CHAPTER – IV

COMPANY PROFILE

Cement Industries in India

The cement industry is one of the main beneficiaries of the infrastructure boom. With robust demand and adequate supply, the industry has bright future. The Indian Cement Industry with total capacity of 165 million tones is the second largest after China. Cement industry is dominated by 20 companies who account for over 70% of the market. Individually no company accounts for over 12% of the market. The major players like L&T and ACC have been quiet successful in narrowing the gap between demand and supply. Private housing sector is the major consumer of cement (53%) followed by the government infrastructure sector. Similarly northern and southern region consume around 20%-30% cement while the central and western region are consuming only 18%-16%.

India is the 2nd largest cement producer in world after China. Right from laying concrete bricks of economy to waving fly over’s cement industry has shown and shows a great future. The overall outlook for the industry shows significant growth on the back of robust demand from housing construction, Phase-II of NHDP (National Highway Development Project) and other infrastructure development projects. Domestic demand for cement has been increasing at a fast pace in India. Cement consumption in India is forecasted to grow by over 22% by 2009-10 from 2007-08. Among the states, Maharashtra has the highest share in consumption at 12.18%, followed by Uttar Pradesh, In production terms, Andhra Pradesh is leading with 14.72% of total production followed by Rajasthan. Cement production grew at
the rate of 9.1 per cent during 2006-07 over the previous fiscal's total production of 147.8 mt (million tons). Due to rising demand of cement the sales volume of cement companies are also increasing & companies reporting higher production, higher sales and higher profits. The net profit growth rate of cement firms was 85%. Cement industry has contributed around 8% to the economic development of India. Outsiders (foreign players) eyeing India as a major market to invest in the form of either merger or FDI (Foreign Direct Investment). Cement industry has a long way to go as Indian economy is poised to grow because of being on verge of development.

The company continues to emphasize on reduction of costs through enhanced productivity, reduction in energy costs and logistics expenses. The cement sector is expected to witness growth in line with the economic growth because of the strong co-relation with GDP. Future drivers of cement demand growth in India would be the road and housing projects. As per the Working Group report on Cement Industry for the formulation of the 11th Plan, the cement demand is likely to grow at 11.5 per cent per annum during the 11th Plan and cement production and capacity by the end of the 11th Plan are estimated to be 269 million tones and 298 million tones, respectively, with capacity utilization of 90 per cent.

Despite the growth of Indian cement industry India lags behind the per capita production. Supply for cement is expected to remain tight which, in turn, will push up prices of cement by more than 50%. The most important factor for better prices is consolidation of the industry. It has just begun and we will see more consolidation
in the coming years. Other budget measures such as cut in import duty from 12.5 per cent to nil etc. are all intended to cut costs and boost availability of cement.

Sadly the adverse effects of global slowdown have not spared this industry too. Demand is sluggish, the government is keeping an eagle eye on prizes, domestic coal and pet coke, prizes have increased sharply and utilizations rates are down. The numbers coming out are a reflection of grim times. ACC the country’s largest cement company that’s controlled by Swiss giant HOLCIM, registered 2% fall in August sales. It is the biggest fall since Feb 2007. Production fell by 5%.

To stand against the problematic situation, government as well as cement industry has taken some steps. Companies are focusing on cost of transportation. One of the strategy is to decrease dependence on road & opt for sea logistics as that can cut transportation cost by 30- 50 %. Some plants are adopting futuristic plan such as setting up captive power plant, moving closer to the customers by creating clicker, crushing, and capacity in key markets, to be more customer centric to generate better revenue. India should push for stricter regulations of market place as to control the prices of big companies and prevent them from forming cartels and exchanging information. To fight with the high inflation, government wants to import more cement from Pakistan. However cement prizes are not very much high as other items but still they are increasing. And the reason of high prize is surging cost of raw material and transportation cost. Apart from this government also discussed with cement industry not to have increase in prizes and keep consumer interest in mind.
Cement industry in India has also made tremendous strides in technological upgradation and assimilation of latest technology. Presently, 93 per cent of the total capacity in the industry is based on modern and environment-friendly dry process technology. The induction of advanced technology has helped the industry immensely to conserve energy and fuel and to save materials substantially. Indian cement industry has also acquired technical capability to produce different types of cement like Ordinary Portland Cement (OPC), Portland Pozzolana Cement (PPC), Portland Blast Furnace Slag Cement (PBFS), Oil Well Cement, Rapid Hardening Portland Cement, Sulphate Resisting Portland Cement, White Cement etc. Some of the major clusters of cement industry in India are: Satna (Madhya Pradesh), Chandrapur (Maharashtra), Gulbarga (Karnataka), Yerranguntla (Andhra Pradesh), Nalgonda (Andhra Pradesh), Bilaspur (Chattisgarh), and Chandoria (Rajasthan).

