

## Glass Industry - FY19 update

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### Overview

Glass is an inorganic product produced by melting a mixture of silica sand, soda ash, limestone, with desired metallic oxides that serve as coloring agents. Glass finds its applications largely in sectors such as construction, automobile, pharmaceuticals and food and beverages, with China, Germany, USA, Japan and France being the largest users of this material globally.

The Indian glass industry is largely unorganised with ~45-50% share, consisting of many micro and small players, while the organized sector is dominated by few large players.

Depending on its usage, glass can be broadly classified into four segments namely, container glass, flat glass, fibre glass and specialty glass. Flat glass is commonly used in automobiles and construction. Container glass is used in pharmaceuticals and foods and beverages segment.

In addition to domestic usage, India's glass industry caters to foreign markets like USA, U.A.E, Nepal, UK, Germany, etc. Imports (~46%) are mainly from China, followed by USA, Malaysia and others. While India is a net importer of glass, the country imported USD 1,354 mn worth of glass and glassware in FY19 and exported USD 949 mn.

This industry is highly energy extensive and significant portion of the total expenses are incurred on power and fuel. The volatility in crude oil prices over past few quarters put pressure on margins of the Indian glass companies.

### Outlook

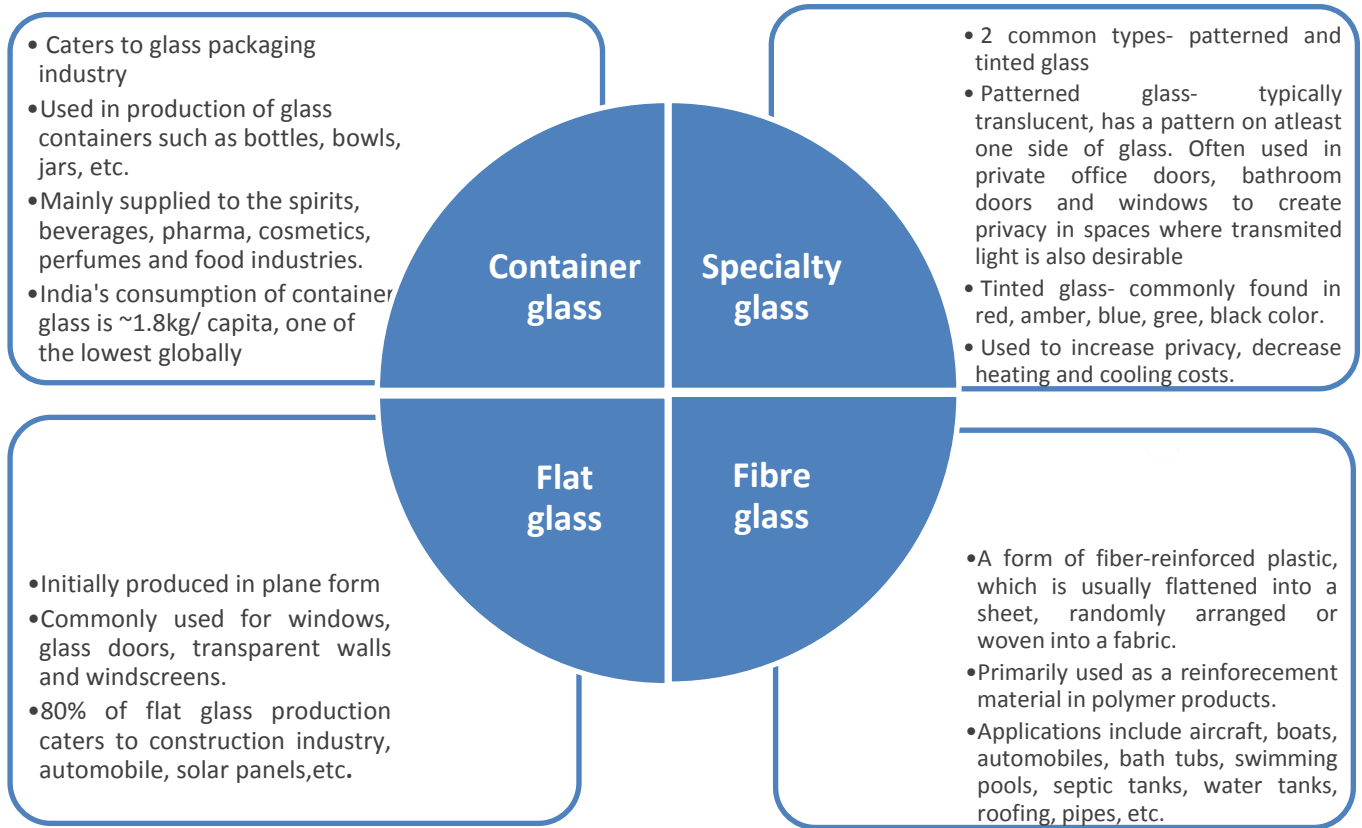
Output of most varieties of glass is expected to remain stable in FY20, which shall be impacted by main user industries including real estate, automobiles and telecom.

