



PERFORMANCE ANALYSIS OF CEMENT INDUSTRY IN INDIA: AN OVERVIEW

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ABSTRACT

A country's financial growth primarily depends on the availability of natural resources and the process how they are used. Man has learnt how to use all the natural resources to make his life better. Among the resources his discovery of cement helps him to build dams across river for better use of river water for harvesting, shipping, fishing and for domestic purposes. Cement is a kind of substance which sets and hardens independently and it is also a binding agent that can bind other materials jointly. India has a lot of potential for development in the infrastructure and construction sector and the cement sector is expected to largely benefit from it. Some of the recent major government initiatives such as development of 98 smart cities are expected to provide a major boost to the sector. Hence an attempt has been made to study the role of cement industries in India in terms of production, demand and installed capacity Taking this as the focal point the present paper has been undertaken and entitled as "Performance Analysis of Cement Industries in India : An Overview."

KEY WORDS: cement , production, demand, performance, etc...

INTRODUCTION

India being the leading and developing country in Asia after China has been continuously focusing on its fiscal development since long. Our industrial, infrastructures have to be under constant development to par ourselves with neighbours and other world countries to stabilise our status and to cater all sorts of people in India. Modern men need to run faster along with other competitors. A country's financial growth primarily depends on the availability of natural resources and the process how they are used. Man has learnt how to use all the natural resources to make his life better. Among the resources his discovery of cement helps him to build dams across river for better use of river water for harvesting, shipping, fishing and for domestic purposes.

Cement is a kind of substance which sets and hardens independently and it is also a binding agent that can bind other materials jointly. Cement can be regarded as one of the basic materials needed for construction programs of various Infrastructures such as transport, water and power supply, dams, roads as well as housing and industrial plants. Apart from all other products, cement has been a major contributor to the modernization of human civilization. The massive urban infrastructure that we see today across the world would have been far from imagination without cement. Cement is the root

substance that has given the essential element of strength and durability to our houses, schools, offices and other buildings so that we survive in them without any fear. The word "cement" literally means a substance that can bind material together and can acquire strength on hardening. Cement, as we know today, is a specialized building material which is a product of various innovations in the past and is made in sophisticated manufacturing facilities.

In India the construction sector registered an increase of 4.8%, up from 2.5% in 2013-14. The cement sector plays a vital role in the economic growth of the country and in its journey towards inclusive growth. Cement is an essential item for the construction sector and to all infrastructural projects. The construction sector alone contributes to over 7% of the country's GDP. India's cement industry is a vital part of its economy, providing employment to more than a million people, directly or indirectly. Ever since it was deregulated in 1982, the Indian cement industry has attracted huge investments, both from Indian as well as foreign investors.

India has a lot of potential for development in the infrastructure and construction sector and the cement sector is expected to largely benefit from it. Some of the recent major government initiatives such as development of 98 smart cities are expected to provide a major boost to the sector.

Hence an attempt has been made to study the role of cement industries in India. Taking this as the focal point the present paper has been undertaken and entitled as “ Performance Analysis of Cement Industries in India : An Overview.”

OBJECTIVES OF THE STUDY

1. To study the growth and development of cement industry in India.
2. To analysis performance of Indian cement industry in terms of production, demand and installed capacity.
3. To know the major players in Indian cement industry.

REVIEW OF LITERATURE

C.G Burange & shruti yemini (2008) in their article entitled “ Performance of Indian cement Industry using in order to study the growth in main indicators ACGR is computed as per the semi-log method and the kinked exponential growth rates for the two sub-period i.e. 1970-71 to 1988-89 which reflect the control period and 1989 to 2006-07. Representing the decontrolled period and evaluate performance of cement industry while using performance indicators of competitive of the firm in the industry.

N.A. Vishwanathan. In his article he focused on the major cause of subdued cement demand has significantly lowered capacity utilization. And he focused on the coal production in India and there demand which is not able to meet domestic demand because cement sector third largest consumer of coal/fuel.

Dr. P.Krishna Kumar, dr. Franklin John and Ms.S. Senith (2013) In their study they investigate the progress of Indian cement industry since 1991 to 2006 in terms of its growth in installed capacity, production, exports and value additions. specially focused on (CCCL) Chettinadu cement corporation limited at micro level as a case firm. For the purpose of effective periodical analysis. In order to know the progress of ICI, annual time series data for the six variables were studied for trend, cyclical variation trend equations were evaluated for their goodness of fit and predictive power and found valid to draw inferences.

RESEARCH METHODOLOGY

The study purely based on secondary data. The secondary data were collected from various journal, Magazines, books and websites and reports from IBEF (Indian brand equity foundation) and CARE rating ltd.

