CHAPTER – II

INDUSTRY PROFILE
INDUSTRY PROFILE

2.0 INDIAN CEMENT INDUSTRY

HISTORICAL DEVELOPMENT

Era of Dominant Imports 1914-1924: During this period of 10 years, the total cement consumption was around 2 million tonnes: of which nearly 50 per cent consisted of imports. Beginning with a production of 1000 tonnes in the year 1914, the indigenous production touched nearly a quarter million tonnes in the first decade. In 1924 against the capacity of half a million tonne only 0.26 million tonne was produced. The low capacity utilisation and persistent problem of marketing affected the financial viability of the cement plants to a great extent. Moreover, there was widespread prejudice against the use of indigenous cement. Severe competition among producers resulted in continuous cutting down of prices. Some of the companies went into liquidation. The cement industry was fighting for its very existence.

Era of Struggle and Survival- 1924-1941: During these 18 years, there was a gradual increase in indigenous production and decrease in cement imports. But severe competition amongst producers very nearly threatened the cement industry. Indigenous production went up from 3.661 lakh tonnes in 1925 to 18.30 lakh tonnes in 1941. Imports dwindled from 69,000 tonnes in 1925 to 21,000 tonnes in the pre-war year 1938 and were only a few thousand tonnes in 1941. Imports contributed to less than 7 per cent of total cement consumption during 1924-1942. In 1936, war clouds began gathering over Europe and recession had set in. Industries in India were under considerable strain. The very survival of Indian cement industry was in doubt. Though the Cement Marketing Co. and Concrete Association of India had played their role for the betterment of cement industry it was still far below the expectations of the cement industry. Problems of marketing and pricing still continued to plague the industry. One industrialist F. C. Dinshaw - a man of great vision and foresight - saw considerable potential for a united cement industry. It was at this juncture that F.C. Dinshaw brought together the cement companies belonging to his own group, Tatas, Khataus and Killick Nixon under one banner of Associated Cement Companies Ltd.
Era of Price Controls – Pre-plan- 1942-1951: During 1942-1946 cement production came under the purview of Defence of India Rules for production, price and distribution control. Major portion of cement produced then was earmarked for Defence purposes and only around 10 per cent was released for private consumption. During this period, production was stepped up from 1.8 million tonnes in 1942 to 3.2 million tonnes in 1951. Imports practically dwindled to less than 2.5 per cent of the total consumption. In the next ten years up to 1956 Government of India exercised informal control by fixing prices from time to time.

Era of Planning and Controls-1951-1982: The Five Year Plans were launched from 1951-52: cement was brought under the purview of Cement Control Order of 1956 both for price and distribution. The control on carnet continued till 1982 when partial decontrol policy was announced (cement was decontrolled for a brief period during the two years 1966 and 1967). Meantime there was "Growth" in cement capacity but not at the requisite pace; this resulted in perpetual "Shortage" till 1986.

Era of Partial Decontrol- 1982-1988: In 1977, Government announced 0.12 per cent post tax return on net worth to boost cement capacity: this was followed by Partial Decontrol in 1982. Consequently there was Quantum Jump in capacity and production during 1982-88.

Era of Total Decontrol- March 1989: Cement was totally decontrolled with effect from 1st March 1989. The Industry recorded an exponential growth with the introduction of partial decontrol in 1982 culminating in total decontrol in 1989.

2.1 CURRENT INDUSTRY OVERVIEW
India ranks second in world cement producing countries. While it took 8 decades to reach the 1st 1000 Lakh tonne capacity, the 2nd 1000 Lakh tonne was added in just 10 years. The capacity, which was 29 Million tonne in 1981-82, rose to 2190 Lakh tonne at the end of FY097.
Figure 1: All India Cement Production (Percentage change) vs. All India Cement Capacity Utilization vs. India GDP (Percentage change) (2004-05 base)
Since the demand of cement is seasonal in nature, declines during the monsoon (July-Sept) quarter and increases during Jan-March quarter, figure 1 shows yearly cement production percentage change. As seen in figure 1, lesser increases in all India cement production numbers (Mar-08, Mar-09, and Mar-10) indicate lower demand for cement. While from late 2007 to early 2009, the decrease in percentage increase of cement production numbers can be attributed to the global crisis, due to which commercial and housing real-estate industry saw a decrease in demand (refer to Section 2.2.1 to see impact of real estate on Indian cement industry), the capacity utilization levels also declined to 85% level signalling supply constraints exercised by cement manufacturers. In 2011, the capacity utilization has gone up to 92% which could be on the back of very less increase cement capacities on the back of declining increases in cement demand.

2.2 DEMAND DRIVERS FOR CEMENT IN INDIA

Demand Break-up

by Segments (FY06-FY10)

![Demand Break-up Chart]

Above figure illustrates that residential real estate sector contributed towards 63% of the total domestic cement demand in the country during FY06-10. According to the report of the Technical Group on estimation of housing shortage constituted in the context of formulation of the Eleventh Five-Year Plan, housing shortage is estimated to be around 247.1 lakh units. During the Eleventh Plan period, total housing requirement, including the backlog, is estimated at 265.3 lakh units⁹. During the economic slowdown, demand for commercial real estate dropped sharply leading to sharp correction in lease rentals since the second half of 2008. Lease rentals have corrected in the range of 25-50 per cent
during the first half of 2008. With demand slowing substantially, most of the urban cities are faced with a humongous oversupply of office space. Subdued demand and rentals has impacted the execution adversely in addition to cancellation of many projects. The organised retail real estate industry in India has witnessed a slowdown in the past year after increasing at a CAGR of 28 per cent in 2005-08. The industry is expected to increase at a CAGR of 14 per cent in the short term and 19 per cent over the next 5 years. Going forward, between 2009-10 and 2013-14, hotel industry (part of commercial real estate industry) demand is anticipated to outstrip supply growth. Demand is expected to increase at a CAGR of 15 per cent while room availability is expected to record a CAGR of 9 per cent across premium segment. Investment in infrastructure is projected to grow to Rs. 2056150 crores in the Eleventh Five Year Plan (2007-2012) from an anticipated investment of Rs. 871445 crores in the Tenth Five Year Plan (2002-2007). This represents a compounded annual growth rate of 18.71%. As on January 2011, 373 SEZs had been notified and the Board of Approvals had granted formal approvals to 581 SEZs and in-principle approvals to 154. The industrial sector contributed towards 4% of the total domestic demand for cement in the country. Overall the Indian cement industry is expected to grow comfortably above the GDP growth level and may even register double digit annual growth numbers in the coming years.

