# Ceramics Industry – Tiles & Sanitaryware Update

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## Introduction

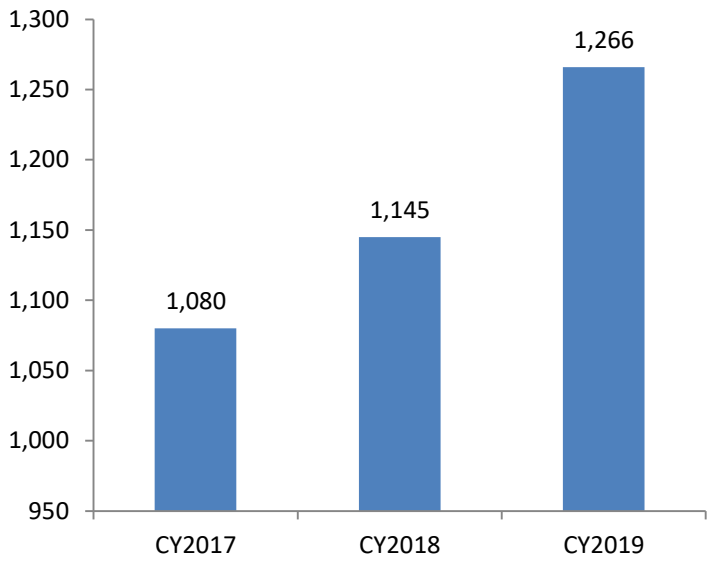
The ceramics industry comprises tiles (vitrified & porcelain, floor and wall) and sanitaryware (washbasins, sinks, toilet bowls etc.) and services the real estate industry. The organised sector in India accounts for around 50% of the industry and the other half is represented by regional players present in clusters such as Morbi (Gujarat). Morbi has continued its rapid growth and is now estimated to have more than 800 production lines, which is increasing y-o-y with increase in exports.

In calendar year (CY) 2019, exports accounted for 28% of the domestic production and this share grew from 24% in CY18.

## Production

The domestic production of ceramic tiles increased by 6% from 1,080 million square meters (MSM) in CY17 to 1,145 MSM in CY18 backed by growth in exports and stable domestic demand. The production grew by 11% y-o-y in CY19 to 1,266 MSM.

**Chart 1: Domestic Production of ceramic tiles (in MSM)**

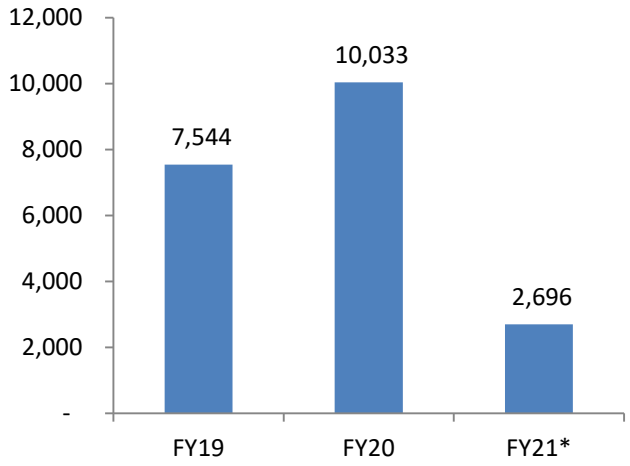



Source: Ceramic World Review

## Trade

### Tiles

**Chart 2: Exports of ceramic tiles (in Rs. Crore)**




The exports of ceramic tiles increased by 33% from Rs. 7,544 crore in FY19 to Rs. 10,033 crore in FY20 backed by increase in exports to GCC countries, anti-dumping duty imposed on Chinese tiles and efforts by Indian players to penetrate other markets and diversify its presence. Also, investment in technology and improvement in product quality supported the y-o-y growth in exports. Apart from the mentioned factors, India is also the lowest production cost per square meter, when compared with any other exporting country.

Also, the export of ceramic tiles totaled to Rs. 2,696 crore for the period of April – July 2021.

