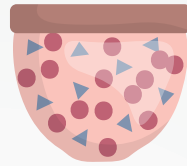
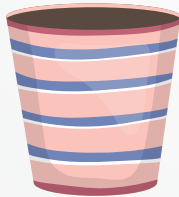




NEWVISION



Coronavirus Effect on the Bangladesh's Ceramic Industry



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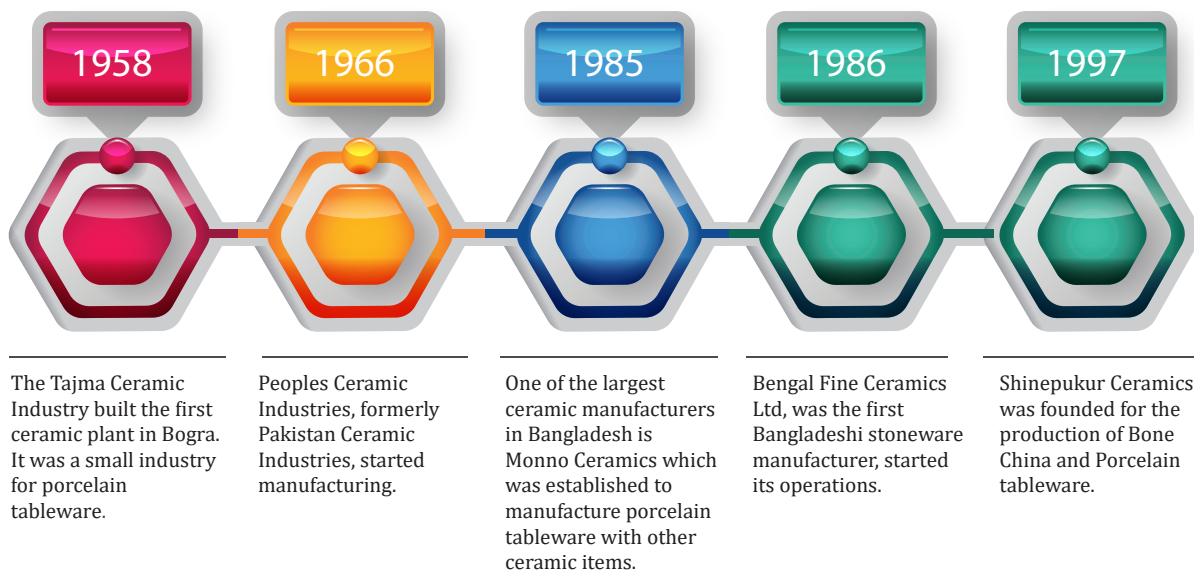
Ceramics industry is one of the fastest-growing sectors in Bangladesh which is now facing a serious setback amid coronavirus pandemic. Demand for ceramics has collapsed in the local and international market due to lockdown measures taken by governments across the world.

Our ceramics manufactures produce a range of tableware, sanitary ware and tiles items – meeting 85% of the local demand while creating 500,000 jobs. But these jobs are under threat as manufacturers were asked to shut down factory operation since March 26, the lockdown still continues.

Currently, 62 ceramic companies are understood to be operating in Bangladesh and 75% of them exports tiles, sanitary and tableware to more than 50 countries around the globe. Rapid growth in the domestic market and export orders – before the corona outbreak started –encouraged companies to increase production capacity.

Investment in this section sector has increased manifold in recent years, estimated to be around TK 10,000 crore. As a result, local companies are now capable of producing around 90% of the country’s required tableware and 70% of the tiles while more than 80% of the sanitary ware is also produced by them.