2.3 CEMENT INDUSTRY STRUCTURE
The Indian cement industry is weakly oligopolistic in nature on a national level with top 11 to 12 firms among more than 100 firms capturing 70% of the cement market. This nature has been consistent through the years as figure 3 (next page) and figure 4 (on page 11) show number and names of firms with concentration of 70% in terms of the production of cement in March 2006 and March 2011 respectively.
Madras Cements Ltd., Shree Cement Ltd., Binani Cement Ltd., and Kesoram Industries Ltd. The shares, in terms of all India cement production, of these top companies have fluctuated by small amounts in the last six years (since ACC Ltd. and Ambuja Cements Ltd. were taken over by Holcim Group). Ultratech Cement Ltd.’s production share has increased as it parent company, Birla Aditya Group, has stopped cement business in one of its companies, Grasim Industries Ltd., and has used the cement manufacturing plants of Grasim Industries Ltd. under Ultratech Cement Ltd from FY2010 onwards. Notable movers in production percentage in terms of overall Indian market are Shree Cement Ltd., and Kesoram Industries Ltd. Figure 5 on the next page gives a holistic overview of the Indian cement industry using Porter’s five Forces Model.
2.4 CEMENT MARKET DIVISION IN INDIA

The cement industry in India is fragmented into five different regions because of
the following reasons:
- Bulky nature of cement and limestone (a key ingredient in manufacturing cement) makes it very hard to transport over long distances.
- High freight costs involved in transportation of these commodities.

A cement plant is generally located near limestone deposits and cement produced in a particular region is mainly consumed in that region. Over the years the operating costs of Indian cement companies has grown at a CAGR of 7.03% from Rs. 1330 per tonne in FY05 to Rs. 1868 per tonne in FY10. Over the years, the share of freight costs has increased as shown in figure 6 and figure 7.

Figure 6

Operating Costs break-up
FY05

- Freight 26%
- Raw material 22%
- Power 23%
- Fuel 29%

Figure 7

Operating Costs break-up
FY10

- Freight 34%
- Raw material 26%
- Power 16%
- Fuel 24%

Figure 8 below shows the division of cement production and cement market on the map of India.
As shown in Figure 8, there are broadly five regions in India which have mainly independent demand-supply factors and numbers, combined with different industry structure in each region.

2.5 SOUTH ZONE

South Zone has the largest capacity of limestone in India and is the largest producer of cement in India. It has considerably larger number of companies operating than in other zones across India. The top 7 companies in terms of cement production in south zone produced 74% of the total cement produced in south zone 2011, out of a total of 25 companies, which represents an oligopolistic market. Major players are India Cements Ltd., Ultratech Cement Ltd., Madras
Cements Ltd., ACC Ltd., Ambuja Cement Ltd., Kesoram Industries Ltd., Dalmia Bharat Sugar & Inds. Ltd., Chettinad Cement Corp. Ltd., and Penna Cement Inds. Ltd. Over the last 6 years, the top 8 companies have captured around 75%-80% production of cement, with virtually the same names appearing in the top 8; refer to figures 25, 26 and 27. Zonal production data for ACC Ltd. and Ambuja Cements Ltd. is not available 2010 onwards, thus there is shuffling of companies and their cement production percentage. Grasim Industries Ltd. exit from the cement market in 2010 and with its production capacities under Ultratech Cement Ltd. (Grasim Industries Ltd. and Ultratech Cement Ltd. are under the Birla Aditya Group) also contributed to this shuffling, but the market remains oligopolistic nonetheless.
100 representing Mar-2005 numbers. Similarly it shows the price of 50 Kg bag of cement as indexed from a base of 100 with the base 100 representing Mar-2005 numbers. Figure 28 shows capacity utilization in south zone sharply dipping to 76% in Mar-10 after reaching the highs of 94% in Mar-08. With such a low capacity utilization rate in the south, and price level well above 2005, 2006, 2007 level when capacity utilization was up and above 90% for these years, and increasing or slightly decreasing prices in period of large dip in capacity utilization calls for concern and deeper observation of the capacity utilization numbers of individual firms. The above analysis in section 2.3.1 to section 2.3.5 leads us to question the workings of the regional cement markets in India. The competition issues like agreeing to an anti-competitive agreement or presence of a cement cartel cannot be ignored under such workings of regional cement markets in India. In Section 3, the report observes competition issues and looks at detailed analysis of each company in the questionable regional cement markets in India.

2.6 COMPETITION ISSUES IN THE CEMENT INDUSTRY

The Competition Act, 2002 under Chapter II prohibits certain agreements, abuse of dominant position and regulates combinations with the power to lay charges and impose considerable fines on individual(s) and enterprise(s). The analysis of Section 2 as a whole and particularly Section 2.2.2 and Section 2.3 raises questions over the integrity of the cement market(s) in India, especially at the geographical (zonal) level. The cement market in India (as a whole and on regional levels) is highly concentrated with few players controlling the production of cement. Thus under the Competition Act, 2002 this research report thrives to take a deeper look into the cement industry under Section 3, anti-competitive agreements. Under Section 3, subsection (1) of the Competition Act, 2002, “no enterprise or association of enterprises or person or association of persons shall enter into any agreement in respect of production, supply, distribution, storage, acquisition or control of goods or provision of
services, which causes or is likely to cause an appreciable adverse effect on competition within India.” Also, under Section 3, subsection (3) of the Competition Act, 2002, “Any agreement entered into between enterprises or associations of enterprises or persons or association of persons or between any person and enterprise or practice carries on, or decision taken by, any association of enterprises or association of persons, including cartels, engaged in identical or similar-trade of goods or provision of services, which –
(a) directly or indirectly determines purchase or sale prices;
(b) limits or controls production, supply, markets, technical development, investment or provision of services;
(c) shares the market or source of production or provision of services by way of allocation of geographical area of market, or type of goods or services, or number of customers in the market or any other similar way;
(d) directly or indirectly results in bid rigging or collusive bidding, shall be presumed to have an appreciable adverse effect on competition:”

Section 4, “Abuse of dominant position”, and Section 5, “Combination” under the Competition Act, 2002 are not applicable to the cement industry, at-least under the analysis done in Section 2 and Section 3 of this research report, as any regional cement market has at-least three major players, and there have not been noticeable/suspicious combinations lately in the cement industry in India.

