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PROBLEMS AND PROSPECTS OF CEMENT INDUSTRY IN INDIA

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Abstract:

The Indian cement industry plays a key role in the national economy, generating substantial revenue for state and central Governments as well as employment. Cement is the basic building material in India and is used extensively in urban housing, industrial sector and developing infrastructure. But nowadays cement industry facing certain difficulties like operating cost, inadequate machineries, etc. The removal of these difficulties can help the industry to improve its performance further. So both the government and industry have to shed inbred inhibitions.

INTRODUCTION:

India is the second major cement producing country following the China; we have 143 large and 365 mini cement plants. Leading players in the industry are Ultratech Cement, Gujarat Ambuja Cement Ltd, JK Cement, ACC Cement, Madras Cement etc. Cement is an adhesive that holds the concrete together and is therefore vital for meeting economy's needs of housing and accommodation and necessary infrastructure such as roads and bridges, schools, hospitals etc. Hence, this is one of the fundamental elements for setting up strong and healthy infrastructure of the country and plays an important role in economic development and welfare of the nation.

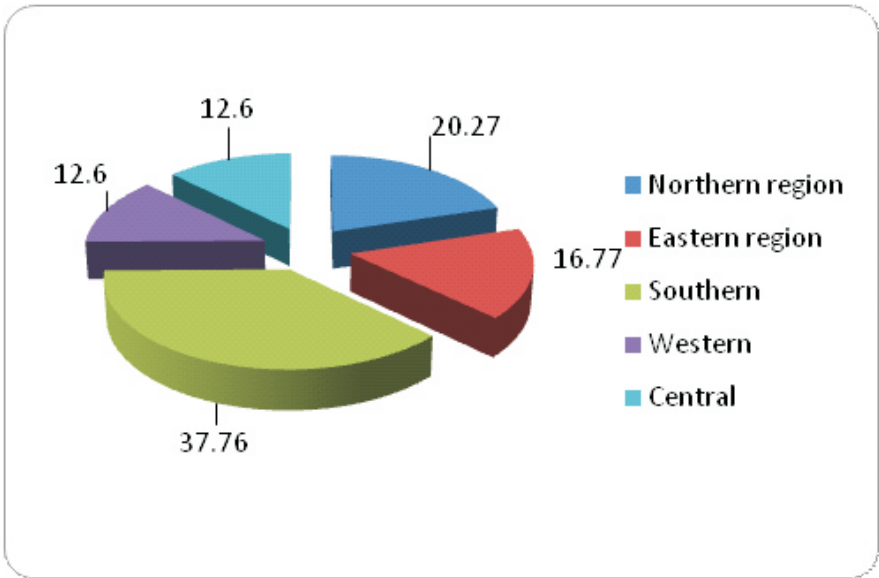
Cement industry is being segmented regionally i.e. Northern, Central, Western, Southern and Eastern. That is given in the following Table 1.

Table 1
Region wise installed capacities of large, cement plants.

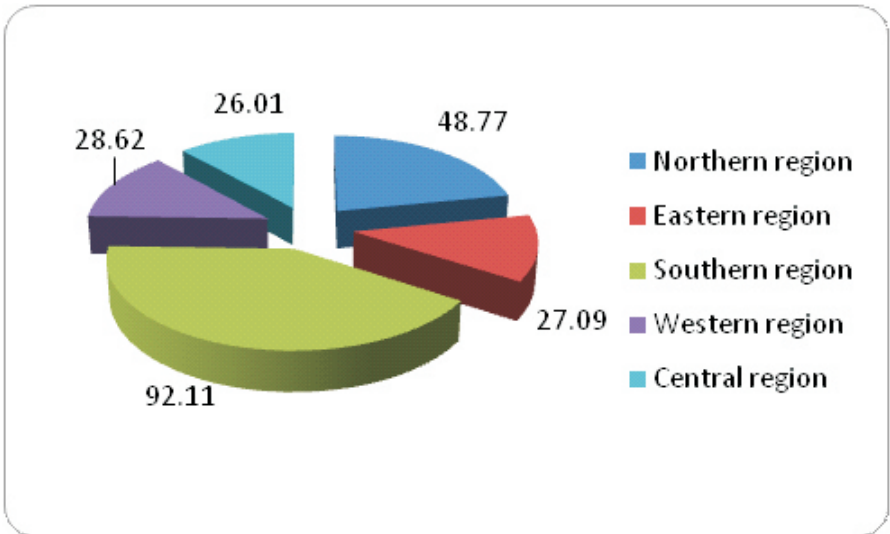
Region	Number of plants	Percentage of plants	(In Million Tonnes)
			Annual installed capacity 2009-10
Northern region	29	20.27	48.77
Eastern region	24	16.77	27.09
Southern	54	37.76	92.11
Western	18	12.60	28.62
Central	18	12.60	26.01
Grand total	143	100	222.60

Source : Cement manufactures association New Delhi

Pie chart showing percentage of plants



Pie chart showing Annual installed capacity 2009-10



Southern Region in the country is the biggest contribution in cement production and it has a largest capacity with 92.11MT. India has total capacity of 222.60MT as on March 2010 comprised of Northern Region 48.77 MT, Eastern Region 27.09, Western Region 28.62 MT, Central Region 26.01 and as mentioned earlier Southern Region 92.11 MT.

