

DISCLAIMER

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Cement Industry in India: a snapshot

Cement is an important indicator of economic progress. Globally, India is the 2nd largest market for cement and is also ranked the 2nd leading producer, after China. Government's thrust on infrastructure in the 12th Five Year Plan (2012-17) together with development of building & construction sector accelerated the demand for cement. The Smart City Mission of the central government launched in 2015 planned to invest around INR 980 billion and aims to develop around 100 SMART cities with the following criteria for selection of locations:

Smart city selection criteria	No. of cities identified
One satellite city of each of the cities with a population of 4 million people or more	9
Most of the cities in the population range of 1 – 4 million people	35
All State/UT Capitals, even if they have a population of less than one million	17
Cities of tourist, religious and economic importance not included in above	10
Cities in the 0.2 to 1.0 million population range	25

Source: Government of India

India is bestowed with large reserves of cement grade limestone spread across the country. The ease of availability of critical raw material has encouraged several players to tap the opportunity in the sector. Many international cement majors have also ventured into the Indian market and FDI inflows in the cement and gypsum sector was valued at around INR 290 billion during April '00- December '17. The cement industry has witnessed technological upgradation and modernization efforts over the recent years.

Industry Structure

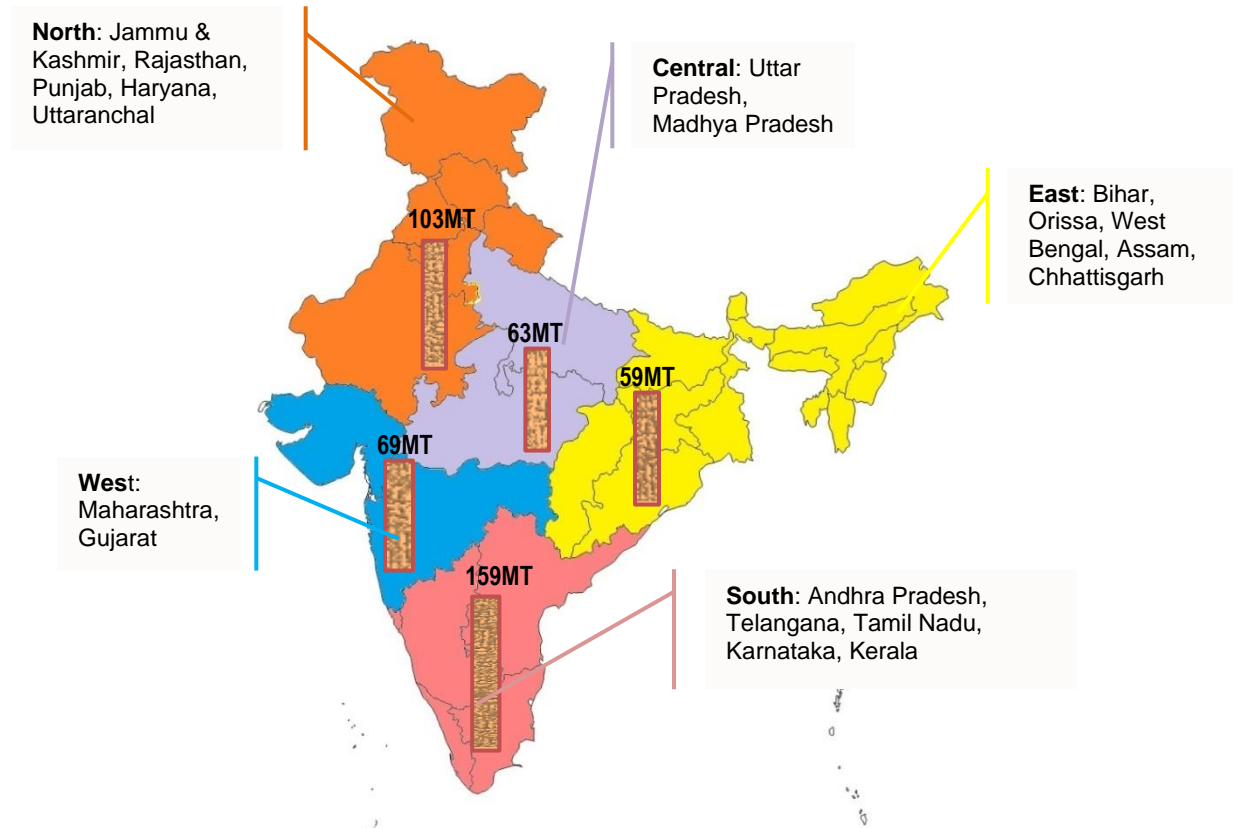
- The cement industry in India is well organized with around 210 large and 350 small plants
- Cement plants are broadly classified as large and small plants based on their capacity
 - Plants with capacity less than 2 million tonnes per annum come under small or mini cement plant category
 - Large plants account for around 97% of the total installed capacity. Around 40% of the large plants are located in Andhra Pradesh, Rajasthan and Tamil Nadu owing to proximity to raw material
 - The sector has a significant presence of private sector accounting for around 98% of the total capacity
- Major cement clusters include - Satna (Madhya Pradesh), Gulbarga (Karnataka), Yerranguntla (Andhra Pradesh), Nalgonda (Andhra Pradesh) & Chandoria (Rajasthan)
- Ordinary portland cement, portland pozzolana cement, white cement, portland blast furnace slag cement are the primary cement types manufactured in India
 - Specialised cements such as rapid hardening portland cement, waterproof cement, clinker cement and oil well cement are also manufactured in the country