Therefore, this research report tries to venture into finding any semblance of collusive behaviour or anti-competitive agreement among the cement manufacturers. Here, we look at certain conditions that are conducive for cartel formation and observe the findings of the cement industry and its players within the framework of those conditions.

2.7 ZUARI CEMENT
Zuari Cement is a part of the Italcementi Group, with an annual production of 68 MnT and 53 cement plants, Italcementi group is the world’s fifth largest cement
producer. Along with the cement plants, Italcementi Group’s industrial network includes 10 grinding centers, 7 terminals, 449 concrete batching units combining the expertise, know-how and cultures of 22 countries across four continents. In 2012 the Group reported consolidated revenues of about 4.5 billion Euros. In India, with its inherent strengths, Italcementi Group’s Zuari Cement is committed to give the building industry cement that is truly international. Italcementi Group is strongly committed to the Indian market and is strengthening its presence through organic and in-organic expansions. In 2011 we have reached an agreement with Zuari Industries for the acquisition of 74% of Gulbarga cement, which is developing a project of 3 million ton per year cement plant in North Karnataka. A large grinding unit is also being erected at Sholapur in Maharashtra.

**Customer satisfaction leading to growth**

Zuari Cement’s steady growth has seen the company emerge as a leader with a capacity of 6.2 million tons. The company has 3 plants, which include 2 manufacturing units at Sitapuram and Yerraguntla, and a grinding center at Chennai. A captive power plant at Sitapuram with a capacity of 43 MW augments the power capabilities of the company. In line with Groups’ global focus on quality and environment, Zuari Cement’s manufacturing units are ISO: 9001 certified and ISO: 14000 Certified, respectively. With over 5% market share in the South Indian cement market and sales of over 249 million Euros in 2012, Zuari cement has chalked out ambitious plans for the future. This includes strengthening its presence in the Maharashtra, Orissa and North East markets. Leading as a “Power Brand” Zuari Cement has been adjudged as a “Power Brand” after a rigorous survey conducted by ICMR among consumers across India based on reach, availability, demand and growth. Earlier in 2011, Zuari cement has also been awarded with “Master Brand” by the CMO council Asia. This is in recognition of the overall branding efforts and positioning levels in the Indian cement/construction sector.

**Leading in Innovation**

Zuari Cement has recently launched Tx-Active®, one of Italcementi top rated products, world renowned as the “pollution eating” & self cleaning cement. The
other innovative products from Italcementi group are i-light® - Transparent cement and i-clime® - thermal cement.

**History-Strong foundations for a company of strength.**

Zuari entered the Cement business in 1994 to operate the Texmaco Cement Plant. In 1995, Texmaco’s Plant at Yerraguntla was taken over by Zuari and a Cement Division was formed. The fledging unit came into its own in the year 2001 when Zuari Industries entered into a Joint Venture with the Italcementi Group, the 5th largest producer of Cement in the world, Zuari Cement Limited was born. Zuari Cement took over Sri Vishnu Cement Limited in 2002. Today, the Company is amongst the topmost cement producers in South India.

**Zuari and Italcementi. The strength of two** Zuari Cement is one of the leading cement producers in South India. A fully owned subsidiary of the Italcementi Group, Commitment to customer satisfaction has seen Zuari Cement grow from a modest 0.5 million tonne capacity in 1995 to almost 6 million tones in 2010, and earned a place among the most reliable cement producers in the country.

**Italcementi Group at a glance**

With an annual production capacity of 68 million tons and 53 cement plants, considering also the company’s consolidated by equity, Italcementi Group is the world’s fifth largest cement producer. Along with the cement plants, Italcementi Group’s industrial network includes 10 grinding centers, 7 terminals, 449 concrete batching units combining the expertise, know-how and cultures of 22 countries across four continents. In 2012 the Group reported consolidated revenues of about 4.5 billion Euro. The Parent Company, Italcementi S.p.A., is one of Italy’s 10 largest industrial companies and is listed on the Italian Stock Exchange.

Italcementi, founded in 1864, achieved important international status with the take-over of Ciments Français.
Following a period of re-organization and integration that culminates in the adoption of a single corporate identity for all Group subsidiaries, the newly-born Italcementi Group began to diversify geographically through a series of acquisitions in emerging countries such as Bulgaria, Morocco, Kazakhstan, Thailand and India, as well as operating in North America. As part of the plan to further enhances its presence in the Mediterranean area, in 2005 the Group boosted its investments in Egypt becoming one of the market leaders. In 2007 it further strengthened its presence in Asia and the Middle East. As a member of the World Business Council for Sustainable Development (WBCSD) Italcementi Group has signed the Cement Sustainability Initiative’s Agenda for Action, the first formal commitment that binds a number of world cement industry leaders. To further confirm its commitment on these issues, the Group has taken over the co-Chairmanship of the Cement Sustainability Initiative for the period 2006-2007. Moreover, Italcementi has adhered to the UN Global Compact, a strategic initiative promoted by the United Nations to align companies operations and plans with universally accepted principles in the areas of human rights, labour, environment and ethics. Through the activities of its advanced Research and Innovation centers in Italy and in France, among which the new i.lab of Bergamo stands out, the Group intends to anticipate market trends and requirements giving priority to environmental issues and the optimization of resources.