**CURRENT SCENARIO**

The Indian cement industry is the second largest producer of quality cement, which meets global standards. The cement industry comprises 130 large cement plants and more than 300 mini cement plants. The industry's capacity at the end of the year reached 188.97 million tons which was 166.73 million tons at the end of the year 2006-07. Cement production during April to March 2007-08 was 168.31 million tons as compared to 155.66 million tons during the same period for the year 2006 - 07. Despatches were 167.67 million tons during April to March 2007-08 whereas 155.26 during the same period. During April-March 2007-08, cement export was 3.65 million tons as compared to 5.89 during the same period.
Cement industry in India is currently going through a consolidation phase. Some examples of consolidation in the Indian cement industry are: Gujarat Ambuja taking a stake of 14 per cent in ACC, and taking over DLF Cements and Modi Cement; ACC taking over IDCOL; India Cement taking over Raasi Cement and Sri Vishnu Cement; and Grasim's acquisition of the cement business of L&T, Indian Rayon's cement division, and Sri Digvijay Cements. Foreign cement companies are also picking up stakes in large Indian cement companies. Swiss cement major Holcim has picked up 14.8 per cent of the promoters' stake in Gujarat Ambuja Cements (GACL). Holcim's acquisition has led to the emergence of two major groups in the Indian cement industry, the Holcim-ACC-Gujarat Ambuja Cements combine and the Aditya Birla group through Grasim Industries and Ultratech Cement. Lafarge, the French cement major has acquired the cement plants of Raymond and Tisco. Italy based Italcementi has acquired a stake in the K.K. Birla promoted Zuari Industries’ cement plant in Andhra Pradesh, and German cement company Heidelberg Cement has entered into an equal joint-venture agreement with S P Lohia Group controlled Indo - Rama Cement.

GRASIM INDUSTRIES LIMITED

Grasim Industries Limited, a flagship company of the Aditya Birla Group, ranks among India's largest private sector companies, with consolidated net revenue of Rs.202 billion and a consolidated net profit of Rs.27.6 billion (FY2010). Starting as a textiles manufacturer in 1948, today Grasim's businesses comprise viscose
staple fibre (VSF), cement, chemicals and textiles. Its core businesses are VSF and cement, which contribute to over 90 per cent of its revenues and operating profits.

The Aditya Birla Group is the world’s largest producer of VSF, commanding a 24 per cent global market share. Grasim, with an aggregate capacity of 333,975 tpa has a global market share of 11 per cent. It is also the second largest producer of caustic soda (which is used in the production of VSF) in India.

In cement, Grasim along with its subsidiary UltraTech Cement Ltd. has a capacity of 49 million tpa and is a leading cement player in India. In July 2004, Grasim acquired a majority stake and management control in UltraTech Cement Limited. One of the largest of its kind in the cement sector, this acquisition catapulted the Aditya Birla Group to the top of the league in India.

The cement business of the Group is being restructured in a phased manner. In the first phase, Grasim's cement business is being demerged into Samruddhi Cement Limited, a subsidiary of Grasim. In the second phase, Samruddhi Cement Limited will amalgamate with UltraTech. Upon completion of restructuring, the cement business will be consolidated in UltraTech, a pure play cement company.

