

EXIM BANK: RESEARCH BRIEF

Indian Ceramic Industry: Perspective and Export Potential



March 2005

EXPORT-IMPORT BANK OF INDIA

Visit us at www.eximbankindia.com

No. 15

Indian Ceramic Industry

Ceramic tile industry can be classified into three segments – wall tiles segment, floor tiles segment and vitrified & porcelain tiles segment. At present, in India the market share of these segments are 42%, 46% and 12% respectively.

Ceramic tiles are produced both in organised as well as in unorganised sector. In India, share of organised sector is around 55% of total production. The organised sector is characterised by the existence of a few large players, such as, H & R Johnson, Kajaria Ceramics, Bell Ceramics, SPL, Spartek and Murudeshwar Ceramics to name a few. In the domestic market of ceramic tiles H & R Johnson is the leader followed by Kajaria Ceramics, with market shares of 21% and 13%, respectively.

Global Scenario

There are three major regions in the world, namely, Asia, Latin America and European Union (EU), that produce and export ceramic tiles in bulk. In 2002,

they had jointly produced more than 87% of the global output. World production of ceramic tiles was 5904 million sq.mt. in 2002. China was the largest producer with a total production of 2100 million sq.mt. Spain and Italy were the 2nd and 3rd largest producers with production of 651 million sq.mt. and 606 million sq.mt. respectively. India ranks at 8th position with production of 150 million sq.mt., which is around 2.5% of global production.

In terms of exports, Italy ranks 1st with an export volume of 438 million Sq. mt. in 2002. Spain is the 2nd largest exporter with an export volume of 356 million sq.mt. Italy and Spain produce the best quality tiles in the world and export in large volumes to USA and European countries. In 2002, China became the third largest exporter of ceramic tiles with an export volume of 100 mn sq mt. In recent years, China's export has increased at a much faster pace than others and the country has registered an export volume of 100 million sq. mt. from a level of 24 million sq. mt. over just 3 years (2000 – 2002).

In terms of imports, USA is the largest importing country with a share of 13.6% of global import. Germany and France are 2nd and 3rd largest importers of ceramic tiles with 8.1% and 7.5% share of world import, respectively.

India in the world trade

The value of global ceramic product exports (including tiles, sanitary wares and crockery items) was around US \$ 19385 million in 2002. India's export value was around US \$ 100 million, which is only a minuscule in global export. India majorly exported to countries, such as, Saudi Arabia, UK, UAE and Sri Lanka. The value of India's import was around US \$ 50 million in 2002 and India mainly imported from China, Germany and UK. Thus, the value of India's total trade of ceramic products was US \$ 150 million, which is only 0.77 % of the global ceramic trade. To increase India's participation in the global trade, recently a Market Access Initiative has been undertaken by CAPEXIL, which aims to increase export of select group of ceramic products to

certain markets such as the USA, Mexico and the UK. The products that have been identified under the MAI project include ceramic insulators, ceramic building wares including tiles and sanitary wares, ceramic household articles and advanced ceramics.

Analysis of India's export potential

In this study, an attempt has been made to analyse India's export opportunities for select group of ceramic products. Four different products are identified, namely unglazed ceramic tiles, glazed ceramic tiles, ceramic household articles and ornamental ceramic products. For each of these products, price competitiveness was analysed in different markets, which include the markets of leading importers of ceramic products as well as the major export markets for India.

Unglazed ceramic tiles: Top three importers of unglazed ceramic tiles are USA, Germany and France. USA mainly imports from Italy, Mexico and Spain. Italy alone supplies around 80% of US import requirements of unglazed ceramic tiles. India's export to USA is negligible. However, with regard to unit price, India is cheaper than European countries and therefore there is a scope to increase exports to USA.

Germany is the second largest importer of unglazed ceramic tiles and the country mainly imports

from Italy, Netherlands and France. More than 80% of Germany's import of unglazed ceramic tiles comes from Italy and Netherlands. India is not a major exporter to Germany and thus India's market share is negligible.

France, which is the third largest importer of unglazed ceramic tiles has mainly imported from Italy, Spain and Germany. More than 70% of import by France comes from Italy alone. India does not export large volumes of unglazed tiles to France. However, in terms of unit price, Indian tiles are much cheaper than tiles imported by France from European countries. So, there is scope to increase export to France.

