



Owing to the government initiatives, the cement industry is sure to write the growth story of our country.

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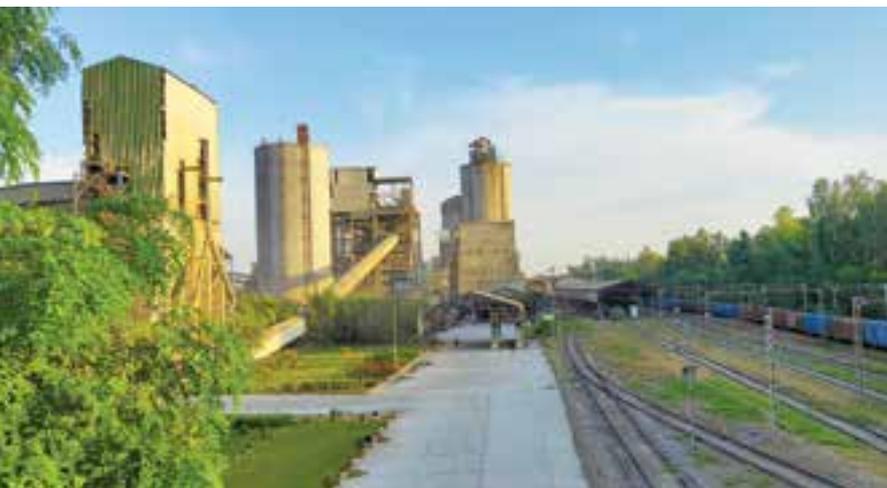
Government has undertaken various initiatives by focusing on increasing construction activities and taking up infrastructure development projects. It has also announced massive schemes and even made budgetary allocations for the same. How do you assess India's growth story in this backdrop and the vision to become a USD 5 trillion economy?

The construction sector that contributed almost 5% of the country's GDP, has increased its share to almost 8%. It is one of the sectors that the Government has banked upon to improve infrastructure and generate employment. The 2021-22 Budget is an indication of the Government's focus on infrastructure development that resulted in the first quarter of FY21-22 delivering GDP growth of more than 20% (y-o-y) which was majorly led by the construction sector registering a growth of more than 68% (y-o-y). This auger well with our country's ambition to create a 5 trillion USD economy in the near future. Transformational steps during the past 5 years such as demonetisation,

GST implementation, e-way bill, RERA act etc. may have decelerated the pace, however, these have built strong foundations for future progress. Unfortunately, now we are to tend with the pandemic that has dented the confidence among various strata of the economy. It is said that "after every dark night there is a bright day", the pent up demand after the pandemic effect, the built up corporate cash reserves is expected to re-energize the engines of the economy and the ambition of USD 5 trillion economy, should become a reality sometime in the 2nd half of this decade.

Can you give us an overview of the cement industry in the backdrop of these developments in the construction industry? Also, which are the regions that are doing better currently? Can you share details on the prices as well?

While our country transforms from a developing economy to a developed one, the per capita cement consumption at 235 kg, is a clear indicator of brighter prospects when compared to the World's 500 Kg. With the Government's initiative of Make in India, 100 smart cities, boost to affordable mass housing, expansion of metro lines, upgrade to concrete roads, electrification in rural areas etc., the cement industry is sure to write the growth story of our country. With cement demand remaining strong in the east, central and northern part of the country, the prices are likely to remain stable. Due to capacity overhang in the south and aggressive effect of pandemic, there is a bit of softening in demand and prices. Fuel and freight accounts for more than 50% of the cost of cement. With fuel prices skyrocketing, the cement industry is left with no option but to pass this increase to the market without any delay. The price of all raw materials, too, have escalated due to increase in diesel prices, making cement price





increase eminent.

What are the challenges plaguing the sector from both domestic and international front in terms of liquidity, delay in approvals, fuel price, etc.?

Cement manufacturing is capital intensive, at the same time the gestation period is high due to slow pace when it comes to seeking statutory approvals. Limitations in availability and consistency in quality of fuel be it coal, pet coke, lignite, etc. add to the woes of cement manufacturers. The pandemic having disturbed consumer sentiment has resulted in liquidity crunch, thus increasing the stress on working capital. Assured quality and quantity of domestic fuel at stable prices would serve as a major respite to the industry. Power generated through waste heat recovery (WHR) should be given the status of "Green Power" and incentivised so that industry is encouraged to invest in WHR which in turn will also aid in improving the carbon footprint of our country.

Some private firms have consolidated their businesses while some have slashed their capex plans. When do you expect large investments to flow back into the sector? Or will it be a wait and watch approach for some more time?

Government investing in affordable mass housing, Pradhan Mantri AwasYojna (PMAY) and infrastructure projects keep fueling the cement demand. The IHB (individual house builder) sector too has shown encouraging trends during the pandemic. The cash reserves of corporates too are at an all-time high and now it is a matter of time when this will unfold and trigger the capex cycle. The lower interest rates should be tempting people to invest in their dream homes. The international cement industry canvas suggests that consolidation of the Indian cement industry may not be a distant phenomenon. The shape and magnitude of future environmental compliances likely to embrace the cement industry would call for significant investments making it difficult for small players to commit resources. Globally, while the European cement industry has been caught off guard with the chargeable emission norms, Africa and America have been driving the investments aggressively with Asia being in cautious mode.

Tell us about the impact of Covid pandemic on the sector and how is the industry dealing with it? Also tell us about the initiatives taken by your company to deal with these challenges?

"Every cloud has a silver lining". While the pandemic has impacted life and business in terms of survival, it has also taught us the importance of being agile and proactive while respecting the

needs of the Times. There had been a temporary slowdown of cement demand during the lockdowns however, we have witnessed ups and downs as we traversed the wave one and two of this pandemic. With migration of labour from urban to rural parts of the country, we witnessed migration of cement demand too. The change in social behaviour with norms of distancing brought in new challenges in the business. Work-from-home and remote locations have brought in a new dimension to the way we work and interact. IT has been a big saviour that facilitates business continuity. While HeidelbergCement India was proactive enough to set forth a Contingency Management and Business Continuity plan well before the first lockdown was announced, keeping the same updated and making decisions accordingly had been the order of the day. Management of assets during lockdown period and then re-energising to start production called for special skills both in terms of technical and emotional.

Can you give an outlook on the cement sector by 2025 in terms of capacity addition, investments, technology adoption, etc? Also, please share your vision for the company.

So far India's cement industry has not been subjected to the environmental norms that are getting implemented in developed countries. It will not be too far when our industry will be called upon to meet the obligations of carbon reduction and other stringent emission norms. To cite an example, the European government introducing carbon tax on emissions exceeding 500 Kg/t cement CO₂. HeidelbergCement Group has emerged as the torch bearer of cement industry having implemented CC/S (Carbon Capture / Storage) technology. Following the footsteps of the Group, we in India have been focussing to reduce emissions, availing the benefit of technological advancements and demonstrating responsible behaviour.

Today the Indian cement industry has a 550 million ton capacity. The pandemic has to an extent impacted cement demand and as a result suppressed capacity utilisations and also given a pushback to capacity expansions. Nevertheless, by 2025, the Indian cement industry would comfortably surpass the 600 million ton mark. Majority of capex should come from the eastern part of the country followed by Central, North, and limited additions in South and West.

Through de-bottlenecking HeidelbergCement India has added one million ton in 2020. The Indian operations have plans to grow its capacity through two of its greenfield projects and inorganically through available opportunities. 

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