**Sustainable Development Initiatives**

Zuari Cement is aware of its social role and promotes socially responsible behavior among all its employees and subsidiaries. We believe that Sustainable Development, as a combination of economic prosperity, environmental protection and social responsibility, is the basis of our own future. As a corporate citizen, Zuari Cement is also acutely aware of its responsibilities towards the near-by communities. As a part of this responsibility and in an effort to strengthen its relationship with the villages around the factory, the Company has undertaken and carried out many initiatives.
Italcementi considers business leadership to be a catalyst for change towards sustainability, in particular by promoting the roles of eco-efficiency, innovation and social responsibility. Italcementi strongly believes in values, such as:

- Responsibility as long term commitment to sustainability
- Integrity as ethical behaviour at the heart of its business
- Efficiency as operational excellence through continuous improvement
- Innovation in product, application and management
- Diversity of local identities as a source of value and focuses its growth strategy on:
  - Renewal and expansion of its existing industrial network
  - Small/medium size acquisitions and partnerships in emerging and high growth markets
  - Vertical integration with ready-mixed concrete and aggregates
  - Development of innovative building products, applications and services
  - Initiatives in renewable energy sector

Safety: Take care, think safe

Zuari follows a comprehensive safety policy which is an integral part of the general company policy. The Safety Policy is given as much importance as productivity, efficiency, quality improvement, environmental issues and other policies developed by the Group. The Safety Policy will be accompanied by appropriate auditing, in order to eliminate dangerous behaviour that is the cause of most industrial accidents. Italcementi Group firmly believes that all accidents can be prevented, and undertakes to apply the best safety standards at workplace. Above all, Italcementi pledges to train people at every level, and to ensure that they are competent to assume the responsibility given, and that their training is suitable. All Italcementi Group employees are responsible for applying the Safety Policy, and must work in a safe manner, so as not to have or cause accidents. The final goal of the Safety Policy is to arrive at **ZERO ACCIDENTS** in the workplace. With the conviction that people are the key element regarding individual safety, all employees, at whatever hierarchical
level, are requested to conduct themselves in such a way as to avoid causing any accidents whatsoever both to themselves and to their colleagues. Italcementi Group undertakes to provide its employees and the appropriate public bodies with the information regarding the results obtained from applying this Policy. Both our major units – Yerraguntla & Sitapuram have won award continuously, a memento from Italcementi Group Safety Department in recognition of the “completion of three year” without lost time injury. (Lost Time Injury-injured person not reported to duty beyond 24 hours of Injury).

**Safety systems in Zuari Cement**

- Implementation of Zero Accident approach
- Conducting safety training programs as per Plan
- Carrying out safety inspections as per plan
- Development of safety culture in employees & contract workers
- Maintain safe working conditions in the plant
- Maintaining Sufficient PPE
- Conducting meetings for safety communication & awareness
- Display safety posters, sketches, slogans
- Analyzing near misses, accidents, first aid etc
- Implementation of Loss prevention audit recommendations
- Implementation of plant emergency system
- Implementation of Work permit systems
- Medical examination of Contract workers for shut down jobs

Implementation of I Safe audit system

**Planting thoughts for tomorrow**

**Leaving a green footprint** As part of its program to develop the green belt surrounding the factories and residential colony, the Company approached the District Administration at Kadapa for providing government vacant / waste land. Accordingly, 29 acres of land in Thummalapalli village were sanctioned.
The Company has planted so far about 3000 bio-diesel saplings. In addition, 72 acres of land were allotted in Peddanapadu village where the Company planted 15,000 bio-diesel saplings. All of this has not only resulted in a greener environment, but has also created a sustainable resource for alternative fuel and provided a livelihood to the villagers.

**Our SD Initiatives: Medical Camp conducted at Dondapadu Village**
As part of our community development programme, a medical camp was organized at the Central Primary School in Dondapadu village by our company medical team on 28th July 2012. Around Ninety Five children were examined in the medical check up camp. Out of them one polio case, two deaf cases and four throat pain cases were identified and few other minor diseases observed in eye, skin related. Our Medical Team has advised the parents to get advanced medical checkup & treatment for few children. A few others were identified with vitamin & nutrition deficiencies. Teaching staff also were examined and need based medicines were supplied for the students & teaching staff. The school authorities and Local community has appreciated our effort.

Environment awareness campaign at Yerraguntla unit
'Caring for the environment is a constant endeavour & commitment’, our Yerraguntla unit re-iterated the spirit of environment consciousness through a special 'Environment Awareness Campaign', which was organized on 17th June 2012 at our colony premises. Mr. Jawahar Reddy, Principal Secretary to Government was the Chief Guest on this occasion. Mr. Mandeo Yadav, Sr. Vice President – Works lead the plantation drive across the colony & club premises. Our chief guest along with the colony residents and children actively participated in the tree plantation and upkeep of surrounding areas of the colony. On the occasion, a 'door to door' cleanup campaign was organized by the school children, ladies and employees. Further, 'Environment Awareness Campaign' quiz and drawing competitions were held for DAV school children. Speaking on the occasion, unit head emphasized on the need to protect the environment, importance of plantation and to develop the greenery. Mr. Gopi Ranganathan, SGM – Operations, Mr. Y. S. Rao, GM – Maintenance and Mr. T. Nageswara Rao, GM – P&A also spoke on the significance of green cover.

**National Science Day Celebrations - Sitapuram Unit**

Science fair was conducted at our colony school at Sitapuram unit ‘Sri Vishnu Vidya Niketan’ on 28th February 2012 on the occasion of National Science Day celebrations. Around 40 science experiments were demonstrated by the 60 students and all the nearby school teachers, general public and 531 students of nearby schools visited this Science exhibition. This event elevated the knowledge of Students of IV to IX class students and all the visitors and local media appreciated the efforts of management. School HM Mr. PJ Thomas and other teaching staff guided and extended their support for students. The event was inaugurated by Mr. N. Sitarama Rao, Sr. VP – Works, other officials and union representatives attended.

**Community Development Program- Sitapuram Unit**

As part of our community development program, a medical camp was organized at Dondapadu village near Sitapuram plant by our company medical team on 23rd February 2012. Total of one hundred and thirty five children were examined
in the medical checkup camp. Out of them, 24 children were identified to be suffering from ENT, eye, thyroid, skin diseases and advised for advanced medical checkup & treatment. A few others were identified with vitamin & nutrition deficiencies. Teaching staff also were examined and need based medicines supplied for the students & teaching staff. The school authorities and local community has appreciated our effort. The local media also covered the event.

**Brand History: Strong foundations for a solid future**

Zuari entered the Cement business in 1984 to operate the Texmaco Cement Plant. In 1995, Texmaco’s Plant at Yerraguntla was taken over by Zuari and a Cement Division was formed. The fledging unit came into its own in the year 2000 when Zuari Industries entered into a Joint Venture with the Italcementi Group and Zuari Cement Limited was born. In 2002, the Company took over Sri Vishnu Cement Limited, a 1.2 Million Tonne capacity plant at Sitapuram. It was in 2006, when the Birla Group exited the cement business that Zuari Cement Limited became a 100% subsidiary of the Italcementi Group. In 2007, Sri Vishnu Cement Limited merged into Zuari and the same year a total production capacity of 3.5 Million Tonnes was achieved.

