

Analysis of Cement Industry Trend in Indian Market

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Abstract

Worldwide, the cement industry has tremendous forward and backward ties with the economy of a country. Given the immense infrastructure needs of a rising and urbanizing country, as well as its contributions by direct and indirect jobs, the value proposition of the cement industry is much greater for a developing and transforming economy such as India. With the announcement of several systems that cut through manufacturing, housing and education, the Government of India has stressed its emphasis on infrastructure growth. The cement industry is at the center of all expected infrastructure growth and, as part of the country's bouquet of eight key industries, the value proposition of the cement sector for laying the foundations of a new India is special. Therefore researcher has analyzed the major trends of this industry particularly consumption, investment and production volume and capacity.

Keywords: - Cement Industry, Consumption, Investment, Production Capacity, Govt. Initiative

Introduction

India will be the world's most populous country and the third-largest economy by 2030. The nation will experience a unique and unimaginable transition in a little over a decade. The immense challenges presented by this rapid speed of growth would put a heavy burden on the Indian cement industry's shoulders. The industry would need to move beyond business as usual in order to gain this potential and secure its place as the leading partner for creating a new India. To build better, build well and build right, it will need to accept a new shared vision for the sector and partner alongside the whole community.

India is the world's second largest cement manufacturer. India has a lot of growth opportunities in the infrastructure and manufacturing sectors and is projected to benefit to a large degree from the cement industry. Any of the recent interventions are expected to give a significant boost to the industry, such as the creation of 98 smart cities.

India is the world's second largest cement manufacturer with 509 million tonnes per year (mtpa) of cement production capacity as of 2018, accounting for over 8 percent of the total installed capacity as

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of 2018. The output of cement in 2018-19 hit 337.32 million tonnes and stood at 216.8 million tonnes between April and November 2019. It is projected that the capacity for cement production will cross 550 MT by 2020. Of the overall capacity, 98% is paid for by the private sector and the remaining by the public sector. Some 70 per cent of the overall output is accounted for by the top 20 firms.

Due to the rising demands of various divisions, i.e. homes, commercial construction and industrial construction, the market for the cement industry is projected to continuously hit 550-600 million tonnes per annum by 2025.

Together, a total of 210 major cement plants account for 410 million tonnes of installed capacity in the region, while the remainder is made up of 350 mini cement plants. In India's total of 210 major cement plants, 77 are based in Andhra Pradesh, Rajasthan and Tamil Nadu states. India's cement production grew from 230.49 million tons in 2011-12 to 297.56 million tons in 2017-18. India's cement, clinker, and asbestos cement exports grew to \$177.93 million USD over the five-year period from FY12 to FY20, rising at a CAGR of 10.54% over that period (April-July 2019). Imports of cement, clinker, and asbestos cement increased at a CAGR of 7.99% to \$57.61 million in FY20, in contrast to the previous year. In 2019-2020, a Credit Guarantee Enhancement Corporation will be developed to expand the capital source for infrastructure financing.

Around April 2000 and September 2019, FDI inflows into the cement & gypsum manufacturing sector hit US\$ 5.28 billion. In order to improve economic growth, the Government of India is highly focused on infrastructure creation and is planning for 100 smart cities. The government also plans to increase the ability of the railways and the handling and storage facilities to ease the transport of cement and reduce the cost of transportation. Such initiatives would contribute to higher building activity, thus raising the market for cement. The Government is expected to upgrade 1, 25,000 kms of road length over the next five years, as per the Union Budget 2019-20.

By 2025, demand from the cement industry is expected to reach 550-600 MTPA due to growing demand from a number of industries, including the residential, commercial, and industrial construction sectors.

In the Indian cement industry, CLSA reports that demand is growing (institutional brokerage and investment group). Ultratech Cement, Dalmia Cement, and ACC are the top contenders that the company has identified. Cement firms in India saw a turnaround in income in the second quarter of FY-21, as a result of which demand for the sector rose as a result of rural recovery. Though rural markets were showing signs of recovery, demand levels remained high. The CLSA expects that FY21 cement sector coverage stocks will produce EBITDA growth of 14% annually.

A cumulative installed capacity of 410 MT in the country accounts for a total of 210 big cement plants, while 350 mini cement plants make up for the remainder. The states of Andhra Pradesh, Rajasthan, and Tamil Nadu are 77 of the existing 210 major cement plants in India. In India, cement revenues in FY20 stood at Rs 63,771 crore (US\$ 9.05 billion). India's cement, clinker and asbestos

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exports rose during FY16-FY19, at a CAGR of 6.44 percent. It hit US\$ 1.66 billion in FY20 (till January 2020). The Credit Guarantee Enhancement Company, for which the regulations have been notified by the RBI, will be set up in FY20 to expand the source of capital for infrastructure financing.