India's major export markets consist of Saudi Arabia, UK and Sri Lanka. Around 30% of India's unglazed tiles (in value terms) are exported to these countries. In UK, India's rank was 15 as a major source country partner for import of unglazed ceramic tiles, in 2002. UK mainly imported from within the EU region, especially from countries like Italy, Spain and Germany. With regard to average unit price, India is more competitive than countries such as, Italy, Spain, Germany and Greece. So, attempt could be made to increase India's export to UK.

In Saudi Arabia, India is ranked at ninth largest source country for import of unglazed ceramic tiles. Major suppliers to Saudi Arabia are Italy, Spain, Germany and

Greece. India is not very price competitive in this market.

Sri Lanka is another leading market for India. In this market, India is the third largest exporter of unglazed tiles. In Sri Lanka, Italy is the largest exporter followed by China. India's unit price in this market is relatively lower compared to Italy but higher than China.

Glazed ceramic tiles: Major importers of glazed ceramic tiles are USA, France and Germany. USA mainly imports from Italy, Spain and Mexico. Italy alone supplied more than 44% of US import requirements of glazed ceramic tiles. Spain and Mexico supplied around 20% and 11%, respectively. India's export to USA is negligible (around 0.2% of US imports). With regard to unit price, India is cheaper than Italy but costlier than Spain and Mexico.

France, which is the second largest importer of glazed ceramic tiles, imports largely from Italy and Spain. Italy is the largest exporter, supplying 58% of total import of glazed tiles by France. Spain and Germany are the second and third largest source countries with 24% and 4% shares respectively. India's export to France is negligible. As regards unit price, the European countries have supplied more or less on similar price to France (around US \$ 600 per tonne). India's unit price in France is more competitive (US \$ 400 per tonne)

than European exporters and thus there is a scope to increase India's share in the French market.

Germany is the third largest importer of glazed ceramic tiles and the country mainly imports from Italy, Spain and France. More than 61% of Germany's import comes from Italy alone. India is not a significant supplier to Germany and thus India's market share is negligible.

India's major export markets consist of Saudi Arabia, Sri Lanka and Qatar. Around 80% of India's glazed tiles export (in value terms) goes to these four countries. For Saudi Arabia, India was the fifth largest exporter, supplying around 5% of its total import requirements in 2002. Other major exporters include Spain, UAE, Italy and China. With regard to average unit price, India's price was US \$ 200 per tonne, which is second lowest after China. Thus, there is scope to increase India's market share further in Saudi Arabia.

In Sri Lanka, India was the largest exporting country, supplying more than 41% of its import requirements in 2002. Other major exporters include Indonesia, China, UAE and Thailand. With regard to average unit price, India's price was US \$ 2.4 per sq.mt. which is second lowest after China. However, Sri Lanka is not a very large importer of glazed tiles and therefore not much scope for Indian exporters to penetrate in this market further.

In Qatar, India is ranked at fourth largest source country for import of glazed ceramic tiles. Other major exporters are Italy, Spain, UAE and China. Currently, India supplies around 10% of import by Qatar, whereas Italy, Spain and UAE jointly exports more than 70%. However, among all the major exporting countries in Qatar, India's unit price is the lowest. Hence, there is considerable opportunity to increase India's export to Qatar.

Ceramic House Hold Articles:
The top three importers of ceramic household products are USA, Germany and Japan. China is the largest exporter to USA, supplying around 56% of US imports. Germany is the second largest importer of ceramic household articles and mainly imports from Czech Republic and China. Japan, which is the third largest importer of ceramic household articles, imports largely from China, UK and Germany. More than 70% of import by Japan comes from these countries. India's exports to all these countries are negligible.

UK is the largest market for India's ceramic household product exports. Around 60% of India's export goes to UK alone. In the UK market, India's rank as major source country partner for import of ceramic household articles in 2002 was 11. UK mainly imported from Portugal, Thailand, and China. With regard to average

unit price, India's price is US \$ 2700 per tonne as compared to the unit price range of US \$ 1400 per tonne of China and US \$ 1700 per tonne of Portugal. It was observed that India is not a large exporter of ceramic household products and Indian products are not price competitive in the international market, which is dominated by low priced Chinese products.

