

# Indian flat glass revival on the cards

Via exclusive interactions with a number of leading producers such as Asahi India Glass and Gold Plus Glass, Sunder Singh tracks the development of the Indian flat glass industry.

The second most populated country on the planet, India is often considered a nation of contrasts by many outsiders. To an extent, the same is true of the country's flat glass industry. Despite a number of investments in the infrastructure sector and a revival in the construction industry, India has not added a single float glass plant in the past two years (Saint-Gobain's Bhiwadi plant in March 2014 was the last addition). In fact, the reverse has happened, with the closure of a float furnace by Asahi Glass.

## MARKET OVERVIEW

Served by eight float glass lines from five producers, the 5350 tonnes/day Indian float glass market is one of the most under-achieving. In fact, during the last two years, most producers have been running at low capacity utilisation rates, resulting in an output level of far less than 5000 tonnes/day.

Even taking the theoretical 5350 tonnes/day capacity into consideration, the annual output of float glass at about two million tonnes for a population of 1.28 billion results in a meager 1.52kg/year per capita consumption, making it one of

the lowest per capita users of float glass across the globe.

In comparison to India, most Asian countries have a significantly higher per capita flat glass usage. However, from another context this could be seen as a major opportunity as rapid urbanisation, the evolution of a service sector and rising living standards of a vast section of the population will inevitably lead to higher per capita consumption and strong growth for the country's flat glass industry.

## GROWTH PANGS

The local flat glass industry has been going through a lean patch for the last three years. A change of government in New Delhi in mid-2014 brought good news for glass industry stakeholders. However, the country's construction sector is yet to see a healthy turnaround, leading to depressed demand for flat glass.

However, 2016 has brought better news for the industry. The announcement of 100 smart cities and robust economic demand is bringing life back in stalled construction projects across the country. The flat glass industry is expected to register double digit

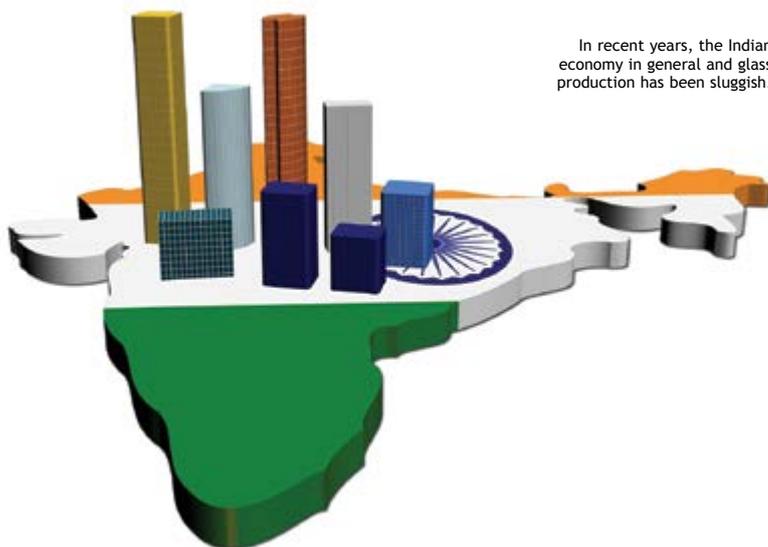
growth, according to most flat glass producers.

The country's automotive industry too has started to register healthy growth rates for the last three quarters, which should auger well for the future.

## DUMPING ACCUSATIONS

Indian float glass producers cite dumping as a significant hindrance in the development of the domestic float glass industry. A few years ago, it was imports from China that formed more than 10% of total float glass consumption in the country. More recently, however, the importation of float glass from the Middle East has been increasing at a brisk rate. Although the Indian government has imposed anti-dumping and safeguard duties, imports from these countries still take place.

In a move in late 2015, three prominent glass producers (Saint-Gobain India, Gold Plus Glass Industry Ltd and HNG Float Glass Ltd) filed a collective application to the Indian authorities alleging dumping of float glass from Iran. Taking cognizance of the application, Indian



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authorities initiated an investigation in January.

Prior to this, in December 2014, authorities levied anti-dumping duties on float glass imports from Saudi Arabia, the United Arab Emirates and Pakistan for a period of five years. Chinese imports too are subjected to anti-dumping duties in the country.

Despite these duties, float glass imports have not come down significantly and according to industry estimates, currently stand at about 600 tonnes/day. A slowdown in the Middle East's construction market has also pushed a lot of float glass from this region to India.

Balwinder Singh, Managing Director of Riddhi Tuff Glass has two glass processing plants in the national capital. "We have been using imported float glass from the Gulf countries for more than five years" he confirmed. "It is a very cost-effective arrangement for us as the imported float glass costs us about 12%-15% less than domestic float glass. A number of glass processors club together and import the float glass from overseas as it enables better margin for downstream processors."