A commitment to customer satisfaction has seen Zuari Cement grow from a modest 0.5 million tonne capacity in 1995 to 6.0 million tonnes in 2011. In 2010, we have expanded the production capacity at our Yerraguntla plant by installing a second burning line with a designed production capacity of 2.3 million tons of cement per year and adopting top-of-range technical solutions with a particular focus on energy performance. By this the production is almost doubled and a grinding center at Chennai of 1 million ton capacity was commissioned in May 2011. A captive power plant with a capacity of 43 MW has already been set up at the Company's cement manufacturing facility at Sitapuram. Our manufacturing units at Yerraguntla and Sitapuram are ISO Certified units and maintains the highest quality standards in line with the global quality policy With over 5% market share in the south Indian cement market and sales of about Euro 166
In 2010, Zuari Cement has chalked out ambitious plans for the future. This includes strengthening its presence in the Maharashtra, Orissa and West Bengal markets. While technology is just one of its strengths, there are many other factors that contribute equally to Zuari's success. These include a high-level organisation and decentralised quality assurance teams to guarantee the full compliance with the customers' expectations. In 2010, we have expanded the production capacity at our yerraguntla plant by installing a second burning line with a designed production capacity of 2.3 million tons of cement per year and adopting top-of-range technical solutions with a particular focus on energy performance. By this the production is almost doubled and a grinding center at Chennai of 1 million ton capacity is under construction, to be commissioned in early 2011. A captive power plant with a capacity of 43 MW has already been set up at the Company's cement manufacturing facility at Sitapuram.

Zuari cement believes in the creation of brand value with customer satisfaction. The company had invested early in creating a clear communication strategy and now have the unique tag line 'Asli taqat ka champion'. The Award winning commercial made by Zuari Cement with the champion elephant continues to win hearts amongst the customers and specifies. With a superior quality product, transparent policies, committed marketing, sales & technical service team Zuari cement brand have created a 'champion' reputation in all the markets it operates. Today, Zuari Cement is amongst the topmost cement brands in India.

**Research and Innovation**

At Italcementi Group, research is a strategic asset aimed at creating innovation projects that follow up new market trends. Italcementi invests some 13 million Euro a year in Research and Innovation: its innovation rate – i.e. the ratio of revenues generated by innovation projects to total Group sales – is currently 4%, but the medium-to-long term goal is to bring it up to 5%.

Innovation applied to the continued search for sustainable
architectural solutions represents for Italcementi the strategic lever to create its own competitive advantage, whilst contributing to improving the quality of life and the environment. The construction market is increasingly oriented towards advanced construction solutions which are sustainable and of highest levels of quality. In this context, Italcementi aims to become a cutting edge cement manufacturing group capable of transforming a commodity into a technologically advanced product at the service of the building community.

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Innovation in processes and products, but above all in ideas: this is what allows Italcementi to face new markets with new proposals, new services and new eco-sustainable solutions for the construction industry.

Key figures:

- About 170 people, including chemists, geologists and engineers, engaged in Research and Innovation activities in Italy and in France
- An annual budget of approximately 13 million euro destined to Research & Development activities
- About 0.5% of the Group’s turnover invested in Innovation (0.3% in R&D)
- 92 patents filed since 1992
- A corporate organisation strongly -oriented not only towards research but also towards the market
The Group’s growth vision and Research & Innovation strategy for new products and enhanced manufacturing processes hinge on Sustainable Development. A fundamental element to success is the network of scientific cooperation in Italy and abroad that includes research centers, universities, architects, engineers, designers and businesses from the building community. Such shared effort is focused on reducing time to-market in terms of industrialisation and marketing of new products, services and processes. This approach integrates perfectly with the positioning of i.lab at the Kilometro Rosso Scientific Park where multidisciplinary Methodology provides key support to research and development activities.

2.8 ULTRATECH

UltraTech's success is attributed to its diverse product offerings. Different products are handled by different product groups, which are also known as profiles. Product groups decentralise control and encourage innovation. They also ensure better customer segmentation, which in turn leads to better customization of product offerings and guarantees cent percent customer satisfaction. UltraTech Cement, Birla White, UltraTech Concrete, UltraTech Building Products and UltraTech Solutions are the different profiles of UltraTech, each catering to varied needs. This versatility has been a key competitive advantage for UltraTech over the years.

Brand UltraTech

Brand UltraTech enjoys a niche space in the minds of its customers. It represents ‘expertise’, ‘strength’ and ‘modernity’, all interwoven with the help of a strong emotional connects. The company doesn’t just sell a product or a service, it sells solutions. These solutions help people build their lives and sustain them for generations. UltraTech is often known as ‘the expert who cares’. The title, while reinforcing the values that UltraTech stands for, also signifies the strong bond that exists between the brand and its customers, which has been forged over the years.
**Footprints**

UltraTech is the 10th largest cement manufacturer in the world making it a significant global player. It has grinding units, jetties, bulk terminals and integrated plants all across the world. UltraTech Cement is the country's largest cement clinker exporter, catering to export markets in countries across the Indian Ocean, Africa, Europe and the Middle East. Such diverse presence across countries has helped UltraTech leverage economies of scale and enabled it to become a name to reckon with in the international market.

**At the Helm**

Brand UltraTech is led by a dynamic leadership team which consists of individuals who have played a defining role in the growth of the cement industry in India. Some have been a part of the industry since its initial days. Their vast experience has given them unique insights into the customer’s needs. These insights fuel the leadership team’s strategic direction and have enabled UltraTech cement to become India’s largest and the world’s 10th largest manufacturer of cement.

**Milestones**

UltraTech’s journey began almost three decades ago and throughout this journey, the focus has always been on providing customers with the best products and services. The resulting success has only reaffirmed UltraTech’s desire to be a complete end-to-end building solutions provider. Each milestone in this journey is a cherished memory: becoming the largest cement manufacturer in India, winning the ‘SUPERBRAND’ and ‘POWERBRAND’ accolades and being recognised as a truly global organization, are a few that stand out.

**Awards**

While ‘Customer Satisfaction’ is an important indicator used at UltraTech to enhance the company’s performance, its pursuit of excellence has been
acknowledged across multiple performance criteria by experts and contemporaries.

The company has, over the years, won numerous awards across categories such as export, quality, safety among others. While these awards are a great source of pride, yet more importantly, they inspire us to continuously push the very benchmarks of quality a little higher, everyday.

