

Future of Indian Cement Industry

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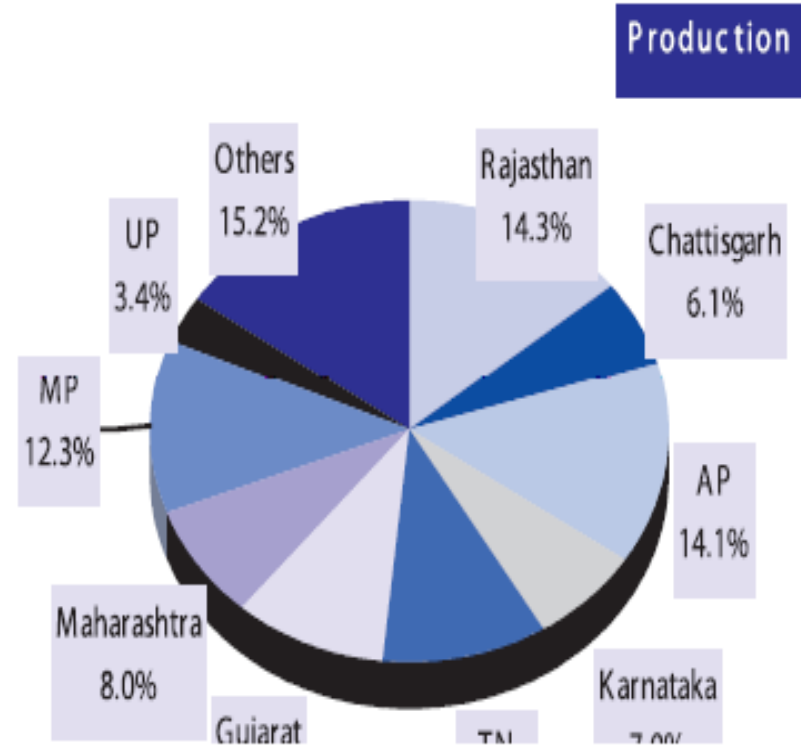
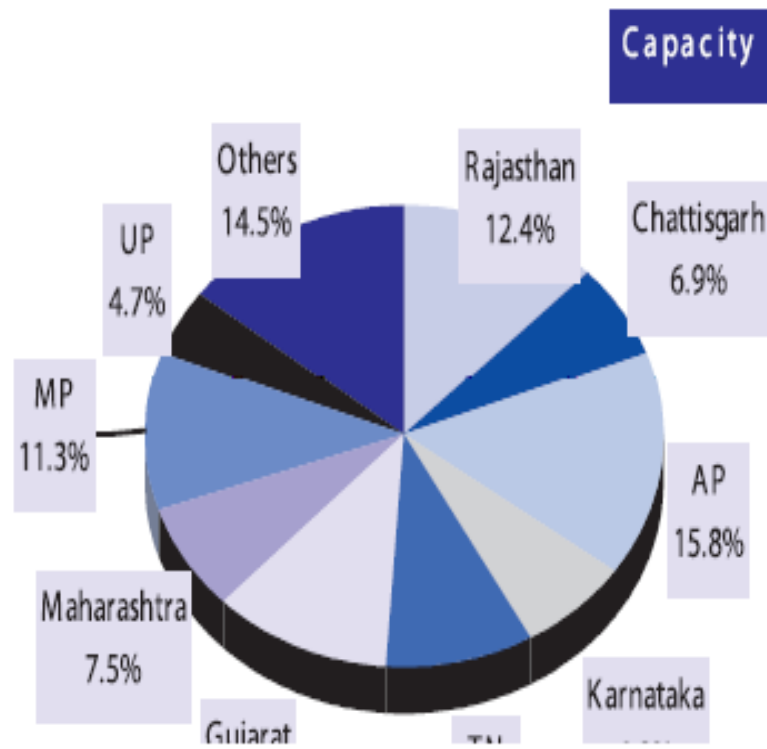
CONTENTS

- *Introduction*
- *Cement Consumption*
- *Infrastructure and Commercial Sectors*
- *Capacity Expansion*
- *Demand / Supply balance*
- *Mergers and Acquisitions*
- *Exports*
- *Modernization*
- *Conclusion*

Introduction

- One of the most **Energy-intensive** sectors within the Indian economy.
- **Second** largest market after China (8%).
- **Cement Demand** grows at **1.5 times** GDP growth rate.
- **Cement production** growing at **8.2%(fastest)**.
- **Per capita** consumption is as low as **132kg** compared to world average of 260kg.

