

RAPID GROWTH OF CEMENT INDUSTRY IN INDIA AFTER LIBERALIZATION

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Abstract: Being one of the basic elements for setting up strong and healthy infrastructure, Cement plays a crucial role in economic development of any country. Having more than a hundred and fifty years history, it has been used extensively in construction of anything, from a small building to a mammoth multipurpose project. The history of the cement industry in India dates back to the 1889 when a Kolkata-based company started manufacturing cement from Argillaceous. But the industry started getting the organized shape in the early 1900s. In 1914, India Cements Company Ltd, was established in Porbandar Gujarat with a capacity of 10,000 tons. Though the cement industry has been in existence since 1914, appreciable growth in the cement production has been witnessed only after the introduction of partial decontrol in 1982 culminating in total decontrol in 1989 and delicensing in 1991. With the implementation of liberalisation policies of the government in 1991 followed by government's thrust on infrastructure development in the country, the pace of the growth of the cement industry has been unprecedented. At present India is the second largest cement producing country in the world, next only to China both in quality and technology. With the adoption of massive modernisation and assimilation of state-of-the-art technology, Indian cement plants are today the most energy-efficient and environment-friendly and are comparable to the best in the world in all respects, whether it is size of the kiln, technology, energy consumption or environment-friendliness. The economic development of every nation calls for construction activity on an extensive scale. Production of cement in the world has increased over the years. Table 3.1 describes the list of top countries in cement production in 2013 based on USGS Mineral Program Cement Report (February 2014).

KEYWORD: Cement Industry, Liberalization.

WORLD CEMENT PRODUCTION

While the top three countries China, India and
Production in mt

1	China	2,300
2	India	280
3	United States	77.8
4	Iran	75
5	Brazil	70
6	Turkey	70
7	Russia	65
8	Vietnam	65
9	Japan	53
10	Saudi Arabia	50
11	South Korea	49
12	Egypt	46
13	Mexico	36
14	Indonesia	58
15	Thailand	35
16	Germany	34
17	Pakistan	32
18	Italy	29
19	Spain	20.7
Others		597

Cement Industry India:

Cement industry of India is the second largest producer of cement in world. In financial year 2012-2013, the total cement production capacity is about 347 million tonnes. It contributes very high in Indian GDP. Housing is the major sector of cement consumption about 67% of the total consumption. Cement industry is very vast and higher revenue is being paid by this sector to government of Rajasthan. 1

Last decade cement industry has a compound growth of 8% with increase in housing sector. In recent years the growth is not so good as compared to earlier decade, because of slow economical growth. Cement, being a bulk commodity, the per capita consumption is still very less, and because of this there is high possibility of growth of cement industry. At present Lafarge, Ultratech and Wonder cement have installed high capacitive plants which will further increase the production of cement in India.

India is very vast and this makes cement industry to divide in five regions. North, East, West, South and Central region, so that transport and logging can be easy for cement dealers and consumers. The south region has the highest installed capacity of cement from other regions. One third of total capacity is produced by southern region.

Lafarge cement and other cement companies have ventured into Indian market with new highly capacitive plants. Holcim has acquired the two major cement companies and now become the leader of one third of the total cement production. At present the economy is likely to remain sluggish for cement industry, but with the increase in GDP, cement production and 36 consumption both will rise with a boost. Overall growth of Indian economy affects the housing sector and it directly affects cement consumption rate in india.

India is producing 350 million tonnes per year and it is expected to grow to 550 million tonnes by financial year 2020. India is very vast, so the development of cities and rural areas will certainly starts from infrastructure and demand of cement will increase also.2

As economy will rise, development of cities and rural areas would increase cement demand in India. Cement industry plays an important role in development of a country and has a correlation with Indian GDP also. Projects are coming to make the world's highest bridge over Himalayas, expecting to be completed in 2016.

Indian cement industry will be soon among the highest contributor in the growth of economy. As potential market of cement is increasing day by day, production of cement will raise and drive our economical growth also. It is expected that in the coming years cement industry will have high market share because of the upcoming housing projects and infrastructure development programs in India. Ultratech cement, Ambuja cement, J.K.cement, Shree cement and ACC cement are the top players of cement industry in India.3

FDI worth Rs 13,546.47 crore was attracted by gypsum and cement in the year 2000 June and July 2014

Ambuja cement is going to invest approximately 800 crore in various regions of India.

