



# Ceramics Industry



Bangladesh Investment  
Development Authority

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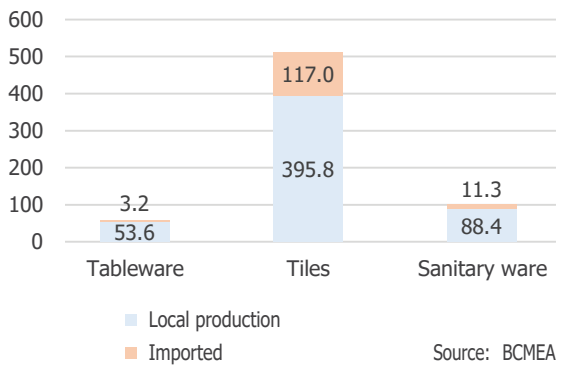


## Ceramics Industry and Market

The ceramic industry started its journey in 1958 and currently consists of around 65 producers of traditional ceramics such as tableware, tiles, sanitaryware, insulator, heavy clay (earthenware, pottery, terracotta, roof tiles, etc.). Total domestic market consumption for ceramics products amounted to USD 660 billion in FY2017-18. The country caters to 96% of tableware, 77% of tiles and 89% of sanitary ware demand through local production. The real estate industry has been the main fuel for domestic market growth.

Over the last decade, the Bangladeshi ceramic industry has witnessed a multi-dimensional growth in both domestic (average annual growth rate of 20%) and export markets (7% during the last six years), and approximately 200% growth in production capacity. The ceramic industry in Bangladesh is one of the key potential sectors.

National consumption by segment/ supply source in FY2017/18 (in Million USD)



Major producers or brands include FARR/ Shinepukur/ Monno/ Paragon/ Artisan/ Protik for tableware, Akij/ RAK/ Star/ Great Wall/ Mir for tiles, RAK/ Abul Khair/ Excellent for sanitaryware (Dhaka Tribune). Local ceramics manufacturers, as well as Chinese manufacturers, have played a significant role in meeting domestic demand and developing the sector's exports.

No. of ceramics companies/ aggregate production capacity by segment (2017-18)

Sub-sector	No. of producer	Aggregate production capacity	No. of direct employment
Tableware	19	254 mil. pieces	18,800
Tiles	28	195 mil. sq. meters	19,750
Sanitary ware	18	8.3 mil. pieces	9,650
<b>Total</b>	<b>65</b>	<b>-</b>	<b>48,200</b>

Source: Bangladesh Ceramic Manufacturers & Exporters Association (BCMEA)

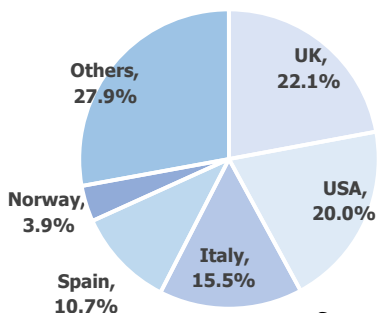
Around 48,000 people are estimated to be employed by this sector, with management level workers accounting for around 10% of the total. However, if those employed in backward linkage industries are included, this sector can be estimated to be indirectly employing over 500,000 people. (IDLC Business Review).

Around 200% growth of production capacity over the last decade



**Ceramics Export:** Bangladeshi ceramics products are exported to more than 50 countries including the UK, the USA, Italy, Spain, Norway, France, Netherlands, Australia. According to Export Promotion Bureau (EPB), ceramics export earnings amounted to nearly USD 70 million in FY2018-19 (increased from USD 52 million in FY2017-18), the seventh largest export item from Bangladesh and it is forecasted to become the third largest in the next five years (LightCastle Analytics Wing).

Major export destinations for ceramics product (FY2018-19)



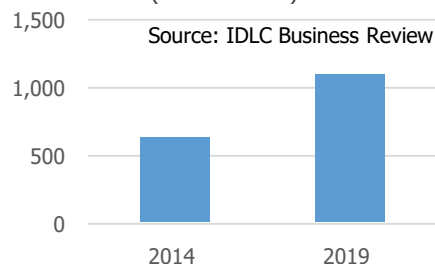
Source: EPB

Exporting tableware to more than 50 countries

US-China trade tension and rising European demand have been the major catalyst for export growth. According to BCMEA, tableware products (dishes, dishware) account for nearly 98 percent of ceramic exports. Global market for ceramic products is expected to be worth USD 408 billion by 2025. Ceramics producers in Bangladesh which account for the relatively larger share of export are, namely, FARR, Shinepukur, Paragon, Monno, Artisan Ceramics.