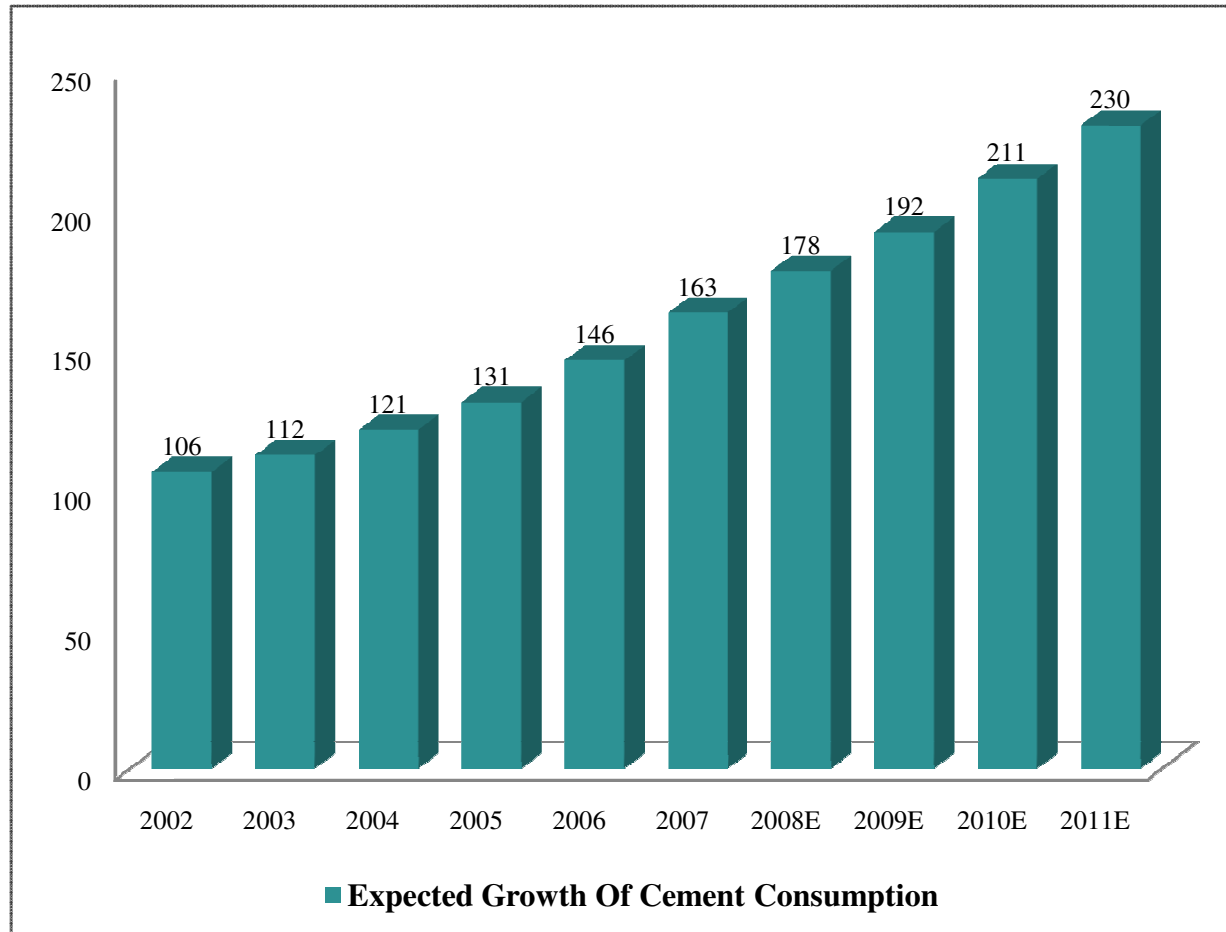
State wise Cement Production



Major Cement Producing States

- **AP** is the largest cement producing state with an installed capacity of **24.9 mt**.
- Cement production of **AP** during **FY2007** was **22.9 mt**.
- **Southern** region accounts for **32%** of installed capacity.

