

Glass industry:

9M - FY19 update

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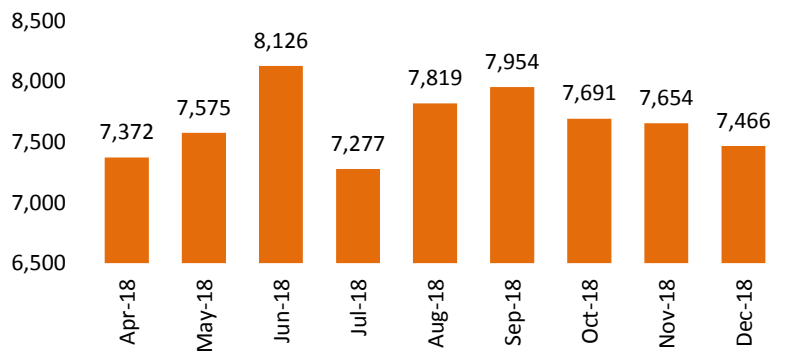
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Production

Output of all varieties of glass grew in Q3-FY19, compared with corresponding period last year, which is explained as below:

- Glass sheet (including toughened glass), which finds its application in real estate, automobiles and smart phones, grew 2% Q-o-Q in Q3-FY19 and 8% Y-o-Y from Apr-Dec'18. Monthly production of glass sheet in FY19 (up to Dec-18) is depicted in chart 1.

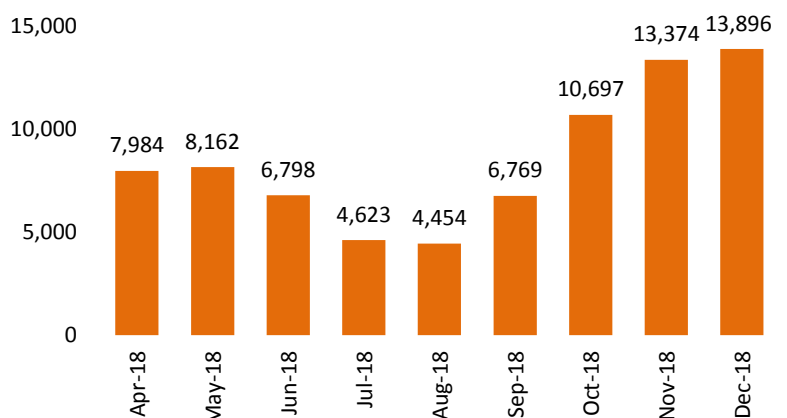
Chart 1: Monthly production of glass sheet ('000 sq. mts.)



Source: CMIE

- Fibre glass which is used in telecom industry, saw its output rise sharply by 32% in Q3-FY19 on a Q-o-Q basis, however on a cumulative basis production fell by 14% from Apr-Dec'18, compared with corresponding period last year. Monthly production of fibre glass in FY19 (up to Dec-18) is shown in chart 2.

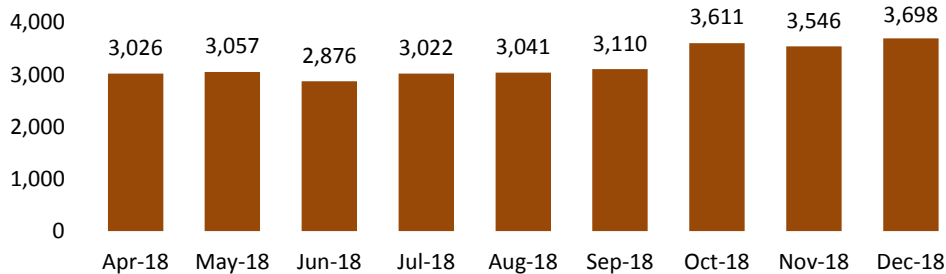
Chart 2: Monthly production of fibre glass (tonnes)



Source: CMIE

- Glassware which is used in preparing flower pots, decorative glassware, table wares, lamps, consumer durables, etc. saw its output rise by ~27% Q-o-Q in Q3-FY19 and 14% Y-o-Y from Apr-Dec'18. Monthly production of glassware in FY19 (up to Dec-18) is depicted in chart 3.

