



India lowers glass duties and prices

Reduced import duties, low prices and greater environmental protection are three of the more recent factors to influence India's glass industry. This latest round-up of news from India looks at some recent government legislation and outlines how some of the nation's leading companies are coping in a still changing scenario.

VANGUARD EMERGING MARKETS EQUIRESEARCH

The 1997-98 budget

To draw up a budget which pleases a coalition of not less than 13 political parties and also the opposition is certainly a considerable achievement. Nevertheless, India's latest finance bill, presented by Finance Minister Mr. P. Chidambaram and finally passed by the parliament in April, has been referred to as a dream budget by most analysts.

In a definitive step towards globalising the Indian economy, the budget included an overall reduction in maximum customs duty from 50 per cent to 40 per cent. This will mean a

decrease of 10 per cent in import duty on all types of glass and glass containers. To rationalise the duty structure as well as to provide equal opportunities for domestic manufacturers, the finance minister has also cut the excise duty on glass and glassware from 20 per cent to 18 per cent. However, excise on kitchen and tableware made out of glass has been slashed from 10 per cent to 8 per cent.

The lowering of these duties will make imported glass cheaper on the local market. This will benefit consumers, who should see improved product quality and a wider product range. On the other hand, for the domestic glass



industry, cheaper imports will intensify the competition and force them to reduce the end-product price. This may put increasing pressure on the profitability of firms who are already struggling to survive.

In the light of the lowering of customs duty, *Floatglass India Ltd.* has already announced a significant cut in the prices of imported category glass. The price for tinted floatglass in the 10-12 mm thickness range has been reduced from Rs 71 (US\$ 1.983) per millimetre per square metre (pmmppsm) to Rs 62.40 (US\$ 1.743) pmmppsm.

Competition and controversy

The volatility in the glass market continues to persist. Clear float glass of 2-5 mm, which accounts for two-thirds of the total demand for India's flat glass, is actually selling at prices below the cost of production. Mounting accumulated losses have wiped out the net worth of several of these companies. For instance, *Gujarat Guardian's* accumulated losses have touched Rs 145 crore (US\$ 40.503 million) while *Floatglass India* is reportedly losing over Rs 100 crore (US\$ 27.933 million) per annum.

The list also includes companies like *Gujarat Borosil*. So desperate are the market conditions that *Triveni Sheet Glass*, a company that enjoyed handsome profits in the past, has reported losses for 1995-96, a scenario that is likely to be repeated in the current year. If this situation persists, then the industry is likely to see some of the weaker companies forced to fold up.

In March 1993, when float production first started in the country, float glass prices were about Rs 38 (US\$ 1.061) pmmppsm. Prices have now risen to Rs 44 (US\$ 1.229) pmmppsm mainly owing to companies' accumulated losses. Against this, selling prices were Rs 49 (US\$ 1.369) pmmppsm, which then slumped to just Rs 26.50 (US\$ 0.740) pmmppsm in the second half of 1993. In a well-planned exercise, the companies then formed a cartel that slowly managed to push prices to Rs 44.75 (US\$

1.250) pmmppsm over the next two years. This artificially pegged selling price helped recoup some of the losses. The cartel broke up in 1996, leading to constantly declining prices which went as low as Rs 28 (78 cents) pmmppsm towards the end of 1996.

There is also conflict building up on another front. With the advent of superior technology float glass, the traditional sheet glass manufacturers are beginning to feel the pressure. The promoters of float glass companies are financially sounder running their businesses on more professional lines. At the moment, the output of float and sheet glass in India amounts to about 1,550-1,600 tonnes per day, whereas demand is barely 1,000 tonnes per day, leading to conflict among the manufacturers. The issue has now assumed legal implications, with the Monopolies and Restrictive Trade Practices Commission (MRTPC) and the *All India Sheet Glass Manufacturers Association* filing a writ against *Gujarat Guardian* and *Floatglass India*. The basic charge is that the two multinational float glass companies have conspired to form a cartel to dump float glass at prices below production costs, with the ultimate objective of driving the sheet glass companies out of business.