The real estate industry has built up inventory in the past few months and the recent liquidity stress in NBFCs has affected their lending to this industry, which has affected project completion and impacted thus demand for glass sheet. Automobiles industry is expected to see a pick-up in demand in H2-FY20, post monsoon and in the festival season.

With an expectation of telecom network expansion in FY20, fibre glass output shall remain favourable.

**Glass segments**

**Chart 1: Four main segments of glass industry**



Source: IBEF, company presentations, CARE Ratings

**Global scenario**

The world glass industry generates yearly revenue of ~USD 90 bn, with leading exporters being US, France, Japan, China, India and Germany. The most common products manufactured in the global glass industry are flat glass, glass containers, fiberglass and specialty products which include lenses, optic fibres, mirrors, glassware and TV tubes.

Rising demand from wide applications in residential and commercial infrastructure projects, ascending demand for glass substrate from automotive & transportation sector, growth in electronics and semiconductor industry, infrastructure development in emerging economies, government concerns regarding public safety and security are some factors, that have propelled the demand for glass in recent years.

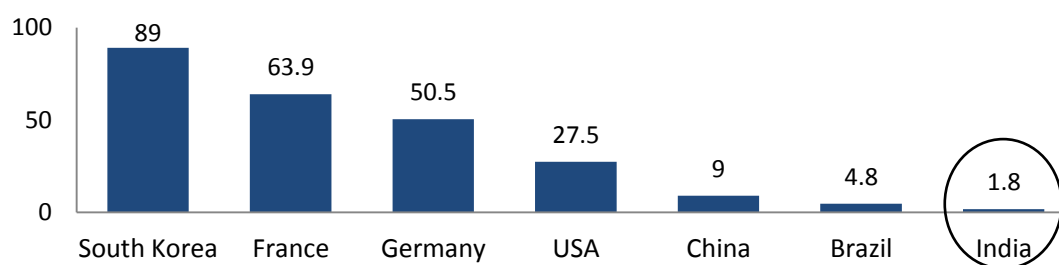
Asia Pacific is expected to remain the largest float glass market due to increase in urbanization, strong housing demand and increasing investment by glass manufacturers in this region.

Largest user nations of glass globally are China, Germany, USA, France and Japan. Others are Spain, Argentina, Australia, Canada, Egypt, India, Sri Lanka, etc.

## Indian scenario

The glass industry in India is quite old and well established; however has remained largely a cottage industry for a long time. From rudimentary mouth blown and hand working processes, the industry has evolved to adopt modern processes and automation in a large way. The per capita container glass consumption in India is marginal at ~1.8 kg and is much lower compared to other nations. This provides a possibility of good upside potential in coming years.

**Chart 2: Per capita consumption of container glass (kgs)**



Source: Hindusthan National Glass & Industries Ltd.

India's glass industry was estimated at ~Rs. 225 bn in 2012, with the share of organized market at ~50-55% and limited players dominating the market. The growth across all segments is characterized by the increasing use of processed and high-performance glass in the automotive and architectural sectors. With stricter and changing regulations, the Indian customer has become increasingly aware about the importance of glass in effectively addressing the concerns of safety and energy efficiency.

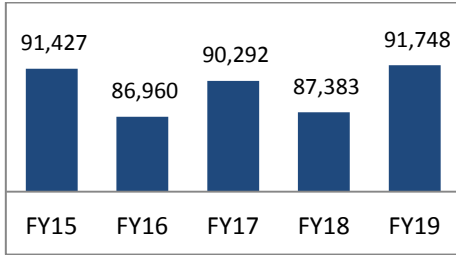
Production of glass is pre dominantly found in the states of Uttar Pradesh, followed by Maharashtra, Gujarat, Andhra Pradesh, Tamil Nadu and Karnataka. The industry employs about 30 lakh people directly and provides indirect employment to 7 lakh people in all. In India, Firozabad is the central hub for many glass manufacturing industries and one of the leading manufacturers and exporters of glass products. Nearly 40% of the glass produced here is exported. Products manufactured include bangles, kada, kangan, jar, glass, candle stand, flower vase, decorative lights, etc.

## Production

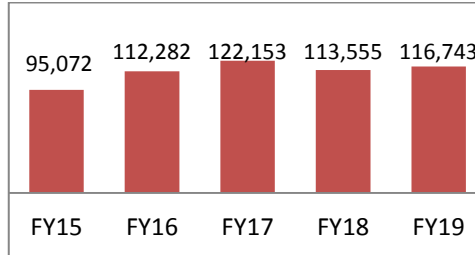
The Indian glass industry witnessed a favourable growth in its output in FY19. Out of the three segments of glass sheet, fibre glass and glassware; glassware witnessed the highest growth of 16% during the year, while glass sheet and fibre glass grew at a modest pace of 4.9% and 2.8% respectively.

