

Indian Cement Industry

Evolution of Indian Cement Industry

Nascent state

- Initial thrust provided by **World War I**
- Before that market was dominated by imports
- Capacity of 10,000 tons in 1914 increased to 0.26 MnT in 1924 and further increased to 1.8 MnT in 1942

Organized state

- **Indian Cement Manufacturers' Association (ICMA)** was set up in 1925 to end the price wars between producers
- In 1927, **Concrete Association of India** was established to propagate cement consumption.
- Great Depression in US and run-up to the Second World War in Europe affected Indian cement industry
- To combat continued price wars, **Associated Cement Companies (ACC) was formed from 11 competing firms in 1936.**

Regulated regime

- **1945-1956:** The government regulated prices directly.
- **1956-1969:** Price and Distribution control system was introduced. Despite no control from the Govt. the industry did not experience growth.
- 1969-1982 – Came under strict government control
- **1982-1988: Partial decontrol took place. Quota system was introduced**

De-licenced in 1991

- Led to accelerated growth for the industry and availability of state of the art technology for modernization

Some Unknown Facts

Indispensable

- Concrete is the **second most consumed material** after water
- Nearly 3 tons used annually for each person

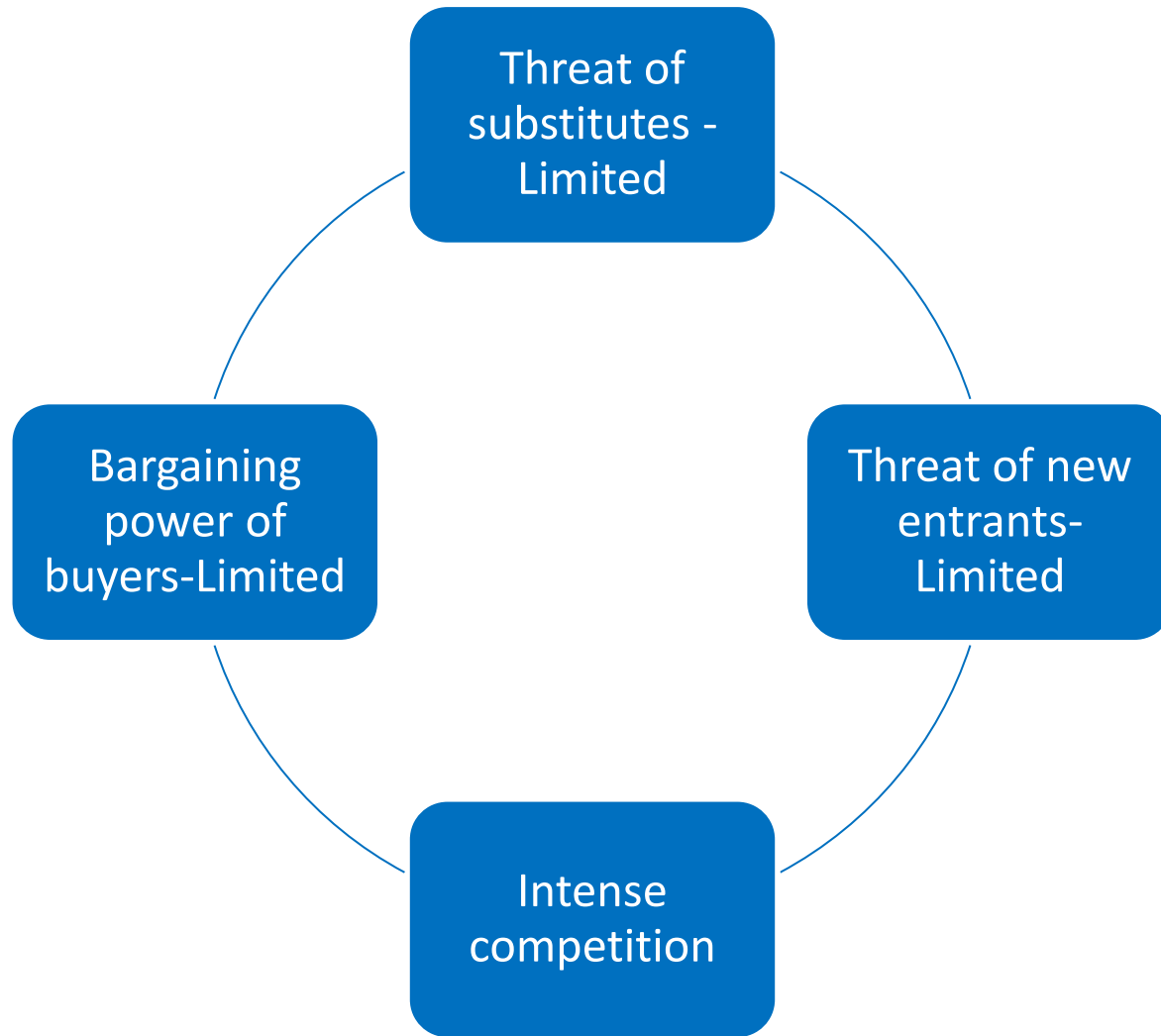
Highly energy intensive

- Second highest share in fuel consumption (**15.60%**), after Iron and Steel (18.10%)

CO2 emission

- Cement industry alone accounts for **5%** of worldwide CO2 emission

Cement industry – Competitive Advantage



Cement industry in India

No. 2 in the world within 60 years of Independence

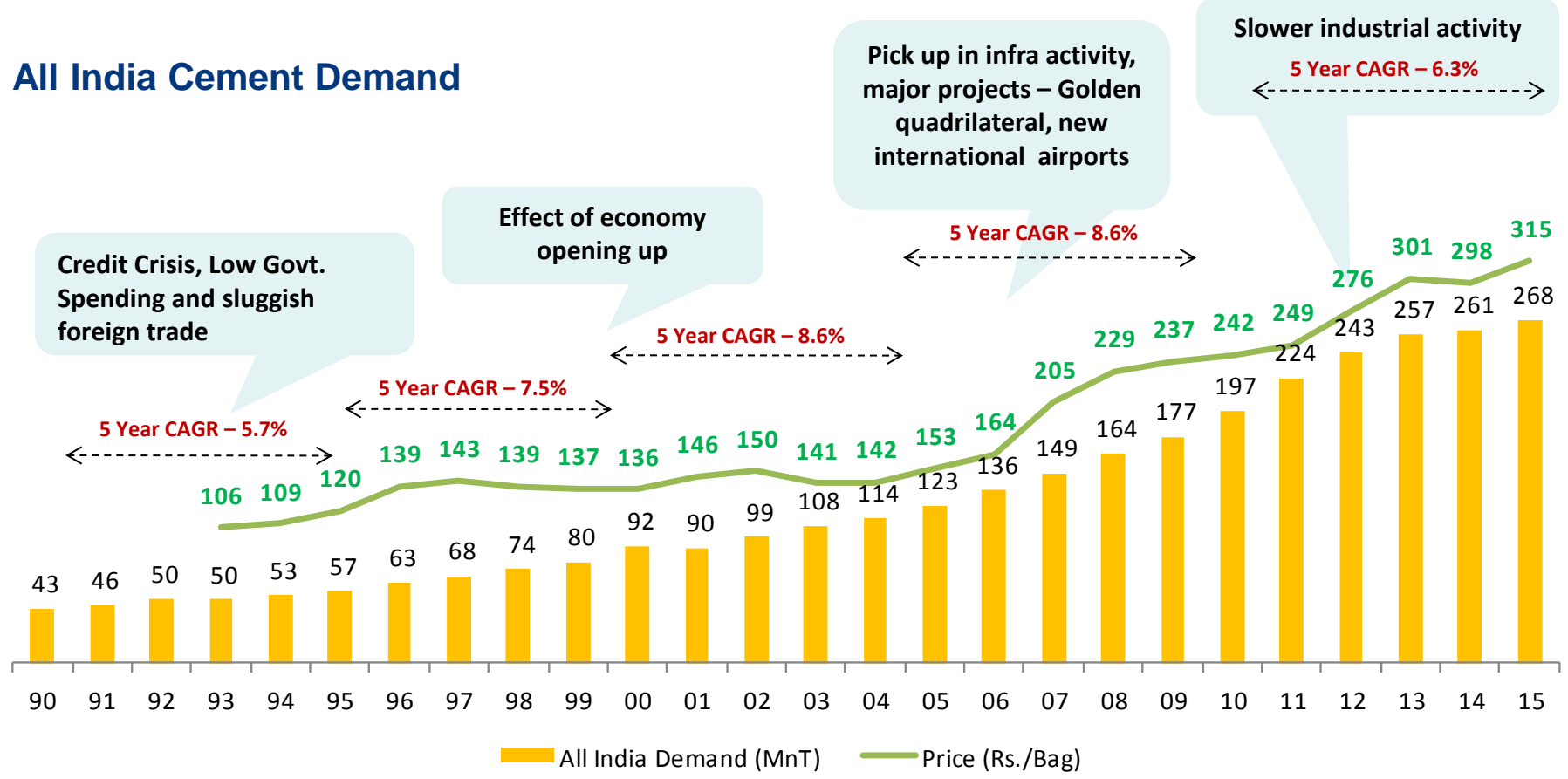
Fact sheet

Capacity	: 400 MT
Exports	: 5 MnT
Total No. of plants	: 227
Number of players	: 65
Direct employment	: 70,000
Efficiency	: World class in energy consumption
Inorganic deals (2012-2015):	Rs. 35,000 cr for a capacity of 40 MnT
	Average EV/T - \$145