HISTORY OF INDIAN CEMENT INDUSTRY

Cement is one of the essential industries which play a vital role in the growth and development of a nation. The Indian cement industry is the 2nd largest industry in the world after China. The indigenous Indian cement industry traces its history back to 1914. It was the time when market was dominated by the imports. The First cement factory in India named, South India Limited, was established in 1879 in Madras (now Chennai). It began its production during 1904, but the factory was not so successful. During this period, three new factories came into existence. First successful factory was set up in 1914 by Tata at Porbander in Gujarat. It was known as Indian Cement Company Ltd. Second factory was set up in Rajasthan and third in Madhya Pradesh. By the end of World War I (1918), India was producing 85,000 tonnes cement.

After World War I, the industry made a rapid progress. During 1925, the cement Industry received protection. In 1926, cement producers founded Indian Cement Manufacturers Association to end the competition which was prevailing among them. During the period of 1927, in order to develop production and distribution of cement, Concrete Association of India was set up. Due to the efforts of these organisations, production of cement expanded. In 1930, Cement Marketing Company of India was established. In 1936, with a view to making cement industry well organised and in order to eliminate competition, all companies jointly set-up Associated Cement Company which is popularly known as ACC. Barring one or two factories, management and sale of production of almost all other factories was arranged by this company. In 1938, cement companies of Dalmia group, formed a separate group. In this way, private sector was divided into two groups i.e. ACC Group and Dalmia Jain Group. In 1938, first factory of public sector was established at Bhadravati in Karnataka.

During early 1980s, the process of liberalization was started in the Indian cement industry. Prior to this, the cement industry had been subjected to strict government control with regard to pricing, production and distribution. In 1982, controls were partially deregulated which lead to an enlargement in cement production capacities. During 1989, the industry was further deregulated to allow the market forces to determine the prices and distribution. Due to this liberalized environment, several existing and new enterprises were encouraged to set up large cement capacities during 1990s. By the end of this decade, supplies increased substantially and the earlier existing cement shortage disappeared from the Indian market. However, the intense competition amongst manufacturers was one of the crucial reasons for a fall in prices and it rendered several smaller and less-efficient manufacturers uncompetitive in the new environment. In such an environment, companies want to expand their size so as to gather the benefits of economies of scale experienced by a large company. Since the cost of setting up a new plant is quite high in capital-intensive industries, companies are going for mergers and acquisitions. Currently, this industry is going through a phase of consolidation where larger companies are acquiring capacities to consolidate their market shares through mergers and acquisitions.

In 1947, at the time of partition of the count, there were 18 cement factories in India, producing 14.5 lakh tonnes of cement. Actual growth of cement industry in public sector was commenced from 1965 when the government set-up Cement Corporation of India. This corporation installed 11 factories in different states, viz, M.P., Karnataka, Assam and Himachal Pradesh. The cement industry was delicensed in 1991 and was set free from all types of government control. In 2007-08 cement industry had 140 large cement plants and 365 mini cement plants in India.

The Indian cement industry has evolved significantly during the last two decades, going through all the phases of typical cyclical growth process. The industry went into a consolidation phase after a period of over-supply and a phase of massive capacity additions. Due to the sturdy economic growth and infrastructure development, the demand for cement goes up. Further addition to capacity is coming up to cater to the increasing demand for cements. The per capita consumption of cement in India is 125 kg which is only about a third of the world average. It pointed out the growth potential for this industry. The demand for cement is mainly rely upon

the level of development and the rate of growth of the economy. In the post deregulation era, production of cement rose from 23.5 million tons in 1983 to 44.1 million tons in 1989 and to 142 million tons in 2006.

The Indian cement industry is dominated by a few companies. The top 20 cement companies account for almost

70 per cent of the total cement production of the country. A total of 209 large cement plants together account for 97 per cent of the total installed capacity in the country, with 365 small plants account for the rest. Of these large cement plants, 77 are located in the states of Andhra Pradesh, Rajasthan and Tamil Nadu.

Table.1:Cement Industries in India.

Cement industries	No. of cement plants	Installed capacity	Cement production
Large cement plant	209	400mt	233.15mt
Mini and white cement plants	365	11.7mt	33.66mt

Source: IBEF June 2017

MAJOR PLAYERS IN INDIAN CEMENT INDUSTRIES

Indian cement companies which were described by “Labour and Industrial Chronical” survey of cement industry and directory, 2012, 3rd edition. It states about cement industry capacity per plant and number of plants of each

cement company in India. It gives an idea about the capacity of cement and number of plants of company. Two to three plants expansion may be done further by these top cement players.

