

CEMENT

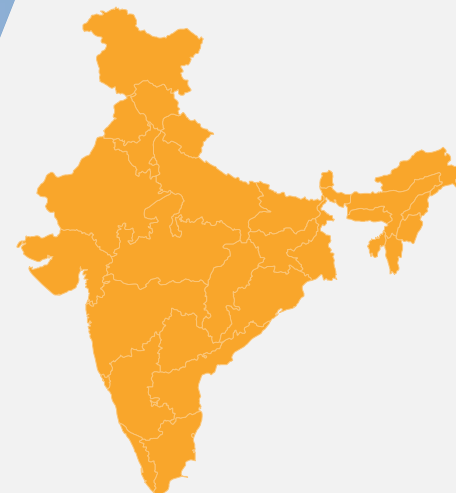
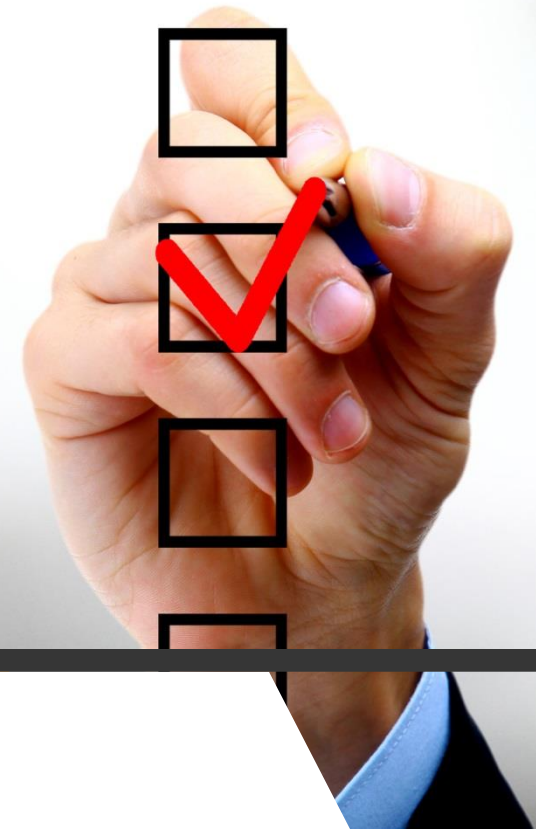
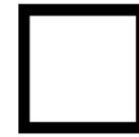


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Second largest cement market

- Cement production capacity stood at 502 million tonnes per year (mtpa) in 2018.
- India's cement production capacity is expected to reach 550 million tonnes by 2025.
- India is the second largest cement producer in the world.

Dominated by private players

- Of the total capacity, 98 per cent lies with the private sector and the rest with public sector.
- The top 20 companies accounting for around 70 per cent of the total production

Higher share of large plants

- 210 large cement plants account for a cumulative installed capacity of over 410 million tonnes, while over 350 mini cement plants have an estimated production capacity of nearly 11.10 million tonnes.