The company scene

Floatglass India - Asahi India Safety Glass

Part of Japan's *Asahi Group*, *Floatglass India Ltd.* has launched, for the first time in India, the production of green tinted glasses used commonly in the manufacture of toughened automotive safety glass. India was previously dependent on imports to meet its requirements. On account of higher import duty imposed by the Government, imported tinted glasses were quite expensive in the local market. Thanks to the endeavour of *Floatglass India*, green tinted glasses will now be available at much lower prices within the country itself.

The suitability of green tinted glasses for a country with a tropical climate like India is greater compared to blue tinted glasses because green tinted glasses absorb more heat and thus



increase the effectiveness of air-conditioning in vehicles. As a matter of fact, in almost all the luxury cars being produced in India, only green tinted glasses are used.

The move by Floatglass India to enter the production of green tinted glasses appears to be a strategic one. Another Asahi Group company, *Asahi India Safety Glass*, enjoys a near monopoly in the area of automotive toughened safety glass. It is the sole supplier to *Maruti Udyog*, the automotive company which commands a market share of nearly 65 per cent in the country.

Earlier, as there was no domestic producer for green tinted glasses, Asahi had to depend completely on imports. However, in the current scenario it can safely outsource its green tinted glass requirement from Floatglass India. The arrangement will be mutually beneficial: for Floatglass it will create an assured market, while for Asahi India it will bolster the margins by reducing the cost of production. Meanwhile, apart from Asahi India, Floatglass India has also received enquiries from other companies in the country manufacturing toughened safety glass.

Ever since its inception in December 1994, Floatglass India has been producing bronze and grey tinted glasses in rotation, however, it is only recently that it undertook production of green tinted glasses for the strategic reasons explained above.

The demand for clear and tinted floatglass in

Fig. 1
Automotive
glass
production
at Asahi
India

India is continuously on the increase. From a level of nearly 175 tonnes per day in 1995, it rose to 195 tonnes per day in 1996. Confirming the trend, the demand in the first two months of the current year, has grown to 240 tonnes per day.

In the first full year of operation, Floatglass India Ltd., a joint venture between India's *Tata Group* and Asahi, had incurred losses of Rs 51.26 crore (US\$ 14.318 million) on a turnover of Rs 412.14 crore (US\$ 115.123 million). The situation further worsened in the year 1996-97, as the company has reported, for the first half, a net loss of Rs 48.29 crore (US\$ 13.489 million), against Rs 27.78 crore (US\$ 7.76 million) in the corresponding half of the previous year.

However, Asahi still maintains an optimistic outlook on the company's prospects. The optimism of the company mainly stems from its



belief that with the main user industries like automobile and construction set to grow, the future of the Indian glass industry will certainly change for the better.

Asahi has set out plans to infuse fresh funds totalling Rs 50 crore (US\$ 13.966 million) into Floatglass India Ltd, either in the form of a soft loan or equity. However, it is not very certain that a similar contribution will be forthcoming from the Tatas.

Saint-Gobain

Hyundai Motors India, the Indian subsidiary of the Korean automotive company, *Hyundai Motors*, is setting up a passenger car plant at Irungattukottai, near Sriperumbudur, and is protesting against the government giving France's Saint-Gobain any land adjacent to its car manufacturing plant, because the glass unit's furnace might affect the quality of paints. Hyundai Motors has suggested that Saint-Gobain might at least redesign their plant layout in such a way that the furnace is located at the other end of the land allotted to them. Saint-Gobain claims that their unit would be well within the emission standards and hence cause no harm to Hyundai. The construction of the Saint-Gobain plant is expected to begin in the second half of this year and commercial production set to commence by the end of 1998.

Saint-Gobain has finally completed the takeover of Pune-based *Maharashtra Glass*, a safety glass manufacturer. The French company spent Rs 15.1 crore (US\$ 4.218 million) to purchase an additional 6.2 million shares of Maharashtra Glass at a premium of Rs 14-15 (42 cents) per share, taking Saint-Gobain's stake in the company to 51 per cent. There are already five directors from the French corporation on the board, including Anand Mahajan, the Indian representative.