Sunder Singh also spoke to a leading glass importer, Jai Mata Glass Ltd about the destinations of imported float glass in India. "There has been a significant shift in float glass imports in India in last three years" Vijay Gupta, Managing Partner commented. "In 2012-13, Chinese imports formed the bulk of float glass imports in the country but with a number of new plants coming up in Middle East Asia, the quantum of imports from these countries has replaced Chinese glass in the last two years."

#### FROM LATE ENTRANT TO LARGEST PRODUCER

With an installed capacity of 3050 tonnes/day from three manufacturing facilities (four lines), Saint-Gobain accounts for more than 55% of the total installed float glass capacity in India. With one more float glass plant under construction, however, Saint-Gobain India will have more than 60% of the domestic float glass market post commissioning in early 2018.

The company's last investment in a greenfield facility at Bhiwadi in the northern state of Rajasthan has propelled it far ahead of its competitors in terms of installed capacity. Set up with an investment of INR 100 billion, the plant has an installed capacity of 1000 tonnes/day. It is spread across 136 acres of land, with a built-up area of 114,000m<sup>2</sup>.

"This is our largest glass manufacturing facility in the world" Mr B Santhanam, President of flat glass business for South Asia confirmed. "We expect to generate revenues of INR 70-80 billion annually from this facility in the beginning."

To further cement its position in the local float glass market, Saint-Gobain has announced an investment of INR 100 billion in 2016, 2017 and 2018 at its Chennai facility. The company is in the process of adding a new float line and a magnetron coater line at the World Glass complex.

Currently, the Chennai facility has two float glass lines with a cumulative capacity of 1500 tonnes, automotive glass processing lines for 1.2 million car sets, a 50 million ft<sup>2</sup> mirror and lacquered line and a 60 million ft<sup>2</sup> magnetron coater line for the production of energy-efficient glass. The new magnetron line will take overall coating capacity to 144 million ft<sup>2</sup> of high performance glass.

The new float is likely to commence commercial production by early 2018. "It will be the largest float glass plant in India and the region and will be equipped to manufacture a wide range of complex products that cater to the needs of a sustainable habitat and affordable luxury" a spokesperson commented. "It will be an automated, energy-efficient, scalable and flexible, state-of-the-art integrated glass facility. The plant will feature several innovative processes that are being deployed for the first time in India and the region." >

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Company	Plant location	Installed capacity (tonnes/day)	Operating since
Saint-Gobain India	Sriperumbudur (Tamil Nadu)	750	2000
		750	2003
	Jhagadia (Gujarat)	550	2010
	Bhiwadi (Rajasthan)	1000	2014
Asahi India	Roorkee (Uttarakhand)	700	2007
Gujarat Guardian	Ankleshwar (Gujarat)	550	1993
HNG Float Glass	Halol (Gujarat)	600	2010
Gold Plus Glass	Roorkee (Uttarakhand)	450	2010
<b>Total capacity</b>			<b>5350 tonnes/day</b>

Indian float glass production.

Category	2015-16	% Growth Over 2014-15	2014-15	2013-14	2012-13	2011-12
Passenger vehicles	34,13,859	5.97%	32,21,419	30,87,973	32,31,058	31,46,069
Commercial vehicles	7,82,814	12.10%	6,98,298	6,99,035	8,32,649	9,29,136
Three wheelers	9,33,950	-1.5%	9,49,019	8,30,108	8,39,748	8,79,289
<b>Total</b>	<b>51,30,623</b>	<b>5.37%</b>	<b>48,68,736</b>	<b>46,17,116</b>	<b>49,03,455</b>	<b>49,54,494</b>

Indian automotive production in the last five years (Source- Society of Indian Automobile Manufacturers).

The company has awarded the civil engineering services contract to Jacobs Engineering Group Inc. The two float glass lines in the existing complex were also designed by Jacobs.

Announcing the investment, Mr Santhanam said Saint-Gobain has come a long way in India after it made an INR 52.5 billion investment in 1999-2000 to set up its first greenfield project at Sriperumbudur.

The facility was created to cater for demand in South India but today, it has grown to become the regional manufacturing hub for advanced products. Investment in this facility has subsequently risen to over INR 200 billion. The company's total investment in India so far is more than INR 350 billion and its revenue from the country is over INR 500 billion.

Mr Santhanam also reports an

improvement in business confidence across the industry in the last six months. As a result, the company is fast forwarding many of the investment plans announced earlier. "The investment we are making in Chennai for the second Magnetron coater will be ready by March 2017, while we are hopeful that the float line will come up by the first quarter of 2018. Earlier, we weren't as confident about these deadlines."