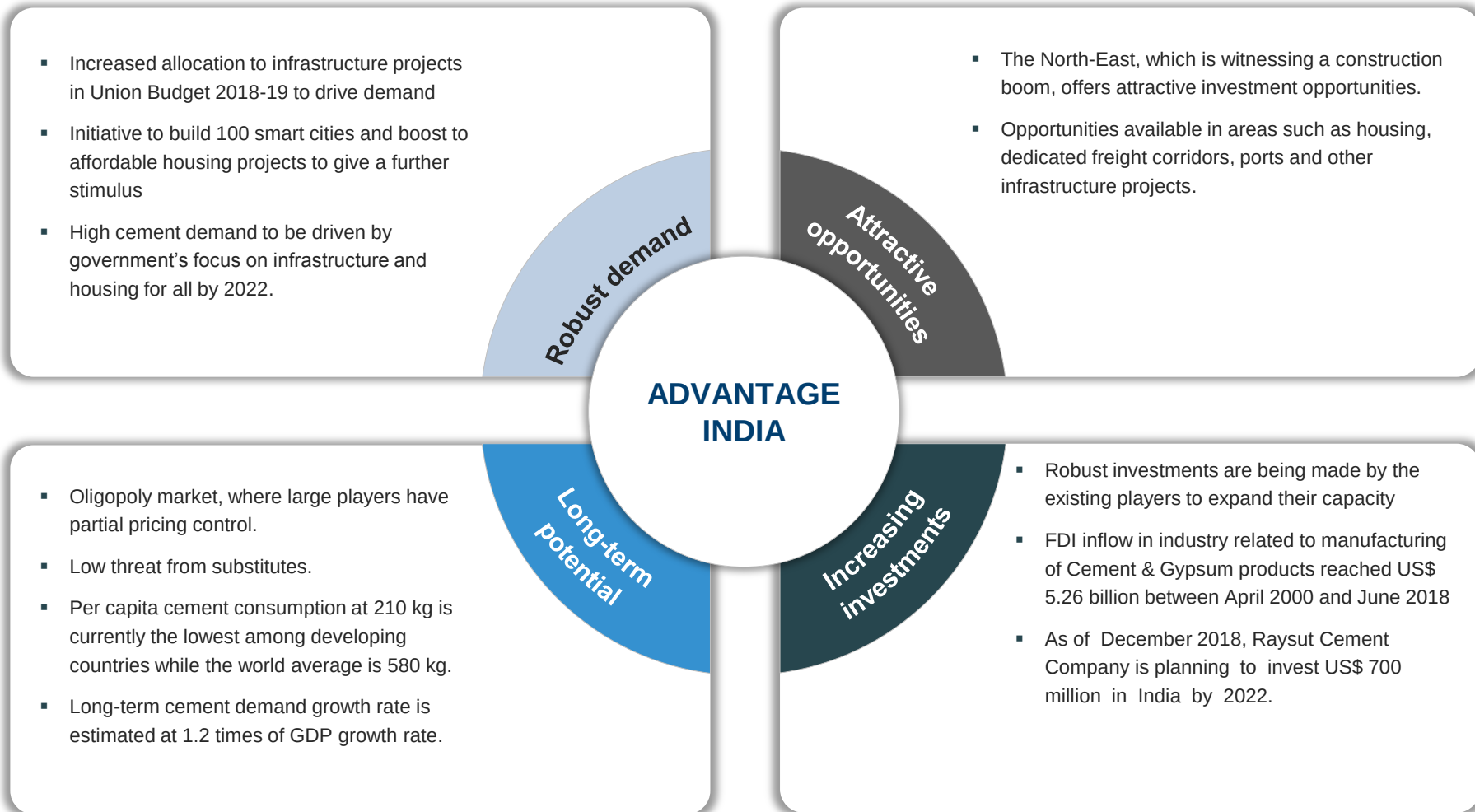
Large concentration in south and west

- Of the total 210 large cement plants in India, 77 are situated in the states of Andhra Pradesh, Rajasthan & Tamil Nadu.

Source: Cement Manufacturers Association, Ministry of External Affairs, DIPP , Heidelberg Cement Investors Presentation November 2018

ADVANTAGE INDIA





Source: Budget 2018-19, News Articles, Aranca Research, DIPP, *Ultratech investors presentation May 2018