Steady Demand Growth

All India Cement Demand



Sustainable Demand Growth of 8%

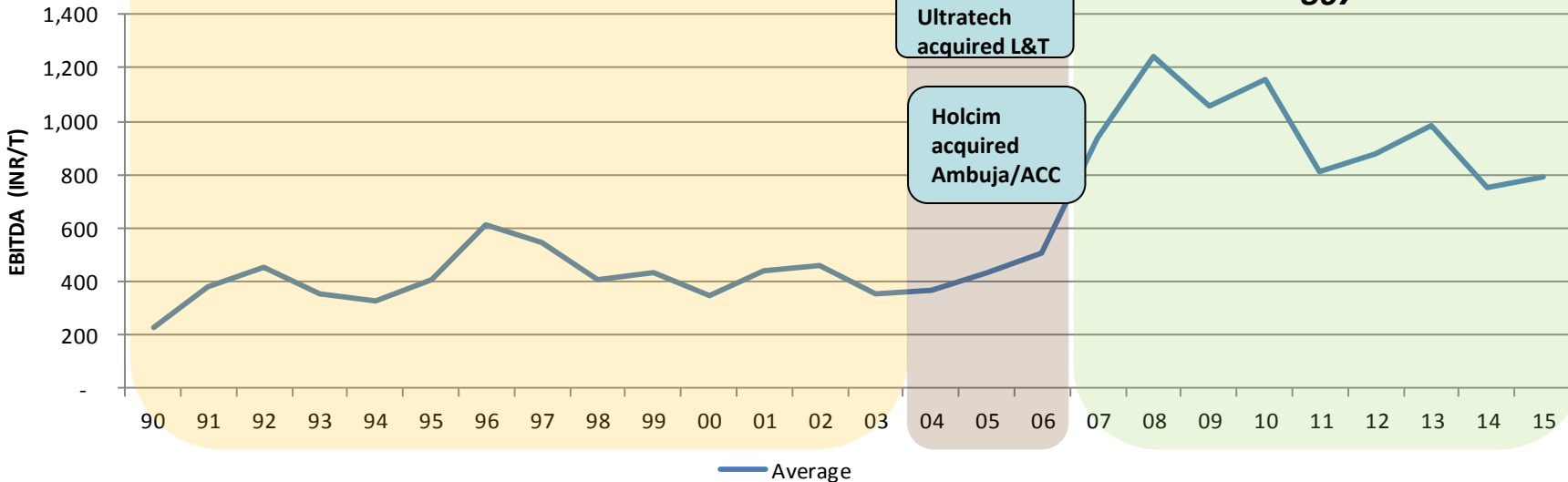
Consolidation led to Improved Profitability

Low:229 ; High:615 ; Avg.: 411

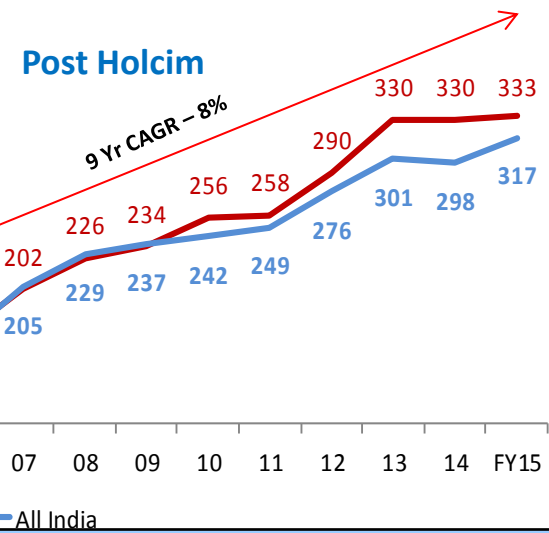
Low:431 ; High:1,245 ; Avg.: 867

Ultratech acquired L&T

Holcim acquired Ambuja/ACC



Average
Cement Prices (INR per bag)
Pre Holcim



EBITDA of Top 5 players
constituting ~ 50% capacity share
1999 – Rs. 13 bn
2015 – Rs. 95 bn
CAGR – 13%

Next phase of consolidation expected to trigger enhanced profitability

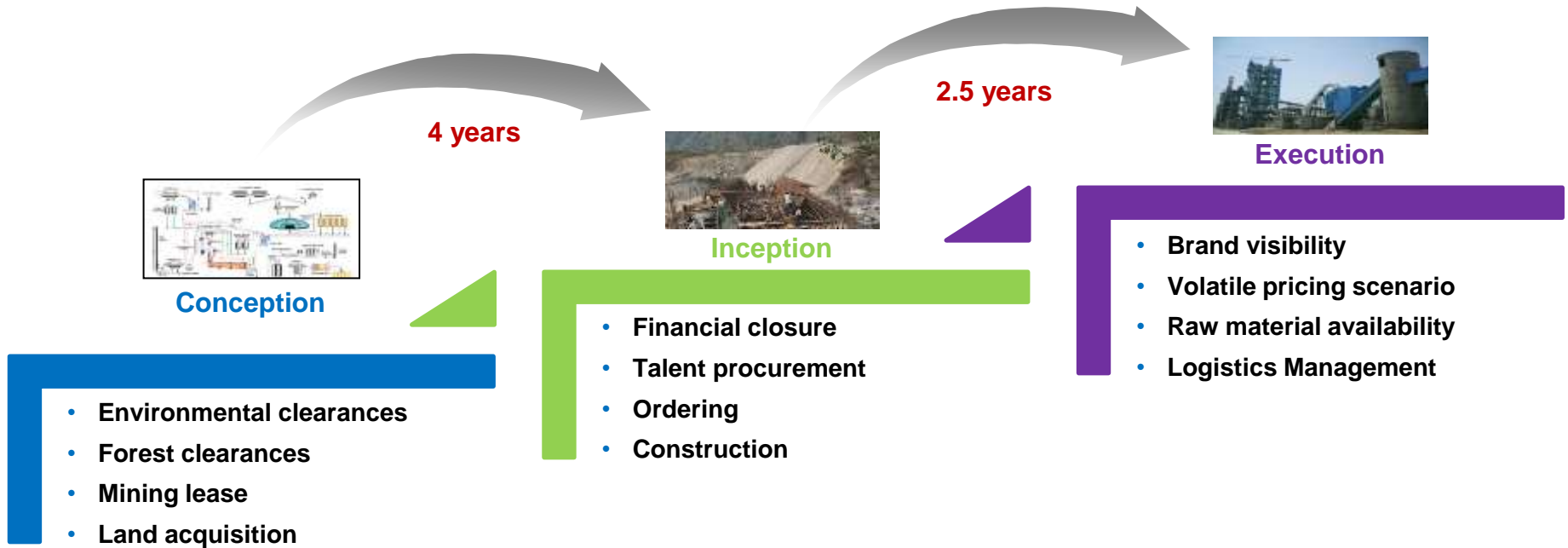
Narrowing Demand Supply Gap

Narrowing demand-supply gap		
CAGR	Consumption	Capacity
FY00 - FY15 (15 Yr)	7%	9%
FY05 - FY15 (10 Yr)	8%	10%
FY10 - FY15 (05 Yr)	6%	7%
FY15 – FY20E (05 Yr)	8%	3%