Cement and gypsum goods attracted Foreign Direct Investment (FDI) worth US\$ 5.28 billion between April 2000 and March 2020, according to data published by the Department for the Promotion of Industry and Internal Trade (DPIIT). India's cement, clinker and asbestos exports rose during FY16-FY20 at a CAGR of 1.68 percent and stood at US\$ 1.98 billion in FY20.

In order to improve economic growth, the Government of India is highly focused on infrastructure creation and is planning for 100 smart cities. The Government also aims to increase the capacity of railways and handling and storage facilities in order to promote cement transport and reduce transport costs. Such initiatives will contribute to increased building activity and therefore raise the market for cement. The Government plans to upgrade 1, 25,000 kms of road length over the next five years, as per the Union Budget 2019-20, which will raise demand for cement. The Government of India has approved an incremental outlay of Rs. 18,000 crore (US\$ 2.43 billion) above the already allotted Rs. 8,000 crore (US\$ 1.08 billion) for the PM Awaas Yojana - Urban; this is planned to be used for the construction of ~30 lakh houses (ground support for 12 lakh houses and completion of 18 lakh houses) and is likely to generate an additional 78 lakh jobs and improve manufacturing production

Several international players, such as Lafarge-Holcim, Heidelberg Cement and Vicat, have invested in the country in the recent past, backed by appropriate government foreign policy. The ready availability of raw materials for the manufacture of cement, such as limestone and coal, is an essential factor that supports the growth of this industry.

Objective of the Study

- To analyses the recent trends in Indian cement industry particulate in last 10 years.
- To study the various initiatives taken by Govt. of India to boost up cement industry.

Research Design

The design of the current study is descriptive in nature. **Descriptive research** is based on observed and measured phenomena and derives knowledge from various secondary data base rather than from primary data. Data has been collected form IBEF and other sources to study the stated objective.

Data Collection Technique

In order to achieve the objectives of the study, different reports and draft and programmers related to research topic have been evaluated by different assessments with their effect and impact. For the collection of secondary data, different policies and programmes related to cement industry have been studied in detail.

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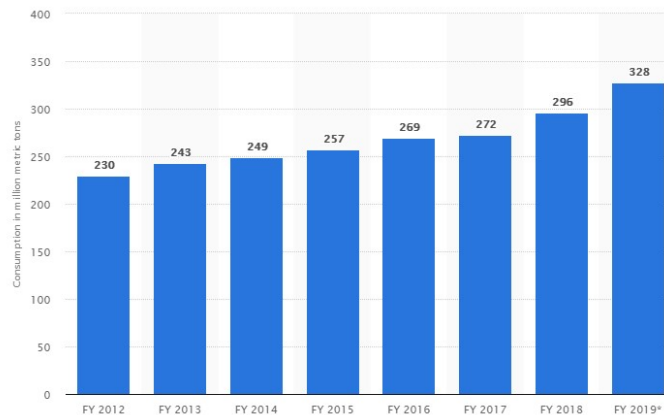
Recent Trends in Cement Industry

Market Size

In FY20, cement demand reached 329 MT, and it is anticipated to cross 381 MT by FY22. Even so, FY 20 intake will top out at 327 MT, and will grow to 379 MT by FY 22. It is expected that cement production capacity will increase to 550 MT by 2020. Since India has a high quantity and consistency of limestone deposits in the country, the cement industry provides enormous growth opportunities.

CLSA estimates that the Indian cement market is seeing a rise in demand (institutional brokerage and investment group). The key contenders listed by the company are ACC, Dalmia and Ultratech Cement. In the second quarter of FY21, Indian cement firms saw a dramatic turnaround in earnings, as a result of which demand for the sector increased, driven by rural recovery. Though rural markets were recovering, the demand outlook remained strong.

Consumption Volume of Cement in India (in million metric tons)



Source: <https://www.statista.com/statistics/269322/cement-consumption-in-india-since-2004/>

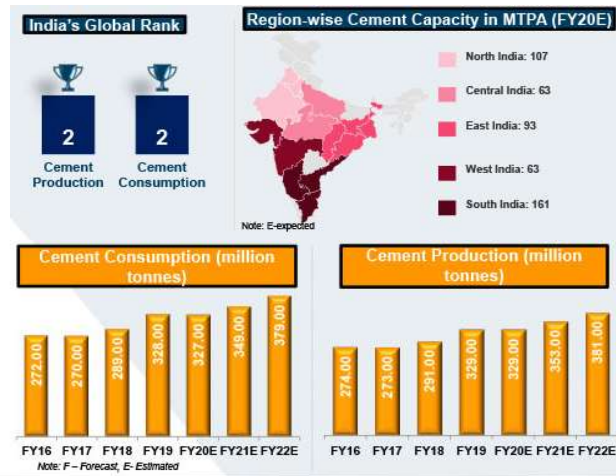
India produced the second-largest volume of cement in the world in 2018. That year, the nation had roughly eight percent of the global installed capacity. At this time, cement usage stood at about 270 million metric tons. The private sector, which has about 98 percent of the overall manufacturing capacity, has dominated the industry. Demand for cement has been expected to grow in the coming years. This meant an improvement in the manufacturing capability installed as well. In 2019, housing and real estate were the main customers of the commodity, accounting for over 60% of domestic demand.