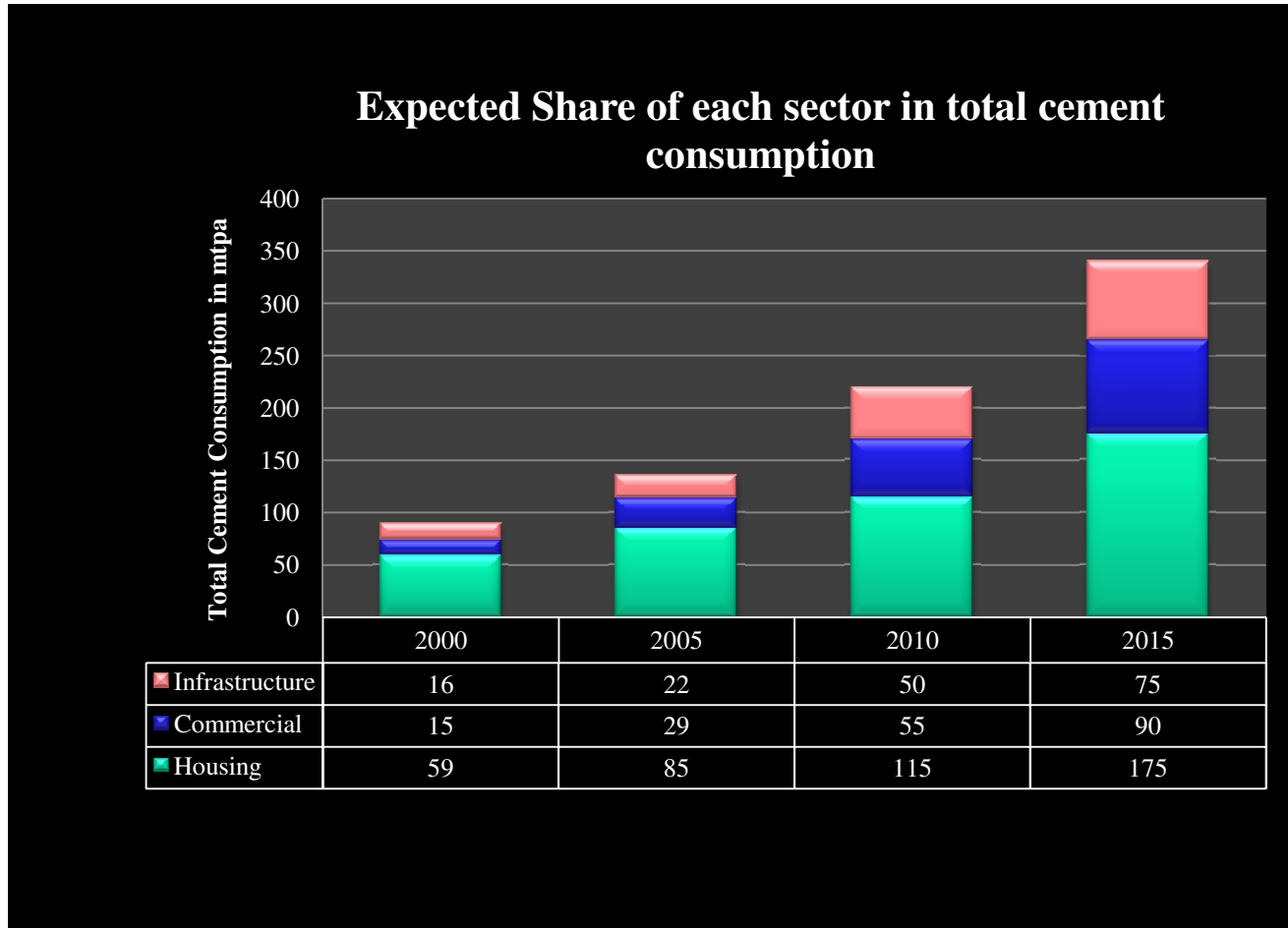
Cement Consumption



Cement Consumption

- Demand growth to move up to 9-10%.
- South-West Region to play major role.
- Per capita to become 193kg by 2011.
- Total consumption expected to reach 230mtpa by 2011.