Chart 3: Monthly production of glassware (Rs. mn)



Source: CMIE

Trade

India is a net importer of glass and glassware with imports about 48% higher than exports.

Exports

In FY19 (up to Dec-18), India exported glass and glassware worth ~USD 699 mn, ~33% rise over corresponding period last year. The industry's exports form just ~0.29% of the total Indian exports in 9M-FY19. The top 6 countries from which India exports glass and glassware cumulatively account for ~50% of the total exports, with USA forming the largest share of ~18%.

Chart 4: India's total glass and glassware exports in USD mn

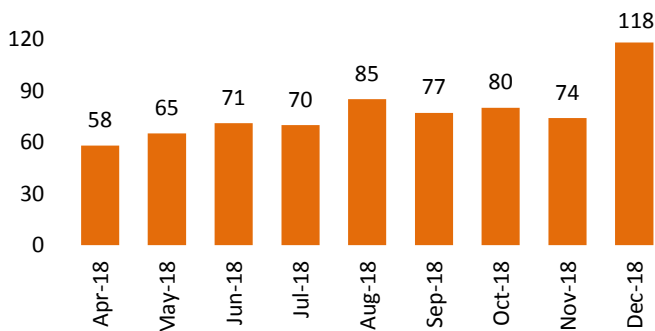
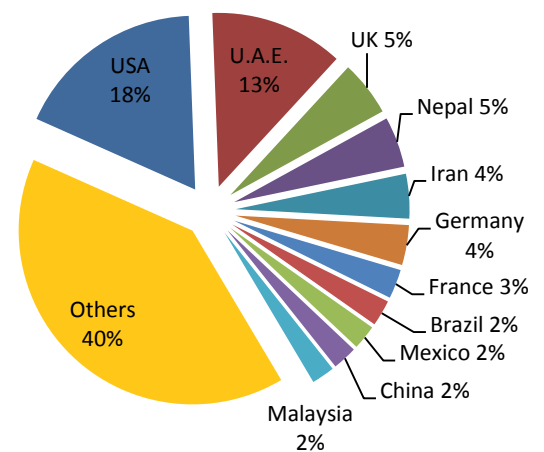


Chart 5: Share of country wise glass & glassware exports from India in FY19 (up to Dec-18)



Source: Department of commerce

Imports

In FY19 (up to Dec-18), India imported glass and glassware worth ~USD 1,029 mn, 10% rise over corresponding period last year. The industry's imports form just ~0.26% of the total Indian imports in 9M-FY19. While the top 5 nations from which India imports glass and glassware cumulatively account for ~70% of the total imports, China has the largest share of ~45%.

Chart 6: India's total glass and glassware imports in USD mn

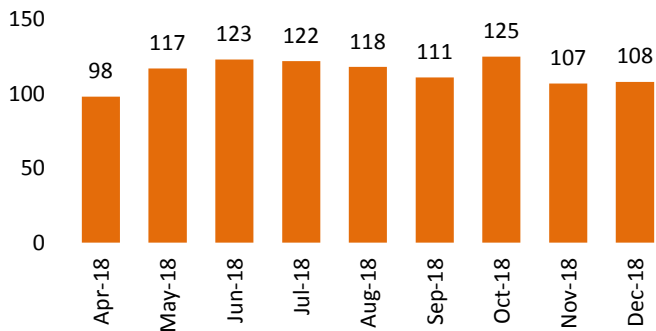
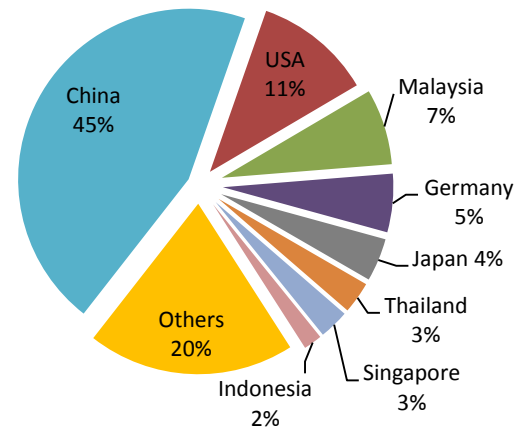