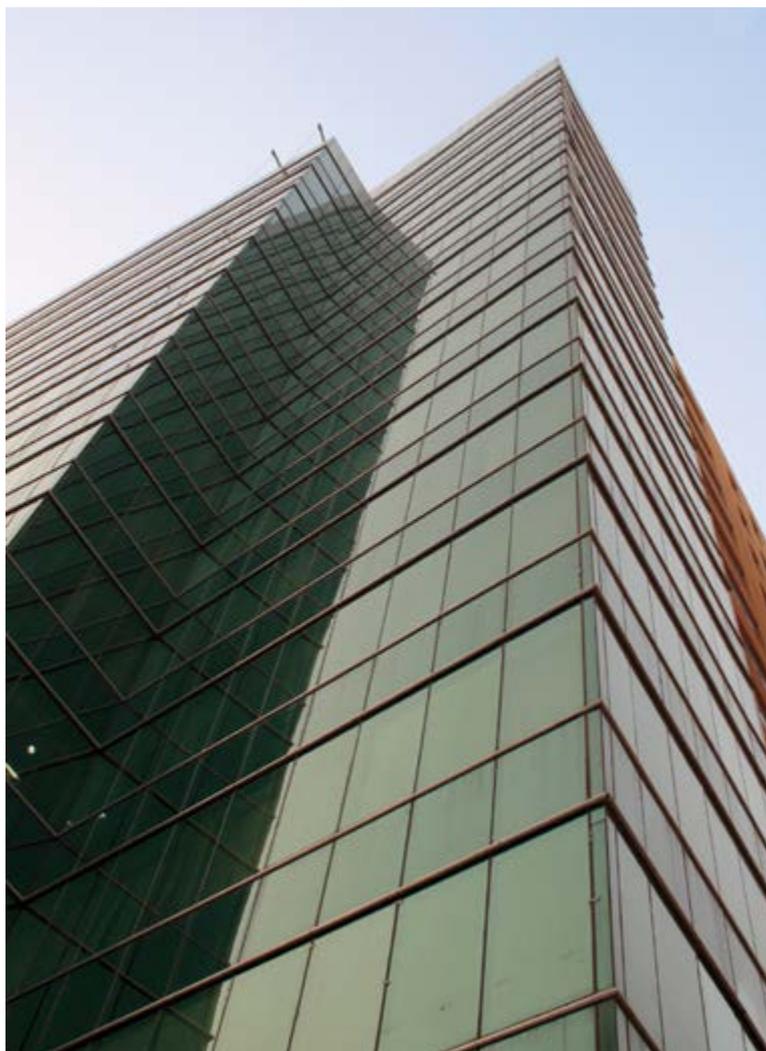
The company is targeting export opportunities in ASEAN countries. While exports have been conducted to the Middle East, demand growth from these markets is slowing down but is compensated by opportunities in ASEAN. Exports are expected to stay at 15%-20% of total sales.

### OTHER PRODUCERS

Three of India's four other float glass producers have adopted a wait and watch policy towards setting up additional float glass lines in the country. HNG Float Glass and Gold Plus Group, both of which commenced float operations in 2010, made provision for setting up other lines at the time of building their first plants. More than six years later, however, there has been no decision to invest in new lines. "The last three years have not been very good for float glass producers on the profitability front" explained an executive from Gold Plus Group. "Large imports at very low prices from the Middle East have put the whole domestic industry at risk. It is very difficult to commit to an additional float line in such a difficult business environment."

Asahi Glass, the country's second largest producer, closed down one of its float furnaces in 2014. "Activities in India's construction industry have slowed down owing to a number of reasons" Vikram Khanna, CMO and CIO of Asahi India Glass Ltd commented. "The prolonged slowdown in real estate led to a pile-up of unsold inventory. On the other hand, the automotive industry continues to witness good performance as total vehicle sales grew 7.06% and passenger vehicle sales grew 7.24%. However, the overall growth in the glass market was marginal.

"Despite this, the glass industry in India is expected to grow at a good pace in the coming years, as the positive economic scenario is likely to boost growth in the automotive and construction sectors in India" he added. "On the supply side, one challenge is to be able to produce flat glass efficiently in the country. Another critical issue is logistics, for which infrastructure needs to be well developed. As glass is voluminous, weighty and fragile, transporting it over long distances is not a viable business practice. On the demand side, efforts need to be made to encourage the market to adopt value-added glass. The challenge lies in moving a community of developers to adopt value-added glass, even when there is a cost pressure. Additionally, project delays cause disruptions. We are obliged to supply to a project at a determined price for a certain timeframe, which turns into never-ending supply." ■



Skyscraper dominate the Gurgaon skyline.

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