***Capacity Utilization expected to improve,
industry to benefit from high operating leverage***

Slower Capacity Addition to Increase Utilisations

Planning to Execution

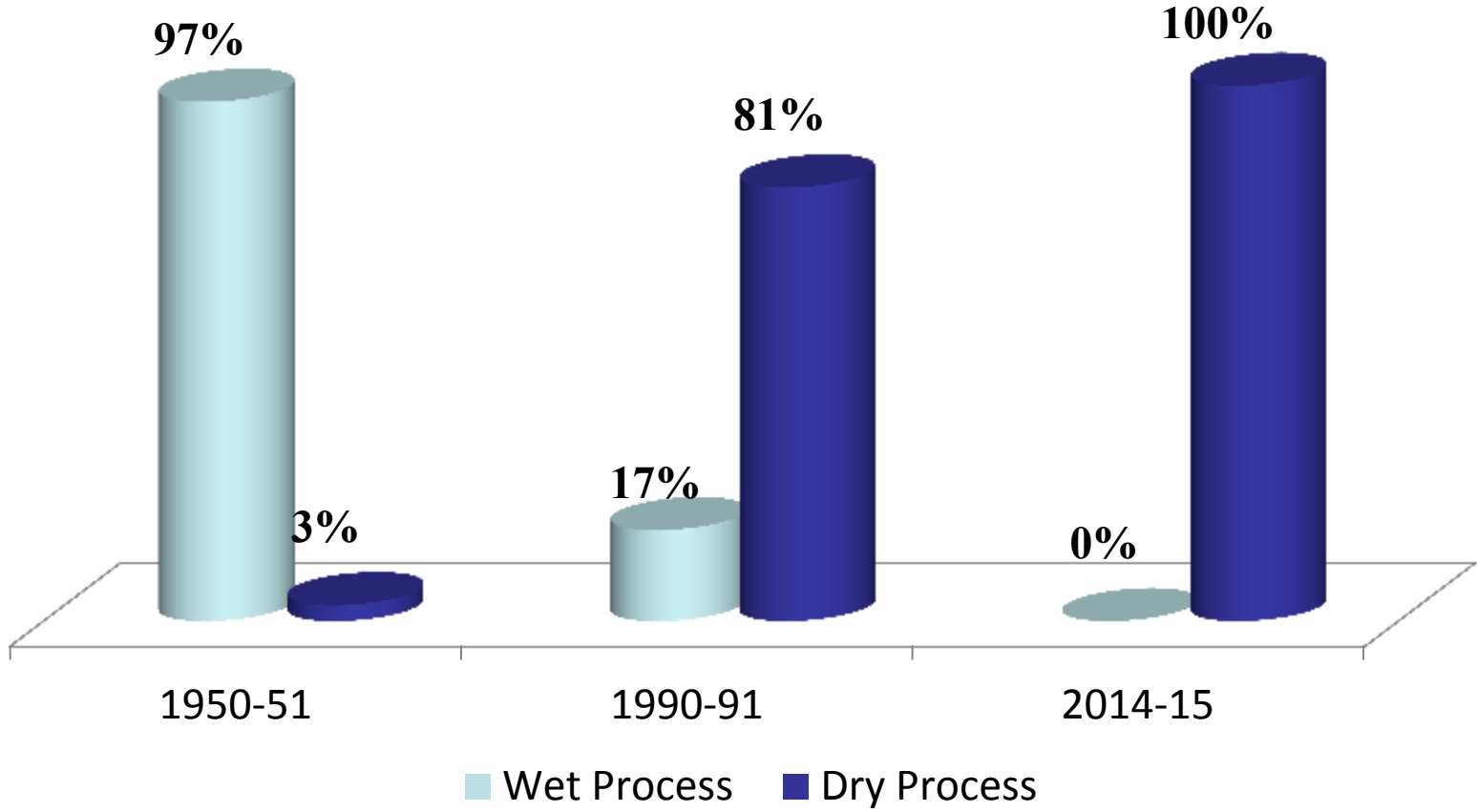


The replacement costs are up ~15% (CAGR)-currently at ~\$ 140/T

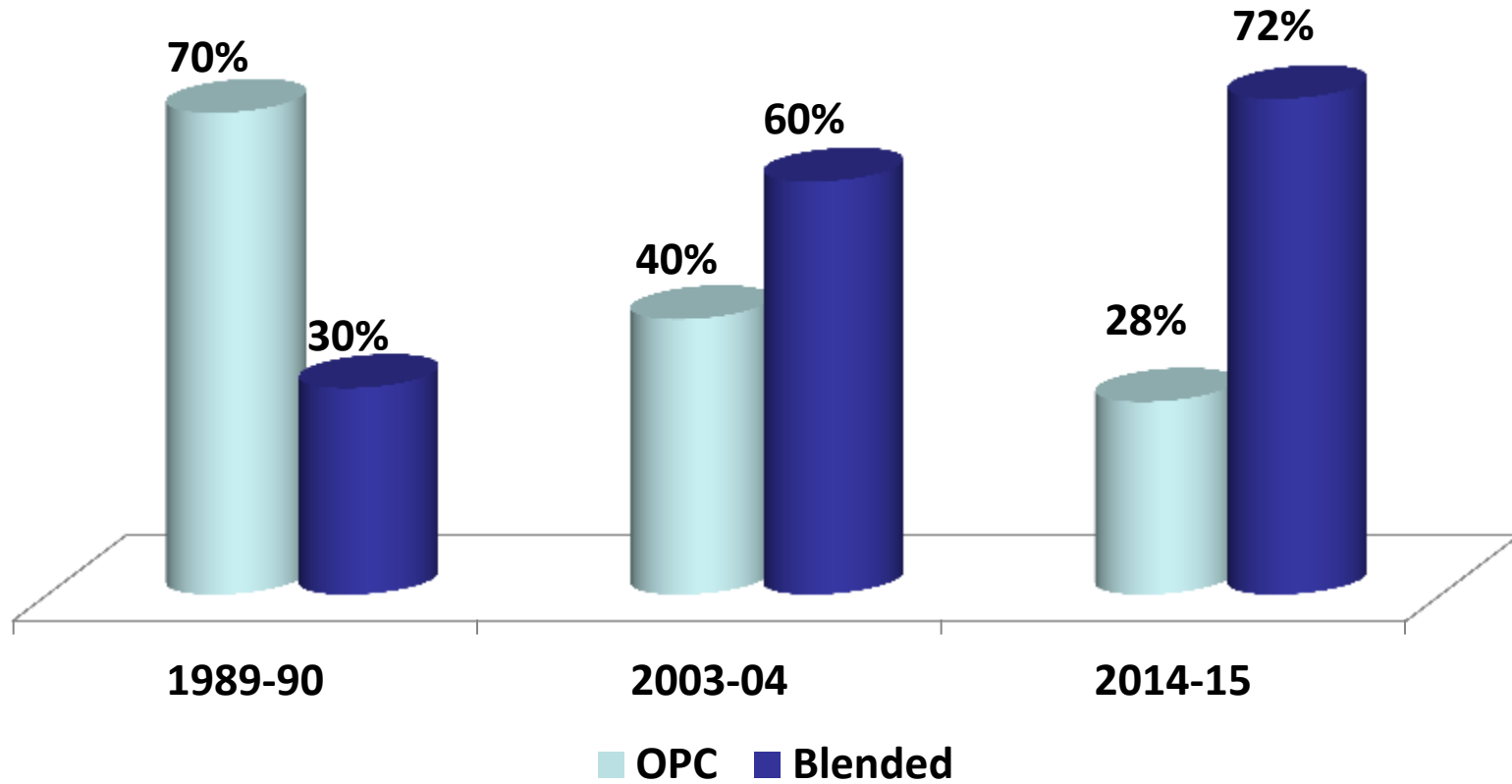


Changing Trends in Cement Industry

Technologically Advanced



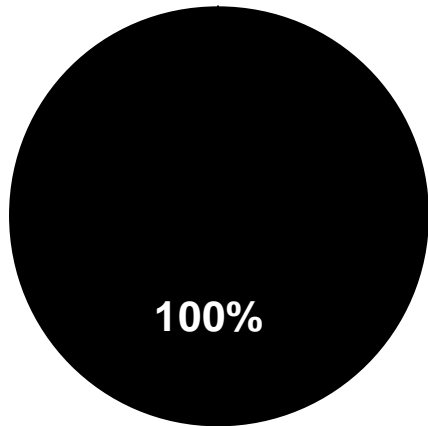