Source: Department of Commerce
*Note: April – July
Note: all figures shown are of HS Code 6907

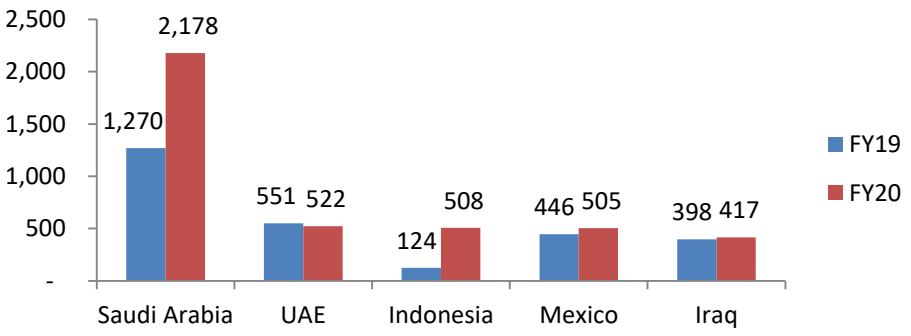
Now, the Gulf Corporation Council (GCC) has imposed an anti-dumping duty on exports of ceramic floor and wall tiles originating from India and China with effect from 6th June, 2020. The order has not been implemented by the GCC nations yet but it could potentially hurt the Indian domestic players as GCC accounts for the highest share of exports at 37% as per FY2020 data.

| Rate of dumping duty on CIF value | Indian origin | Chinese origin |
|---|---|---|
| Non sampling cooperating companies | 41.2%<br>(196 companies fall in this category) | 23.5%<br>(89 Chinese companies fall in this category) |
| All other companies | 106% | 76% |

Source: morbitiles.org

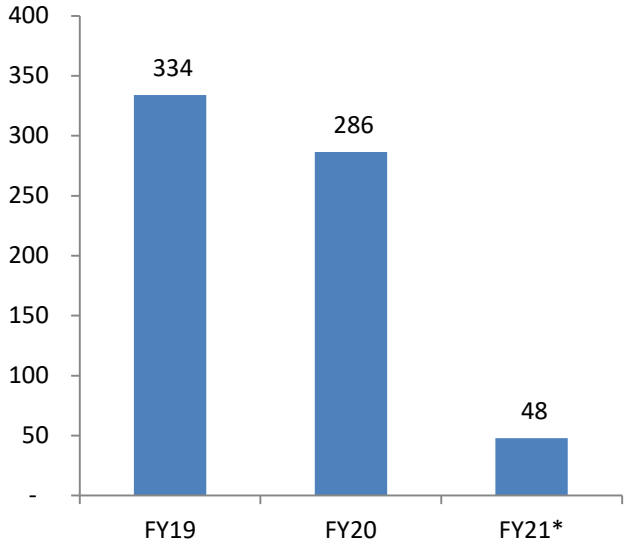
The below chart depicts the key export markets for India in FY19 and FY20. Saudi Arabia was the largest export market with a share of 22% in total ceramic tiles exports from India followed by UAE with a share of 5% in FY20.