**Logistics**

UltraTech Cement has more than 200 sales offices across the country, which handle a combined load of around 14,000 orders per day. They do so through their efficient logistics department. UltraTech uses the latest technology to ensure that all stakeholders can track the delivery status of their orders in real time. Vehicle-based GPS technology is also being used to increase the efficiency of the fleet.

**Projects**

UltraTech is proud to be associated with some of India's largest infrastructural projects, contributing to them through the supply of its high quality cement, concrete and allied products. Being 'The Engineer's Choice' has made UltraTech the preferred brand for large infrastructural projects of repute that contribute to India's growth story. Realising the criticality and linkage of these projects to nation building, UltraTech has set up dedicated plants at project sites to cater to the projects' concrete and cement requirements, customizing the product as per required quality standards and providing it in real time. Bandra Worli Sea Link, Mumbai Metro, Bangalore Metro and Kolkata Metro are all built on the robustness and high quality standards of UltraTech Cement.

**Sustainability**

UltraTech believes that in order for a business to be successful, it must fulfill its
commitment towards sustainability. In its endeavour to do so, UltraTech's focus has been on sustainable initiatives that address environmental issues, contributing to business performance and its responsibility towards the society.

"As a Group we have always operated and continue to operate our businesses as Trustees with a deep rooted obligation to synergies growth with responsibility."
-Mr. Kumar Mangalam Birla, Chairman, Aditya Birla Group

UltraTech believes in building a sustainable business that is environmentally conscious. The progress of UltraTech’s eco-friendly initiatives is measured through set parameters. In the last few years, there have been many noteworthy achievements. And goals for a greener future have already been seen UltraTech has taken several pro-environment initiatives as part of its sustainability campaign.

These include:

- 19.63 percent of net specific CO$_2$ emissions have been reduced till 2012 in comparison with the base line of 2000
- 2.39 million gigajoules (GJ) of energy has been produced through alternative fuels (excluding pet-coke) during 2010-12
- Waste materials constituted 13.75 percent of the total Raw Materials consumed in 2011-2012
- 8.5 hectares of mining land has been reclaimed in the area near the Jaffrabad plant in Gujarat, along a freshwater lake, by planting many varieties of trees and shrubs
- A 6.51 hectare freshwater lake has been created in the mined-out pits after the extraction of lime stone in Jaffrabad
- An afforestation programme has been initiated on 19.6 hectares of land at the Kovaya plant in Gujarat

**Social Projects**

Mainstreaming CSR into our businesses and delivering societal value has given UltraTech tremendous returns, albeit of a different kind – the turnaround of human lives,
lifting tens of thousands of people out of stark poverty. UltraTech works with numerous rural and tribal communities across India. It has already turned many villages into model villages that are completely self-sufficient.

Towards inclusive growth

In the last two decades, India as a nation has been successful in pulling up a significant number of people from below the poverty line. Unfortunately, we still have a quite a large number of our people living below the poverty line – that is on less that US $ 1.25 a day. This is an ambitious vision for inclusive growth. There is the overwhelming challenge to improve the lives of the poor. However much it hurts, we have to reckon with the fact that we have the largest concentration of the poor in the world. Today, more than ever it is necessary to look into societal issues and it behoves corporates to proactively partner with the government to see that inclusive growth happens. UltraTech Cement is proud to be part of a legacy of the Aditya Birla Group, where caring for the underserved is an unwritten edict that has been followed by generation after generation. UltraTech’s endeavours to bring in inclusive growth are channelized through the Aditya Birla Centre for Community Initiatives and Rural Development, of which, Mrs. Rajashree Birla is the Chairperson. This year the coveted Asian CSR Award was conferred on Vikram Cement for its excellent work in healthcare at their Awards ceremony held in Malaysia. Likewise, the prestigious Golden Peacock Award (India) for CSR was conferred on Birla White.

Above all this year the President of India bestowed the Padma Bhushan Award on Mrs. Birla in recognition of her exemplary social work. She was also the recipient of the Golden Peacock Life Time Achievement Award for Community Development, which she received in Portugal at the hands of the honorable former Prime Minister of Sweden
Mr. Ola Ullsten. The Company's CSR activities are concentrated in 407 villages, in proximity to its 22 Plants, across the country.

**Our Vision**

"To actively contribute to the social and economic development of the communities in which we operate. In so doing, build a better, sustainable way of life for the weaker sections of society and raise the country's Human Development Index."

-Mrs. Rajashree Birla, Chairperson, The Aditya Birla Centre for Community Initiatives and Rural Development

**Our Strategy**

Our projects are carried out under the aegis of the 'Aditya Birla Centre for Community Initiatives and Rural Development', led by Mrs. Rajashree Birla. The centre provides the strategic direction and the thrust areas for our work, while also ensuring performance management. Our focus is on the all-round development of the communities based around our plants, most of which are located in distant rural areas and tribal belts.

**Project identification mechanism:** All projects are planned in a participatory manner, in consultation with the community. The process involves interacting with them and gauging their basic needs. We take recourse to 'participatory rural appraisal', which is a mapping process. Furthermore, based on a consensus and in discussion with the village panchayats, we prioritise requirements. Thus, a project is created. Implementation is the responsibility of the community and our team. And so is the monitoring of milestones and other aspects. Monitoring entails physical verification of the progress and the actual output of the project. Village meetings are held periodically to receive feedback on the benefits of our community programmes and on the areas where these need to be revised. We try to ensure, that even though in the short term we have to put in enormous efforts, eventually, the projects will be made sustainable by the efforts of the beneficiaries themselves. Once the project becomes self-sustaining, complete control is handed over to
the villagers. This transfer of responsibility ensures a culture of independence and self-reliance.

**Model villages:** One of our unique initiatives is to develop model villages. Hence each of our major companies is working towards the total transformation of a number of villages in proximity of their plants. A model village entails ensuring self-reliance in all aspects viz. education, health care, family welfare, infrastructure, agriculture, watershed management and sustainable livelihood options. The fundamental aim is to ensure that their development reaches a stage where the village committees take over complete responsibility and our teams become dispensable. Of the 3,000 villages that we are associated with, we have selected 300 villages that we hope to turn into model villages. Over a period of time, we expect to see a major transformation of these villages. More than 80 villages in the hinterlands have already become model villages. The social situation in many villages has gone from dependence to freedom and from backwardness to progress.

