

# Cementing Brands

Premium offerings go with brand building, the current focus of the Indian cement industry.

In an all-India market that grew 1-6 per cent across regions due to challenging business conditions, leading cement companies delivered strong performances, with some even achieving 20 per cent growth last year. These players are focused on improving their share as the opportunities they foresee unfold.

"Demand for cement is expected to grow at 7-8 per cent CAGR in the coming years, primarily led by increased consumption by the infrastructure and housing segments," says Rahul Akkara, Vice President-Strategy & Brand, JSW Cement.

"We are positively cautious about the near term and optimistic about the medium and long term, in view of improved macro indicators for the economy, significant growth in public spending and focused execution plans," says Mahendra Singhi, Group CEO, Dalmia Cement (Bharat), a company with well balanced capacity in the East (52 per cent) and

South (48 per cent). In particular, Singhi expects a boost from the Central Government's thrust on affordable housing and infrastructure and development-focused state governments' plans.

### Bullish markets

Genuine demand has picked up in the last two months, says K Ravi, Managing Director, NCL Industries, a predominantly South Indian player with 2 mtpa installed capacity running at 75 per cent capacity utilisation, which crossed Rs 1,000 crore turnover for the first time last year, growing at a 20 per cent. "We expect cement to do well in the next two to three years, especially in the Andhra Pradesh market, which is recovering after the slump brought on by the state separation."

"In Andhra Pradesh, irrigation and road projects and building the new capital, while in Telangana, irrigation and road projects, government sponsored affordable

housing and the development of Hyderabad present enormous opportunities for cement demand," according to M Ravinder Reddy, Director-Marketing, Bharathi Cement Corporation, Vicat Group.

"In Andhra Pradesh, cement demand will grow on the back of the Central Government incentivising the state government by exempting capital gains tax for land owners who offer their land under the land pooling mechanism," says Singhi.

Demand growth in the South is vital to boost capacity utilisation, Reddy feels. "Our utilisation capacity is barely 50-60 per cent against the ideal 75-80 per cent."

Apart from fair growth in the south as many infrastructure initiatives roll out, Akkara is of the opinion that the expanding infrastructure and slew of projects about to kick off in the next few years make the East a bullish market.

"We expect expansion in the cement industry in all geographic zones. However, it is likely that the East will see more cement growth as it is expected to see high development," says Sailesh Mohta, President Marketing, Wopder Cement.



- Mahendra Singhi, Group CEO, Dalmia Cement (Bharat)



- K Ravi, Managing Director, NCL Industries

**"Location is so critical that several companies have become regional players due to high freight costs."**

**"Our strategy has been to build a strong brand the end consumer is willing to pay extra for."**

## QUICK BYTES

- Demand drivers: Increased consumption by infrastructure and housing.
- In infra, metro constructions are predominantly using precast elements.
- Demand growth in the South is vital to boost cement capacity utilisation.

JSW Group plans to tap these emerging opportunities by expanding its cement production capacity from 6 mtpa to 30 mtpa through new grinding units closer to its steel plants. "Our new capacity will come up across major parts of the East and South to intensify our service leverage and product offering to clients in these regions," says Akkara. "Markets in major parts of the East have already evolved

with Portland Slag Cement having 50 per cent share, and with our expansion in Salboni, Rourkela and Odisha, we will be able to make an inroad in the markets of West Bengal, Odisha, Jharkhand and parts of Bihar."

As for the rest of the country, Akkara opines: "So far, we have seen a rise in independent housing construction in semi-urban and rural areas majorly in Chennai, Kolkata, Punjab, Maharashtra, and Haryana. We anticipate



A slew of projects about to kick off in the next few years will make the East a bullish market for cement.



- Rahul Akkara, Vice President-Strategy & Brand, JSW Cement

**"Demand for cement is expected to grow at 7-8 per cent CAGR in the coming years."**



**"It is likely that the East will see more cement growth."**

- Sailesh Mohta, President (Marketing), Wopder Cement

strong demand from road and other government projects in these regions."

### Brand building

Brand building matters significantly in a market that is roughly two-thirds retail sales driven, with close to 100 brands competing across India despite consolidation bringing half of the installed capacity under the control of the top five players. For perspective, consider that two to three brands of cement dominate the market in most, developed countries.

According to Reddy, "Consolidation will make no difference to the multitude of brands in India; the market will continue to be occupied by international, national, regional and local brands, these co-exist because the market is genuinely large and populated by buyers for each kind. If some brands consolidate, new ones will emerge."

However, Mohta is of the opinion that consolidation has reduced the number of brands available

### What Cement Makers Want?

Cement as a commodity is highly dependent upon the reach of the company's distribution network. In fact, location plays such a critical role in the cement industry that several companies have become regional players due to high freight costs, says Mahendra Singhi, Group CEO, Dalmia Cement (Bharat).

Given the high transportation costs and challenging logistics, initiatives to make road movement seamless would go a long way to smooth operations, says K Ravi, Managing Director, NCL Industries.

Also, cement should be considered at par with steel and other core sectors, and the high and variable taxes across different states should be rationalised, according to Ravi, who expects cement taxation to improve with the launch of GST.

somewhat, and improved the product quality, such that most of the existing brands offer a fairly standardised product, which in turn helps customers.

Brand building is even more being reflected in increased product advertising and media engagement. "At Dalmia, where building strong brand value is an ongoing commitment, the launch of Dalmia DSP super premium cement in the East, South and North East has necessitated an increase in advertising spending," says Singhi.

### Premium cement

A strong brand goes hand in hand with premium products and premium pricing, and spurs retail trade. "In coastal Andhra, one of our predominant markets, we command Rs 5-10 premium over the prices of other national leading players," says Ravi. "We do not approach builders or institutions to sell cement because they call for tenders and adopt the lowest, whereas our strategy has been to