Indo Asahi Glass

Mainly engaged in the production of figured and sheet glass, the Indo Asahi Glass Company has been awarded the Capexil Export Award for registering robust export growth during the fiscal year 1995-96.

During the year, India's exports for glass and glassware stood at a total of Rs 320.7 crore (US\$ 89.581 million), a significant portion of which came from Indo Asahi Glass Company. The current year should be even better for the company's exports, as it has recently tripled its figured glass capacity to 180 tonnes per day. This has made the company's figured glass plant the largest capacity plant not only in India but in the whole of South Asia.

To boost its contribution to the burgeoning export market, the company has fixed an export target of 40-50 per cent of the entire figured glass production.

Haryana Sheet Glass

Located at Ankleshwar, Gujarat, *Dwarkadheesh Sheet Glass Plant*, a unit of *Haryana Sheet Glass* has achieved a breakthrough in producing 15 mm sheet glass for the first time in the country. Till now, manufacture of clear sheet glasses only up to the thickness of 12 mm was undertaken in India.

Set up at a cost of Rs 25 crore (US\$ 6.983 million), this unit of the largest sheet glass manufacturer in the country, has been operational since September 1996. Though the plant, using the Colburn process, is equipped to produce clear sheet glass in the range of 0.8 mm to 25-30 mm, initially it focused only on the thickness range of 2 mm to 12 mm. However, on 10 March 1997, the company started production of 15 mm thickness clear sheet glass with a width of 10 feet. Now, through this unit, the company intends to concentrate on those thickness ranges which were previously not manufactured in India.

Haryana Sheet Glass

The Board for Financial and Industrial Reconstruction (BIFR) has served a winding up notice on the ailing glass company *Kartar Glass Works Ltd*. Some two years ago, a revival package for the company was submitted by Haryana Sheet Glass, which was readily accepted by the board. However, Haryana Sheet Glass has failed in its effort to revive the company.



FLAT GLASS A SUBSTITUTE FOR WOOD

The Supreme Court of India passed an interim order on 4 March 1997, addressed to saw mill owners for immediate closing down of operations. A public interest petition had raised two issues before the court: the conservation of forest wealth, and pollution resulting from the operation of saw mills. It has finally been realised that forest conservation is necessary to save the environment and maintain ecological balance. As a result, there has been a shortage of wood and plywood boards and their prices have almost doubled

Most of the wood used in India is for construction and furniture making. The effective alternative of wood for both these purposes is flat glass. Initially, flat glass was imported and, being very expensive, was seldom used for construction and furniture making. But, with the entry of world class float glass technology in India in the past four years, high quality float glass is now being produced within the country itself.

Prior to 1993, the traditional sheet glass manufacturing industry was engaged in the production of inferior quality 2-6 mm flat glass in limited sizes with a maximum size of 4 x 8 ft. This was not suitable for architects, building contractors, interior designers and furniture manufacturers. Since 1993, high technology float glass in varying thickness from 2-12 mm and in sizes up to 12 x 12 ft has been manufactured and has found ready acceptance.

The decision to curb logging operations, combined with the fact that Indian flat glass manufacturers have cut their prices as much as 13 per cent to combat the threat from imports, may provide an added boost to the industry as glass replaces wood in a range of applications. This has further increased the demand for indigenised flat glass. The current ratio of 75:25 between thinner and thicker glass respectively, could come down to 60:40 or possibly 50:50 within the next 2-3 years.

Bharat Tubes Glass

A group company of Haryana Sheet Glass, *Bharat Tubes Glass Ltd.* is working on a project to establish two figured glass units at Nashik, a city in south-western India. Estimated to cost around Rs 20 crore (US\$ 5.587 million), civil construction work for these figured glass units, equipped to produce 120 tonnes per day, is near completion. Commercial production is scheduled to commence in August this year.