PROBLEMS OF CEMENT INDUSTRY

The number of cement plants growing one side but another side those plants are suffering from lot of problems. Some major problems are;

1. Inadequate Machinery

The machinery required by the cement industry was to be imported in the past as the machinery

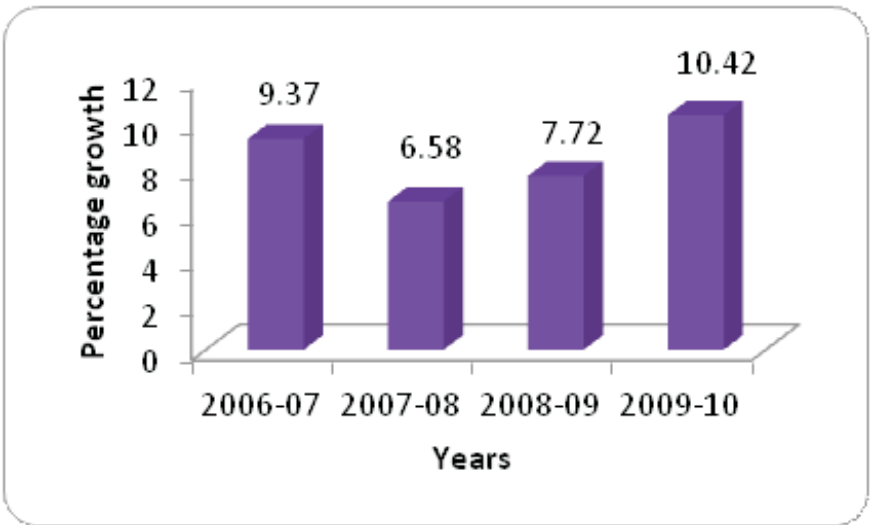
manufactured in India was less superior and also costly.

Table -2
Production and Growth in cement industry

Year	Production Growth		
	Production (MT)	Growth	% Growth
2006-07	161.66	13.85	9.37
2007-08	172.31	10.65	6.58
2008-09	185.61	13.30	7.72
2009-10	200.95	19.34	10.42

Source : CMA

Bar chart showing % growth of cement industry in India



2. OPERATING COST

Power, coal and freight constitute about 15-20% each of the total cement cost while capital cost forms 20-30 percent. Although the industry is largely under private sector, Government controls more than 40% of the cost. Power, coal and freight costs are all regulated by government bodies, such as, state Electricity Boards, Coal Monopolies and the Railways.

ACC to a study in the last quarter of 2007-08, the cost of raw materials has increases much higher than the profit margins.

3. DEMAND FOR CEMENT ALWAYS EXCEEDS IT SUPPLY

The cement industry has registered bumper profits and growth and so has the construction industry. Going forward, the mega-infrastructure building drive and housing boom guarantee that the construction industry will continue to grow quickly.

The demand for cement will, therefore remain high because of the obvious linkages. There is a genuine a demand and supply gap brewing. The cement industry doesn't have too much spare capacity and the commodity doesn't travel well either – So imports and inter-regional supplies are not easy to organize.

4. PER CAPITA CONSUMPTION OF CEMENT IS THE LOWEST

The per capita consumption of the cement of the country is very low. 156kgs / year as compared to world average of 260 kgs.

5. REGULATION AND DISTRIBUTION OF CEMENT

The distribution of cement is inadequate and inequitable due to artificial scarcity created by the cement manufacturers and dealers in cement. This has led to the encouragement of black marketing in cement.

6. RESOURCE CRUNCH

In this context L.K Jha Said; what is the country coming to ? There is plenty of money for investment in five – star hotels, but none for cement, paper and steel. A spokesman of the industry said; inspite of a good record of performance, the industry could not achieve the targeted rate of growth mainly because of the plenty of resources for expansion.

While the government blundered about with price control and distributional regulations, the industry also did not play ball. It should out loud and long about the margin of profit; while the industry and the trade managed to foster a burgeoning black market, and made huge profits at the expense of the people.

The future

The Indian cement industry facing certain difficulties. The removal of these difficulties can help the industry to improve its performance further. So both the Government and Industry have to shed inbred inhibitions.

The Government should adopt a realistic pricing and distribution policy, but not at the cost of the consumers and also cement producers of the country should continuously tried to lower the cost by various methods like.

1. Locating units closer to the market place.
2. Increasing production of blended cement.
3. Availing of various state incentives like sales tax exemption; power tarff; exemption / concession
4. Setting up of captive power units
5. Conversion of wet manufacturing process to dry process which is more fuel efficient.
6. Installation of pollution control measures etc.

The industry occupies an important place in the Indian economy, because of its strong linkages to other sectors such as construction, transportation, coal and power. It is on the threshold of the take off stage. Given with the rich raw materials, skilled man power technical knowledge and above all the climate to go ahead , there is no reason why it should not reach the level of self sufficiency and later produce enough surplus for export.

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