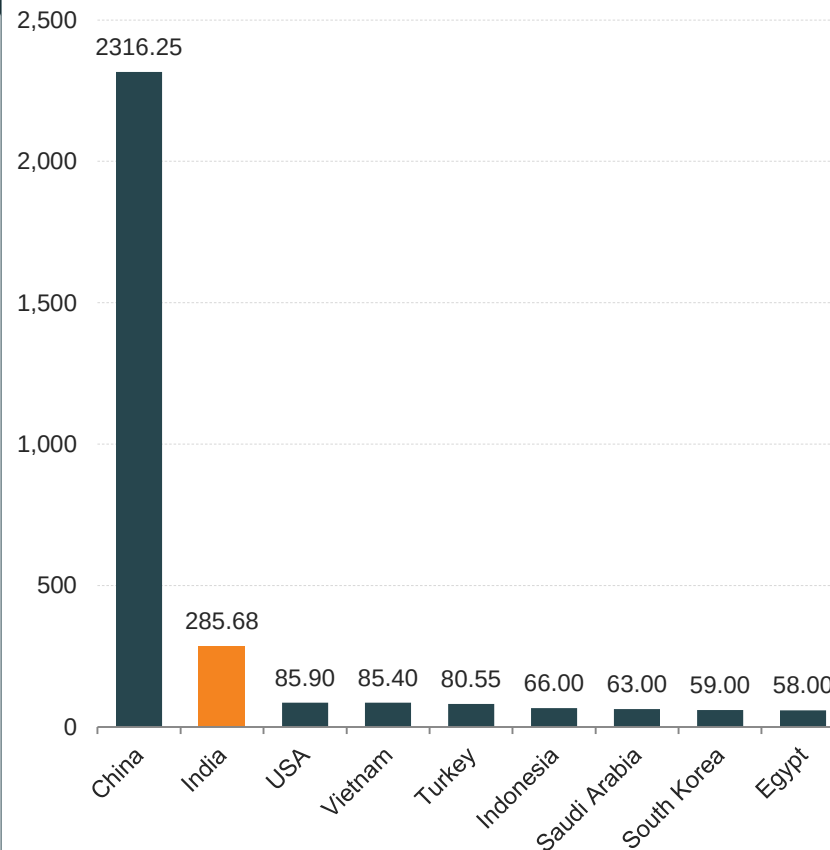
MARKET OVERVIEW AND TRENDS



MARKET OVERVIEW

- India - world's 2nd largest cement market, both in production and consumption.
- Supported by high level of activity going on in real estate and high government spending on smart cities and urban infrastructure.
- Cement production capacity of 502 MTPA as of 2018.
- The outlook for domestic cement sector is stable for October 2018 to March 2019 as overall demand conditions remain steady.

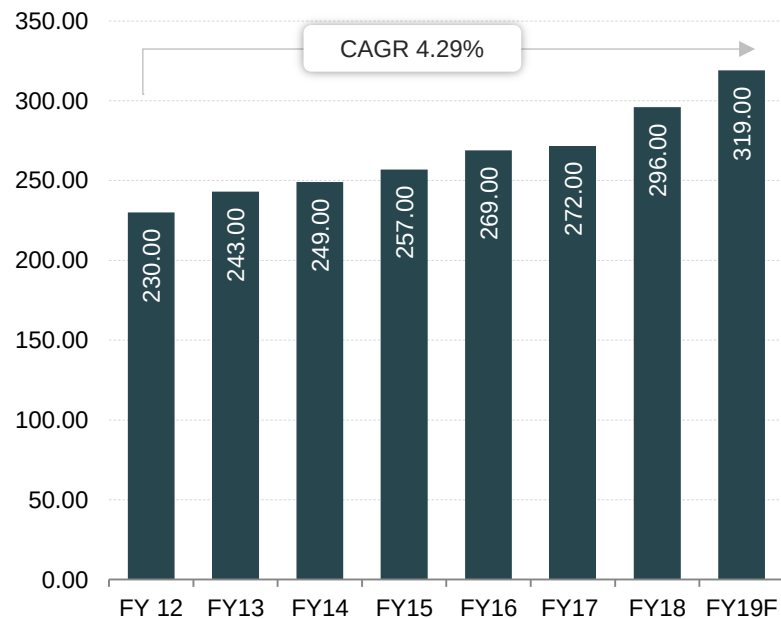
Top Cement Producers in 2017E (in MTPA)