**Chart 3: Top 5 countries for exports of ceramic tiles (in Rs. Crore)**




Source: Department of Commerce
Note: figures depicted are of HS Code 6907

**Chart 4: Imports of ceramic tiles (in Rs. Crore)**



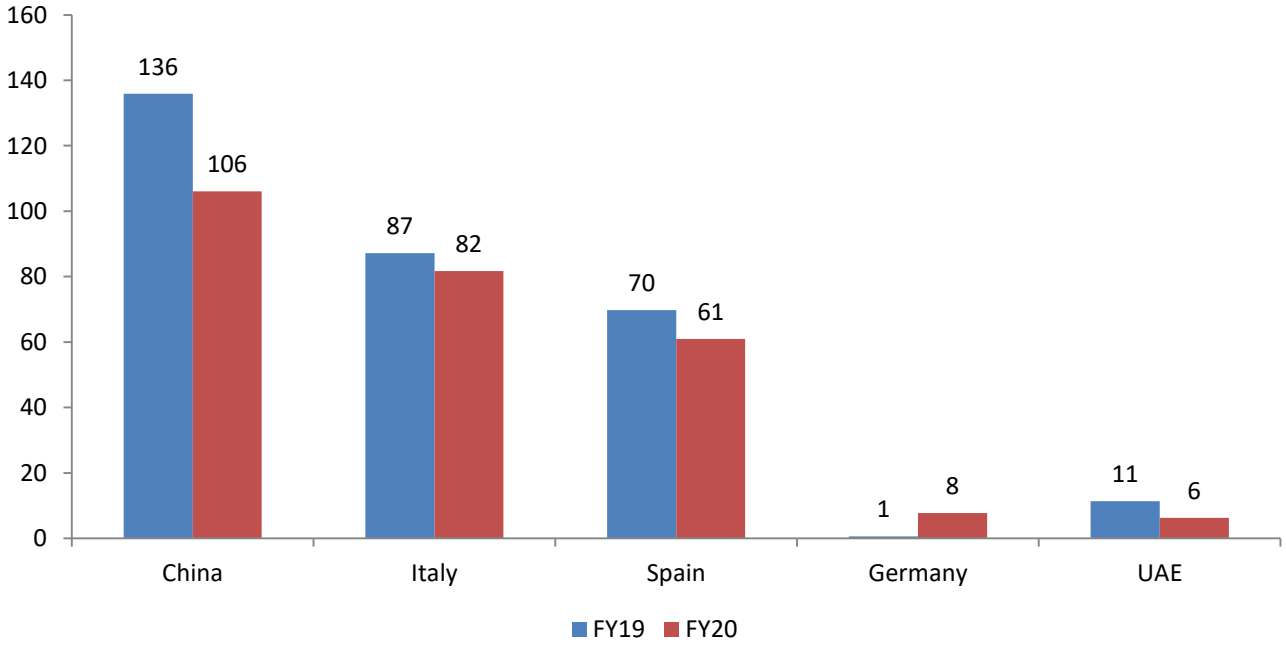

The imports of ceramic tiles by India decreased by 14% from Rs 334 crore in FY19 to Rs 286 crore in FY20 on account of increase in domestic capacity and imposition of anti-dumping duty by India on tiles imported from China.

Also, according to the data released by Department of Commerce, the import of ceramic tiles was Rs 48 crore for the period April – July 2021.

Source: Department of Commerce
*Note: April – July
Note: figures shown are of HS Code 6907

The below chart depicts the key export markets for India in FY19 and FY20. China was the largest export market with a share of 37% in total ceramic tiles imports by India followed by Italy with a share of 29% in FY20.

**Chart 3: Top 5 countries for imports of ceramic tiles (in Rs. Crore)**

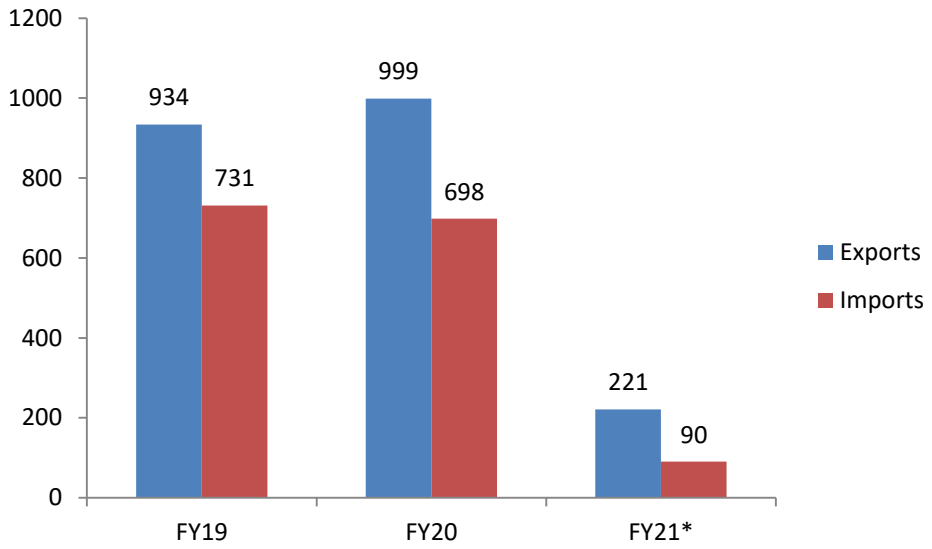



Source: Department of Commerce
Note: figures shown are of HS Code 6907

## Sanitaryware

The exports of ceramic sanitaryware grew by 7% on a y-o-y basis from Rs 934 crore in FY19 to Rs 999 crore in FY20 whereas the imports of sanitaryware fell by 5% from Rs 731 crore in FY19 to Rs 698 crore in FY20. The exports and imports amounted for Rs 221 crore and Rs 90 crore respectively for the period April-July 2020.

**Chart 5: Exports & imports of ceramic sanitaryware (in Rs crore)**




Source: Department of Commerce
*Note: April – July
Note: figures shown are of HS Code 6910

### Impact of Covid-19

The spread of Covid-19 brought the construction activities to a complete halt, which in turn severely impacted the ceramics industry initially when the lockdown was imposed. Majority of the manufacturing units did not operate in the last week of March and in the month of April, 2020. With gradual easing of restrictions and resumption of work, for the month of May and part of June 2020, the industry had to face challenges of liquidity, shortage of labour and supply chain constraints.