Infrastructure and Commercial Sectors

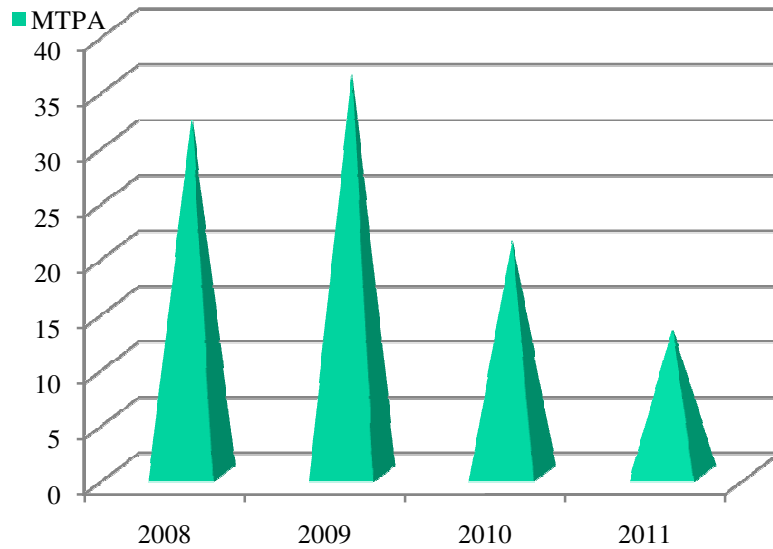


Infrastructure and Commercial Sectors

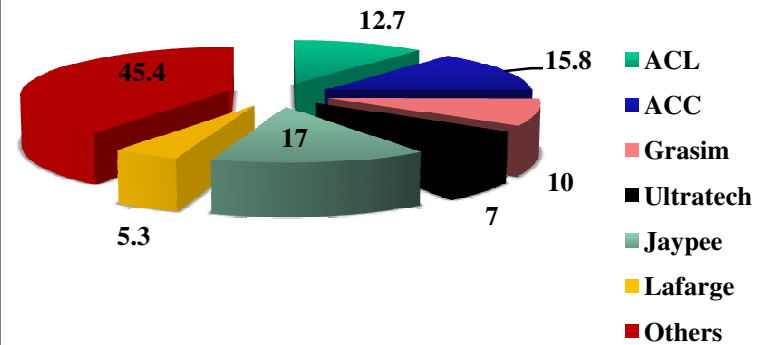
- Currently the market demand is mainly driven by **housing sector(60%)**.
- Coming years **infrastructure and commercial sectors** are expected to drive the change in demand **(50% by 2015)**.
- The **Union Budget** for FY2008 has provided further thrust to the infrastructure sector.

Capacity Expansion

Indicated Expansion By Year



Indicated Expansions in million tons



Capacity Expansion

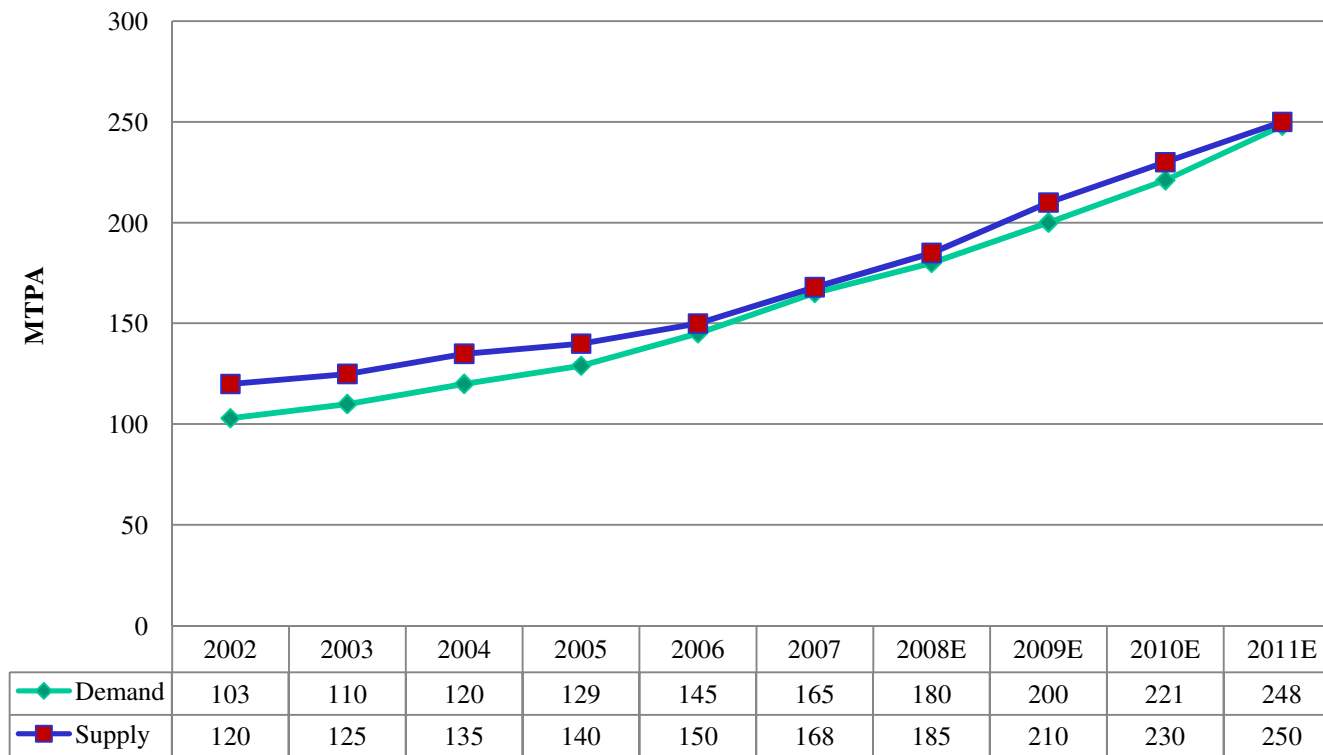
Some of the major expansions are:

- **ACC** 22(MT) plans to raise to 32MT by 2010 through brown-field expansion.
- **Grasim** plan to expand by 8 mtpa in Rajasthan.
- **Heidelberg** to expand its capacity to 5-10 mtpa in 3yrs.
- **Jaypee Group** to increase capacity form 6.5 to 15 mtpa.
- **Madras Cements** is planning to set up a 2 mtpa green field unit in TN.