Ultratech will start its third plant in adityapuram with a very high capacity production plant.4 37

1.	Ultratech Cement	48.75	22
2.	ACC Cement	30.08	14
3.	Ambuja Cement	27.00	13
4.	Jaiprakash Associates	24.50	14
5.	India Cement Ltd	15.33	09
6.	Madras Cement Ltd	14.44	08
7.	Shree Cement Ltd	13.50	06
8.	Chettinad Cement Corp	11.50	03
9.	Dalmia Bharat Enterprises	9.00	03
10.	Century Textiles And Industries	7.80	03
11.	Lafarge India Pvt Ltd	7.75	04
12.	J.K Cement Ltd	7.47	04
13.	Kesoram Industries Ltd	7.25	02

Area of study:

The study is a descriptive and analytical nature and main aim is , to understand the Growth of cement industries in India with special reference to Liberlisation.

OBJECTIVES OF THE STUDY

- 1.To major growth of cement industry in india after liberlisation.
- 2.To analyze , understand and review the existing growth in cement industry in india.

LITERATURE REVIEW

Kaura, M. N and Bala Subramanian (1979) analyzed ten cement units during the period of study 1972 to 1977 shows that the financial performance of the selected cement companies evidenced by Profitability, Liquidity and capital structure ratios has declined. The non availability of funds has affected the modernization of plants and periodic rehabilitation of the kilns. Besides, the bottlenecks in supply of raw materials and power and non remunerative prices have reduced the capacity utilization, profits and cash flows. The profitability and liquidity position in many cement companies have been affected adversely because of the problems in supply of raw materials , transport and power.

Nagarajrao B.S and Chandar K (1980) analyzed the financial efficiency of cement companies for the selected period of the study 1970 -71 to 1977-78. It can be analyzed profitability of selected cement companies has been found downward trend from 1970-71 to 1974-75 because the reason of inflation, rising of manufacturing cost, continuous fall in capacity utilization due to many reasons. Kumar B. Das (1987) has made an analysis of the financial performance of the cement industry. it can be analyzed that the net fixed assets as a percentage of total assets decreased for the period 1970-71 to 1977-78 that was 553.5% to 44.04 % respectively. Current liabilities have increased than the current assets. Liquidity 16 performance of the cement industry is not healthy during period of the study. The Debt Asset ratio has downward During the period of the study and Debt Equity ratio has slightly increased while net worth ratio has decreased over the years.

Nair N.K. (1991) has focused the productivity aspect of Indian Cement Industry. This study emphasised that cement, being a construction material, occupied a strategic place in the Indian economy. This study has revealed that, in 1990-91, the industry had an installed capacity of 60 million tonnes with a production of 48 million tonnes. In this study, the cement industry was forecasted to have a capacity growth of about 100 million tonnes by the year 2000. This study has also analyzed the productivity and financial performance ratios of the cement industry with a view to identifying the major problem areas and the prospects for solving them.

Amalendu Bhunia (2007), studied on liquidity management, analyzed the the short term financial strength through the analysis of the working capital management of selected iron and steel companies in India. The study revealed that actual values of working capital have been found to be lower than the estimated values of working capital for the companies, such as Steel Authority of India Limited (SAIL) and Indian Iron and Steel Corporation (IISCO). There was a poor liquidity performance existed in case of both SAIL and IISCO, inefficient inventory management in case of SAIL and inefficient receivable management in case of both the enterprises. It suggested that increase in additional investment in raw materials, reduction in the burden of current liabilities were necessary in order to improve the inventory management and liquidity position of these steel companies. 19

Sudipta Ghosho (2008) has analyzed the liquidity performance of Tata Iron and Steel Company (TISCO). During the selected period of the study, it was found that the liquidity position of the company, on the basis of current ratio as well as quick ratio, was not satisfactory. It indicated that the share of current assets in total assets of the company, on an average, was 29.1 percent during the period of study. It was suggested that to maintain overall control of liquidity position, the company should give special attention to the management of current assets. He found that the degree of influence of liquidity on its profitability was low and insignificant.

Rajamohan .S and Vijayaragavan T. (2008) have studied on production performance of Madras Cement Limited. it can be analyzed the comparative production performance of Madras cement and all other cement companies in India. Statistical method Mann-Whitney U-test was applied. The results of analysis indicated that the production performance of selected unit was equal to production performance of all other cement units in India.

Dharmendra S (2011) analyzed that Liquidity is in closely relation with the profitability of the Indian Cement Industry as compared to the solvency ratios like Total Assets Ratio, Inventory Turnover Ratio, Debt-Equity Ratio and Operating Expenses Ratio.

