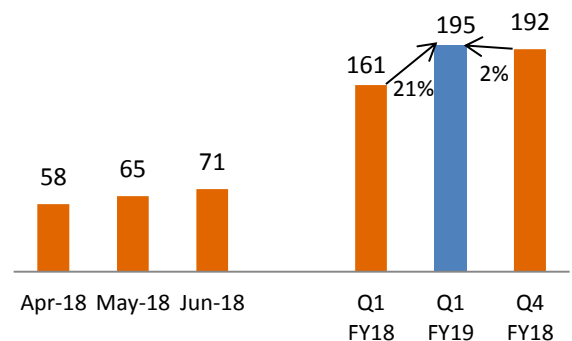
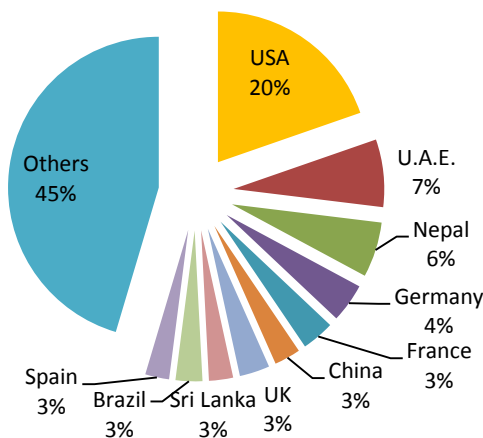
Source: CMIE

Trade

Chart 5 shows the Indian exports of glass and glassware in Q1 FY19 stood at USD 195 mn factoring in a growth of 21% compared to Q1 FY18 and just 2% compared with Q4 FY18. Glass and glassware exports formed 0.24% of the total Indian exports in Q1 FY19. Chart 4 depicts that the largest share of India's glass and glassware exports in Q1 FY19, were to USA (USD 38 mn) followed by U.A.E. (USD 14 mn), Nepal (USD 12 mn), Germany (USD 8 mn) and others. Exports to France doubled in Q1 FY19, growing by USD 4 mn, compared with Q1 FY18.

Chart 4: Share of country wise glass & glassware exports from India in Q1 FY19

Chart 5: India's total glass and glassware exports in USD mn



Source: Department of Commerce

Chart 7 shows Indian imports of glass and glassware in Q1 FY19 stood at USD 338 mn, factoring in a growth of 8% compared with Q4 FY18 and 12% compared with Q1 FY18. Glass and glassware imports formed 0.27% of the total Indian imports in Q1 FY19.

Chart 6 depicts imports of glass and glassware from various nations, with largest share from China (USD 150 mn), followed by USA (USD 39 mn), Malaysia (USD 26 mn), Germany (USD 20 mn) and others.

India imports glass bottles mainly from China, USA and Sri Lanka, which caters to industries such as pharma, food and beverages, soft drinks, cosmetics, etc. Imports of float glass from Malaysia, Pakistan, Middle East and Egypt have seen a surge in the recent years, by blatantly circumventing existing duties. Imports from Malaysia saw a 213% growth in Q1 FY19, compared with Q1 FY18, increasing by USD 13 mn. Cheap imports of solar glass from China and Malaysia are one of the reasons for inadequate profits of domestic firms.

Chart 6: Share of country wise glass & glassware imports by India in Q1 FY19

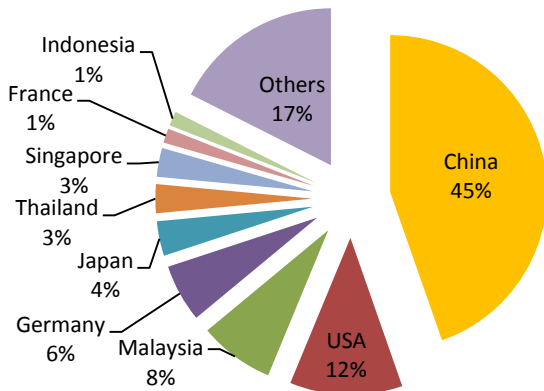
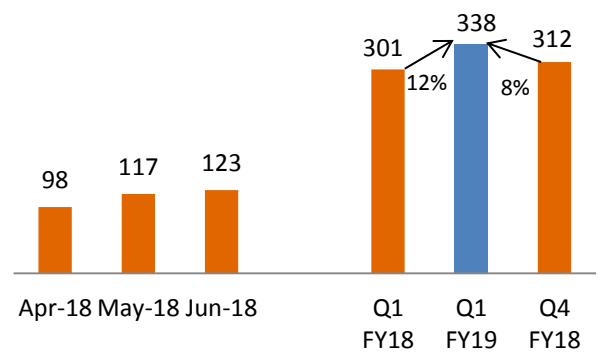


Chart 7: India's total glass and glassware imports in USD mn



Source: Department of Commerce

Regulatory changes

Imports of solar tempered glass have risen considerably over the past 3 years. With cheap imports of solar glass flooding the market, an investigation is initiated on anti-dumping duties concerning imports of solar glass, originating from Malaysia.

The solar cell and module manufacturers are trying to get safeguard and anti-dumping duties levied on imports of solar cells and modules. Based on the current climate favoring domestic production of solar manufacturing, it is expected that a level playing field will become available to Indian manufacturers. This will boost domestic manufacturing of modules and expand the demand for solar glass in the country.

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