Environment Friendly



CPP Power - Away from Fossil Fuels



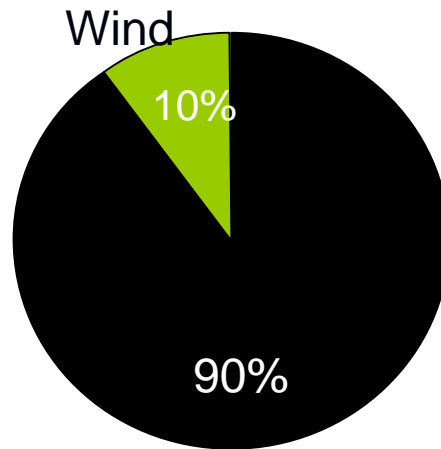
1994



Coal



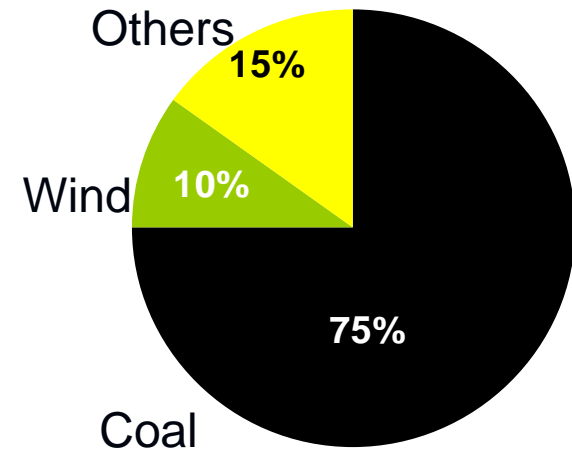
2008



Coal



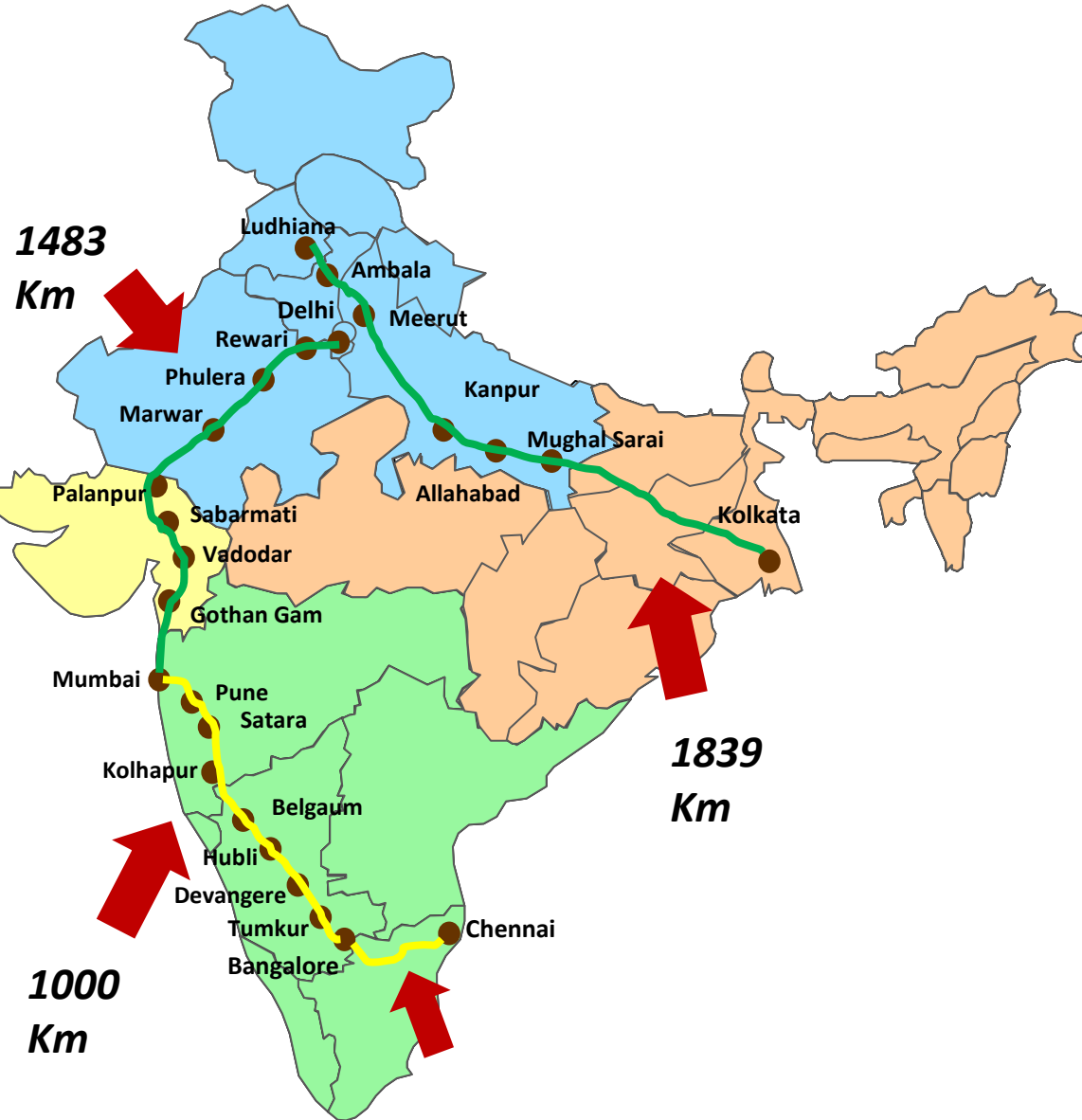
2020



Coal

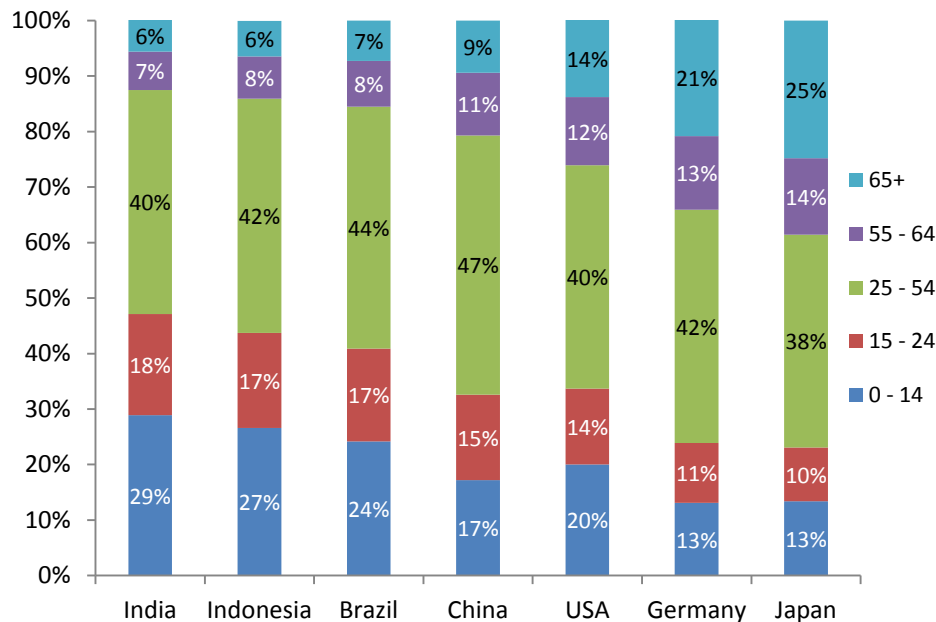
Best in Class

Cement Demand

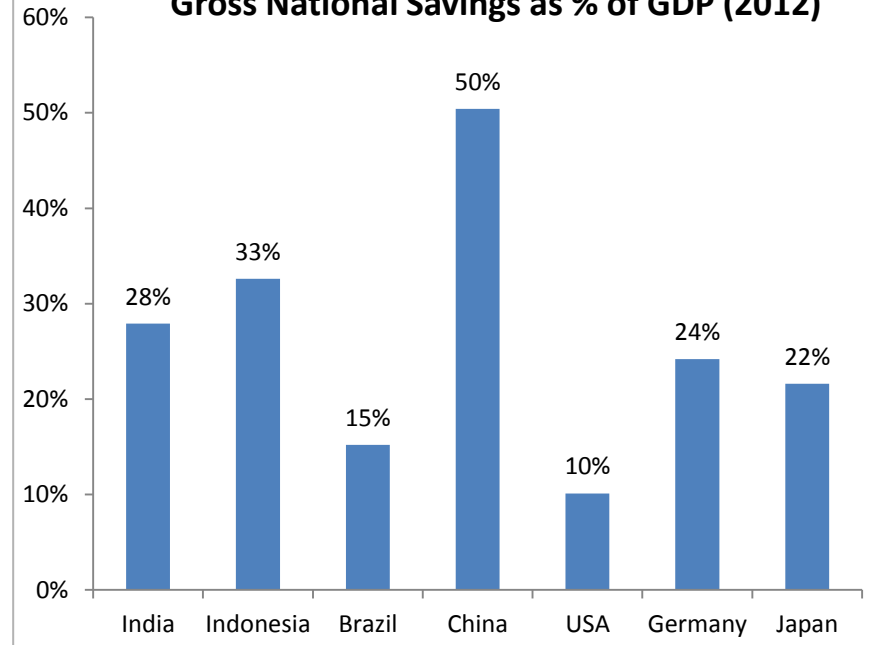


Demographics favor Investments in Emerging Economies

Age Profile (2013 est.)