**Achievements**
We have successfully imparted special coaching to numerous girls and helped them clear the Navodaya Admission Test. The positive impact of the Self Help Groups has been acknowledged by the Chief Minister of Rajasthan. The District administration of Chittorgarh has applauded our family planning programmes. We have been awarded numerous awards for best CSR practices by premier agencies like FICCI, TERI and the ASIAN Institute of Management. Despite all this, the most heartening gift is the smile on the face of the villagers. Please click here to see our awards for CSR

**Our Focus Areas**
UltraTech's social projects are designed with the long-term goal of creating sustainability and self-reliance. Hence, the projects focus on factors that will lead to empowerment and capacity building. Though UltraTech operates in five Focus Areas, its major emphasis has been on providing quality education and healthcare facilities. Importance is also given to building infrastructure, as ultimately it is the tool that fuels
growth. The results of these projects will not only benefit their respective communities but also the nation at large.

**Healthcare and family welfare**

Through our medical camps, we reached out to 48,398 villagers for general health check-ups. Those afflicted with serious ailments were taken to your Company's hospitals for treatment. Over 42,000 patients were treated in the Out Patient Department. Additionally, we organized medical camps to treat orthopedic, cardiac, skin and ENT related ailments. We treated 9,749 patients at these camps. At the eye camps organized by us 11,474 patients were under our care. Of these 4,058 patients were operated for cataract and were provided with Intra-ocular lens. Alongside 850 persons were given spectacles for better sight. These eye camps have been conducted at Khor, Sambhupura, Hirmi, Kotputli, Rawan, Arakkonam and Kharia Khangar. At Malkhed, we held cleft lip plastic surgery camps where 25 patients were operated upon. At the medical camp organized for the physically challenged at Hirmi, 50 patients were provided with artificial limbs that enabled them reduce their dependency on others. Additionally, 3,400 people were sensitized on HIV/AIDS at educative programmes held Reddipalyam, Khor, Hirmi, Awarpur, Tadipatri, Jharsuguda, Kovaya, Malkhed and Jafrabad. Sessions on tuberculosis and its related problems held at Hirmi, Awarpur and Jharsuguda were attended by 2,811 persons.

**Mother and Child Health Care:**

Over 1, 62,843 children were immunized against polio and 2,019 children against tuberculosis diphtheria, tetanus and measles. Around 5,000 expectant mothers took advantage of the anti-natal, post-natal, mass immunization, nutrition and escort services for institutional delivery. These form part of our Reproductive and Child Health Care programmes. At sessions on adolescent health care and nutrition awareness over 2,068 girls and mothers were actively engaged. As a result of our intensive motivation drive towards responsible family raising 2,254 villagers opted for planned families. These programmes spanned Awarpur, Hirmi, Jafrabad, Khor, Kharia Khangar, Jharsuguda, Tadipatri, Malkhed, Sambhupura, Rawan and Kovaya.
Safe drinking water and sanitation:

Through our Safe Drinking Water Programmes at Sambhupura, Khor, Malkhed, Reddipalyam, Tadipatri, Hirmi, Awarpur, Kovaya, Ratnagiri, Durgapur and Jafrabad 40,000 people access clean drinking water. More than 1,000 families have benefited from improved sanitation facilities at Malkhed, Reddipalyam, Khor, Sambhupura, Kovaya, Kharia Khangar, Jharsuguda, Tadipatri and Awarpur.

Education

To foster the girl child, our units support the cause of Girl Child education through their engagement with the Kasturba Gandhi Balika Vidhyalayas (KGBV) – residential schools for girls. So far, 532 girls who had dropped out from their schools in the villages were reenrolled in and Kharia Khangar. Uniforms, books and bags have been distributed to 14,546 children in the rural areas. Visual educational aids and lab equipment were given to the schools in Awarpur, Hirmi, Kovaya, Tadipatri, Jharsuguda, Jafrabad, Khor, Rawan, Durgapur, Ratnagiri, Sambhupura, Arakkonam and Magdalla. The school enrollment programmes covering 1,735 beginners at Hirmi, Kovaya, Jharsuguda, Jafrabad and Awarpur have been a great help to students. At our balwadis, 520 children learn the basics of pre-primary education. Our talent search programs and Pratibha Protshahan Samaroha drew 963 students from Reddipalyam, Rawan, Malkhed, Hirmi, Tadipatri, Awarpur and Kovaya. Free coaching classes at Rawan, Kotputli, Hirmi, Tadipatri, Kovaya, Sambhura and Awarpur proved a boon to 1,849 students. We also provided career counseling services to 841 students in Jafrabad, Hirmi, Awarpur and Kovaya. Our computer education programmes attracted 341 participants at Khor, Kharia Khangar, Awarpur and Arakkonam. Our support to sports in schools encouraged 9,107 students to participate in sporting events at Rawan, Tadipatri, Hirmi and Kovaya. At Malkhed, we also began yoga classes which were attended by 2,498 students.
Infrastructure, Watershed Management & Environment

To conserve water for agriculture and domestic uses, 12 ponds and 19 check dams were repaired / built at Jafrabad, Awarpur, Hirmi, Malkhed, Kovaya, Rawan, Khor and Kharia Khangar. Approach roads were built in three villages at Tadipatri and repaired in 12 villages at other locations. At Malkhed, Tadipatri, Khor, Sambhupura, Reddipalyam, Hirmi and Awarpur 12 School buildings were repaired and boundary walls constructed. A Community hall was instituted in Awarpur. A Plantation drive for enlarging the green belt cover has been taken up at Reddipalyam, Sambhupura, Kovaya, Jaffrabad, Awarpur, Khor, Hirmi, Rawan, Jharsuguda, Ratnagiri, Kotputli, Tadipatri and Kharia Khangar.

Sustainable livelihood

At the skill development centres at Hirmi, Sambhupura, Kharia Khangar, Khor, Rawan, Awarpur and Malkhed 1112 youngsters received training in electrical repair, photography, videography, motor driving, food processing, sewing and dressmaking. A training course on basic tailoring was imparted to 2,032 women at, Sambhupura, Malkhed, Arakkonam and rehabilitated at Awarpur through training in tailoring and provision of sewing machines.

