

Stronger GROWTH

predicted for ceramic tiles industry from 2012



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The total world tile market is 8,515 million sq mtrs and out of that 65 per cent of the market is in Asia, which is growing at higher base in terms of production and consumption. The top three countries of world in manufacturing and consumption are China followed by Brazil and then India. Indian market is the 3rd largest market in the world in terms of production and consumption and will be at number one by 2015. The Indian tile industry despite an overall slowdown of the economy continues to grow at a healthy rate of 20 per cent annually - that means 98 million sq mtrs is added every year.

The growth in this industry has emanated from five key drivers. They are:

Indian Government Policy

Boom in housing sector coupled by the government policies fuelling strong growth in housing sector; Retail boom in the Indian economy has also influenced the demand for higher end products.

Branding

End customers are becoming brand conscious; Need for differentiation in a competitive market.

Technological Capability

To meet the needs of demanding user segments; Increasing alignment with global standards; Increasing need for product customization.

Energy Efficient Manufacturing

Energy constitutes nearly 30 per cent of manufacturing costs,

Supply Chain Management: To cater to geographically spread out market.

A major change that took over the ceramic tiles industry was the introduction of vitrified and porcelain tiles. These new entrant product types are said to be the tiles of the future. Internationally, these tiles are already the major sellers. This category of products accounts 13 per cent of all organised sales in this industry.

These new products and the conventional wall & floor tiles have together made the organised industry grow to a formidable ₹6,000 crore industry. This coupled with a spate of expansions by many players make the industry look very promising in the future.

The total Indian tile market today is 490 million sq mtrs i. e. ₹110 billion out of which 40 per cent is organised and 60 per cent is unorganised market. India will be the fastest country in production as well as consumption by year 2015, and the expected growth rate will be in-between 20-22 per cent. (source: ICCTAS site and Emkay Research).

The market share is increased across metros and decreases progressively as we move across from Tier I cities to Tier IV cities. South zone emerged as major market for tiles, accounting for 35 per cent of total demand followed by North

West and East. As we compare volume, market share by value is higher in South zone due to price premium; as against in North, market share is less in terms of value, which indicates low price market and high presence of unorganised players

Ceramic industry principally requires two major raw materials i. e. Feldspar and Clay. Both are abundantly available in and around Gujarat and nearby state of Rajasthan. But, due to presence of non organised mining industry there is significantly low supply as compared to the demand. Also, the two-fold increase of industry in last decade has changed the ratio of demand and supply of raw materials.

Surely the raw material would become costly year by year and we expect organised manufacturing with the new policy on mining. The manufacturers will have to do inward integration by investing in mines and explore the mines in organised and systematic method using heavy machineries and equipments. Small time unorganised manufacturer who would not have access to such mines would surely have difficulty in getting good quality and reasonable price raw materials.

As we look at future of the industry, in my opinion, stronger growth is predicted from 2012 onwards. However, this is dependent on a stronger economic development and an upturn in new house building activity. The overall market for ceramic tiles is set to increase by more than 20 per cent from 2012 onwards. The demand is anticipated to increase in 2012 and ceramic tiles market is expected to see increased sales on Y-O-Y. This represents a recovery period, following the economic downturn that negatively affected the Indian ceramic tile market in last few years. ■

Sudhir Malesha has been one of the driving forces to give shape to an organised ceramics sector in India. A graduate in commerce, he began his career in 1977, managing marketing and distribution for a local ceramic firm across Western India. He soon continued this with establishing his own firm, trading in ceramic and sanitary ware products across India. In his current role as Director for RAK Ceramics India, he is responsible for overseeing the brand building process in India. Being a people person, he has been able to develop deep relationships within the industry. As a marketer, Malesha believes always in putting the interest of the consumer first. Within the organisation, he is respected as a leader and visionary. He adopted an open-door policy with his employees at a time when such concepts were alien to corporates in India.