Market Overview

- Total installed capacity of the Indian cement industry stood around 453 million tonnes in 2016-17; proximity to raw material and fuel supply determine the location of cement plant leading to marked regional imbalance of cement production in India
 - Southern and northern region together account for more than 57% of the total installed cement capacity in the country
 - Andhra Pradesh has the leading share of installed capacity accounting for around 16% of the country's total installed capacity, followed by Rajasthan (15.5%) and Tamil Nadu (13%)
 - Madhya Pradesh, Gujarat, Maharashtra, Karnataka and Chattisgarh are among the other states accounting for sizeable cement production

Cement Plants: Region-wise break-up by installed capacity, 2016-17

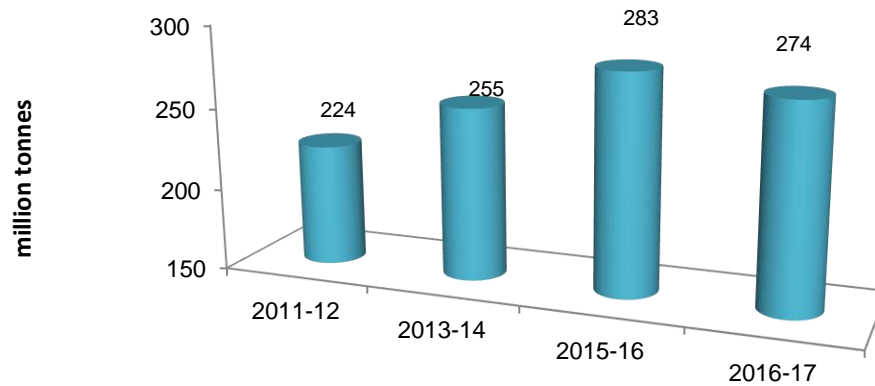
Total: 453 million tonnes



Source: eRPI research

- Southern region accounts for around 35% of the total installed capacity followed by North at around 23%; Central, Western and Eastern regions account for around 13-15% capacity each
- Per capita consumption of cement in India hovers around 210 kg per year.
- Capacity utilization in the cement industry has declined in the recent years as the capacity additions have outpaced demand growth
- Cement production stood at around 274 million tonnes in 2016-17, witnessing a growth rate of 4% annually between 2011-12 and 2016-17

Cement Industry: Trends in Production, 2011-16, million tonnes



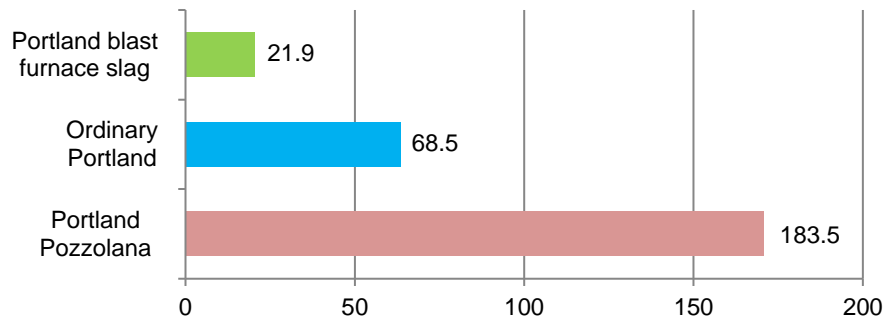
Source: eRPI estimates

	2011-12	2012-13	2013-14	2014-15	2015-16	CAGR (%)
Production (Million tonnes)	224.0	236.4	255.0	283.0	274.0	5.1