Table:2

Major players in Indian cement industries

Sl.no	Group	Installed capacity in (mt)	No. of plants
1.	Ultratech Cement	48.75	22
2.	ACC Cement	30.08	14
3.	Ambuja Cement	27.00	13
4.	Jaiprakash Associates	24.50	14
5.	India Cement Ltd	15.33	09
6.	Madras Cement Ltd	14.44	08
7.	Shree Cement Ltd	13.50	06
8.	Chettinad Cement Corp.	11.50	03
9.	Dalmia Bharat Enterprises	9.00	03
10.	Century Textiles And Industries.	7.80	03
11.	Lafarge India Pvt Ltd	7.75	04
12.	J.K Cement Ltd	7.47	04
13.	Kesoram Industries Ltd	7.25	02

Source: survey of cement industry and directory, 2012, 3rd edition

MARKET OVERVIEW

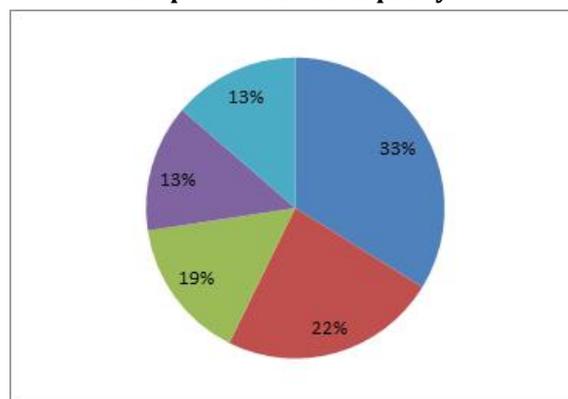
• Cement production regional structure:

India is very vast and this makes cement industry to divide in five regions. North, East, West, South and Central region, so that transport and logging can be easy for cement dealers and consumers. The south region has the highest installed capacity of cement from other regions. One third of total capacity is produced by southern region.

Cement industry in India witnessed robust growth of 14.4% during FY19 after having witnessed revival during FY18 Backed by Government spending on infrastructure. During

the FY18 , Stable Construction activity in residential real estate, increased demand from affordable housing and robust demand from infrastructure segment have ensured cement capacity utilization improve to 70%. Construction activity picked up in the housing segment across western , Eastern and Southern Region. Affordable housing Scheme for rural and urban areas supported demand for cement in the housing segment. Though floods in the southern state of Kerala and Karnataka disrupted demand during the Aug-September months, it is expected to recover in the following months as reconstruction and rehabilitation work picks pace.

Graph 1: Installed Capacity



Source: CARE Rating Ltd.

Northern and Central region witnessed higher activity in the infrastructure segment, especially with elections in 3 states in the region namely Rajasthan, Madhya Pradesh and Chhattisgarh.

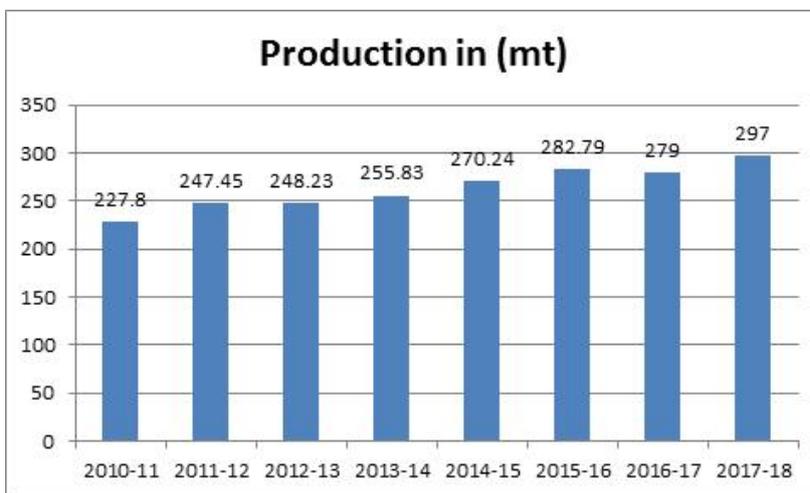
The overall trend of prices witnessed a slight decline for a 50kg bag of cement. Southern market with a 33% share of installed capacity continued to record lowest prices. Eastern

and Northern markets recorded the highest prices, especially states like Punjab, Haryana and West Bengal.

• **Cement Production in India**

Cement industry play a vital role in the socio-economic development of the nation. It is one of the vital components for infrastructural facilities and public welfare construction . The following Graph represent the production of cement industry in India.

Graph :2. Production of cement industry of India



Source: IBEF report July 2018.

The above figure indicates the production of cement in India for the period from 2010-11 to 2017-18. The production of cement was in an increasing trend through out the study period as it was 227.80 Mt in 2010-11 which increased up to

282.79 Mt in 2015-16. and in the year 2016-17 it was decreased from 279.00 Mt while comparing previous year 2015-16. Production of cement slightly increased to 297 Mt in the year 2017-18.