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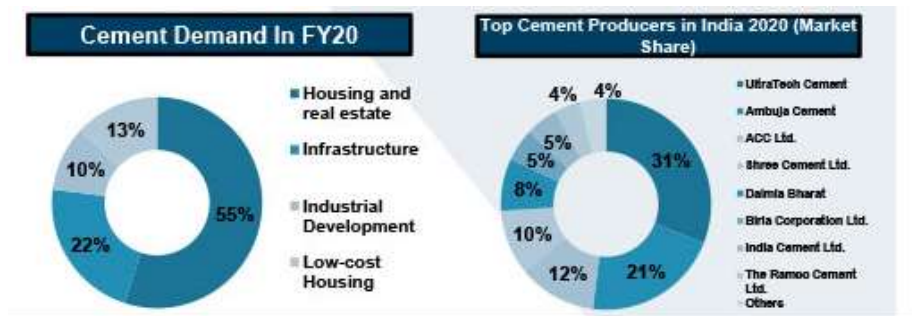
Indian Ranking

As far as the India’s ranking is concern in cement production and consumption, we stand second on both the parameters and expected that by 2030 India would reach to first rank by surpassing china in the race. As far as capacity is concerned south and north India contributing substantially part in production and can be observed in the following diagram too.



Cement Demand Pattern Sector Wise

If statistics are to be believed it is indicated that housing and real estate creates maximum demand for cement in Indian market, huge population and its rising demand is the major reason of having 50% share from this sector followed by infrastructure. Whereas ultra tech and ambuja share are the market leader in the cement production



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Investments

According to the data published by the Department for the Promotion of Industry and Internal Trade (DPIIT), cement and gypsum goods have attracted over \$5.28 billion in FDI over the past two decades.

The following are some of the big investments in the Indian cement industry:

- The firm expected to spend Rs. 5,477 crore (US\$ 776.99 million) to increase its output by 12.8 million tonnes per annum in December 2020. This expansion includes existing approval for the cement plant in Pali in Rajasthan, in addition to 6.7 mtpa of capacity expansion that is ongoing in the four aforementioned states in India.
- In November 2020, Ramco Cements Ltd. bought a small stake in Lynks Logistics, raising its holdings to Rs 2.48 crore (US\$ 335.34 thousand).
- Dalmia Cement has signed a deal with Paytm to digitize its payment processes in November 2020. Dalmia Cement consumers will be able to buy goods from 30,000 Dalmia Cement distributors and dealers based in 22 Indian states and union territories using the Paytm Wallet, UPI, and other cashless payment methods.
- Dalmia Bharat Group made plans to spend approximately US\$ 270.44 million in the setting up of a cement plant in Kalaburgi, Karnataka in October 2020.
- JK Cement is scheduled to spend Rs. 1,700 crore to expand production capacity to 15 million metric tons by the end of 2020.
- The JSW Cement subsidiary Shiva Cement Ltd. aims to spend Rs. 1,503.2 crore (USEC \$203.21 million) in a new 1.36 million ton per annum clinker unit project in Odisha in November 2020.

Government Initiatives

The government has been approving the investment projects of private sector firms in order to help them flourish in the industry. Any of the measures initiated by the Government in the last few months include: The Union Budget has allotted Rs. 139 billion (US\$ 1.93 billion) for the AMRUT and Smart Cities Mission: Urban Rejuvenation Mission and Smart Cities Mission. Building homes for all, coupled with the government's infrastructure drive, the Smart Cities Mission, and Swachh Bharat Abhiyan is expected to fuel cement demand in the region. The planned move is expected to increase demand for cement in the housing sector. As per the Union Budget 2019-20, the government intended to upgrade one and a quarter million kilometers of road length over the next five years. Additionally, the Government of India allocated an additional budget of Rs. 18,000 crore (US\$ 2.43 billion) for the PM Awaas Yojana – Urban, which would be used for the construction of 30 lakh houses (ground support for 12 lakh houses and completion of 18 lakh houses) and possibly result in 78 lakh new employment. Pradhan Mantri Awas Yojana, an allocation of Rs. 27,500 crore (US\$ 3.93 billion) has been allocated in the Union Budget 2020-21.