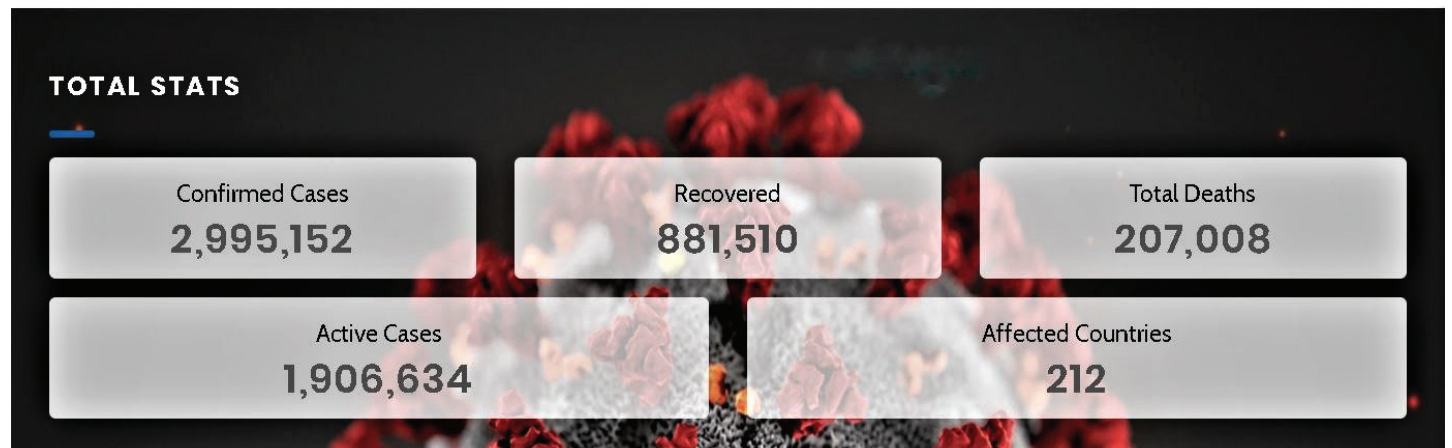
KEY MILESTONE OF BANGLADESH CERAMIC INDUSTRY



The total market size of the ceramic industry is estimated to be around Tk 7,200 crore. Around 75% of the total market is contributed only for the tiles with a 30-35 per cent annual growth and this trend was expected to continue before the coronavirus outbreak started.

The fate of the ceramic industry now largely depends on how long this lockdown stays as construction works in both public and privates sectors are put on hold. However, a boost in demand is likely once lockdown measures are lifted.

GLOBAL CORONAVIRUS STATS



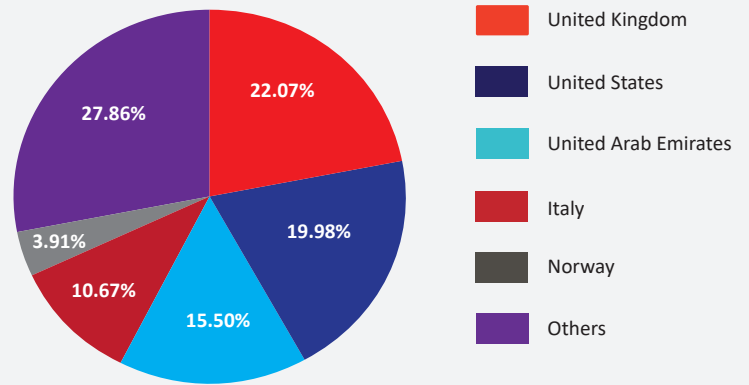
Export scenario before COVID-19

Our ceramic goods have been exported to foreign destinations such as in the USA, Canada, UK, Germany, France, Italy and Middle-East. According to Export Promotion Bureau (EPB), during 2018-19, the ceramic sector had reported \$68 million earnings from exports, an increase of \$18 million (23.59%) than previous fiscal year.

However, due to disruption in global trade and supply chains, this industry has already received order cancellations from foreign buyers and a fall in export earnings from this sector is increasingly likely.

The UK, USA and Italy, some of the worst-hit countries by COVID-19, have been the major buyers for the Bangladeshi ceramics products as more than half of the exports went to these three countries during 2018-19 fiscal year.

Major exporting destination for ceramics products (FY 2018-19)



Source: Export Promotion Bureau of Bangladesh

However, a significant reduction in orders from these countries is highly likely as the USA has announced more than 50,000 deaths while Italy has the highest casualties in Europe. The UK is also facing an exponential rise in the number of confirmed cases and deaths – the number of deaths have already crossed 20,000 so far.