Harshad R. Tandel (2013) Analyzed that the Financial Analysis of selected Plastic Manufacturing Industrial Units of Gujarat for the period 2000-01 to 2009-10. The main objective of this study was to analysis and evaluate the financial performance of selected companies in particular and the plastic industry in general with the help of composited such ratios like Profitability, Activity, Liquidity and solvency. He judge the financial performance with the help of Trend Analysis and Analysis of Variance.

Research Methodology to be adopted

The research will be carried out using Secondary data.

Secondary Data:-The secondary data will be collected through –

- 1.Articles
- 2.Magazine andNewspaper
- 3.Reports and Journal
- 4.Internet
- 5.Data will be collected from the official records of various cement companies .

RESEARCH DESIGN:

The study is to measure growth in Indian cement industry.

Descriptive research is also called statistical research .the main goal of this type of research is to describe the data and characteristics about what is being studied. The idea behind this type of research is to study frequencies, averages and other statistical calculations.

Although this research is highly accurate, it does not gather the causes behind situation. Descriptive research is mainly done when a research is mainly done when a research wants to gain a better understanding of a topic.

Descriptive research answer the questions who, what, where, when and how.

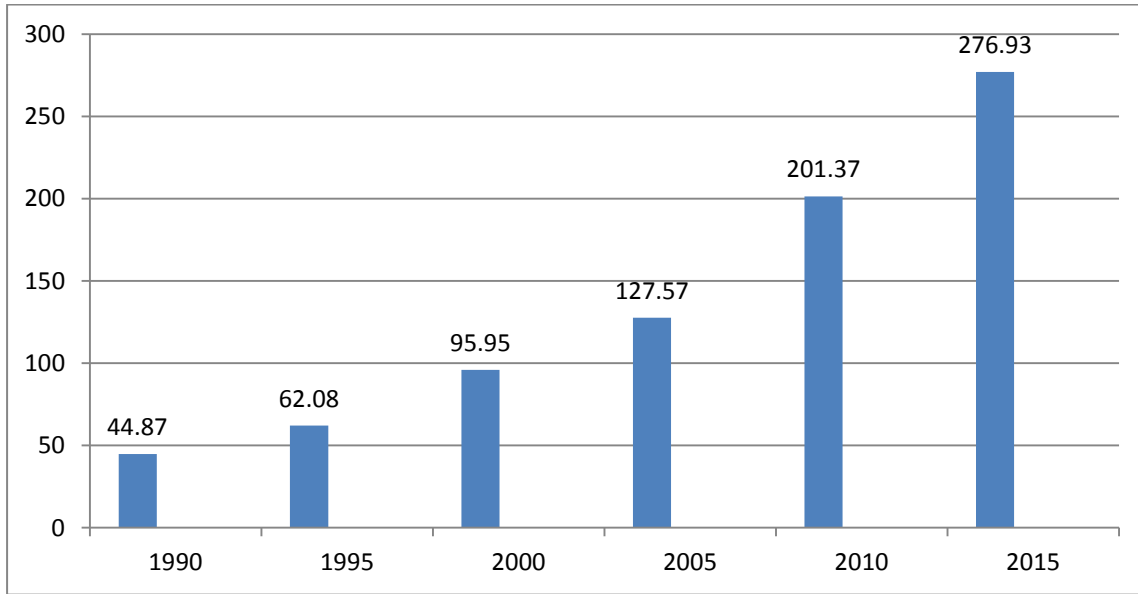
RESULTS:-**Growth of Cement Industry in India:-****Growth of Cement Industry Large Plant (1985- 2016)**

Years	Capacity of the year	Cement Production(In MN.TS)	Production Growth (%)
1985	41.85	31.11	6.8
1986	49.10	33.65	8.2
1987	54.51	36.97	9.9
1988	55.04	40.72	10.1
1989	56.36	42.07	3.3
1990	58.12	44.87	6.7
1991	60.61	49.47	10.3
1992	62.46	50.87	2.8
1993	66.90	52.78	3.8
1994	73.19	57.57	9.1
1995	82.06	62.08	7.8
1996	90.17	68.86	10.9
1997	99.92	74.75	8.6
1998	108.41	79.42	6.2
1999	109.44	91.72	15.5
2000	116.82	95.95	4.6
2001	133.55	98.35	2.5
2002	137.53	109.59	11.4
2003	140.07	111.35	1.6
2004	146.38	117.50	5.5
2005	153.59	127.57	8.60
2006	157.35	141.81	11.16
2007	165.64	155.64	9.75
2008	179.10	168.31	8.14
2009	205.96	181.61	7.90
2010	240.85	201.37	12.67
2011	296.48	216.28	5.53
2012	306.21	230.25	6.45
2013	324.94	235.11	2.11
2014	350.00	256.04	8.90