Chart 7: Share of country wise glass & glassware imports by India in FY19 (up to Dec-18)

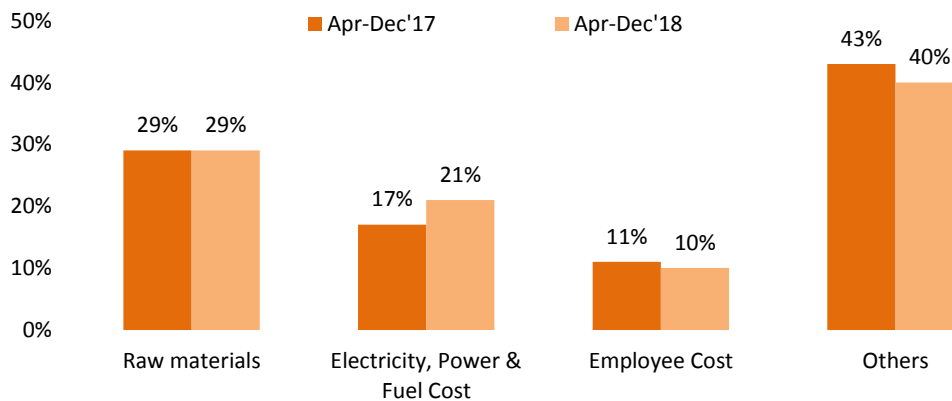


Source: Department of commerce

Cost structure

As seen in chart 8, the major cost components of companies comprising this industry are raw materials, employee expense, electricity, power and fuel, which cumulatively account for ~55-60% of the total costs. Electricity, power and fuel expenses have risen by ~70% over the past 2 years, which led to an escalation in total costs and created pressure on margins for the companies.

Chart 8: Major costs as a proportion of net sales (13 cos.)

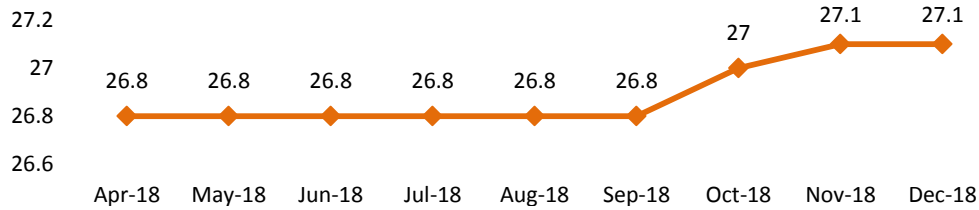


Source: AceEquity

Price movement of soda ash

The price movement of soda ash, one of the largest raw materials used in manufacturing of glass is depicted in chart 9. The all-India average price of soda ash remained constant from Apr-Sept'18 at Rs.26.8/kg, which rose Oct-18 onwards to reach Rs.27.1/kg in Dec-18.

Chart 9: Price trend of soda ash (largest raw material for making glass) in Rs/kg

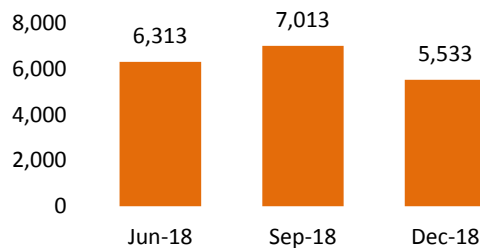


Source: CMIE

Investments

- As seen in chart 10, investments worth Rs.18,859 cr were announced in FY19 (up to Dec-18).
- In Jan-19, Saint-Gobain India announced investments of Rs 1,200 crore at its Chennai plant towards building a third glass float, a magnetron coater and glass solutions line and a rain-harvesting facility. The company plans to invest another Rs 720 crore and a new facility in Andhra Pradesh, for possibly setting up a gypsum-plastered board plant but a firm decision is yet to be taken.
- In Jan-19, Vedanta announced plans to set up a complete glass plant in Nagpur to manufacture glass for TVs, computers and cell phones, involving an investment of ~USD 4-5 bn.