Capacity Expansion

- **India Cements** plans to set up a 2 mtpa plant in HP.
- **11th Plan** projections : capacity is likely to increase from 180mtpa to **298mtpa by 2012**.
- **CMIE** : annual production growth forecast for FY 08 -7.2 %.

Demand / Supply balance



Demand / Supply balance

- During **2005-06** Demand / Supply gap has narrowed, leading to **temporary shortages**.
- Gap may **widen** from **2009** due to capacity expansions.
- **Seasonality** in demand of 15-20% will require higher capacity levels to meet peak demand during the season.

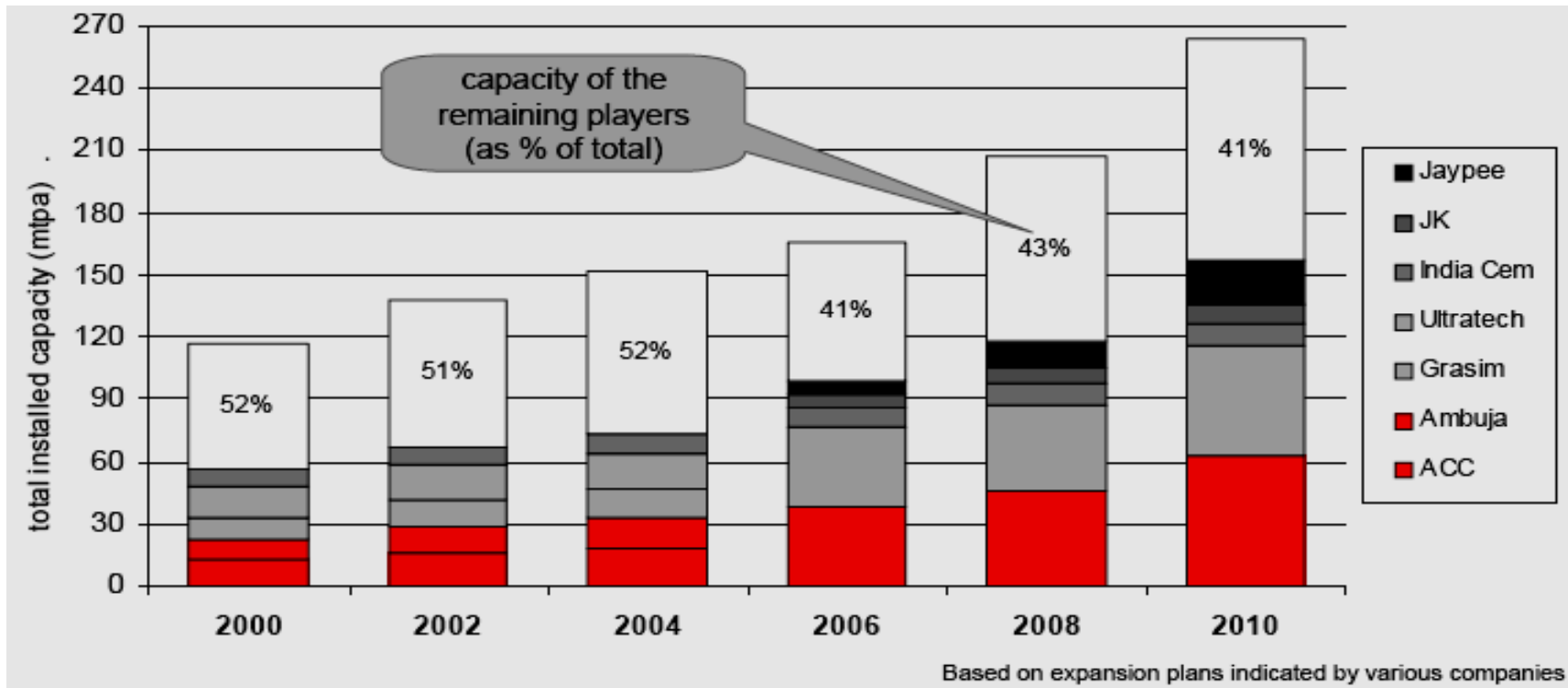
Mergers and Acquisitions

Year	Acquirer	Acquired	Capacity	Valuation (USD)	Region
98	India Cements	Raasi Cement	1.8 mt	62	South
98	Lafarge	Tata Steel's Cement Division	1.7 mt	75	East
00	Lafarge	Raymond's Cement Division	2.2 mt	80	East
00	Italcementi group	Zuari Cement (50:50 JV)	2.2 mt	77	South
02	Zuari Cement	Shri Vishnu Cement	1.2 mt	66	South
04	Grasim	L&Ts Cement Division	17.0 mt	79	West, South and East
05	Holcim and GACL	ACC (33.6% Stake)	18.3 mt	107	Pan-India

Mergers and Acquisitions

Year	Acquirer	Acquired	Valuation	Region
06	Holcim	GACL (14.8% Stake)	190	West, North
06	Heidelberg	50:50 JV with Indo Rama Cement	n.a.	West
06	Italcementi group	Residual 50% in JV	n.a.	South
07	Foreign Funds(Fidelity, ABN...)	India Cements(7.5%)	Rs.592Cr	
07	Cimpor(Portugese)	Shree Digvijay Cement(53.63%)	Rs.322Cr	
08	CRH(Ireland)	MHIL(50%)	US\$ 456mn	South

