HOLCIM (INDIA) PRIVATE LIMITED

Holcim is one of the world’s leading suppliers of cement and aggregates (crushed stone, sand and gravel) as well as ready-mix concrete and asphalt, and has a presence in more than 70 countries.

Global Overview of Holcim

Holcim was founded in 1912 in a Swiss village named Holderbank. As early as the 1920s, Holcim began to invest selectively in Europe before it embarked on a full-scale global expansion. The Group expanded its presence to North and Latin America in the 1950s and 1960s. Subsequently in the 1970s, Holcim started investing in Asia Pacific as well. Cement and aggregates constitute the core business for Holcim. In increasingly mature markets with specific customer needs, the Group also offers ready-mix concrete, concrete goods and asphalt, including associated services. Today, the Group operates in more than 70 countries across all continents and employs a workforce of approximately 90,000. It has 152 cement and grinding plants all over the world with an installed capacity of 197.8 million tonnes (2006).

Holcim’s key objective is the creation of value. The Group attaches great importance to sustainable development at economic, ecological and social levels. By taking this holistic approach, Holcim secures the company’s long-term success.

The basis for this is an exceptional operational performance and a solid return on the capital invested. Holcim’s business strategy is founded on three central pillars: focusing on the core business, geographical diversification and balancing business responsibility between local and global leadership.

Holcim is one of the most active building materials group. The broad geographical basis stabilises earnings prospects by ruling out cyclical fluctuations in individual markets. Its growth strategy mainly concentrates on growing markets, particularly in Latin America, Asia, Africa and the Middle East. Today, three-quarters of Holcim’s cement production capacity is located in emerging markets, where construction growth is the strongest. Holcim’s entry into the Indian market highlights the company’s emphasis on its core values.

<table>
<thead>
<tr>
<th>Company</th>
<th>Mode of presence in India</th>
<th>Year of entry</th>
<th>Key business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holcim (India) Private Limited</td>
<td>Stake in cement companies</td>
<td>2005</td>
<td>Cement</td>
</tr>
</tbody>
</table>
Though Holcim is a multinational, its business has strong local roots and is geared to the conditions and needs of the individual market because that is where value is created. In order to exploit the potential fully, Holcim has standardised all key corporate processes. The key to its success lies in striking a balance between local responsibility and global leadership.

Today, Holcim is world’s largest cement producer with a presence in over 70 countries worldwide. Respect and understanding for different cultures are part and parcel of Holcim’s perception of itself as a company. Top priority is given to the principles of sustainable development in economic, social and environmental terms.

Holcim was named “Leader of the Industry” in the Dow Jones Sustainability Index 2006/07 and thus has thus been acknowledged as the company with the best sustainable performance in the building materials industry for the second year in succession.

**Holcim in India**

The Holcim Group made its debut in India in January 2005, by entering into a strategic alliance with Gujarat Ambuja Cement Limited (GACL). GACL, the third largest player in the Indian cement market, enjoys one of the highest operating margins in the industry. Holcim also acquired 67 per cent stake in Ambuja Cement India Limited (ACIL), the holding company of the Ambuja Group. ACIL holds about 35 per cent and 97 per cent stake in two cement companies - ACC Limited (formerly The Associated Cement Companies Limited) and Ambuja Cement Eastern Limited (ACEL) respectively. Holcim’s total investment was around US$ 780 million. Through this acquisition, Holcim gained access to the second largest cement consuming market in the world as well as access to export markets in the Middle East.

As per the strategic alliance between GACL and Holcim, GACL, which held 33 per cent of ACIL, has the option to sell its shareholding in ACIL to Holcim by end 2007 and Holcim has the option to buy GACL’s shareholding in 2008. In January 2006, Holcim acquired 14.8 per cent stake in GACL to further consolidate its position in the Indian cement industry. Subsequently, it acquired another 3.7 per cent stake in GACL, taking its total shareholding in the company to 18.5 per cent. Its shareholding further increased to 28 per cent, consequent upon ACEL’s merger with GACL. Recently, Holcim acquired additional 11 per cent stake in ACIL taking its total shareholding in the company to 78 per cent.

Holcim’s aggressive acquisition strategy in India has placed it ahead of other multinational companies, which had a presence in India before Holcim entered the Indian market. India has become an important component of Holcim’s global strategy.

**Key Success Factors in India**

With ACC and Gujarat Ambuja, two leading cement companies of India, under its control, Holcim enjoys key advantages as outlined below:

**Largest cement producer**
Holcim through GACL and ACC has a production capacity of approximately 35 million tonnes in India, which is largest in the country. The large size brings the benefits of superior market share, pricing power as well as better negotiating position with stakeholders. GACL as well as ACC have strong market share in the high-growth western and northern regions. In addition, ACC enjoys high-market share in the central and eastern regions of the country, where cement realisations are better.

**Cost advantage**
GACL is one of the lowest cost producers of cement in India and has one of the highest
Future Plans

India being the second largest cement market fits well into Holcim’s global strategy of increasing its presence in high growth emerging markets. Holcim’s future plans for its Indian operations include a mix of capacity expansion, product expansion as well as performance improvement. Holcim has lined up an investment worth US$ 600 million for capacity expansion, which will be by way of de-bottlenecking projects as well as brown-field projects. GACL is setting up grinding units in West Bengal and Uttar Pradesh and is also increasing the clinker capacity of its existing plants, besides setting up new clinker plants. ACC is also expanding the capacity of several of its plants including Lakheri, Bargarh and Wadi.

ACC is the pioneer of India’s growing ready mix concrete industry and has ready mix concrete plants in Mumbai, Bangalore, Kolkata, Delhi, Chennai, Hyderabad and Goa. Holcim also plans to facilitate ready mix concrete units in southern cities of India.

Pan-India presence

ACC is a pan-India player with 14 cement plants located in all parts of the country. Its sales is also distributed across all regions. A pan-India presence mitigates the risk arising out of unfavourable demand-supply scenario in some markets. This is a distinct competitive advantage as ACC is one of the few cement companies in India to have a pan-India presence.

Product mix

ACC’s product portfolio constitutes higher proportion of blended cement when compared with other players in the industry. Blended cement provides higher realisation and thus is a source of competitive advantage.