Gross National Savings as % of GDP (2012)



- India has nearly 47% of population below 24 years and **87% of population below 54 years** (high consuming and investing sector), the highest among major economies
- **India's working population** (aged between 15 and 64 years) is estimated to increase from 780 million in 2011 to 900 million by 2030 (CAGR = 0.8%), **almost three times the US's population**
- India's **middle income population** is expected to increase from 160 million (over 50% of the total population in the US) in 2011 to 267 million by 2016 (**CAGR = 10.8%**) equivalent to over three times of Germany's population

Early days of Road Sector revival

Stagnated road sector since 2012, revival on cards

Target is roads and shipping to contribute 2% of GDP in next 2-3 years



Roads constructed

FY13	-	7 kms/day
FY15	-	4 kms/day
By March, 2015	-	14 km/day
FY 2016 (expected)	-	18 kms per day/ 6300 kms
FY2017 (expected)	-	23-24 kms per day

Projects Awarded

2012 – 2014	-	5000 kms
2016 (expected)	-	10,000 kms

(Estimates by Road transport secretary – Vijay Chibber)

To accelerate road construction, Govt. has decided to adopt two measures:

- **Shift from BOT to EPC model**
- **Hybrid annuity model (public vs private – 40:60)** – 11 projects awarded this year worth Rs. 11,500 cr.
- **100 projects planned for FY17**
- **CCEA approved one time fund infusion to complete 50 languishing national highway projects worth Rs. 45,000 crore (\$7 billion)**

Road schemes announced

Bharat Mala – 7000 km at cost of Rs. 80,000 crore

- Improving connectivity in border areas including the coastal boundary.
- Open employment opportunities for the state
- Biggest beneficiaries - Rajasthan (1,500 km), **Odisha (650 km) and Tamil Nadu (600-km)**
- Will kickstart from FY17



Longest Expressway – New Delhi – Katra

- Covering 600 kms at a cost > 15,000 crore

Other approved expressways

- Delhi-Chandigarh, **Bengaluru-Chennai**, Delhi-Jaipur, Delhi-Meerut, Kolkata-Dhanbad, Delhi-Agra and Vadodara-Mumbai

Char Dham double lane road – 900 kms at a cost of Rs. 13,000 crore

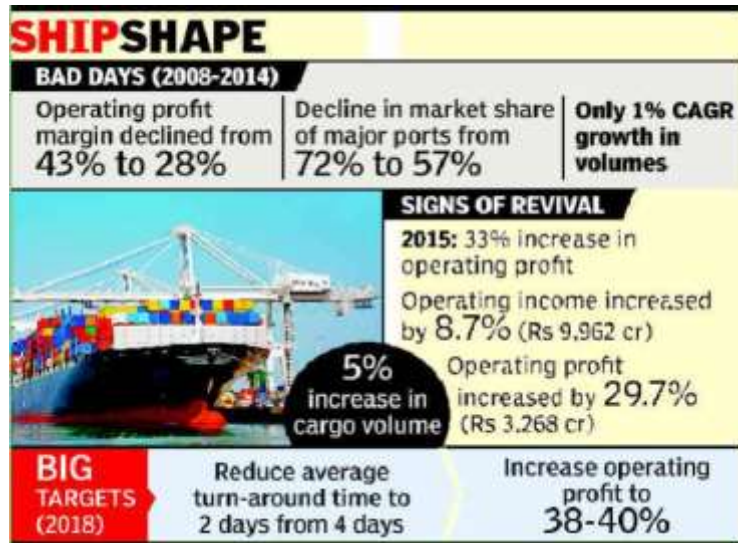
Delhi Eastern Bypass – 7000 crore project

Focus on expanding Railway connectivity



- **Increased capital expenditure** plan for Indian railways by over 71% to 1 lakh crore
- **Five year capital investment plan** of Rs 8.6 lakh crore, first time introduced
- New **innovative financing mechanism** followed
 - higher budgetary support,
 - internal resources generation,
 - leveraging of balance sheets of public sector units under the Indian Railways,
 - setting up of joint ventures with state governments and major customers and
 - tying up with financial institutions to tap their resources.
- For the first time railways has **tied up with LIC** for low-cost institutional finance of Rs 1.5 lakh crore
- Railway ministry initiating steps to enter into a **Joint Venture with Odisha Govt.** for developing the rail infrastructure in the state
- **Big push to freight corridor project**
 - Between November 2014 and now, contracts for **Rs 17,500 crore were finalised**, VS. Rs 12,500-crore worth of cumulative contracts awarded between the project's inception in 2006 and November 2014
 - Another Rs 17,000 crore are to be finalised by March 2016 and the phased commissioning of the project would start from 2018.
- Massive push to railway infrastructure under way in **North East**
 - Target is to connect all capitals of North East states by 2020

Economic revival of Ports



To achieve targets Government plans:

- **Increasing capacity** of 12 major ports and 200 minor ports from current 1400 MMT to 2000 MMT
- Mega transshipment hub of Rs. 5000 cr in Tamil Nadu to reduce dependence on Colombo, Singapore ports
- Plans to build five new ports at an investment of around Rs 25,000 crore.
 - New sites **West Bengal, Maharashtra, Tamil Nadu, Karnataka and Andhra Pradesh.**

Real Estate revival in sight

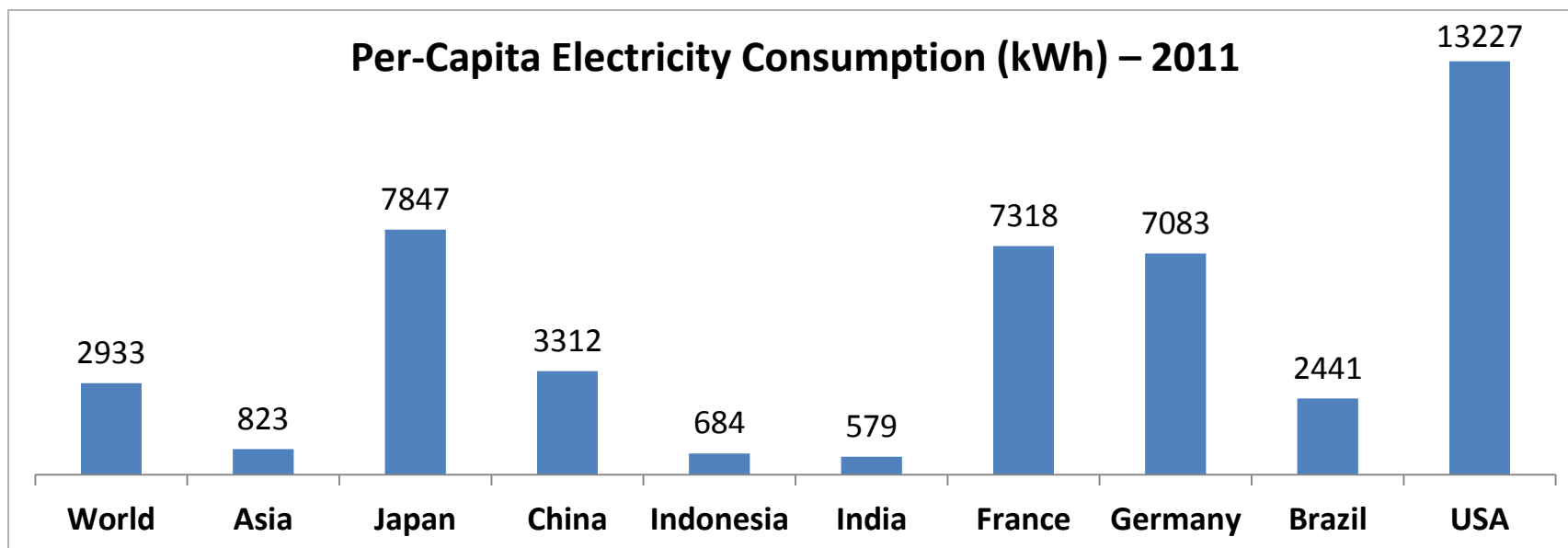
NITI Aayog approved re-launching of **Affordable Housing Scheme** Indira Aawas Yojna. Mulling to rename to **“The National Mission for Rural Housing”**

Affordable Housing Scheme	New scheme “The National Mission for Rural Housing”	Old scheme “Indira Aawas Yojna”
Cost	2.5 lakh crore	1 lakh crore
Beneficiaries	2.95 crore	3.25 crore
Size of house	25 sq metre	20 sq metre
Cost per unit	1.2 lakh	75 k



Interest subvention on housing loans increased to 6.50% from current 5% to beneficiaries belonging to EWS.