Mergers and Acquisitions

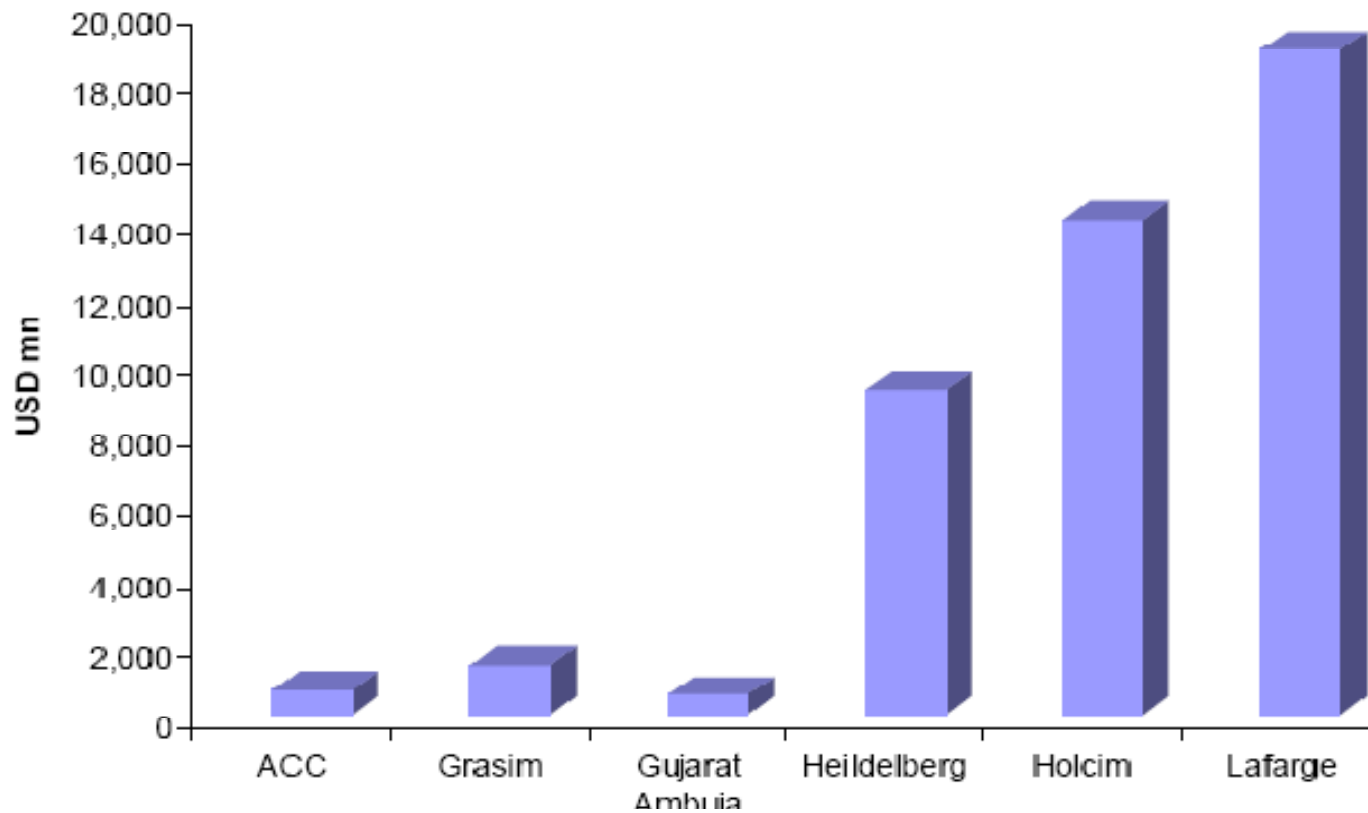


Industry consolidation remains on track

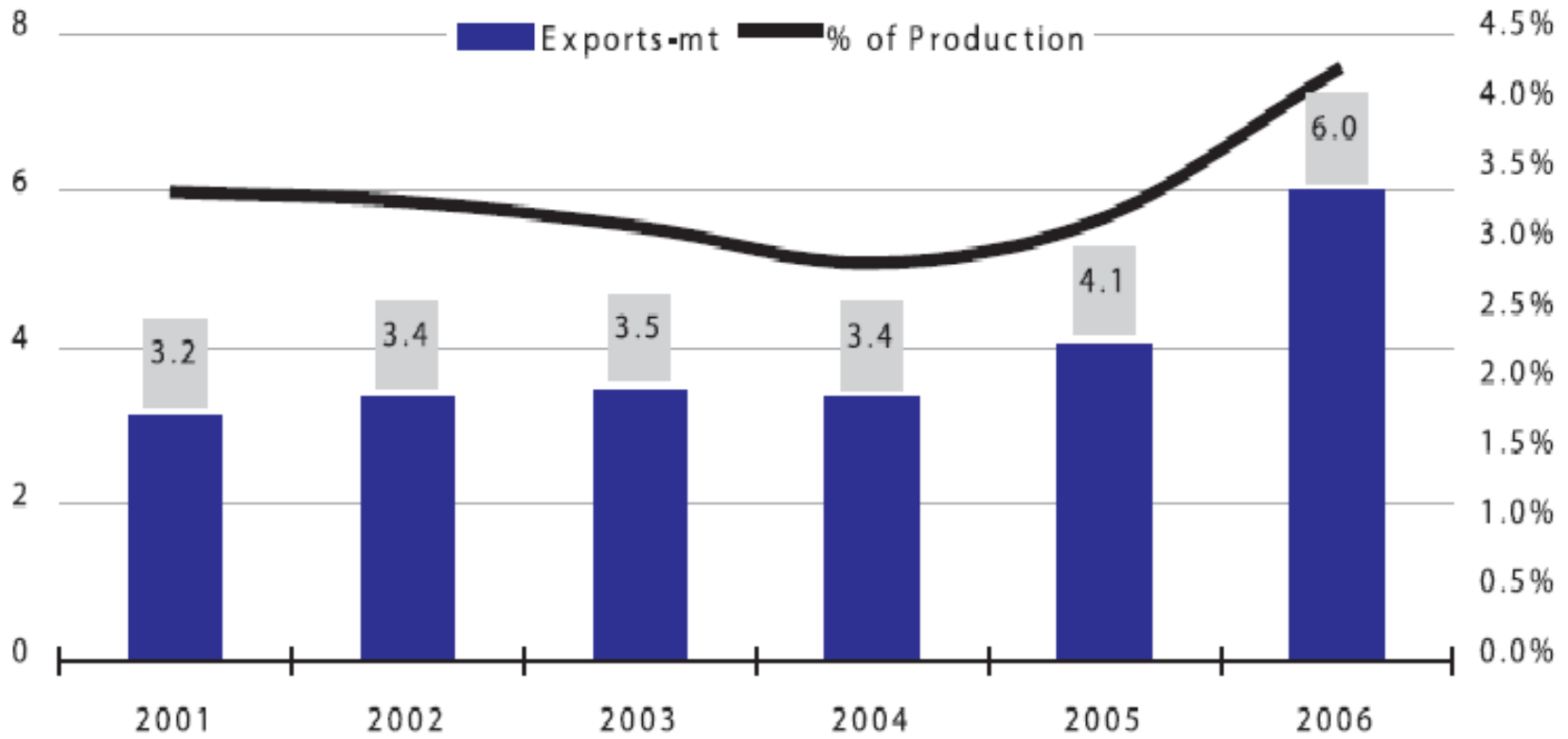
Mergers and Acquisitions

- 4 of top-5 companies in the world entered India through mergers, acquisitions, joint ventures or greenfield projects:
 - France's **Lafarge**
 - **Holcim** from Switzerland
 - Italy's **Italcementi**
 - Germany's **Heidelberg**
- **Aditya Birla Group** and **Holcim Group** expected to control more than 45 per cent of total capacity in the country.