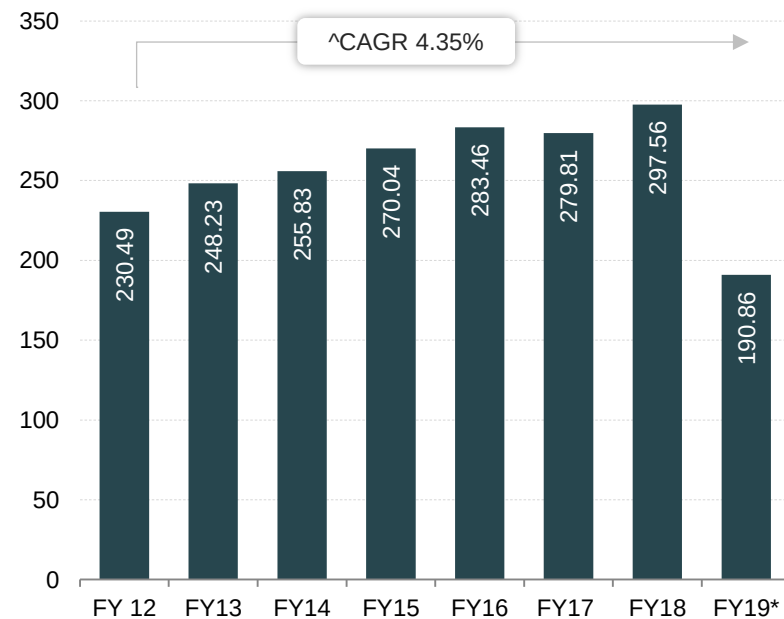
Note: E – Estimate

Source: Cement Manufacturers Association, Cemnet, Office of the Economic Advisor, National Bureau of Statistics of China, USGS Mineral Commodities Summary 2018, Turkey Cement Association, India Ratings and Research (Ind-Ra), Crisil

Cement consumption (million tonnes)



Cement Production in India (million tonnes)



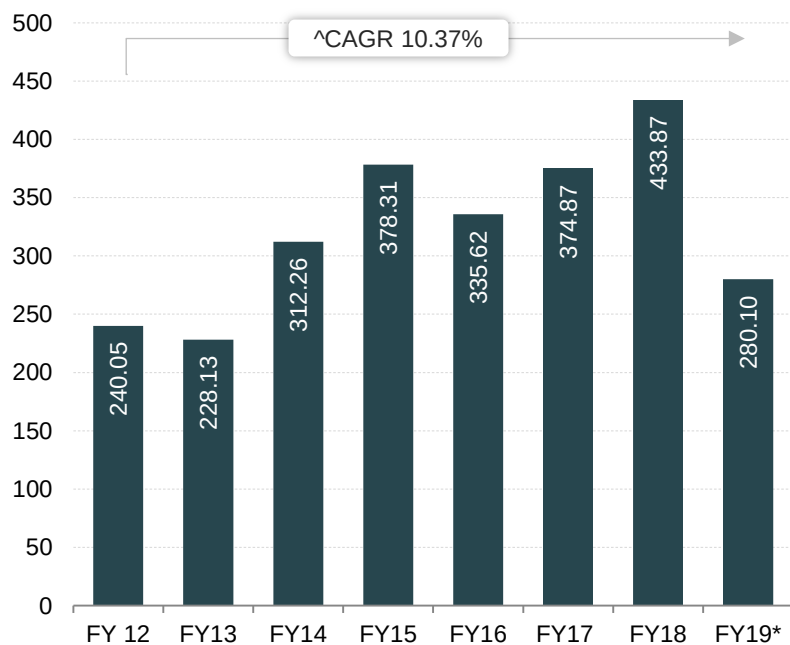
- Industry to grow at 5-6 per cent CAGR between FY17 – FY20.
- Cement production is expected to grow to 316 million tonnes in 2018-19. It reached 190.86 million tonnes between April-October 2018.
- In FY19, cement demand is expected to grow by 7-8 per cent[#].

Note: [#]As per CRISIL, [^]CAGR is up to FY18, F-Forecast, * up to October 2018

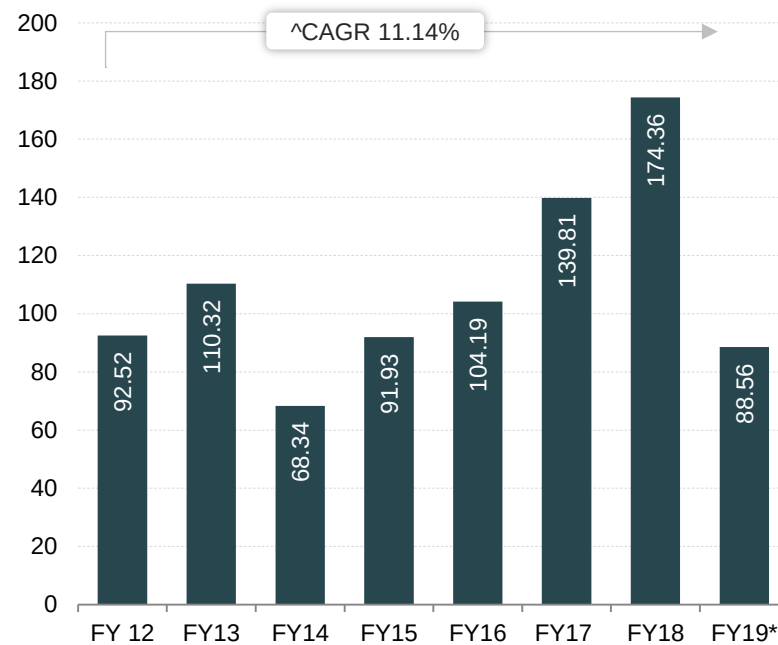
Source: Media sources, Aranca Research, CRISIL, CARE Ratings, Ultratech Cement

