

Indian glass industry investments review

The Indian glass industry has continued to perform disappointingly in terms of new investments and capacity additions in all three major sub-segments. Despite vibrant growth of the country's economy in the past decade, India is still one of the lowest per capita consumers of glass products. Sunder Singh tracked the industry's latest investment initiatives in *Glass Worldwide*, preferred international journal of the AIGMF.

With an installed capacity of 12,000 tonnes/day in container glass, 7000 tonnes/day in flat glass and 1000 tonnes/day in table glassware, the Indian glass manufacturing industry continued to perform modestly in 2019. Output figures for 2019 are not available at the time of preparing of this article but major glass consuming segments such as alcoholic and non-alcoholic beverages, the construction and automotive industries experienced a lacklustre year in 2019. Glass demand has remained flat for the past three years, despite a number of government-led initiatives.

Advanced GDP estimates for India's 2019-20 financial year released in the second week of January showed that growth this year may plunge to an 11 year low of 5%, with manufacturing expected to grow for the full year by a mere 2%, while construction is expected to crawl at 3.2%. With the first half of FY20 (April 2019-September 2019) cumulative growth at 4.8%, advance estimates are actually assuming only a marginal improvement in the second half (October 2019-March 2020).

Glass packaging

The Indian glass container industry is expected to see some churning after a gap of nearly four years. The country's second, third and fourth largest producers (AGI glasspac, Piramal Glass and Can-Pack India) have announced the addition of new capacities this year and next.

Local glass container demand is expected to gain momentum in 2020, as the Indian spirits and beer industries, which collectively account for more than 50% of consumption, have posted satisfactory numbers during the first six months of the current financial year.

After a year of falling demand, beer sales in India grew by 4.6% in 2018, helped by the fading impact of a highways ban in some states. However, when it is considered that growth in the local beer market has been in the range of 8% to 18% between 2009 and 2016, these low single digit growth figures look disappointing.



India's annual alcohol intake increased by 38% between 2010 and 2017, according to a study published in *The Lancet*, the study of 189 countries' alcohol intake between 1990 and 2017. Between 2010 and 2017, alcohol consumption in India increased from 4.3 to 5.9 litres per adult per year, according to researchers from TU Dresden in Germany, who also published this research in *The Lancet*.

In the absence of new capacities in glass container production, user industries are facing a shortage of bottles in the domestic market. Speaking at the company's conference call last November, Berend Odink, Chief Financial Officer at United Breweries, India's largest beer producer and one of the largest consumers of glass container stated: "Container glass prices have been up in India by around 25% and on top of that, the glass industry in India is having some shortages. We also have a portion of our glass is imported from abroad, where prices are again 25%, 30% above domestic prices."

AGI glasspac

AGI glasspac, the second largest glass container producer in India, has announced plans to set up a plant at Cuttack in the state of Orissa. Involving an investment of \$50 million (INR 3.50 billion), this greenfield project will have a capacity of 130,000 tonnes per annum. In addition to the new glass container plant, the company will invest \$18.5 million (INR 1.3 billion) on acquiring NNPB technology and glass recycling equipment for its existing facilities. Both investments are expected to be completed in the current year.

Piramal Glass

Piramal Glass, one of the leading producers in the pharmaceutical, cosmetics and perfumery business, is expanding operations at its Kosamba,

Gujarat-based plant with an investment of \$33 million this year. With the proposed investment, the company will add three new production lines by May 2020.

In 2019, Piramal Glass invested some \$85 million on modernising one of the company's premium perfume bottle furnaces and associated decoration facility at the Kosamba plant.

Can-Pack India

According to documents which the company has furnished with the state authorities (Maharashtra Pollution Control Board) to obtain the pollution approval, Can-Pack India Pvt Ltd is contemplating the addition of a new furnace with an installed capacity of 130 tonnes/day at its Aurangabad (Maharashtra) glass container plant.

Can-Pack operates two furnace with an annual installed capacity of 328,000 tonnes of container glass with seven production lines.



According to Berend Odink, Chief Financial Officer at United Breweries, container glass prices have increased by approximately 25% and the local glass industry is experiencing shortages.