**Investment:** Along with the growing domestic and overseas markets, the Bangladeshi ceramics industry has enjoyed exponential growth in investment accumulation as well. Total accumulated investment has increased by 70% in the last few years, reaching USD 1,052 million in 2019, up from USD 620 million in 2014.(IDLC Business Review).

Accumulated investment to ceramics sector (in Million USD)



Source: IDLC Business Review

According to BCMEA, export-oriented tableware segment holds 20% of total accumulated investment, and tile and sanitaryware hold 59% and 16% respectively. BCMEA revealed that as of 2019, 20 new investors were expected to enter the industry in the next few years. Foreign investments have mainly come from China and the Middle-East states, such as RAK Ceramics (UAE) (the largest share in domestic sanitaryware market) and Fu Wang & China-Bangla (China).

**Raw Material:** Raw materials are the major constituent of the production cost structure. On average for the Bangladeshi ceramics industry, raw materials account for 22% of total costs (with duties/ taxes inclusive), followed by energy (21%), labor (16%). Although white clay deposits are available in the regions such as Mymensingh (Biyoypur), Sylhet, Netrokona, producers import most of the raw material requirements (white clay, feldspar, and quartz) from China, India, New Zealand, and Germany.



## Attractiveness and advantages of Bangladesh

**Income growth and rapid urbanization:** Bangladesh's ceramics industry has become one of the country's fastest-growing industries. Local demand for ceramics products continues to grow as the country experiences steady economic growth and urbanization. According to BCG Study, 30 to 40 million people will join the entry-level middle-income class by 2025, while another 34 million will see their income grow and move to a higher middle-income bracket, enabling them to reach a higher standard of living. This rise in population affordability, combined with increasing real-estate development and potential changes in urban dwellers' lifestyles as a result of rapid urbanization, indicates future opportunity for sectoral growth.

**Duty-free market access:** Bangladesh has duty-/ quota-free access to developed countries (Generalized System of Preferences: GSP) such as the Europe Union (EU), UK, Japan, Canada, Russia, Australia, and New Zealand, while Chinese ceramics product, a major competitor to Bangladesh, has to bear additional duties to access such markets (e.g. 12% duties for EU market), thus indicating the industry's potential to gain export competitiveness. Moreover, countries like Bangladesh have become a suitable choice for investors for expanding their ceramic businesses. Ceramics are amongst the 100 items from China that the US has hiked tariffs on, allowing the Bangladeshi industry to capitalize on this opportunity.

**Competitive workforce:** The lower labor cost serves as a strong competitive advantage for all the export-oriented industries of Bangladesh. Although China, India, and Thailand continue to be amongst the major competitors in the overseas market, the relatively lower labor cost available for local production has and will continue to put the Bangladeshi ceramics industry in a stronger position.

**Access to industry-academia collaborative research:** In Bangladesh, industry-academia collaborative research in the ceramics sector has started to develop new technologies. For example, one ceramics manufacturer has been working on the development of ultra-lightweight, heat-insulating ceramic fiber and low-cost ceramic water filter in collaboration with the Bangladesh University of Engineering & Technology (BUET). Moreover, another company has been working with BUET to develop a bullet-proof jacket in which the plate is made of ceramic, and metallurgical- and solar-grade silicon wafers from quartz. Overall, Bangladesh offers academic institutions capable of R&D on advanced ceramics.

### Key R&D partners (supporting institutions) for ceramics industry

Dept. of Glass & Ceramic Engineering (GCE) of the Bangladesh University of Engineering & Technology (BUET):

A renowned academic institute with extensive focus on ceramics technology and appealing track records of industry-academia collaborative research for advanced ceramics product development with local industries.

Bangladesh Institute of Glass and Ceramics (BIGC):

Provides regular curriculums of ceramics technology and skills training to the industry human resources.



## Investment Opportunities

**Manufacturing of advanced ceramics:** Bangladesh is eyeing to tap into a promising and more value-added segment of “advanced ceramics” that are used for energy conservation, water purification, electronic and biomedical applications. Global market for this segment is experiencing high growth and is projected to reach USD 140 billion by 2025, at an annual growth rate of 10%. Foreign investment is highly expected to develop such value-added products as below, possibly in collaboration with local producers to cater to the specific needs of domestic market;

Refractories:	High-alumina refractories product, silicon carbide, silicon nitride, magnesium silicate
Advance ceramics:	Bio/ dental/ magnetic ceramics, ceramics for machine tools, semiconductor chip, photonic/ optical applications, etc.