Chart 10: Investments announced (Rs. cr)



Source: CMIE

Policy / regulation changes

On 26th Feb 2019, Ministry of Finance, GOI imposed the long awaited anti-dumping duty on textured tempered coated and uncoated glass, originating in or exported from Malaysia for a period of 5 years. The duty amount is USD 114.58/MT. The duty will be applied to products from all producers, except M/s Xinyi Solar Sdn. Bhd.

Textured toughened (tempered) glass means textured toughened (tempered) glass with a minimum of 90.5% transmission having thickness not exceeding 4.2 mm (including tolerance of 0.2 mm) and where at least one dimension exceeds 1500 mm, whether coated or uncoated.

Earlier, Indian glass manufacturer Gujarat Borosil had filed a petition requesting imposition of anti-dumping duty of Malaysian solar glass, stating that the said goods imported by India were below their normal values and consequently, the domestic industry had suffered material injury. As seen in chart 11 and 12, Indian imports of toughened (tempered) glass from all nations more than quadrupled since FY14, to reach USD 75mn or 15.9 mn sqm in FY19 (upto Dec-18). Out of this, Malaysia's share was USD 15.7 mn or 3.8 mn sqm.

Chart 11: Imports of other toughened (tempered) safety glass from all countries (in USD mn)

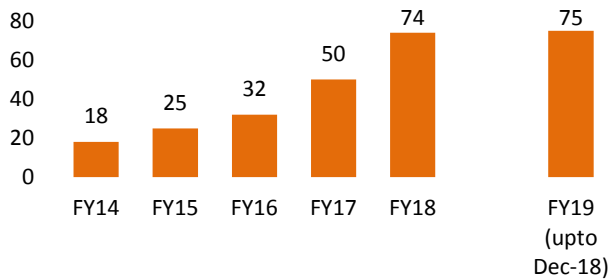
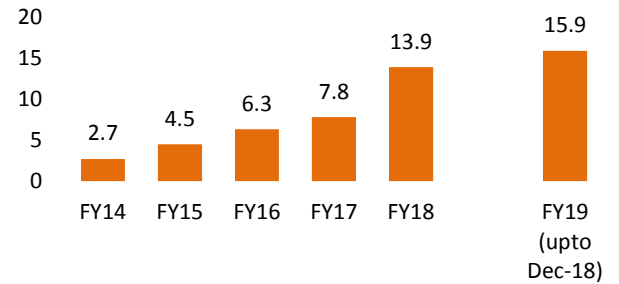


Chart 12: Imports of other toughened (tempered) safety glass from all countries (in mn sqm)



Source: Department of commerce

Chart 13: Imports of other toughened (tempered) safety glass from Malaysia (in USD mn)

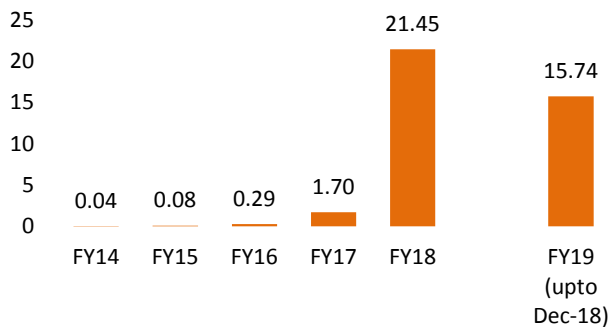
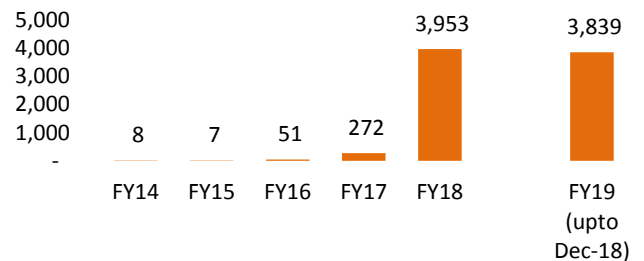


Chart 14: Imports of other toughened (tempered) safety glass from Malaysia (in sqm)



Source: Department of commerce

After the imposition of this duty, domestic players will no longer have to face competition from cheap imports of solar glass from Malaysia. In addition to this, various policy reforms by GOI to increase usage of solar power will give a boost to Indian glass players, involved in manufacture of solar glass. However, constantly increasing prices of solar power installations could have an adverse impact on the country in coming years.

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