EXPORT AND IMPORT OF CEMENT

Cement Exports from India# (US\$ million)



Cement Imports to India# (US\$ million)

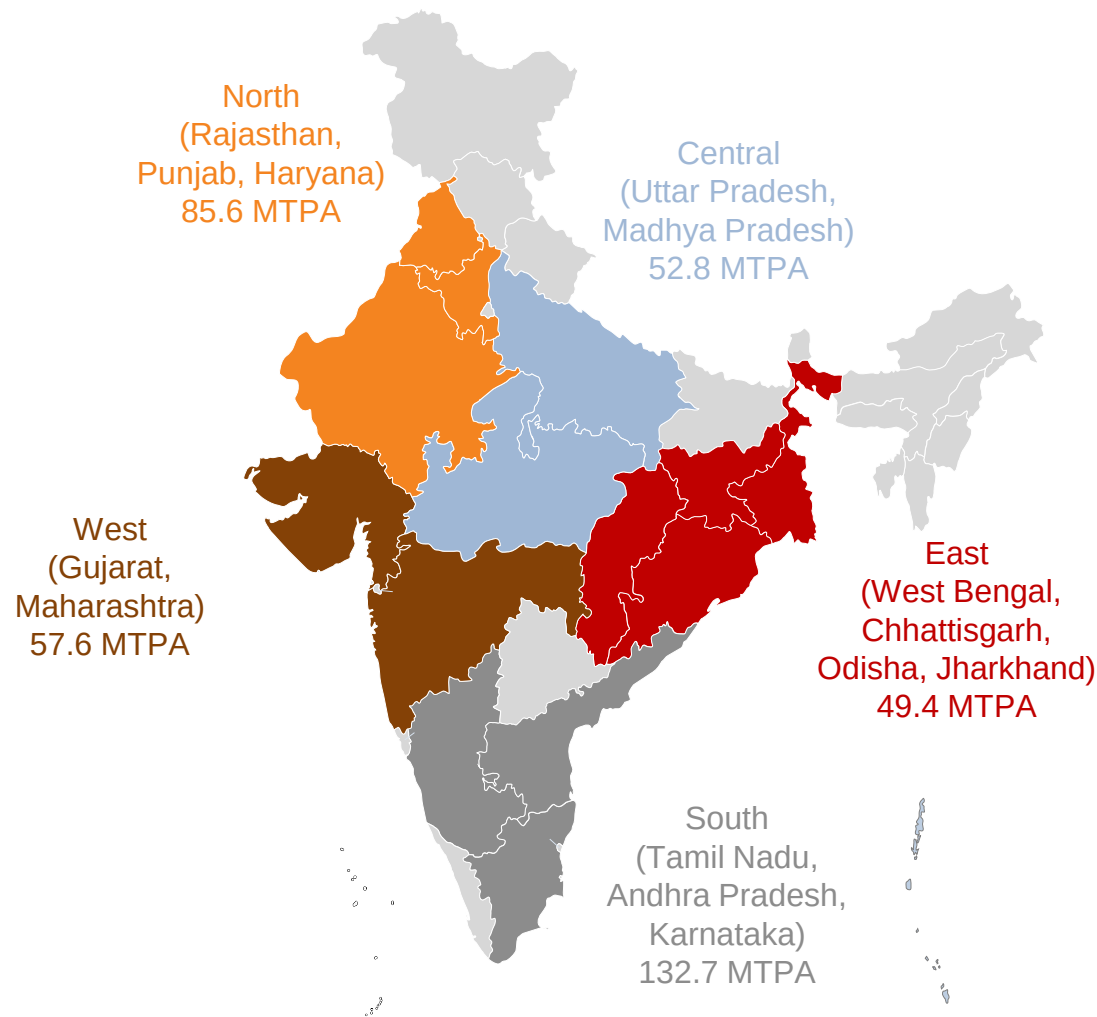


- India's exports of cement, clinker and asbestos cement increased at CAGR of 10.37 per cent between FY12-FY18 to reach US\$ 433.87 million. During the same period imports of cement, clinker and asbestos cement increased at a CAGR of 11.14 per cent to US\$ 174.36 million in FY18.
- Cement# exports and imports reached US\$ 280.10 million and US\$ 88.56 million, respectively between April–October 2018.
- The country's top export destinations for cement, clinker and asbestos cement in FY18 were Nepal, Sri Lanka, USA, Maldives and UK.
- The country's top five import sources for cement, clinker and asbestos cement in FY18 were Pakistan, Bangladesh, Japan, Vietnam and Thailand.

Note: #Including Cement, Clinker and Asbestos Cement, ^CAGR is up to FY18, *up to October 2018

Source: DGCIS

INSTALLED CAPACITY AND KEY MARKETS IN EACH OF THE GEOGRAPHIC REGIONS



Notes: mtpa - Million Tonnes Per Annum, E- Estimates

Source: Indian Minerals Year Book by Indian Bureau of Mines, TechSci Research

STRATEGIES ADOPTED



RECENT STRATEGIES

Increasing presence of cement players

- Presence of small & mid-size cement players across regions is increasing, which helps to diminish market concentration of industry leaders
- A large number of foreign players have also entered the market owing to the profit margins, constant demand & right valuation.

Tie – up with overseas

- India has joined hands with Switzerland to reduce energy consumption & develop newer methods in the country for more efficient cement production, which would help India meet its rising demand for cement in the infrastructure sector

Housing for All

- Under Union Budget 2018-19, allocation for affordable housing has been doubled to US\$ 123.57 million
- Housing and real estate sectors accounts for nearly 65 per cent of the total cement consumption in India.

Adoption of cement instead of Bitumen and Ready Mix Concrete (RMC)