'Power for All' Program



Mega power projects are planned to bridge the wide gap

Infrastructure – Expected to Fuel Growth



Roads

20,000 km

20 MnT



Railways

5000 km

14 MnT



Hydel Power

10,330 MW

28 MnT



Ports

354 MnT
Capacity

35 MnT



Irrigation Projects

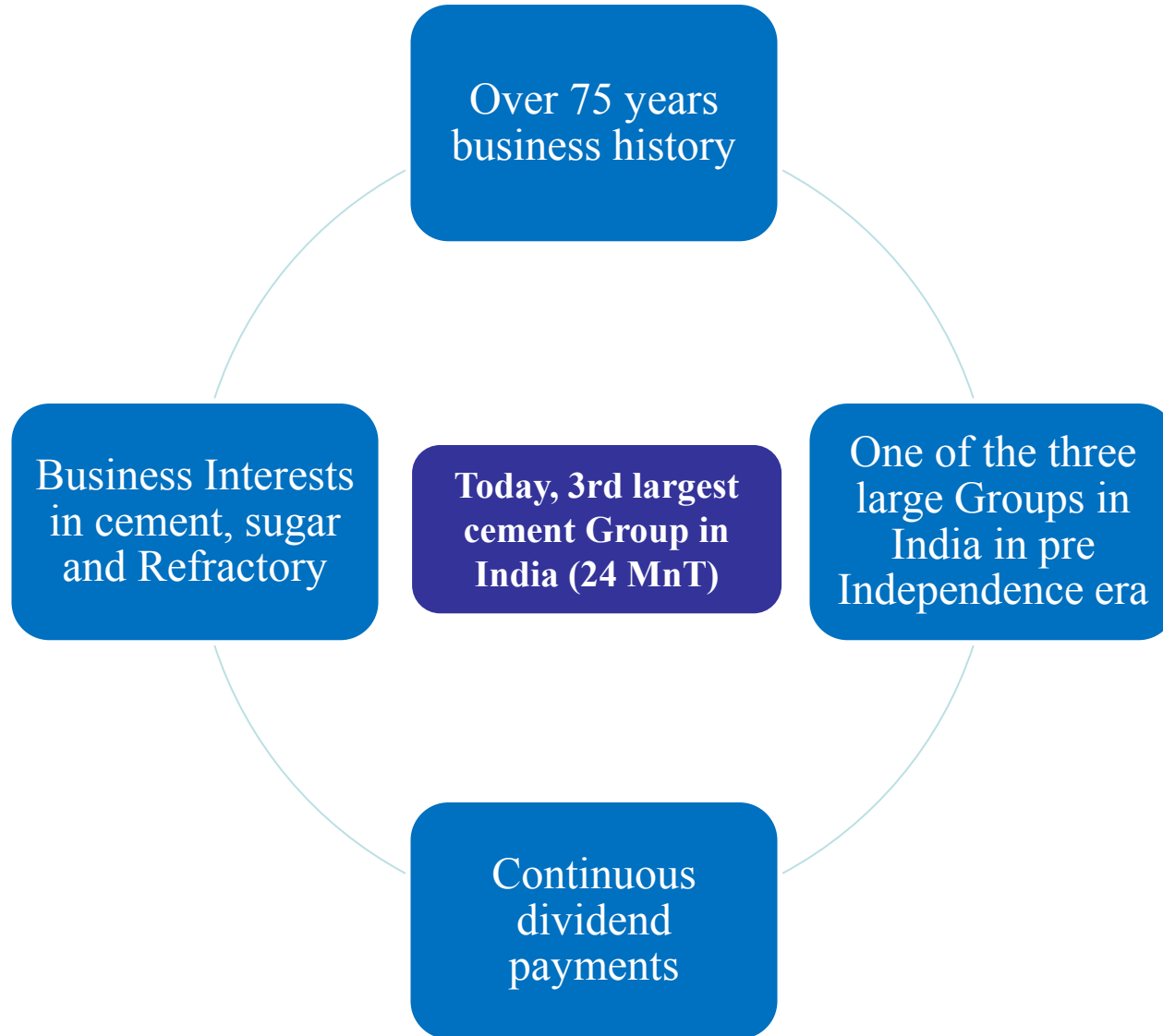
100 MnT

Incremental Demand of 200 MnT by 2020

Proposed Capital Expenditure of USD 1 Trillion by 2020



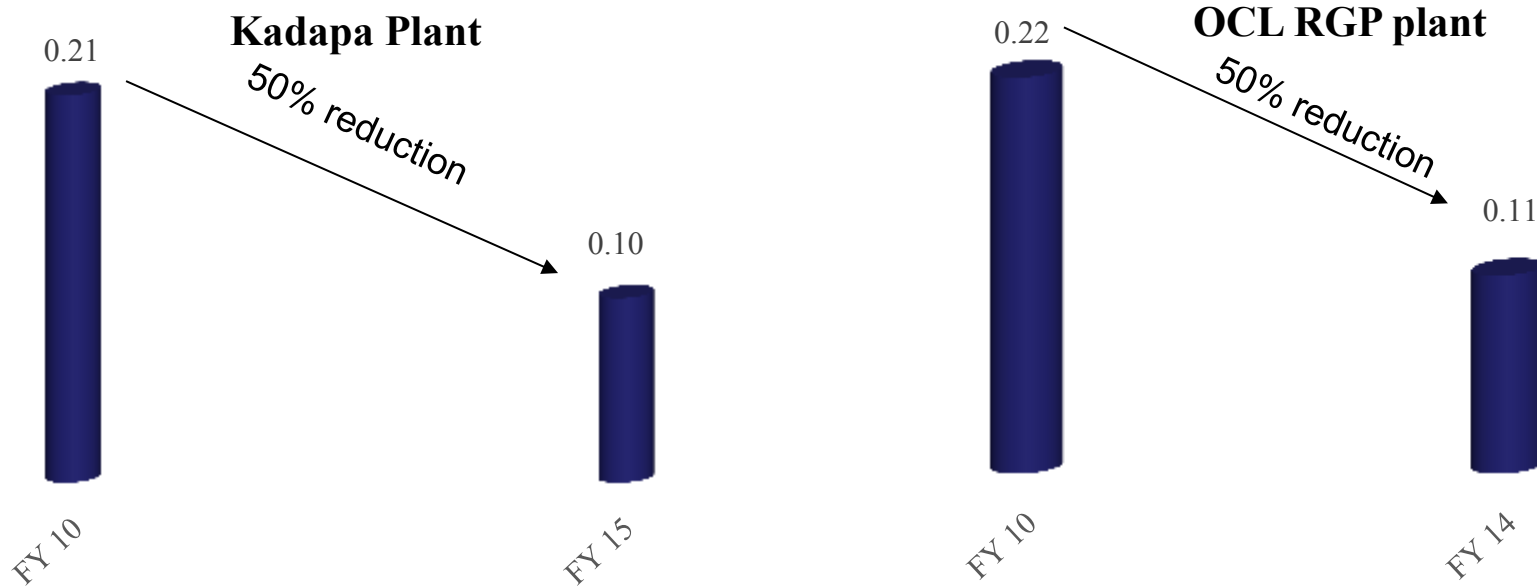
Dalmia Group



Aim to be Top 3 Green Companies

Particulars	UOM	Global	India	Dalmia
CO ₂ emissions	kg/ton of cement	629	590	540
Power Consumption	Kwh/Tonne Clinker	107	80	67
Clinker Cement Ratio	in %age	76%	71%	53%
Alternate fuels	% of Total fuel in Cement	13.3%	<1%	3%

Huge Focus on Water Conservation



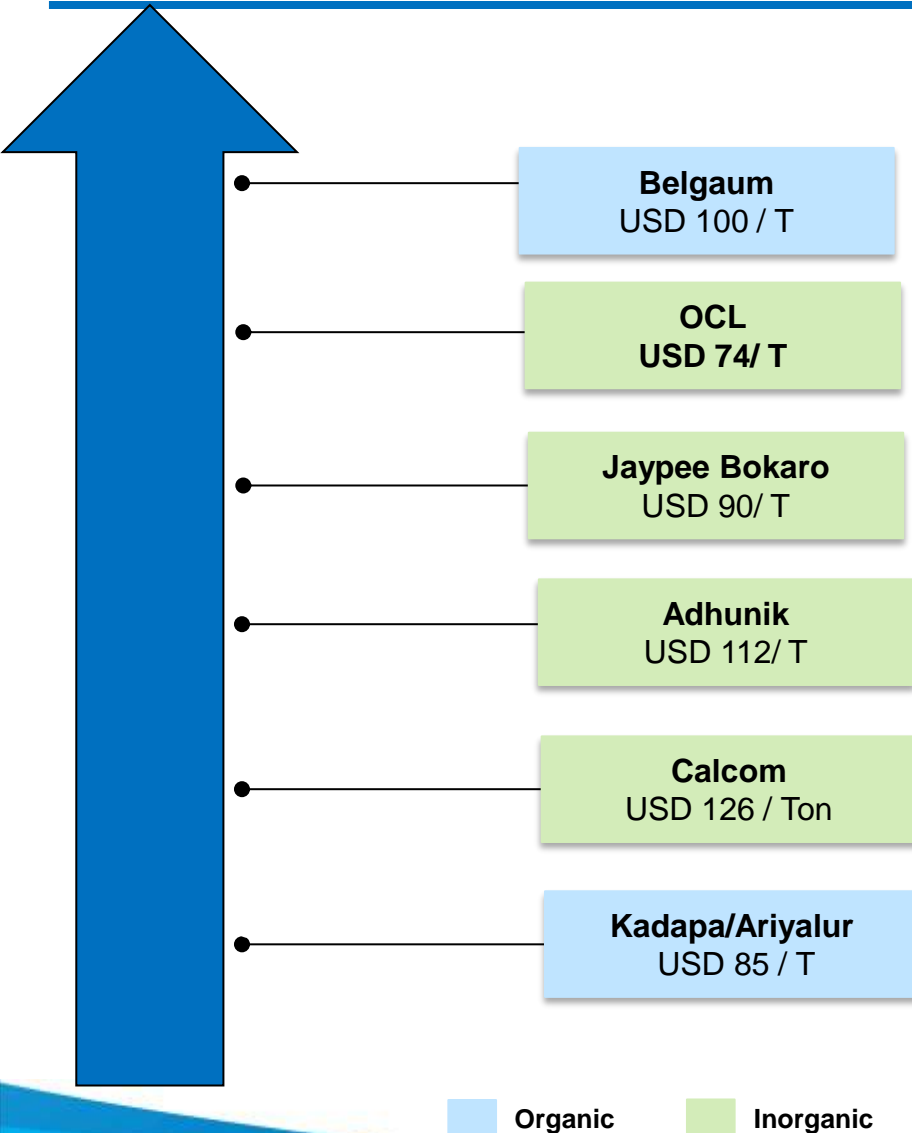
**Targeted to achieve positive water balance
in all cement manufacturing locations by Dec, 2017**