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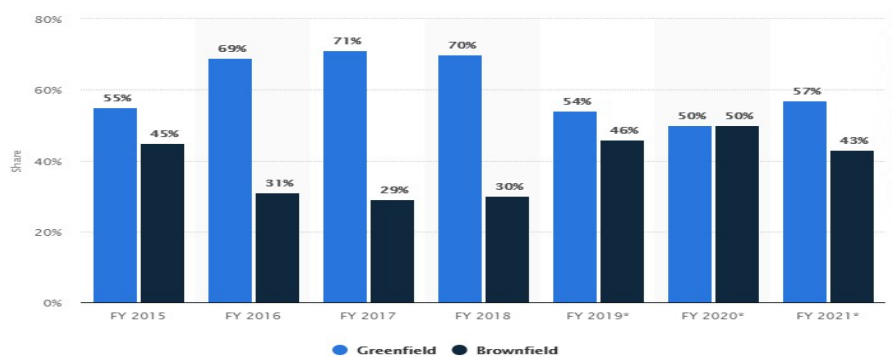
Infrastructure in India

One of the key drivers for the Indian economy was infrastructure. In 2019, this sector had an FDI equity inflow of around 2.26 billion U.S. dollars. With over 90 merger and acquisition deals in 2017, investments in the industry were estimated to continue.

Concrete Future

Prime Minister Narendra Modi launched 'Make in India' in 2014, an effort to build India into a global manufacturing powerhouse. Foreign and domestic businesses were encouraged to make their goods in India through the initiative. Reforms are in place that make 100% FDI in various sectors, and as a result, the growth in infrastructure in India is likely to continue.

Share of expansion in Indian cement industry between FY 2015 and FY 2021,



By the end of fiscal year 2018, the proportion of new cement capacity generated by Greenfield investments in India was approximately 70%. Forecasted share to decrease to 57% by the end of fiscal year 2021. FDI influx amounting to over five billion USD was observed in the Indian cement and gypsum industry between April 2000 and December 2018.

Road Ahead

The states to the east of India have the potential to be younger and under-exploited markets for cement manufacturers, which will improve the viability of the firms in the future. According to projections, India could soon surpass China as the world's largest exporter of clinker and gray cement to emerging nations in the Middle East, Africa, and other regions of the world. Cement plants that are situated near ports, such as those in Gujarat and Visakhapatnam, will enjoy an additional benefit in terms of export and will be well positioned to compete with strong competition from plants in the interior of the country. Cement production capacity in India is estimated to cross 550 MT by 2025. The cement industry is projected to manufacture 550-600 million tonnes of cement per year by 2025 due to the increased demand in various sectors, such as homes, commercial building, and industrial

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construction. It is also expected that there will be a rise in the number of foreign players in the cement sector because of the profit margins and steady demand.

As India is set to play a prominent role in developing the infrastructure that drives prosperity, generating jobs, contributing tax revenues, and attracting foreign direct investment, the Indian cement industry is assured of playing a unique role in building the new India. In the years between 2030 and 2050, comprehensive infrastructure construction built on concrete would be necessary for maintaining the high-level of broad-based GDP growth that India wants to raise the living standards of a population that will have crossed one and a half billion people. As a result, the cement industry will provide much-needed skilled jobs for people in all regions of the world, particularly those far away from major metropolitan areas that currently have little good job opportunities. Investing in a new India would be predicated on sufficient revenue sources. A increasing and prosperous cement industry is crucial to funding a better future for the nation as the third-largest taxpayer. Additionally, as India seeks global capital to step up 'Make in India', the good long-term growth fundamentals of the cement industry would be a major attraction for foreign direct investment due to the need to place cement production near the sources of demand. Finally, a modern India must be developed sustainably if it is to give future generations a better future. Cement manufacturers in India not only generate a high volume of CO₂, but are also at the forefront of energy efficient practices worldwide. As such, India's industry will serve as a beacon for best practices to other sectors as the country aims to fulfill its aggressive climate change targets set out in the Paris Agreement.

Conclusion

With respect to increasingly evolving social and environmental paradigms, the Indian Cement Industry has led the way by using emerging technology, adopting tighter environmental norms, and using excess produce from other sectors. It is by the many characteristics it has that the Cement Industry positions itself at the base and binding power for all development programs, including highways, bridges, homes, and sanitation and water conservation. Promoting sectorial growth is crucial for expanded investments and capacity expansions. Despite having ample potential, the Indian cement industry has failed to recognize this in the recent past owing to sluggish demand and overcapacity, which has reduced sales growth and held a cap on price increases. The inclusion of this along with rising prices has resulted in a decrease in EBTIDA/Ton. Five significant factors have impeded the sector from achieving its full potential to date: a sharp decline in real estate construction; lower industrial investment; bans on sand mining; new government restrictions, including demonetization, RERA, and GST; and increasing input costs. Thus, cement market growth has failed to achieve growth above 4% and industry-wide capacity utilization is just 70%.

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