**Production with energy-saving/ efficient technology:** Local ceramics producers have been facing the needs for energy-efficient production with less carbon dioxide emission, given their limited access to energy (gas). Although ceramics industry is energy-consuming, local plant facilities in use are generally not energy-efficient. Foreign investors are expected to contribute to making local production more energy-efficient by introducing energy-saving equipment or technology, through partnership with local industries via joint-venture, etc.

**Production with automation technology:** Local ceramics producers are further expected to improve their quality control production by modernizing and automating plant facilities. Foreign investors are expected to contribute to upgrading of local production facilities, which usually involves technology transfer with skills training on quality control, production management, machinery operation and maintenance, through partnership with local industries.

## Policies related to Ceramics Industry

The current Export Policy by the Ministry of Commerce (MOC) recognizes ceramics sector as special development sector with export potential.

## Sector-specific Investment Incentives and Restriction

Incentive	<ul style="list-style-type: none"> <li>- An array of tax exemption available for industrial investments such as import duty exemption on capital machineries</li> </ul> <p>For exporters:</p> <ul style="list-style-type: none"> <li>- 50% tax exemption for income derived from export.</li> <li>- No VAT imposition on export goods.</li> <li>- Bonded warehousing facility for large import of materials.</li> <li>- 10% export subsidy/ cash incentive on export value.</li> </ul>
Restriction	No specific restriction exist upon the entry of foreign investors.

## Industry Associations

Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA):	A trade body to represent interests of local ceramics industries and provide services for their collective benefits; such as market development/ promotion, HRD, policy advocacy, research and studies.
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BIDA undertakes the functions of investment promotion and facilitation, and policy advocacy in accordance to the Industry Policy and provides inquiry/ consultation/ licensing facilitation services to the investors outside the jurisdiction of other investment authorities (BEZA, BEPZA, High-tech Park Authority). Those investors registering with BIDA for their investment projects are able to benefit from the following key incentives and privileges:

Category	Notes
Tax holiday	<ul style="list-style-type: none"> <li>- Phased Corporate Income Tax (CIT) exemption for 32 designated sectors/ products (as per the Finance Act 2020), depending on location of factories</li> <li>- Phased CIT exemption for private IPPs (which construct powerhouse after June 2016) and full CIT/ capital gain tax exemption for PPP projects</li> <li>- Full CIT exemption for ICT/ software industry</li> </ul>
Tax rebate	Applicable for manufacturing industries of which factories i) are located, ii) move, iii) have already operated, outside Dhaka City
Import duty exemp.	<ul style="list-style-type: none"> <li>- On capital machinery/ spares</li> <li>- VAT exemption for imported capital machinery/ spares</li> </ul>
Other tax exemption	<ul style="list-style-type: none"> <li>- On interest payable on foreign loans</li> <li>- On royalty/ technical license fees obtained from foreign company/ expert</li> <li>- On personal income tax for foreign technician</li> <li>- One capital gain from the transfer of shares of listed public companies</li> </ul>
Non-tax incentives	- Accelerated depreciation for newly established industries in lieu of tax holiday on their factory, machinery and plant

\* The above may be subject to revision upon annually enacted Finance Act and individual regulations. Export-oriented industries regardless of their locations can benefit from additional privileges and facilities.

### Bangladesh Economic Zones Authority "BEZA is a smart way for business in Bangladesh"



BEZA develops and manages economic zones (EZs) in view of generating more spillover effects of investment for industrialization. Currently a number of EZs are being developed throughout nation to cater for investment needs of both foreign and local investors, utilizing a variety of development schemes including BEZA's own initiative, private initiative, public-private-partnership and bilateral agreement with foreign government. The investors tenanted in EZs are able to benefit from the following key incentives/ privileges:

Fiscal incentive	<ul style="list-style-type: none"> <li>- Phased Corporate Income Tax (CIT) exemption for 10 years</li> <li>- VAT exemption for imported machinery/ const. material, utility expense</li> <li>- Duty exemption for imported vehicle</li> <li>- Duty exemption for import/ export of goods/ materials with bonded warehouse facility</li> <li>- Personal Income Tax exemption for expatriate salary</li> <li>- Tax exemption for dividend/ royalty and technical license fees, etc.</li> <li>- Exemption of local government tax/ land development tax</li> <li>- Exemption from registration fee on land transfer/ loan document, stamp duty on loan document/ lease of land and space</li> </ul>
Non-fiscal incentive	A variety of privileges and facilities are available. (see the website of BEZA: <a href="http://www.beza.gov.bd/">http://www.beza.gov.bd/</a> )

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