- The Government of India has decided to adopt cement instead of bitumen for the construction of all new road projects on the grounds that cement is more durable & cheaper to maintain than bitumen in the long run.
- Companies are trying to develop a niche market for RMC (Ready Mix Concrete)

Mergers & Acquisitions

- In October 2018, India Cements entered into a share purchase agreement worth Rs 182.89 crore (US\$ 26.06 million) for acquisition of Springway Mining. The acquisition will help the company to enter the Uttar Pradesh market and other markets in North India.
- As of June 2018, ACC is in discussions with Jaiprakash Associates to purchase the latter's 5.5 MTPA cement business for a consideration of Rs 5,200 crore (US\$ 775.66 million).

Source: Union Budget 2018– 19, Union Budget 2017-18, Emkay Global Financial Services, News Articles

SUCCESSFUL USE OF ALTERNATE FUELS IN CEMENT PRODUCTION

Company/Plant	Strategy	Benefits
Madras Cement's Alathiyur plant	Use bioenergy through burning of coffee husk & cashew nut shells	Annual cost savings of US\$ 1.7 million
India Cements Ltd's Dalavoi plant	Use Low Sulphur Heavy Stock (LSHS) sludge as alternate fuel	Annual savings of US\$ 6,500 approx
UltraTech's Gujarat Cement Works	Use tyre chips & rubber dust as alternate fuel	Reduction of about 30,000 tonnes of carbon emissions annually
Lafarge's Arasmata plant	Substitute 10 per cent of coal used in kilns with rice husk	Higher energy savings and lower carbon emissions

Source: CMA

GROWTH DRIVERS AND OPPORTUNITIES



- The demand for cement in India can be attributed to three main sectors viz Housing and Real Estate, Public Infrastructure and Industrial Development. The factors that will lead to increase in demand from these sectors include:

Housing and Real Estate

- Government initiatives like Housing For All to push demand in the sector.
- Real Estate market in India is expected to reach US\$ 1 trillion by 2023 from US\$ 120 billion in 2017.
- Strong growth in rural housing and low-cost housing to amplify demand.