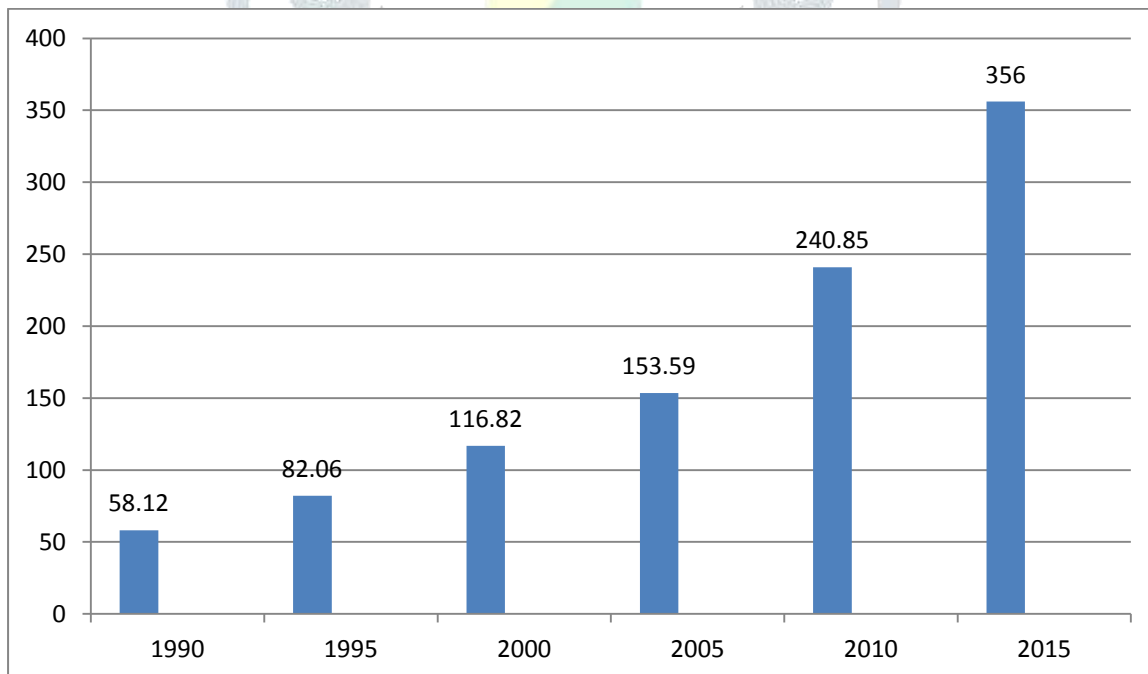
2015	356.00	276.93	8.15
2016	390.00	282.79	2.13

Source: 1) <http://www.indiacements.co.in/trends.htm>
 2) Cement Manufacturer’s Association.

Above table shows the growth of cement industry large plant 1985 to 2016. We can easily explain according to the table that the Production Growth percentage increasing simultaneously. It was 7.1 in 1985 and 2.1 in 2016.



Cement production increased at a CAGR of 6.44 per cent to 282.79 million tonnes over FY07–16. As per the 12th Five Year Plan, production is expected to reach 407 million tonnes by FY17. Availability of fly-ash (from thermal power plants) and use of advance technology has increased production of blended cement. The environment-friendly blended cement is more cost-efficient to produce, as it requires lesser input of clinker and energy. In August 2016, cement production in the country increased by 3.1 per cent in comparison to 1.4 per cent in July 2016.



From the above chart it would be seen that the capacity in 2011 was 296.46 and increasing in 2016 is 390.00 mt. India is the second largest cement producer after China with production capacity of 431.4 million tons as of 2015-16. The top 10 companies account for around 65% of the market which prove that the industry is dominated by few players. There are a total of 575 plants out of which 210 are the larger ones. Further 188 large

plants cover 97% of total installed capacity while 365 mini plants account for the balance. (Source: IBEF). Major demand drivers for cement are housing and Infrastructure sector.

CONCLUSION

Delicensing in 1991. With the implementation of liberalisation policies of the government in 1991 followed by government's thrust on infrastructure development in the country, the pace of the growth of the cement industry has been unprecedented. At present India is the second largest cement producing country in the world, next only to China both in quality and technology.

Suggestion :

It is recommended that it should more liberalised in cement industry and more beneficial for us.

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