To promotes sustainable agriculture, organic farming units have set up by 115 farmers from Ratnagiri and Jaffrabad. At Hirmi, Khor, Sambhupura, Malkhed, Awarpur, Jafrabad, Kovaya, and Ratnagiri 1,770 farmers have been trained in the latest agricultural techniques of grafting, soil health, crop protection and post harvesting techniques. This was done in collaboration with the local
agricultural technology management centres. Exposure visits to Centres of Agricultural Technology were organized for 314 farmer club members of Jafrabad, Hirmi and Kovaya, besides conducting Krishak Khet Pathsala programme. As part of our endeavours towards renewable energy 27 bio-gas units have been set up in Rawan and Khor. We immunized 32,760 animals at animal husbandry and other veterinary camps at all our Units. The Navjeevan Gaushala at Kharia Khangar houses 740 cows and oxen. Additionally, our dairy programme at Reddipalyam and Sambhupura caters to the health of 1,068 farm animals. The integrated fodder management programme at Kovaya and Hirmi supplies abundant nutrition to 2644 milch cattle.

**Self Help Groups and Income Generation:**
Our 293 self help groups empower 3,626 women financially and socially. The Kagina Industrial Trade centre at Malkhed is reckoned as a centre of excellence and self reliance. Up until now the 440 students who have been trained here, have well placed jobs.

**Social Welfare**
Under the mass marriage programme 721 couples at Jafrabad, Kovaya and Khor were married. Our street plays (nukkad natak) espousing the fostering of the girl child, anti-alcoholism and responsible families have been well received by village communities.

**Safety Excellence Journey**
Ensuring the safety of all stakeholders is critical to UltraTech's business philosophy. The company maintains the highest standards of safety at all levels. The reason for the impeccable safety record is that commercial considerations are never allowed to compromise safety. UltraTech Cement has marked occupational safety as its core value and the responsibility towards Safety, Health & Environment (SHE) is driven by the desire to protect people we work with and the society at large. We understand that safety starts at the top and if not, remains on paper. Therefore, there are executive directions on safety from our Business Director. There is also the documented demand for assurance
from the Line function. We value the safety of all stakeholders, business partners and local communities.

**Resources**

India is ranked as the second-largest cement producing country; its cement manufacturers cater to an almost insatiable demand for social and civic infrastructure. As the country’s GDP grows, the cement business is set to grow even more briskly. Cement production is energy intensive. It accounts for about five per cent of global carbon dioxide emissions. The challenge for the cement companies therefore is to balance the growing demand for cement with its environmental implications by developing and championing sustainable solutions for the industry. UltraTech Cement is a pioneer in championing environmental initiatives.

2.9 PENNA CEMENT INDUSTRIES LIMITED

Penna Cement Industries Limited (PCIL) was formed in year 1991 by Mr. P. Prathap Reddy. First plant was commissioned in 1994 at Talaricheruvu village in Tadipatri Mandal of Ananthapuram district of Andhra Pradesh with initial capacity of 0.2 mtpa. Penna Cement Industries Limited is an ISO 9001:2008 Company. Penna is well positioned for continued growth and market dominance because of its vibrant leadership. Under the able leadership of founder promoter, Mr.P.Prathap Reddy, the management has taken significant steps to renew and refresh the core business of cement manufacturing for tomorrow, making the company achieve greater heights.

The month of August 1994 saw the inception of the penna cement factory at talaricheruvu village in the Tadipatri mandal of Ananthapuram district, in close proximity to the cities of Chennai and Bangalore, particularly to the states of Tamilnadu, Karnataka and Kerala. Tadipatri belt is home to the country's richest lime stone reserves. Consequently, the penna cement plant has access" some of the finest quality limestone. This ensures that the cement produced is of "the best" quality. To cater the growing demand we have expanded to 1.7 million tonne per annum by installing vertical roller mill supplied by m/s. Ube, Japan for grinding slag and clinker separately. We have also established one million ton plant at Ganeshpahad village, Damarcherla mandal of Nalgonda district to cater the
coastal and Telangana regions of Andhra Pradesh, and the states of Orissa, Tamilnadu and Chattisgarh. The plant also has close proximity to ports of Kakinada and Visakhapatnam for export of cement. The Ganeshpahad plant is incorporated with latest hi-tech dry process technology with rotary kiln and a latest six stage pre-heater technology with low pressure drop cyclones and a pre-calcinator of the latest design provided by m/s. Onoda, Japan the world leaders in cement production technology promotes superior heat recovery and increased calcinations. Two eight spout 120 tp rotary electronic packers ensure that each bag contains the correct weight. Thus, assuring you consistency, homogeneity and uniformity of our products.

Quality Policy / Processes
Engineering Properties Of Penna Suraksha  Penna Suraksha brings alongs with it several quality benefits. Here's a closer look at some of them.

STRENGTH
As in the case of OPC, concrete of any grade can be designed by using Penna Suraksha. It is seen that the rate of development of initial strength in concrete made with Penna Suraksha for a given water-cement ratio is marginally lower than that obtained with OPC. However, 28 days strength obtained in concrete made with Penna Suraksha is as much as that when made with OPC. In addition, concrete made with Penna Suraksha continues to gain strength upto a period of 1 year and beyond thereby achieving "Higher Ultimate Strength".

RESISTANCE TO CHLORIDE INGRESS
Concrete under humid conditions dry only to a small depth, resulting in higher porosity. These dried out pores suck salt water by capillary action. Subsequently, the water evaporates leaving the salt deposited in the pores, thus building up the chloride ion concentration on the outer zone of 10 mm to 20 mm. The chloride penetration at deeper depths takes place by diffusion process. It is observed that the initial ingress and diffusion rate to deeper sections is substantially low in case of concrete made with Penna Suraksha due to fine pore structure and low permeability.
REDUCTION IN THERMAL TRACKING

Thermal cracking is one of the major problems in mass concrete during its initial hardening. This can be seen especially in such cases where high cement content is specified either to get higher grade of concrete or for durability. The release of Heat of Hydration in Penna Suraksha is relatively lower and delayed as compared to OPC. This attribute greatly reduces the risk of cracking.

Year of Establishment : 1994
Legal Status of Firm : Private Limited Company
Nature of Business : Manufacturer, Exporter
Number of Employees : more than 1000 People
Turnover : More than Rs. 500 Crore (or More than US$ 100 Mn Approx.)
Quality : ISO 9001 certified company.

Contact Us

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