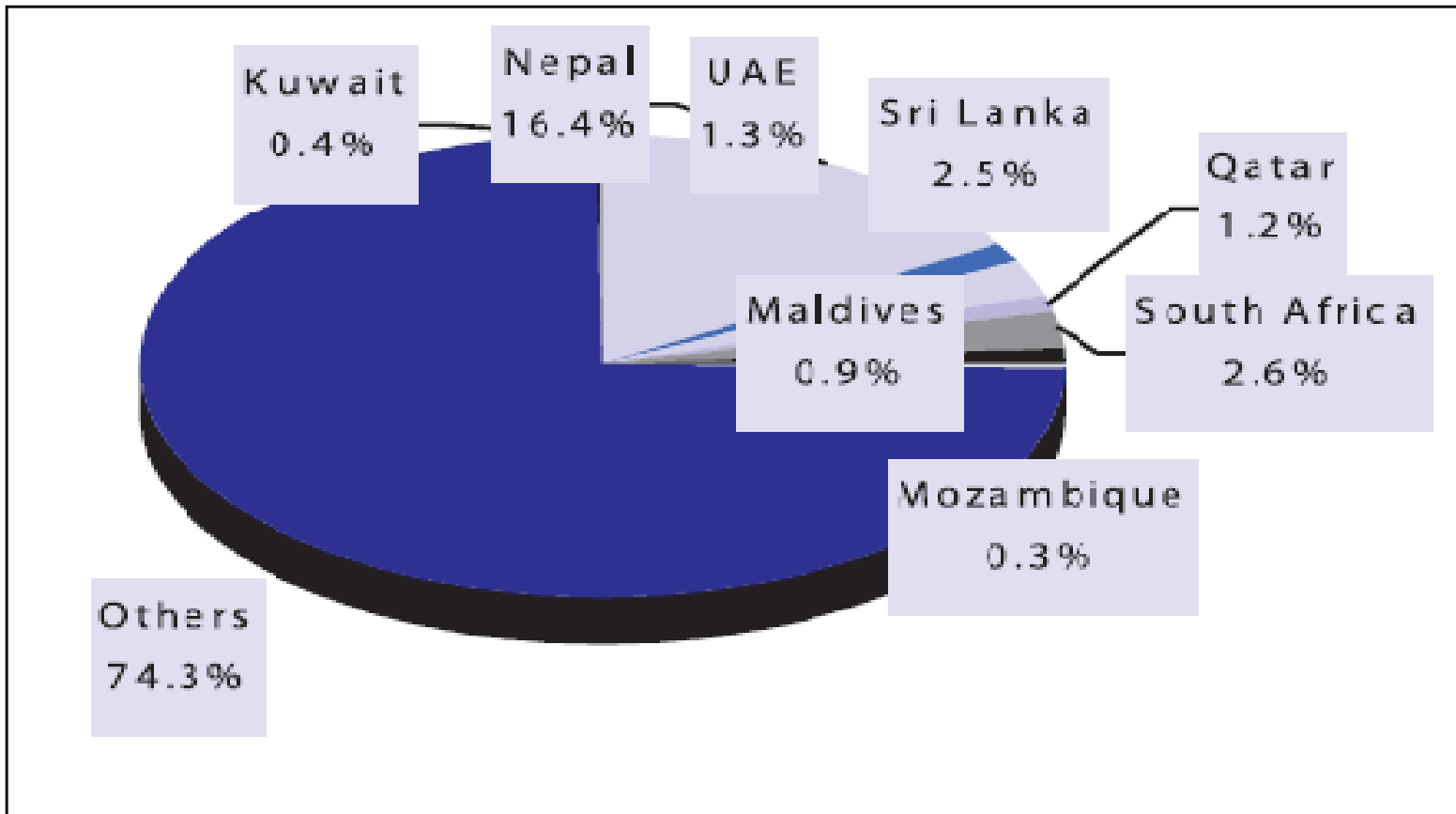
Mergers and Acquisitions



Exports



Major Destinations



Exports

- **Cement** is primarily a regional commodity.
- **Freight cost** is a significant factor.
- **World cement trade** has averaged just around **6-7%** of the total production.
- **Domestic demand** is rising.

Modernization

Areas for further improvements:

- Fully automatic process control and monitoring facilities
- **Interactive** software packages for process and operation control
- Energy **efficient** equipment for auxiliary/minor operations
- Appropriate **co-processing** technologies for use of hazardous and non hazardous wastes
- Appropriate **pre-blending** facilities for raw materials

Conclusion

- Industry has a strong capacity **base**.
- Produces **quality** cement that meets the global standards.
- Tremendous scope for success by **technological upgradation** and assimilation of latest technology.