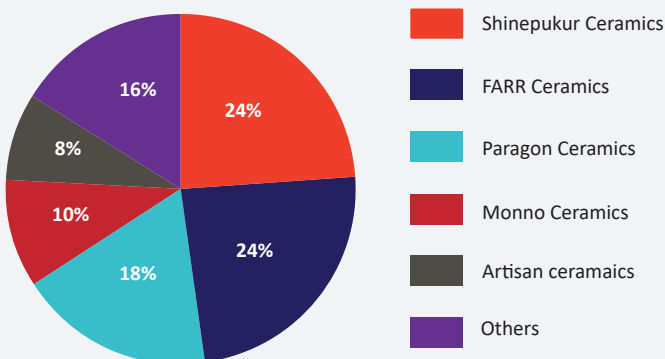
In the global export market, our ceramic industry usually faces strong challenges from the likes of Sri Lanka, China, and Thailand. To overcome such competition, Monno, Shinepukur, Standard, FARR, DBL and Bengal Ceramics have recently expanded their plants with the state of art machinery supplemented by the latest technology to further improve their share in the global ceramic exports.

Domestic competition

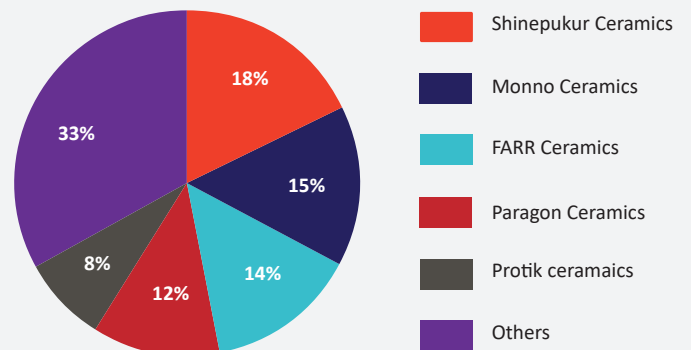
As far as the nation-wide market share for the ceramics products is concerned, Shinepukur Ceramics Ltd – a concern of Beximco Group – has 18% share of the tableware market which is understood to be worth of around Tk 500 crore while it captured 24% of the total exports during 2018-19 fiscal year.

Monno Ceramic is one of the oldest and largest tableware manufacturer, which was established in 1984, also has a good position in the domestic and international market. The company has a capacity of producing 250,000 and 1.5 million pieces of bone china and porcelain per month respectively and employs 2,000 workers.

Market share of exports (FY 2018-19): tableware products



Share in the local market (FY 2018-19): tableware products



Source: Dhaka Tribune

RAK Ceramics, a UAE-Bangladesh joint venture project – listed on the Abu Dhabi Securities Exchange in the UAE and on the Dhaka Stock Exchange – holds about one-third share of the Tk 1,000 crore sanitary ware market.

The company manufactures an array of products including ceramics and porcelain tiles, bathroom sets and all types of sanitary ware. Currently, it has more than 2,500 models and introduces new designs on a regular basis in order to be aligned with evolving consumer trends.

Abul Khair Ceramics, a concern of local conglomerate Abul Khair Group, holds 18% of the market share. The company sells various types of sanitary ware products under the “Stella” band and its products are popular in the local market due to price and availability.

Through its extensive distribution channel and dealership network, Abul Khair Ceramics has emerged as a serious competitor of the sanitary ware segment.

As for the market share of tiles, RAK Ceramics and Star ceramics are holding a leading position. Both companies hold a 15% share of the total tiles sold in the country.

Other emerging brands such as Great Walls, Akij and Mir ceramics have 14%, 11%, and 8% market share respectively. More than one-third of the tiles market is captured by other local and some imported Chinese brands.

Among the other brands, DBL Ceramics Ltd, – a concern of DBL Group – which started operation at the end of 2016 in its fully automated factory. The company has installed state of the art technology and machinery to produce a range of floor and wall tiles.

Within just a few years, DBL Ceramics has expanded production capacity to 35,000 square meter tiles per day and products are now available at the store of its 100 dealers across Bangladesh.

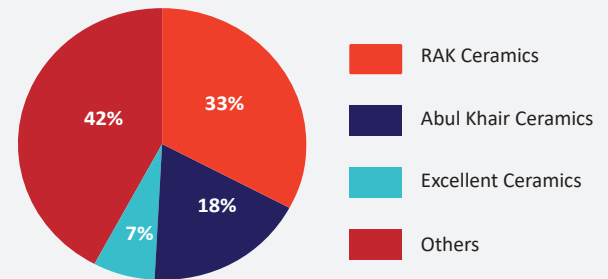
Major challenges for the ceramics sector

Even before the coronavirus pandemic started, Bangladeshi ceramics manufacturers were facing challenges to remain competitive in the domestic and international market. But now they have to face uncertainty amid the COVID-19 crisis.