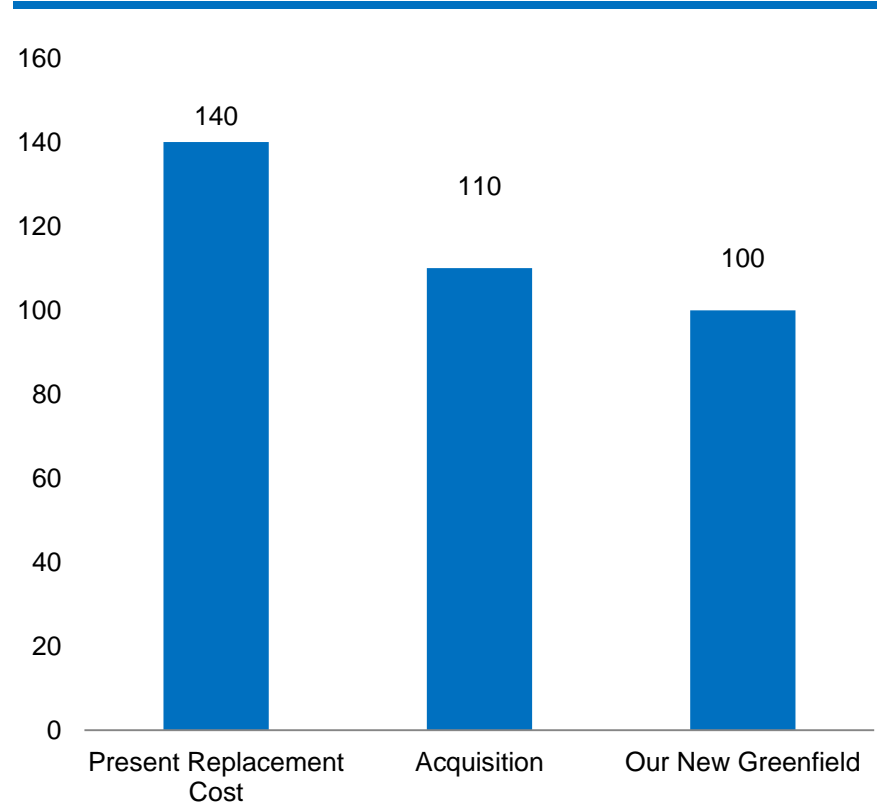
Business Operations

Efficient Deployment of Capital

Expansions



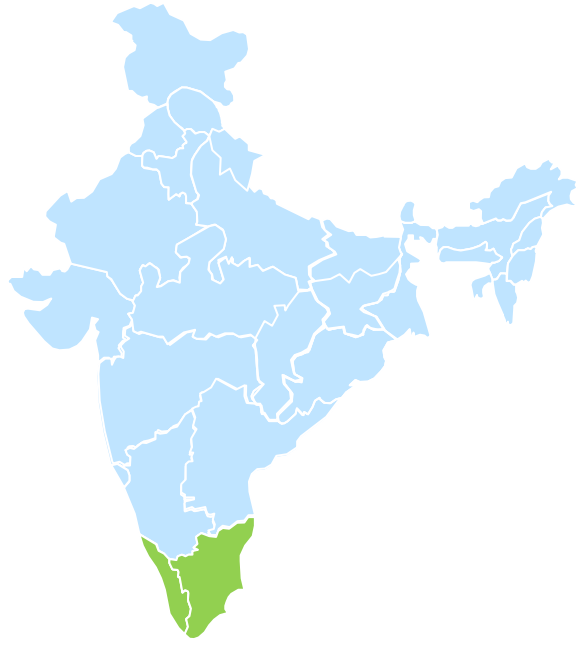
Comparative Costs (\$/T)



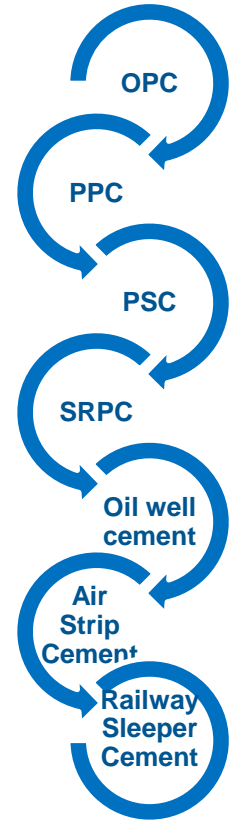
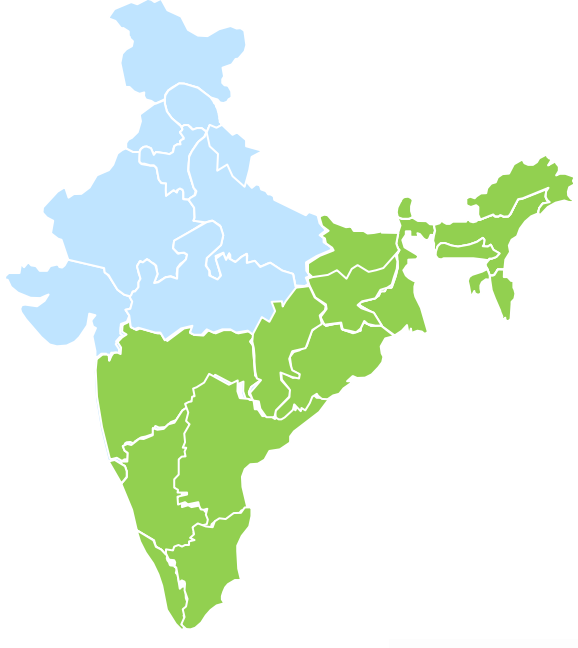
- **Present Replacement Cost** – For setting up 1 MnT cement plant
- **Acquisition** – Average Cost for acquired units (Adhunik/Calcom/Bokaro/OCL)
- **Greenfield** – Belgaum Cost

Growing Market Presence with Differentiated Products

2003
2 states



2015
18 states



Independent Board with a thrust on Corporate Governance



Pradeep Kumar Khaitan, Chairman, DBL

- Over 46 years of experience; A partner in Khaitan & Co., Solicitors and Advocates

G.N. Bajpai : Chairman, DCBL

- Former Chairman of SEBI and LIC

Sanjay Nayar: Board Member, DCBL

- CEO - KKR India
- Ex-Head Citibank India

Paul Hugentobler: Board Member, DCBL

- Ex-Member, Holcim Executive Committee

Sudha Pillai: Board Member, DCBL

- Ex-Member, Holcim Executive Committee

V S Jain: Board Member, DBL

Ex-Chairman – Steel Authority of India

Prof Vaidhyanathan: Board Member, ACL

Ex Faculty, IIM Bangalore

PB Kulkarni: Board Member, ACL

Ex Director, Ambuja Cements Ltd.

...And a Strong Management Team

Puneet Dalmia : *Managing Director & Board Member*

- B.tech from IIT Delhi; P.G. from IIM, Bangalore
- Over 11 years of experience in the cement industry
- Conceptualized the growth strategy and governance architecture for the Group and is spearheading the growth plans for the Group

Gautam Dalmia: *Managing Director & Board Member*

- B.S. and M.S. degrees in electrical engineering from Columbia University
- 15 years of experience in the cement and sugar industries
- Responsible for leading the operations and execution of cement projects besides providing leadership to the commercial functions of the group

Mahendra Singhi: *Whole time Director & Group CEO – Cement*

- Chartered Accountant & Science, Law Graduate.
- 38 years of experience in Cement Industry including 19 years with Shree Cement Ltd.
- Passion for efficiency, people management & sustainability.
- Member of Board of Governors of the National Council for Cement & Building Materials.
- Served as a leader of Indian Cement Sector Task Force for Energy Conservation, Ministry of Power we well as President of the Rajasthan Cement Manufacturers Association.