- Glass sheet (including toughened glass) which finds its application mainly in real estate, automobiles and smart phones saw its production grow to 91.66 mn sq mts in FY19.
- Fibre glass mainly used in telecom industry saw its output rise marginally by 2.8% to 116,743 tonnes in FY19, as depicted in chart 4.
- Glassware which is used in preparation of flower pots, decorative glassware, table wares, lamps, consumer durables, etc. saw its output rise sharply by 16% to Rs. 39,735 mn in FY19. Yearly production of glassware is depicted in chart 5.

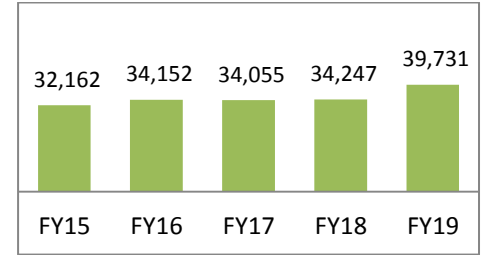
**Chart 3: Production of glass sheet ('000 sq mts)**



**Chart 4: Production of fibre glass (tonnes)**



**Chart 5: Production of glassware (Rs mn)**

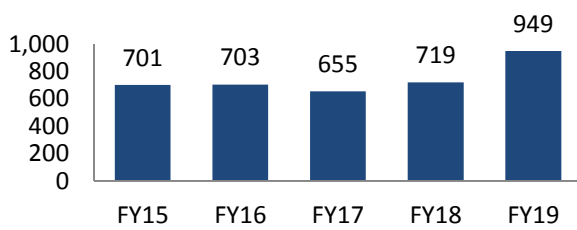


Source: CMIE

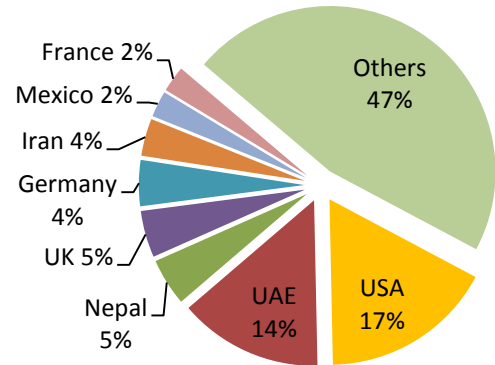
**Trade**

The global market for Indian glass is spread across several nations, while our country continues to be a net importer. The value of exported glass was USD 949 mn in FY19, with USA being the biggest market for Indian glass, followed by U.A.E., Nepal, UK, Germany and others. The products exported have primarily been fibre glass, bottles and jars, mirrors, glass beads, bulbs, float glass and sheets, etc.

**Chart 6: India’s total glass and glassware exports (USD mn)**



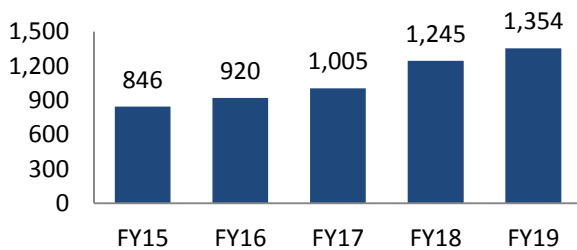
**Chart 7: Country wise share of glass exports in FY19**



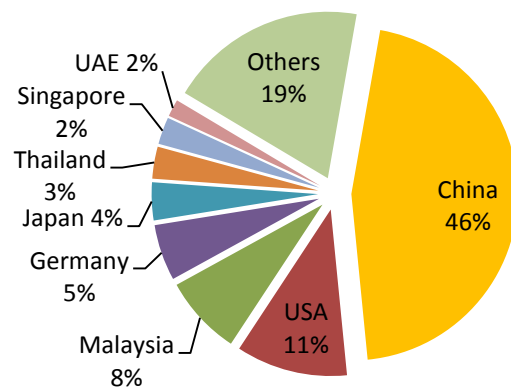
Source: Department of Commerce

The imports of glass in FY19 grew to USD 1,354 mn in FY19 and imports include products such as float glass, cullet, glassware, etc. Largest imports are from China, followed by USA, Malaysia, Germany, Japan and others.

**Chart 8: India’s total glass and glassware imports (USD mn)**



**Chart 9: Country wise share of glass imports in FY19**



Source: Department of Commerce

## Outlook

Output of most varieties of glass is expected to remain stable in FY20, which shall be impacted by main user industries including real estate, automobiles and telecom, however smart phones industry would continue having healthy demand for glass.

The NBFCs liquidity stress has affected lending to the real estate industry, which impacted their project completions and is tampering output of glass sheet. While the automobile production has moderated recently, we could see a pick-up in H2-FY20 with good monsoons and arrival of festive season. With an expectation of telecom network expansion in FY20, fibre glass output is expected to remain stable.

Imports of glass shall elevate further unless the government takes countervailing measures to curb rise in imports. On the other hand, exports could moderate due to lower possibility of sharp Rupee depreciation in FY20.

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