White clay – one of the key materials for the ceramics industry – is usually sourced from countries such as China, India, New Zealand, and Germany. All these countries are currently under lockdown and it will be difficult for the ceramics manufacturers to source raw materials for the time being.

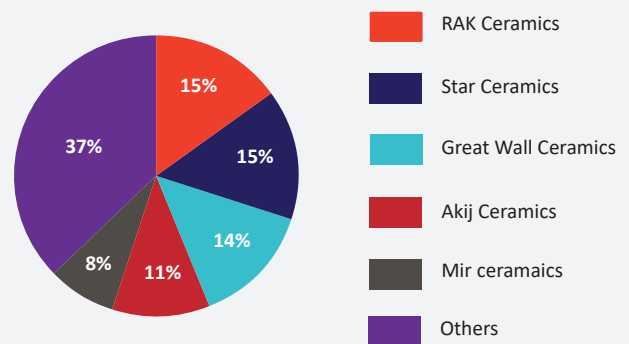
Without white clay, some companies would be forced to remain closed even if the lockdown is eased. Only a small portion of raw materials is collected from Mymensingh, Sylhet and Netrokona but that won't be enough for the 60+ ceramic producers.

Local market share (FY 2018-19): sanitary ware products



Source: Dhaka Tribune

Local market share (FY 2018-19): tiles



Source: Dhaka Tribune

AT A GLANCE

- MARKET SIZE: Tk **7,200** Cr
- TOTAL INVESTMENT: Tk **10,000** Cr
- EMPLOYMENT: **500,000**
- ACTIVE FACTORIES: **62**
- EXPORTS: **50+** countries



Stay at Home



Clean your hands often



Avoid close contact



Healthy Lifestyle

Despite having exponential growth in recent years, insiders of the ceramics industry fear that the supply of affordable gas could prove to be a major barrier for this sector as the reserve of cheap natural gas is not infinite. Manufacturers will be forced to find alternative yet more expensive options such as LNG or LPG.

Another major challenge for this promising industry is the high import duty on raw materials which ultimately increases production cost and could make locally produced ceramics less competitive both in the local and international market as well.

Current situation and support needed for the ceramics sector

Restrictions imposed on movement to stop the virus spreading have crippled manufacturing and export-oriented factories. The ceramic sector is no exception and facing a deeper crisis as the so-called lockdown in global trade has shut the doors for the Bangladeshi ceramics exporters.

Due to order cancellation and a slump in local sales and production, ceramics manufacturers are unable to generate any revenue at the moment. As a result, these companies are facing extreme shortages of working capital to pay wages to their employees.

According to Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA), this sector needs extensive government support and requested the Ministry of Finance to release Tk 1,000 crore immediately to save the sector from collapsing.

On Wednesday 25th of March, Prime Minister Sheikh Hasina announced a Tk 5,000 crore incentive package to help export-oriented factories – to pay wages only – but this fund doesn't particularly support those of around 45 manufacturers who only sell in the local market.

In a bid to overcome the ongoing crisis, BCMEA has sought collateral-free and interest-free working capital for at least six months to run the factories. The association also requested an exemption from paying interest on bank loans for the six months and deferral of the loan repayment schedule for one year.

Additionally, ceramic makers have urged the government to provide policy support such as delay in repayment of VAT, tax and AIT instalments for six months. An extension of the utility bills for water, gas and electricity for one year is also sought by the BCMEA.

Prospect in the post-corona era

Ceramics industry has a great prospect and the government should embrace it by helping the manufacturers through this difficult time with the financial assistance as this sector earns Tk 4 billion per annum from export.

Industry insiders expect government intervention to facilitate continuous growth of this flourishing industry which will not only increase export earning but also reduce our dependence on the RMG sector.

Due to recent trade war between the USA and China in conjunction with increasing Chinese labour cost, international buyers have been placing more orders to low-cost countries for quality ceramic wares before the pandemic started.

Bangladesh is in an ideal position to offer international standard ceramics products and capture a discernable share of the global market if proper guideline and support are provided.

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