**BUSINESSES**

<table>
<thead>
<tr>
<th>Division</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viscose Staple Fibre (VSF)</td>
<td>333,975 tpa</td>
</tr>
<tr>
<td>Joint venture</td>
<td></td>
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<tr>
<td>Birla Jingwei Fibres Company Limited</td>
<td>30,000 tpa</td>
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<tr>
<td>Rayon grade pulp</td>
<td></td>
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<tr>
<td>Harihar, Karnataka</td>
<td>70,000 tpa</td>
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<tr>
<td>AV Cell Inc</td>
<td>189,000 tpa</td>
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</tr>
<tr>
<td>AV Nackawic Inc</td>
<td>122,500 tpa</td>
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<tr>
<td><strong>Cement</strong></td>
<td></td>
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<tr>
<td>Grey cement (Including UltraTech Ltd's capacity)</td>
<td>48.8 million tpa</td>
</tr>
<tr>
<td>Ready-mix concrete (Including UltraTech Cement Ltd's capacity)</td>
<td>12.1 million cubic metres</td>
</tr>
<tr>
<td>White cement</td>
<td>560,000 tpa</td>
</tr>
<tr>
<td>Chemicals</td>
<td>258,000 tpa</td>
</tr>
<tr>
<td><strong>Textiles</strong></td>
<td></td>
</tr>
<tr>
<td>Yarn</td>
<td>8832 spindles</td>
</tr>
<tr>
<td><strong>Subsidiaries</strong></td>
<td></td>
</tr>
<tr>
<td>Grasim Bhiwani Textiles Ltd.</td>
<td></td>
</tr>
<tr>
<td>Fabric</td>
<td>146 looms</td>
</tr>
<tr>
<td>Yarn</td>
<td>35,808 spindles</td>
</tr>
</tbody>
</table>

**Vision**

To be a premium global conglomerate with a clear focus on each business.

**Mission**

To deliver superior value to our customers, shareholders, employees and society at large.

**Values**

- Integrity
- Commitment
- Passion
- Seamlessness
- Speed
**Grasim Cements**

Grasim ventured into cement production in the mid 1980s, setting up its first cement plant at Jawad in Madhya Pradesh and since then it has grown to become a leading cement player in India.

Grasim’s cement operations today, together with that of UltraTech, span the length and breadth of India, with 11 composite plants, 11 split grinding units, five bulk terminals and 69 ready-mix concrete plants. All the plants are located close to sizeable limestone mines and are fully automated to ensure consistent quality. All units use state-of-the-art equipment and technology and are certified with ISO 9001 for quality systems and ISO 14001 for environment management systems.

Leveraging the strong equity and goodwill of the house mark, the company has a strong national brand UltraTech Cement under the Aditya Birla Group logo. Grasim is also nurturing some regional brands like Vikram Cement and Rajashree Cement. To meet the growing demand for cement, Grasim and UltraTech, have completed capacity expansion, as a result of which the combined cement capacity of Grasim and UltraTech stands augmented from 35 million tpa in March 2008 to 48.8 million tpa in Q4FY10. Further, captive power plants have been set up across units of Grasim and UltraTech. With a combined capacity of around 504 MW power, the power generated from these plants is expected to cater to over 80 per cent of the power requirements of both the companies.

Grasim and UltraTech are leading ready mix concrete (RMC) players in India. RMC business is in a rapid growth phase. With a view to widen their reach,
Grasim and UltraTech have expanded their network of RMC plants in various cities across India, from 23 in FY07 to 69 in H1FY10.

Grasim is also the largest producer of white cement in India, with a capacity of 560,000 tpa as on 30 June 2009. Branded as "Birla White", the white cement division manufactures world-class white cement in a variety of textures and finishes. It has applications in floorings and exterior wall finishes, apart from other innovative uses. The division also manufactures value added products like putty, GRC etc. which are used in wall finishing and various architectural applications.

Grasim is a voluntary member of the Cement Sustainability Initiative (CSI), which is the apex for the cement industry globally to establish common measures, share best practices and exchange data relating to environmental impact.

<table>
<thead>
<tr>
<th>Location of Units</th>
<th>Capacity (as on 30 June 2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grey cement: Grasim Composite plants: Jawad, Rawan, Shambhupura, Malkhed, Reddipalayam, Kotputli</td>
<td>25.7 million tpa</td>
</tr>
<tr>
<td>6.8 million cubic metres</td>
<td>Ready-mix concrete (35 plants)</td>
</tr>
<tr>
<td>UltraTech Cement Ltd. Composite plants: Kovaya, Awarpur, Tadpatri, Hirmi, Jafrabad</td>
<td>23.10 million tpa</td>
</tr>
<tr>
<td>Ready-mix concrete (34 plants)</td>
<td>6.8 million cubic metres</td>
</tr>
<tr>
<td>White cement Kharia, Khangar</td>
<td>560,000 tpa</td>
</tr>
</tbody>
</table>

