

B.Com 2nd Year

Planning and Economic Development of India

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Large Scale Industry: Cement Industry

INTRODUCTION

India is the second largest producer of cement in the world. No wonder, India's cement industry is a vital part of its economy, providing employment to more than a million people, directly or indirectly. Ever since it was deregulated in 1982, the Indian cement industry has attracted huge investments, both from Indian as well as foreign investors.

PRESENT POSITION

Cement prices in India recorded a 6.7 per cent month-on-month growth in April 2017, thereby indicating the probability of growth in volume and profitability of cement companies in the quarter ending June 2017.

The housing sector is the biggest demand driver of cement, accounting for about 67 per cent of the total consumption in India. The other major consumers of cement include infrastructure at 13 per cent, commercial construction at 11 per cent and industrial construction at 9 per cent.

The total capacity of the cement industry in India is 435 million tonnes (MT) and the growth of cement industry is expected to be 6-7 per cent in 2017 because of the government's focus on infrastructural development. The industry is currently producing 280 MT for meeting its domestic demand and 5 MT for exports requirement. The country's per capita consumption stands at around 225 kg.

The Indian cement industry is dominated by a few companies. The top 20 cement companies account for almost 70 per cent of the total cement production of the country. A total of 188

large cement plants together account for 97 per cent of the total installed capacity in the country, with 365 small plants account for the rest. Of these large cement plants, 77 are located in the states of Andhra Pradesh, Rajasthan and Tamil Nadu.

On the back of growing demand, due to increased construction and infrastructural activities, the cement sector in India has seen many investments and developments in recent times. According to data released by the Department of Industrial Policy and Promotion (DIPP), cement and gypsum products attracted Foreign Direct Investment (FDI) worth US\$ 5.24 billion between April 2000 and March 2017.

Some of the major investments in Indian cement industry are as follows:

Emami Ltd, a fast-moving consumer goods (FMCG) company, plans to invest around Rs 8,500 crore (US\$ 1.32 billion) to scale up its cement production capacity from 2.4 million tonnes (MT) to 15-20 MT in the next three to five years.

The Gujarat-based Nirma group, with presence in detergent, soap and chemicals sector, has bought Lafarge India's cement business, consisting of 11 MT production capacity, for US\$ 1.4 billion.

FLSmidth, a global engineering company based in Copenhagen, has signed a contract with India's Larsen & Toubro Limited for engineering, procurement and supply of equipment for a complete cement production line with a capacity of 3,000 tonne in Tamil Nadu.

PROBLEMS

- 1) Increased freight charges**
- 2) Poor transportation system**
- 3) Usage of paper bag instead of plastic bag for transportation**
- 4) Idle capacity of various players**
- 5) Iran industry is also expanding its export capacity**
- 6) High energy prices**
- 7) Decreased profitability due to increase domestic competition**
- 8) High level of taxation**

CONCLUSION

Cement industry needs to be more competitive if it has to survive. Government should review its taxation policy so that it can be made more competitive. Full capacity utilisation will cut down its cost so government should ensure that.