• **Export and import of cement:**

Table.3: Export and import of cement

Cement export from India(US\$ in Million)		Cement import to India(US\$ in Million)	
Year	Cement export	Year	Cement import
2011-12	240.05	2011-12	92.52
2012-13	228.13	2012-13	110.32
2013-14	312.26	2013-14	68.34
2014-15	378.31	2014-15	91.93
2015-16	335.62	2015-16	104.19
2016-17	374.87	2016-17	139.81
2017-18	433.87	2017-18	174.36
2018-19 E	80.20	2018-19 E	28.94

Source: IBEF report July 2018.

The above table indicates that the India’s exports of cement, clinker and asbestos cement increased between FY12-FY18 to reach US\$ 433.87 million. During the same period imports of cement, clinker and asbestos cement increased to US\$ 174.36 million in FY18.

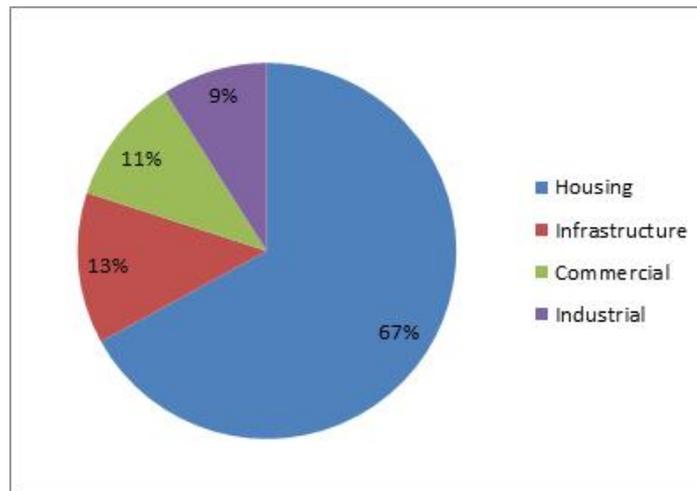
The country’s top export destinations for cement, clinker and asbestos cement in FY18 were Nepal, Sri Lanka, USA, Maldives and UK.

The country’s top five import sources for cement, clinker and asbestos cement in FY18 were Pakistan, Bangladesh, Japan, Vietnam and Thailand.

• **Cement Demand in India: Demand Drivers:**

Cement consumption can be broadly classified into demand from three segments:

- Housing and real estate
- Infrastructure
- Commercial and Industrial development

Graph 3: Cement Demand in India

Source: cement manufacturing association

The above Graph shows that The housing sector is the biggest demand driver of cement, accounting for about 67 per cent of the total consumption in India. The other major consumers of cement include infrastructure at 13 per cent, commercial construction at 11 per cent and industrial construction at 9 per cent. To meet the rise in demand, cement companies are expected to add 56 million tonnes (MT) capacity over the next three years. The cement capacity in India may register a growth of eight per cent by next year end to 395 MT from the current level of 366 MT. It may increase further to 421 MT by the end of 2017.

FINDINGS OF THE STUDY

1. It is found that the total of 209 large cement plants together account for 97% of the total installed capacity in the country with 365 small plants.
2. During the year 2018, stable construction activity in residential real estate, increased demand from affordable housing and robust demand from infrastructure segment have ensured cement capacity utilization improve to 70%.
3. The study reveals the production of cement in India for the period from 2010-11 to 2017-18. The production of cement was in an increasing trend during the study period. i.e. from 227.80Mt to 297.00 Mt during the year 2017-18.
4. It is found that the demand from housing segment especially rural housing , real estate segment witnessed stable activity and there are signs of improvement over FY18 which witnessed disruption due to demonetization and GST. Affordable housing in rural areas continued to boost the same in expected to peak by the end of 2019.
5. Government Backed mega- infrastructure projects such as “ Bharatmala” for road , “Sagarmala” for ports and development of dedicated freight corridors and smart city projects witnessed a surge in activity in terms of award and implementation of new and existing projects respectively. Around 34 infrastructure projects with an outlay of over Rs. 150 crore have been completed in April- August period across major infrastructure sectors.

CONCLUSION

It can be concluded that the performance of the Indian cement industries sustained growth in the housing sector, the government’s emphasis on infrastructure (both at the national and the state level) and increased global demand, the prospect for India’s cement industry is exceedingly promising. The dynamics of Indian cement industry is undergoing a gradual shift. While tracing the growth of the industry in different policy regimes, it became observable that the industry has matured with the help of all indicators of performance, such as size, production, capacity utilization, consumption and exports.

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