**Fact File**

- Grasim was incorporated on 25 August 1947, exactly 10 days after India achieved independence.
- Originally a textile manufacturer, Grasim has successfully diversified into VSF, cement and chemicals
• Aditya Birla Group is the world's largest producer of VSF
• The Aditya Birla Group is the ninth-largest cement producer in the world
• Second largest producer of caustic soda in India
• Fourth-largest producer of insulators in the world
• Grasim and Graviera range of fabrics signify the 'power of fashion'

SOCIAL PROJECTS

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

Making a difference Before Corporate Social Responsibility found a place in corporate lexicon, it was already textured into our Group's value systems. As early as the 1940s, our founding father Shri G.D Birla espoused the trusteeship concept of management. Simply stated, this entails that the wealth that one generates and holds is to be held as in a trust for our multiple stakeholders. With regard to CSR, this means investing part of our profits beyond business, for the larger good of society.

While carrying forward this philosophy, his grandson, our legendary leader, Mr. Aditya Birla, weaved in the concept of 'sustainable livelihood', which transcended cheque book philanthropy. In his view, it was unwise to keep on giving endlessly. Instead, he felt that channelising resources to ensure that people have the wherewithal to make both ends meet would be more productive. He would say,
"Give a hungry man fish for a day, he will eat it and the next day, he would be hungry again. Instead if you taught him how to fish, he would be able to feed himself and his family for a lifetime."

Taking these practices forward, the chairman Mr. Kumar Mangalam Birla institutionalised the concept of triple bottom line accountability represented by economic success, environmental responsibility and social commitment. In a holistic way thus, the interests of all the stakeholders have been textured into our Group's fabric.

The footprint of their social work today spans 2,500 villages in India, reaching out to 6 million people annually. Our community work is a way of telling the people among whom we operate that We Care.

Our strategy

The 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 ensuring performance management as well.

Main focus is on the all-round development of the communities around our plants located mostly in distant rural areas and tribal belts. All Group companies - Grasim, Hindalco, Aditya Birla Nuvo and UltraTech have Rural Development Cells which are the implementation bodies.

Projects are planned after a participatory need assessment of the communities around the plants. Each project has a one-year and a three-year rolling plan, with milestones and measurable targets. The objective is to phase out our presence over a
period of time and hand over the reins of further development to the people. This also enables us to widen our reach. Along with internal performance assessment mechanisms, our projects are audited by reputed external agencies, who measure it on qualitative and quantitative parameters, helping us gauge the effectiveness and providing excellent inputs.

Our partners in development are government bodies, district authorities, village panchayats and the end beneficiaries - the villagers. The Government has, in their 5-year plans, special funds earmarked for human development and we recourse to many of these. At the same time, we network and collaborate with like-minded bilateral and unilateral agencies to share ideas, draw from each other's experiences, and ensure that efforts are not duplicated. At another level, this provides a platform for advocacy. Some of the agencies we have collaborated with are UNFPA, SIFSA, CARE India, Habitat for Humanity International, Unicef and the World Bank.

**Our focus areas**

Rural development activities span five key areas and our single-minded goal here is to help build model villages that can stand on their own feet. Our focus areas are healthcare, education, sustainable livelihood, infrastructure and espousing social causes.

- Education
- Balwadis (pre-school)
- Adult education
- Non-formal education
- Continuing education
- Scholarships for girls, merit and technical education

**Health and family welfare**

- Mobile clinics - doctors visit once a week
- Medical camps - general and issue-based
- Health training and awareness
- Sanitation - toilets, training, smokeless chullahs, biogas
- Safe drinking water
- Mother and child health
- Reproductive health
- Awareness building

**Sustainable development, livelihood, agriculture and watershed development**

- Self-help groups
- SGSY - dairy, readymade garments, jute project, basket making, aggarbati making, bee keeping, durrie making
- Check dam
- Irrigation
- Land development
- Soil and water conservation
- Pasture development
- Social forestry/ plantation activities/ nursery
- Horticulture
- Farmer training
Infrastructure development

- Roads and Dams
- Community centres
- Houses
- Culverts
- Electricity
- Health centres and Schools
- Water channels

Social causes

- Widow / dowry-less mass marriages
- Women empowerment
- Awareness drives on knowledge, attitude and practices