Source: eRPI estimates

- Around 67% of the total production comprises Portland Pozzolana cement followed by ordinary Portland Cement at 25%
- Portland blast furnace slag cement accounts for a small share of around 8% of the total cement production in India

Cement production: Break up by segments, %, 2016-17
Total production~ 274 million tonnes



Source: eRPI estimates

- Cement Consumption stood at around 270 million tonnes in 2016-17 and is expected to grow around 6% per annum
- The housing sector is the biggest market for cement industry, 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.
- Blended cement, a mix of ordinary portland cement and additives like fly ash, slag or silica fumes, now accounts for as much as 75% of the overall demand for cement in India
- South India, driven by large scale infrastructure developments such as airports and metro rail, is the leading consumer of cement accounting for around 27- 30% of the total consumption
- Northern and western regions account for around 20% of the overall consumption
- With technological advancements, the cement packaging mix between bulk vs bag is continuously changing
- Large buyers across real estate developers to infrastructure constructions prefer to receive cement in bulkers and are increasing using ready mix concrete for their project requirements
- Cement packaged in 50 kg bags is mainly used across housing construction sector

Key players

- Holcim, UltraTech Cement, Jaypee Group, India Cements, Shree Cements are some of the top players in the Indian cement sector.
- Other noted players include Chettinad Cements, JK Cement, Dalmia Group, Century Cement, JSW Cement, Zuari Cement, Penna Cement, Sagar Cement, etc.

Cement: Key data of select major players, 2016-17 (million tonnes)

	Installed / capacity	Production
Holcim India*	63.1	49.5
UltraTech Cement Ltd.	66.2	47.9
Jaypee Group	32.8	15.1
India Cements	14.0	10.8
Shree Cement	29.3	20.3

*Source: Company Annual Reports
include ACC Ltd and Ambuja Cements

- Cement industry has attracted multinational cement majors who have entered in the Indian market through collaboration with domestic companies and/ or as direct subsidiaries
 - Holcim, Heidelberg, Italcementi, Lafarge and Vicat SA are some of the prominent foreign players in the Indian cement industry
 - Holcim is present via its two subsidiaries ACC Cements and Ambuja Cements, making it the India's largest cement producer
- Lafarge is the market leader in Ready Mix Concrete (RMC) sector. ACC Ltd., Grasim, L&T, India Cements, Priyadarsini Cements, Chettinad Cement and Madras Cements are some of the other noted RMC players

Trends in cement marketing

- Cement is a price sensitive commodity and cement manufacturers are attempting to create differentiation; several “premium” (branded) cement varieties have been launched by the leading manufacturers
- “Premium” cement are blended cement varieties with finer particle size; these are targeted at the retail market (independent home builders & other small builders)
- A few companies position “premium” cement for concreting applications as they offer superior compressive strength
- “Premium” cement varieties are differentiated with superior packaging and intensive advertisement campaigns

Key players: Select premium cement brands

Company	Premium cement brands
Ultratech	Ultratech Premium
ACC	ACC Concrete +, Foundation to Roof, ACC Gold
India Cements	Coromandel Super Power, Sankar Super Power, Raasi Super Power
Madras Cements	RAMCO Super Grade
Century Cement	Birla Gold
Lafarge	Concreto
Birla Cement	Birla A1 Premium Cement

Source: Company websites

Growth drivers and opportunities

Housing

- Forms the major portion of cement demand at around 67 per cent
- Real estate market to increase at 11.6% per annum
- Government initiatives like Housing for all to push demand in the sector.

Infrastructure

- Strong focus of government
- 100 smart cities planned
- Projects like Dedicated Freight Corridors and ports under development.
- Metro rail projects already underway in most major cities
- Development of 500 cities with population of more than 100,000 under new Urban Development Mission

Trade details

- Export of cement stood at around 6.9 Million tonnes in 2016-17 and was valued at INR 20 billion

Trend in Export, 2013-16, INR billion

	2013-14	2014-15	2015-16	2016-17
HS Code 2523	16.0	18.5	16.6	20.0

Source: Ministry of Commerce

HS Code 2523- portland cement almnous cement("cement fondu")slag cement etc and smlr hydric cements w/n clrd/in the form of

- Cement is mainly exported in the form of clinker and noted destinations for cement exports from India include Indonesia, Nepal, UAE and Bangladesh

Way forward

The growth of the Indian economy is set to spur demand in the cement industry. Buoyant demand from residential and commercial real estate as well as high infrastructure spending are expected to propel demand to around 550 MTPA by 2025. The eastern states of India are emerging markets for cement companies and are set to grow well. Export of cement to Middle East and Africa is another potential area for growth with high prospects.