When operational, these units will cater for the figured glass requirements of India's

western regions, like Maharashtra, Goa, Gujarat and a part of Madhya Pradesh, saving a significant amount on freight charges.

Jai Mata Glass

Jai Mata Glass, engaged in the manufacturing of figured, rolled and wired glass for the last ten years, has always given direction to the Indian figured glass industry.

Jai Mata Glass launched the production of figured rolled glass in thicknesses varying from 4-12 mm. As a result, all figured glass manufacturers in the country agreed to produce at least 4 mm thickness figured rolled glass so that by increasing the tonnes in terms of square metres of glass, the extra capacity of the figured glass industry can be used. The company also introduced and popularised the use of various colours in figured glass. The company manufactures bronze, grey, pink, green and blue coloured figured glass.

The clear figured glass has 10-15 designs; premier, bahaar, classic, remblee, anarkali, pinhead, pyramid, flora, jugmug, redad, etc. The design, colour and better quality clear figured glass has enabled the figured glass manufacturers to get better prices in the domestic market as compared to clear sheet and float glass.

However, to succeed in the long run, it will be necessary for the figured glass manufacturers to spread the market base for colour designed figured glass. And for this purpose, they will have to adopt a strategy of locating new markets and applications for the more widespread use of figured glass.

Triveni Sheet Glass

Apart from its earlier figured glass unit at Rajamundry (Andhra Pradesh), Triveni Sheet Glass has added another figured glass unit at the same location. Estimated to have involved a cost of Rs 10 crore (US\$ 2.793 million), the new plant can produce 60 tonnes of figured



glass per day. Although the plant is ready to commence production any time, the company is giving second thoughts to the issue because of extremely tight adverse financial and marketing conditions.

Note: exchange rates at 22 May 1997
US\$ 1 = Rs 35.80
Rs 1 crore = US\$ 0.279 million
(1 crore = 10 million)

Plant and machinery imports

Gold Plus

Engaged in the production of automotive toughened glass through two of its units located at Libaspur, Sonapat (Haryana), this fast growing company is now involved in a project to manufacture insulating glass. For the purpose, Gold Plus Glasses India Pvt. Ltd. has imported an ultra-modern automatic insulating line from the glass machinery company *Peter Lisec GmbH* of Austria. Apart from being the first such facility to be established in northern India, this will be the fourth insulating line imported into the country.

In view of the impending boom in the main user industries like automobiles and construction, the demand for insulating glass is expected to improve substantially. Also, high levels of noise pollution coupled with a long summer, which sometimes stretches up to eight months, will augur well for the fortune of insulating glass companies.

Glass Graphics

Glass Graphics (India) Pvt. Ltd., the first company to set up an automatic bevelling machine in the country's biggest glass market, Mumbai, has drawn up a large expansion-cum-technical upgrade plan. The company operates under its 35,000 square metre factory premises at Khapoli industrial area in the Raigad district of Maharashtra.

In a bid to expand its business as well as to upgrade the existing facilities, the company has placed an import order with Peter Lisec GmbH

of Austria. This insulating line will have the capacity to manufacture insulating glass sheets of up to 2.5-3.5 metres, and will include jumbo sized glass cutting tables. The order was concluded during the three-day seminar organised in Vienna by Peter Lisec in October last year.

In addition to this glass insulating line, the company also intends to purchase a *Hoaf* Speedburn Kiln from the Netherlands. This will be used to manufacture architectural bent glass of up to 1.5-2.5 square metres. Also under active consideration is the proposal to import a state-of-the-art tempering furnace from *Tamglass Engineering*, Finland. The furnace would facilitate the production of toughened glass of up to 2.5-3.5 square metres.

Kaenat

One of the oldest and most reputable glass trading houses in the country, Kaenat Glass Agencies, a Delhi-based firm has decided to enter the hitherto untouched arena of glass processing. The company is importing ultra-modern straight and shape bevelling machines from Italian companies *Lovati Fratelli* and *Bovone*.

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