T. Venkatesan: *Dy. Managing Director*

- Chartered Accountant
- Over 31 yrs of experience in various sectors
- Expertise lies in accelerating growth of large businesses
- Ex-CEO Sterlite Group Copper Segment

Jayesh Doshi: *Whole Time Director & Group CFO*

- Chartered Accountant and a Law graduate from Bombay University
- Over 28 yrs of experience with 19 yrs experience in cement industry and other industries being pharma, shipping offshore oil services & real estate

Judicious mix of wisdom and youth



Financial Performance

DBL – Balance Sheet

Particulars	As on 30-Sep-15	As on 31-Mar-15
Equity Funds	3,925	3,840
Debt	8,260	8,487
Term Loan	7,535	7,805
Working Capital	725	682
Deferred Tax	493	401
TOTAL	12,678	12,728
Fixed Assets	9,838	9,702
Non Current Investments	104	108
Cash & Equivalents	2,145	2,112
Net Working Capital	591	806
TOTAL	12,678	12,728



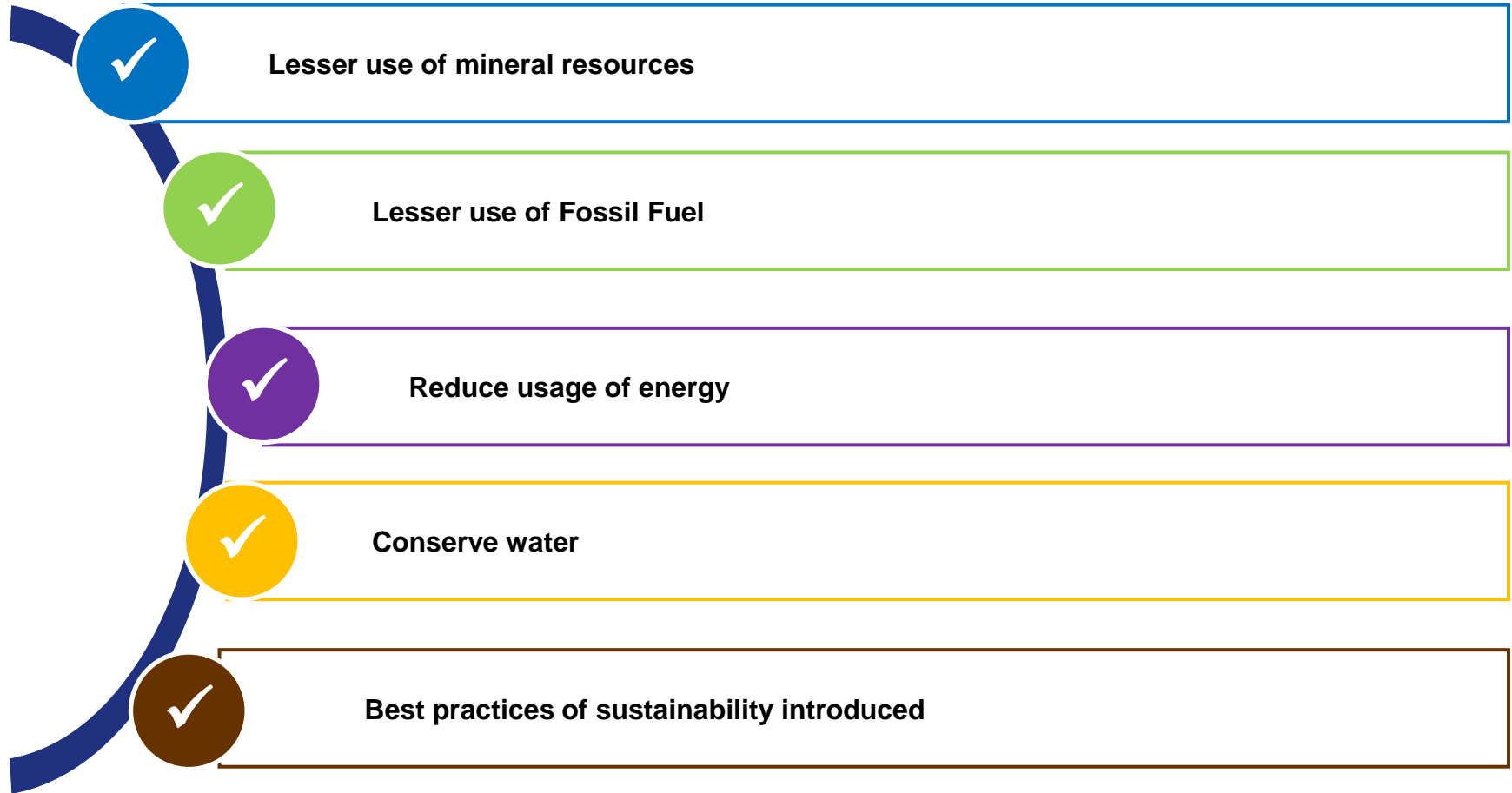
Sustainability Initiative



24 CSI Member Companies



Sustainability Initiatives Implemented....



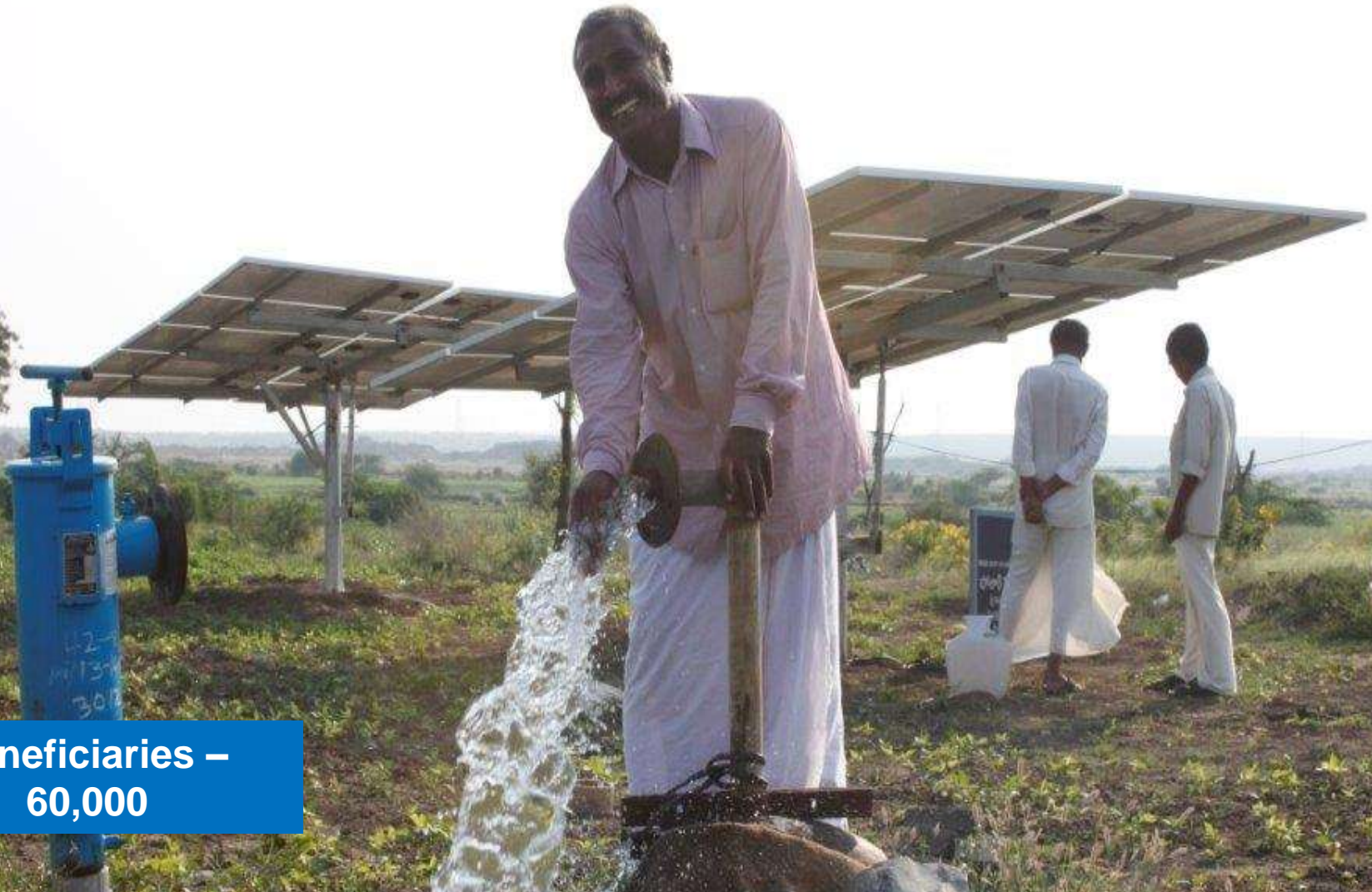
CSR Program-Water



**Beneficiaries –
45,000**

**Area Covered –
8500 hectares**

CSR Program-Energy



**Beneficiaries –
60,000**

**Products – Solar Lighting & Pumps
Fuel Efficient Cook Stoves**

CSR Program - Livelihood



**Beneficiaries –
14,000**

**Products – Milk Cattle, Training &
Skill Development
Self Help Groups**



2014: Dalmia Cement Ariyalur plant, Honored with the Federation of India Chambers of Commerce and Industry (FICCI) “Safety System Excellence Award 2014 for the Manufacturing Sector”



- 2014: CII-National Energy Management award
- 2013: CII-TC Prestigious Environment, Health & Safety Award.
- 2013 & 2012: CII-ITC sustainability award for strong commitment towards sustainability



- Best Corporate Advertising Campaign – Mera Bharat Bada Ho Raha Hai



World HRD Congress Award - 2015

- Best Corporate Social Responsibility Practices
- One of the Best Employer of the Year – 2014 & 2015
- Managing Health At Work
- Talent Management
- Excellence in Training

*To unleash the potential of everyone
we touch!*



Thank You