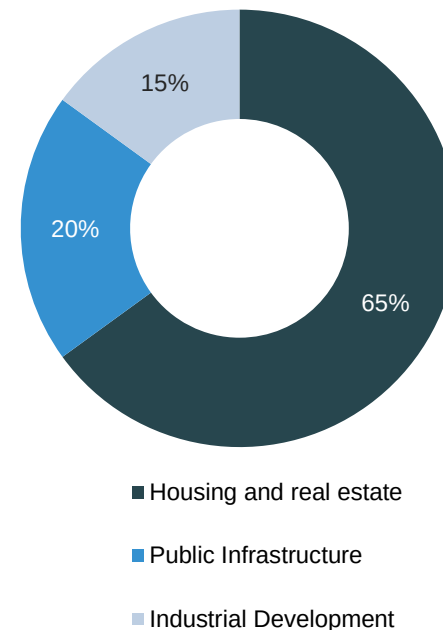
Public Infrastructure

- Strong focus of Government of India
- Projects like Dedicated Freight Corridors and ports under development.
- Metro rail projects already underway in most major cities.
- Government of India's push with Smart Cities Mission and AMRUT.

Industrial Development

- Strong economic growth is expected to lead to growth of the industrial sector and in turn increase in demand in the long run.

Percentage share of cement demand in FY18



Source: Ministry of External Affairs (Investment and Technology Promotion Division), AT Kearney, CARE Ratings, NAREDCO and APREA

Union Budget 2018-19

- The Union Budget has allocated US\$ 92.22 billion for infrastructure development in 2018-19 as compared to US\$ 76.31 billion in 2017-18 (RE). Government's infrastructure push combined with housing for all, Smart Cities Mission and Swachh Bharat Abhiyan is going to boost cement demand in the country.

Affordable Housing Fund

- In Budget 2018-19, Government of India announced setting up of an Affordable Housing Fund of Rs 25,000 crore (US\$ 3.86 billion) under the National Housing Bank (NHB) which will be utilised for easing credit to homebuyers. The move is expected to boost the demand of cement from the housing segment.

Pradhan Mantri Awaas Yojana - Gramin scheme

- An outlay of Rs 33,000 crore (US\$ 5.097 billion) has been proposed for building 4.9 million houses under Pradhan Mantri Awas Yojana – Gramin in Union Budget 2018-19.

Auction of limestone block

- As of October 2018, the Government of India has auctioned 23 limestone blocks and 42 more limestone blocks are expected to be auctioned by March 2019.

Note: RE – Revised Estimate
Source: Aranca Research. News Articles

Emami Cement

- The company is aiming to increase its production capacity to 6 MTPA by 2018-19 and market share to 10 per cent by 2019.
- In October 2018, the company files draft papers for a US\$ 135 million Initial Public Offer (IPO).
- The company is setting up its Kalinganagar manufacturing plant and expects operations to start by April 2019. It also acquired the Bhabua manufacturing plant in September 2018.

Shree Cement

- The company has undertaken two greenfield projects in West Bengal and Odisha to increase its presence in eastern India. These projects will attract an investment of US\$ 78 million and will be commissioned by late 2018.

Ambuja Cement

- As of March 2018, the company is going to invest Rs 1,391 crore (US\$ 214.86 million) for setting up a 1.7 MTPA greenfield clinker plant in Rajasthan which is expected to be operational by second half of 2020. A majority of land is already in possession of the company and the rest is in advanced stages of acquisition.

Ultratech Cement

- During 2017-18, Ultratech commissioned a greenfield clinker plant with a capacity of 2.5 MTPA and a cement grinding facility with 1.75 MTPA capacity in Dhar, Madhya Pradesh. The company is expecting to complete a 1.75 MTPA cement grinding facility and a 13 MW waste heat recovery system by September 2018 at the same location.
- The company is planning to build a US\$ 287 million plant in Rajasthan. The plant will have a capacity of 3.5 million tonnes per annum and is expected to commence operations by June 2020.
- The company has received approval for a US\$ 9.04 million opencast limestone mine project in Gujarat. The project has a capacity of 2.07 MTPA* of limestone which will be used to support a proposed cement plant in Bhavnagar district.