Schott India

The German specialty glassmaker, Schott will expand its installed capacity at Jambusar in 2020, via an investment of \$29 million. In November 2019, Schott India inaugurated its new glass tank in Jambusar, Gujarat with an investment of \$24 million. This advanced facility - the largest in Asia - caters for domestic demand and exports to overseas markets. With the latest addition at Jambusar, Schott's Indian capacity stands at 17,000 tonnes.

The company is optimistic about pharmaceutical glass demand from ampoules and vials, intended for filling injectable drugs and sterile solutions. In addition to serving the domestic market, Schott currently exports nearly 20% of output from its Indian operations.

With the commissioning of the latest furnace in 2020, Schott will double its capacity in India to 34,000 tonne per annum. The company recognises India and South East Asia as promising markets to unlock the next level of growth for its highly specialised FIOLAX tubing material.

"The pharmaceutical industry as a sector is one of the fastest growing in India and as long as the pharma industry is growing, demand for pharmaceutical packaging is also growing" said Dr Patrick Marksclaeger, Executive Vice President, Schott's Business Unit Tubing at the time of commissioning the furnace in November 2019. Dr Marksclaeger confirmed that Schott has emerged as a key supplier of glass tubing, a primary packaging material that enables pharma companies to export drugs to international markets and that it also has all regulatory certifications in place.

"While the domestic market remains our key focus, our India plant also caters to the Asian market, thereby contributing to pharmaceutical industry exports and the Indian government's vision of becoming a global pharmaceutical hub" Georg Sparschuh, President, Schott Glass India added. In India, through a separate joint venture with an India partner, Schott makes tubular ampoules, vials, glass syringes and cartridges used in pharmaceuticals and cosmetics.

Flat glass trends

In comparison to container glass, capacity addition in Indian flat glass has been healthier in the past three years. Saint-Gobain and Gold Plus Group have each added one float line in this timeframe. A recent slowdown in the local construction and automotive sectors has discouraged existing producers and new entrants from adding more capacity.

Saint-Gobain India

The country's largest flat glass producer, Saint-Gobain invested INR 12 billion across projects at its Sriperumbudur manufacturing complex near Chennai in January 2019. The company's new

float glass unit, an advanced magnetron coater and glass solutions lines were inaugurated in early 2019 in the presence of Pierre-André de Chalendar, Chairman and Chief Executive Officer, Compagnie de Saint-Gobain, France.

"It has been a great journey for us here in the last 20 years and India is one of the fastest growing markets for Saint-Gobain" he observed. "A lower level of penetration of glass products in India offers long-term growth prospects. Sriperumbudur is the single largest location in Saint-Gobain's world that has different capabilities."

"It is a very large float line" Mr B Santhanam, Managing Director, Saint-Gobain India Pvt Ltd added. "It has a large amount of industry 4.0 built in and uses early stages of AI for decision making. In the Saint-Gobain world, this is the best of its kind at this point of time in terms of capabilities."

The company has also established an advanced ▶




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magnetron coater and glass solutions' lines. With this installation, the complex will have the capacity to manufacture 140 million ft² of high performance and energy-efficient glass. This business eyes more export opportunities.

Anand Mahajan, Chairman, confirmed that the company had been growing at a rate of 10%+ in recent years and has set an ambitious target to triple sales in the next decade. Sales of \$985 million (INR 70 billion) were realised in 2018.

With the latest spend, Saint-Gobain's cumulative investments in its Indian glass business increases to more than \$774 million (INR 55 billion) and \$422 million (INR 30 billion) in the state of Tamil Nadu alone.

For a full profile of Saint-Gobain India, see the July/August 2019 issue of *Glass Worldwide* or view the article in the AIGMF's online library of *Glass Worldwide's* articles at www.aigmf.com.

Asahi Glass India

The country's second largest float glass producer, Asahi Glass India is expected to commence commercial production from its new automotive glass plant at Patan, in the state of Gujarat later this year. The company will invest a total of \$70 million (INR5 billion) for this project.

Output from this plant will primarily meet the automotive glass requirements of Suzuki's recently established Hansalpur facility in Gujarat. In the first phase, the plant will have capacities to produce one million laminated glasses and 1.2 million tempered glass sets per annum. In a second phase, the plant will have capacity for 2.4 million units. This will be completed by 2022.