The following chart shows the net sales and operating profit of ceramics industry for Q1 FY20 and FY21. Net Sales declined by 55% from Rs 2,482 crores in Q1 FY20 to 1,127 in Q1 FY21. Similarly, operating profit nosedived by 76% to Rs 43 crore in Q1 FY21 compared with Rs 320 crore in the same period last year.

**Chart 6: Net Sales of ceramic industry (Rs crore)**

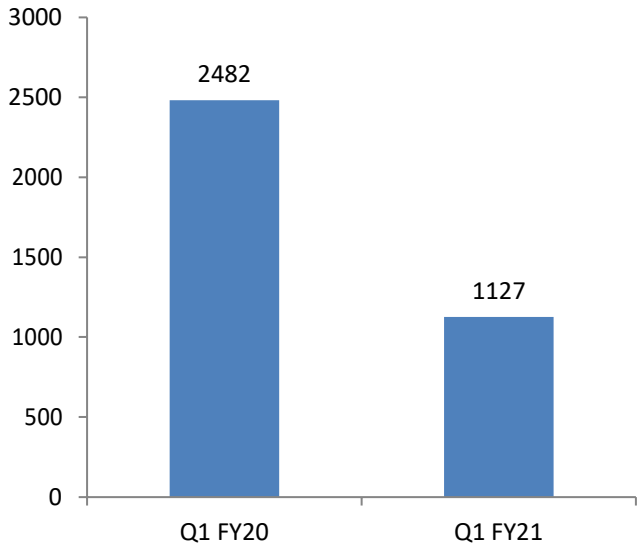
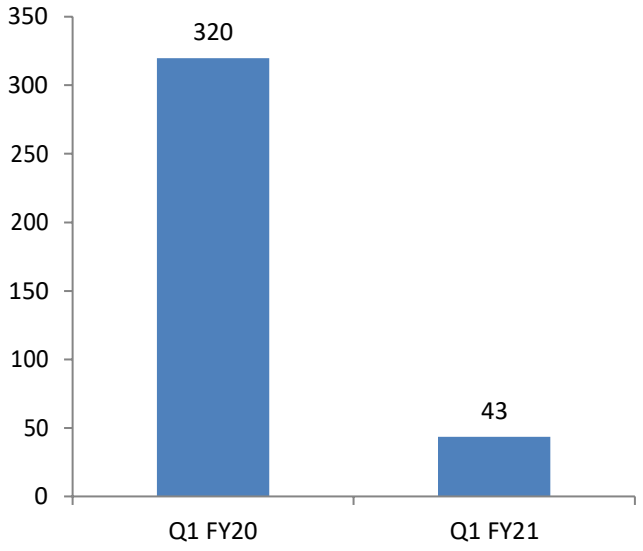



**Chart 7: Operating Profit of ceramic industry (Rs crore)**




Source: CARE Ratings Research
Note: Based on data of 28 companies

However, m-o-m sales started picking up from July 2020 for most of the players due to faster than expected recovery in export demand. Demand from tier II and tier III cities was also better than envisaged. Morbi was one of the least impacted regions due to Covid-19 in Gujarat and case count remained low even when it peaked in Gujarat.

According to industry reports, the global market is recovering better than the domestic market. The domestic players are relying on exports also to sell their products however the imposition of anti-dumping duty by GCC could quash their hopes. This blow could probably be softened by penetration of Indian ceramic tiles and sanitaryware in new global markets, including USA, world's largest ceramic tile importer. It has imposed anti-dumping duty on imports of tiles from China of more than 200%. Also, preference for Indian products over other competing Asian countries will also increase the demand for Indian ceramic tiles and sanitaryware.

**Government Support**

It is expected that government measures such as Affordable Rental Housing Complexes (ARHCs) for Migrants Workers a sub-scheme under Pradhan Mantri AWAS Yojana- Urban (PMAY-U) launched in October 2020, reduction in stamp duty by Maharashtra government by 3% till December 2020 and other economic measures announced by the government to support the real estate and construction sector could in turn provide a boost to the ceramics industry.

**Concluding Remarks:**

- The production of ceramic tiles grew by 11% in CY19 and exports accounted for 28% of the production in CY19
- India continued to remain a net exporter of ceramic tiles and sanitaryware in FY19 and FY20
- Covid-19 induced lockdown at first negatively affected the ceramics industry and the industry players witnessed a fall in net sales and operating profitability in Q1 FY21 but with the easing of restrictions in a phased manner across the globe and domestically, m-o-m sales picked up from July onwards and capacity utilization also increased
- Measures announced by government are expected to help in the recovery of the user industry which will in turn provide support to ceramic industry

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