Note: *MTPA – Million Tonnes Per Annum

Source: Aranca Research, News Articles

Ramco Cements

- The company will invest Rs 15 billion (US\$ 213.74 million) to set up a 3.15 MTPA green field cement plant in Andhra Pradesh. With this investment, the company will become the largest cement manufacturer in Andhra Pradesh.

ACC

- ACC will upgrade and expand its Jamul unit in Chattisgarh & its grinding unit in Jharkhand. This will increase ACC's capacity to 38 MTPA from 30 MTPA in a phased manner by 2016 & 55 MTPA in 2020.
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Heidelberg Cement

- Heidelberg Cement, a Germany-based cement manufacturer has commissioned Phase-I of its Jhansi grinding unit.
- The company has undertaken an investment worth US\$ 259.4 million for expanding its capacity to 2.9 MT.

Dalmia Cement

- As of November 2018, the company plans to invest Rs 25 billion (US\$ 356.23 million) to set up manufacturing plants in Rajgangpur and Cuttack in Odisha.
- It is the preferred bidder for one block of Limestone (Kesla II) in Raipur, with reserves of 215 million tonnes. The deal is expected to generate cumulative revenues worth US\$ 1.76 billion for the state government.

JK Cement

- JK Cement is planning to invest Rs 1,500 crore (US\$ 231.7 million) over the next 3 to 4 years (from September 2017) to increase its production capacity at its Mangrol plant from 10.5 MTPA to 14 MTPA.
- The company is aiming to further increase its production capacity to reach 18 MTPA by 2022.

Source: Aranca Research, News Articles

KEY INDUSTRY ORGANISATIONS



Cement Manufacturers' Association (CMA)

CMA Tower, A-2E, Sector 24 NOIDA – 201 301
Uttar Pradesh, India
Phone: 91-120-2411955, 2411957, 2411958
Fax: 91-120-2411956
E-mail: cmand@vsnl.com
Website: www.cmaindia.org/index.html

Indian Concrete Institute

Ocean Crest 79, Third Main Road, Gandhi Nagar, Adyar, Chennai – 600 020
Phone: 91-44-24912602
Fax: 91-44-24455148
E-mail: ici3@vsnl.in, ici4@airtelmail.in, vj6314@gmail.com
Website: www.indianconcreteinstitute.org

National Council for Cement and Building Materials

34th Milestone, Delhi-Mathura Road, Ballabgarh – 121 004 Haryana, India
Phone: 91-129-2242051/52/53/54/55/56; 4192222
Fax: 91-129-2242100; 2246175
E-mail: nccbm@vsnl.com; info@ncbindia.com

USEFUL INFORMATION



- CMA: Cement Manufacturers' Association
- GDP: Gross Domestic Product
- Gol: Government of India
- Rs: Indian Rupee
- MTPA: Million Tonnes Per Annum
- NE India: North-East India
- FY: Indian Financial Year (April to March)
- (FY10 implies April 2009 to March 2010)
- US\$: US Dollar
- Wherever applicable, numbers have been rounded off to the nearest whole number

EXCHANGE RATES

Exchange Rates (Fiscal Year)

Year	INR Equivalent of one US\$
2004–05	44.95
2005–06	44.28
2006–07	45.29
2007–08	40.24
2008–09	45.91
2009–10	47.42
2010–11	45.58
2011–12	47.95
2012–13	54.45
2013–14	60.50
2014-15	61.15
2015-16	65.46
2016-17	67.09
2017-18	64.45
Q1 2018-19	67.04
Q2 2018-19	70.18

Exchange Rates (Calendar Year)

Year	INR Equivalent of one US\$
2005	44.11
2006	45.33
2007	41.29
2008	43.42
2009	48.35
2010	45.74
2011	46.67
2012	53.49
2013	58.63
2014	61.03
2015	64.15
2016	67.21
2017	65.12

Source: Reserve Bank of India, Average for the year

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