"Despite the market slowdown, work continues in full swing at our plant at Patan, Gujarat" an Asahi India spokesperson commented. "It is going to be a state-of-the-art automotive glass plant with world class technologies and many unique features."

In 2019, the company commissioned a brownfield expansion of a new truck and bus furnace at Chennai. It is also setting up a new sub-assembly unit at Anantapur (Andhra Pradesh) to cater more effectively for future demand automotive glass demand from Korean automaker, KIA Motors.

Gold Plus Group

In March 2019, flat glass producer Gold Plus Group signed a Memorandum of Understanding with the Andhra Pradesh Economic Development Board to construct a float glass manufacturing unit in Visakhapatnam, with an investment of approximately \$322 million (INR 22 billion).

According to Jimmy Tyagi, Executive Director at Gold Plus, the proposed plant will not only reduce lead times for supplying glass in the state but will also be more cost-effective and thus will contribute for the growth of the state.

The company has not shared the timeline for this project. Currently, it operates two float plants in Roorkee, (Uttarakhand state), with a total installed capacity of 1100 tonnes/day. Gold Plus is also into value added glass manufacturing, with production facilities in Sonapat (Haryana) and Kala Amb (Himachal Pradesh). The current installed capacity of these two lines is 427,000 tonnes per annum.

Post-commencement of its second float line in February 2018, Gold Plus refurbished its first production line with a major investment during the period from April to September 2019. With the commencement of production from its second line, Gold Plus Glass has emerged as the third largest glass manufacturing company in India on the basis of installed capacity, behind Saint-Gobain and Asahi India. The capacity enhancement has enabled the company to enter



The Indian flat glass industry has been impacted by a slowing national economy.

the tinted glass sector, which garners higher realisations and superior profit margins compared to clear glass.

Vedanta Resources

London-based Vedanta Resources Ltd is expected to make significant investments in the Indian glass industry in the coming years. This diversified global natural resources company produces aluminium, copper, zinc, lead, silver, iron ore, oil and gas and commercial energy. Vedanta has operations in India, Zambia, Namibia, South Africa and Australia.

Speaking at the India Economic Conclave in Mumbai last December, Vedanta Resources Chairman Anil Agarwal said the company is planning to invest around INR 600 billion in India in the next two-three years. "I am keen on developing the glass industry that will be used in electronics. We are developing the glass used in mobiles, TV sets and computers in countries like Korea, Taiwan and Japan. If the atmosphere in India is conducive, we will get to do that here as well. This will give a boost to the electronics industry.

"I am committed to India. I have already invested \$35 billion in India in the past 10 years. I have bought 13 companies so far including Hindustan Zinc, Balco, Sesa Goa and Cairn and all of them are doing well." Mr Agarwal added.

Future targets

The Indian government has undertaken a number of important initiatives in recent years, all of which are expected to play a key role in glass industry growth.

In the Union Budget 2019-20, the Government of India (GoI) gave a massive push to the infrastructure sector by allocating INR 4.56 lakh crore (INR 4.56 trillion, \$63 billion). A large part of this spend would go for

construction activities, where flat glass plays a significant role. In addition to this announcement, Indian Prime Minister Narendra Modi has stated his intention to make India a five trillion dollar economy. To achieve the ambitious target in the next five years, the manufacturing sector is expected to contribute significantly.

Separately, a potential ban on single use plastics has been gaining momentum in India. The glass container industry is expected to see immense benefits if this ban becomes law. And from 1 January 2020, the state government of one of the southern most states (Kerala) has banned the manufacture, sale, storage and transportation of various single use plastic products including PET bottles of less than 500ml capacities.

Cheap spirits is one of the sub-categories where PET bottles have made great inroads in packaging. Considering the ban on PET bottles, The Excise Department at the state of Kerala (the department responsible for the distribution and sale of liquor) has proposed a steep hike in registration and a labelling fee for distilleries that package their products in PET. The Excise Department will offer incentives to liquor companies that opt to sell their products in glass bottles instead. This inducement would help distillers to offset the marginally higher costs associated with liquor sold in glass bottles. A 750ml glass bottle costs distillers INR 7, whereas a PET bottle of the same capacity costs only INR 3. ●

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