Ornamental ceramic Products:
The top three importers of ornamental ceramic products are USA, Germany and Hong Kong. USA majorly imported from China, Spain and Italy. China alone supplied more than 57% of US imports. Germany is the second largest importer of ornamental ceramic products and the country has mainly imported from China, Vietnam and Portugal. Around 44% of Germany's import of ornamental ceramic products comes from China alone. Hong Kong is the third largest importer of ornamental ceramic products. More than 95% of import in Hong Kong comes from China. India's export to all these major import markets are negligible and also India's price is higher than the price of Chinese products.

India is not a major exporter of ornamental ceramic products. The largest export destination for India's ornamental ceramic exports is USA, which accounts for around 22% of export from

India. However, the share is negligible (only 0.1%) compared to total US import of this product. China is the largest exporter of ornamental ceramic products and their price is the most competitive in the world.

Some Concerns

For some time now, Indian ceramic tile manufacturers are besieged with the problem of low margin and falling profitability. According to industry sources, one of the reasons behind this scenario is the dumping of vitrified tiles into Indian market by countries such as China, Indonesia, Sri Lanka, Malaysia and UAE. It is estimated that during the year 2003-04, nearly Rs. 100 crore worth of imported tiles were dumped in India. Dumping has become a major issue with China's entry into the Bangkok Agreement, which was developed with a view to promote free trade among South East Asian countries. Entry of China in to the Bangkok Agreement would result in large import from China, as under this agreement Chinese goods would attract a duty of 10% as against 15% duty on import from other countries. A recent industry estimate suggests that in the present year the value of dumping from China might increase to Rs. 300 crores. This is expected to reduce the price of ceramic tiles to a great extent and therefore dwindle the

profitability of domestic producers further.

Another major problem of the industry is the rising cost of manufacturing due to increase in prices of raw materials such as zirconium and titanium. The recent petroleum price hike has also affected the industry, though in an indirect manner. Because of the substantial bulk of the material, transportation of ceramic tiles accrues very high freight element. Rise in petroleum prices increase this transportation cost substantially. However, this could not be passed on to the consumers due to stiff competition from China, UAE and some East Asian countries and this has reduced the margin.

Future Outlook:

In recent years, Indian ceramic industry is witnessing encouraging trends in domestic demand, powered by sustained rise in housing construction and booming hospitality industry. The industry has also laid greater thrust on cost control measures, capacity expansion, exploration of newer markets and introduction of newer designs. All these measures are expected to facilitate better growth in the industry's revenues and profitability in future.

Prospect of ceramic industry heavily depends on construction activities. In India, the construction sector is expected to

do well mainly due to the fiscal incentives given to the infrastructure development. The housing sector is also expected to grow because of the low interest rates on housing loans. The future outlook of the industry also seems to be positive because of the thrust on advanced ceramics, which has high potential in global markets. These products find application in electronics, automotive and aerospace industries. The global market for advanced ceramics is growing and countries like Japan and USA dominate this segment. Of late, Indian ceramic industry is focusing on advanced ceramic products to step up exports. The thrust on advanced ceramics, along with the booming construction activities, is expected to usher in a bright prospect for the ceramic industry in India.

The contents of the publication are based on information available with Export-Import Bank of India and primary desk research through published information of various agencies. Due care has been taken to ensure that the information provided in the publication is correct. However, Export-Import Bank of India accepts no responsibility for the authenticity, accuracy or completeness of such information.

Note: Indian Rupees are referred in crore and lakhs:
1 crore : 10 million
1 lakh : 100 thousand

Publication is available at:
Dharmendra Sachan
Chief Knowledge Officer
EXPORT-IMPORT BANK OF INDIA
Centre One Building, Floor 21,
World Trade Centre Complex,
Cuffe Parade, Mumbai - 400 005, India.
Phone : +91 22 2218 2837
Fax : +91 22 2218 3070
E-mail : dharmendra@eximbankindia.com
Website : www.eximbankindia.com

Contact Numbers: Ahmedabad: 2657 6852, Bangalore: 2558 5755, Chennai: 2522 4714, Guwahati: 259 9135, Hyderabad : 2330 7816, Kolkata: 2229 3416, Mumbai: 2283 0761, New Delhi: 2332 6625, Pune: 2645 8599
Budapest: (361) 338 2833, Johannesburg: (2711) 442 8010, Milan: (3902) 584 30546, Singapore: (65) 653 26464, Washington D.C.: (202) 223-3238