

Construction Industry Review

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New investment in infra, real estate crucial for cement industry growth

Global cement consumption is expected to reach 3,900 million tons per annum (mtpa) by FY2012 – a Compounded Annual Growth Rate (CAGR) of 7 per cent in the past six years. India is the second largest cement consumer after China. Rising urbanisation and increasing demand for infrastructure and housing projects is accelerating demand for cement in emerging markets, remarked Revati Kasture, General Manager & Head of Core Research.

She was speaking at the second annual seminar on 'Metamorphosis in Construction & Building Industry 2012' which was held in Mumbai on June 15. It was organised by MMR Events, an arm of the Braj Binani Group-owned Asian Industry & Information Services Pvt. Ltd. (AIISPL).

She added that the cement industry in India is estimated to grow at a CAGR of 8.3 per cent in the period FY12-15. Cement capacity addition is also expected to grow to 105 million tons between FY13-15. The industry will continue to face surplus situation in coming years as cement companies continue

to expand cement production capacity.

"Mismatch in the cement capacity addition and consumption has widened significantly in the past five years. While cement capacity addition has increased at a CAGR of 11.9 per cent, its consumption has grown at CAGR of 7.7 per cent from FY08 - FY12.

"Construction activity has declined significantly in FY12 to 5.3 per cent as against the GDP growth of 6.5 per cent. Ideally the construction activity as a proportion of GDP should be in the range of 7.7 to 8 per cent. The dismal performance of the industry is owing to the slowdown in the economy, environmental clearance hurdles, political turbulences in certain states, prolonged monsoon, spiralling interest rates and most importantly shortage of skilled manpower," Kasture further elaborated.

She, however, mentioned that the investment in infrastructure as a percentage of GDP is estimated to have increased from 5.7 in FY04 to 8.3 per cent in FY12. "Growth of investment in infrastructure plays a crucial role in the growth



PLEASED TO HAVE YOU GENTLEMEN: (L-R) Bina Verma, Managing Director, AIISPL; Alok Agarwal, Senior Executive Director, Binani Industries Ltd; Jimmy Mistry, Chairman & Managing Director, Della Technica and Joydeep Mukerjee, Vice President, Projects & Real Estate, Reliance Infrastructure Ltd.

of the cement industry. However, slowdown in the announcement of new projects across all sectors has hit the construction industry in FY12. Also, poor project execution has hampered the revenue growth of the industry to single digit in the last two fiscals," she stated.

Alok Agarwal, Senior Executive Director, Binani Industries Ltd, said that huge infrastructure and housing demand is likely to be the key for growth in cement consumption. He mentioned that residential real estate accounts for 55 per cent of the domestic cement consumption followed by infrastructure (20 per

cent), commercial real estate (13 per cent) and industrial (4 per cent).

Commenting on the global cement industry scenario, Agarwal said, "China continues to remain world leader in cement consumption. USA remains in third place; though its consumption has fallen to 72 mtpa in 2011 from peak of 122 mtpa recorded in 2006."

He said that Bric economies control over 60 per cent of global cement capacity and 70 per cent of cement demand.

Joydeep Mukerjee, Vice Presidents, Projects & Real Estate, Reliance Infrastructure Ltd,

presented an overview of the real estate and infrastructure industry. He said that the real estate industry in India has been growing at a high rate of 30 per cent over the past few years.

He made a strong case for the Public Private Partnerships (PPPs) model for implementation of infrastructure projects, and said that the model can be adopted in construction of roads, ports and other infrastructure projects. Even small townships can be made on PPP basis, he added.

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POMP & GLITTER: The spellbound participants in rapt attention.

CCI indicts 11 cement majors for price cartelisation

As per the industry reports, competition watchdog CCI (the Competition Commission of India) has imposed penalty of about Rs 6,307 crore on 11 major cement manufacturers found guilty of being involved in price cartelisation during 2009-10 and 2010-11. The industry body, the Cement Manufacturers Association, has also been fined.

The firms have been directed to deposit the penalty within 90 days. The penalty is equivalent to 50 per cent of their profit for 2009-10 and 2010-11.

"The cement companies acting together have limited, controlled and also attempted to control the production and price in the market in India," stated Ashok Chawla, CCI Chairman.

CCI was probing the cartelisation charges based on complaints from realtors' body, the Builders Association of India (Bai), which alleged that retail prices fixed by the cement manufacturers were almost similar. The highest penalty prescribed in the Competition Act 2002 is 10 per cent of three years' average turnover.

O. P. Puranmalka, Whole-time Director, UltraTech & Head of cement business, said, "We have not indulged in any cartelisation. We will approach the Competition Appellate Tribunal and challenge the order."

As per the CCI's order, ACC Ltd has been imposed a penalty of 0.5 times of the profit for the year 2009-10 and 2010-11 which works out to

Rs 1,147.59 crore. The order relates to competition law proceedings initiated in 2010 which aimed at investigating the conduct of several leading cement producers in India.

"We have furnished all information and clarification requested by the authorities in the context of the investigation. We feel aggrieved by this order and will appeal against it before the Competition Appellate Tribunal," said a company spokesperson.

Similarly Ambuja Cement Ltd (ACL) has been levied a penalty of Rs 1,164 crore. "In the context of the investigation, ACL has delivered all the information and clarifications requested by the authorities. However, ACL contests the allegations and findings against



the company. "We will appeal against this order to the Appellate Tribunal and will seek a stay on the aforesaid penalty," said a company official.

"We are extremely disappointed with the recent CCI order. There was no basis to arrive at conclusions that India Cements Ltd had indulged in any cement cartelisation and anti-competitive prices. Unfortunately, without any proof we have been found guilty, against which we shall be taking legal recourse.

Furthermore, to direct a collective body of corporate entities to desist from pursuing its lawful objectives is retrograde," said a India Cements spokesperson.

According to Ravi Soda, an analyst at Mumbai-based brokerage Elara Capital, "I believe the decision will be under litigation for a long time, so the cash-outgo for the penalty will take some time."

New investment in infra...

(Continued from pg 1)

Mukerjee said there is huge demand for middle-income housing in tier-2 and tier-3 cities and outskirts of major metros. According to the US-based PMC – India Real Estate Investment 2010 report, the demand in the residential sector is estimated to be approximately 4.25 million units of which mid-range and affordable sectors will account for a significant share of 70 per cent by FY2014, he stated.

Mukerjee further said that urbanisation is inevitable and so the future holds tremendous potential for the real estate sector. He also observed that developers today are focusing in a big way on mixed-use development. Citing an example, he said that Phoenix Mills is developing mixed-use projects in Mumbai, Pune, Bengaluru and Chennai after the success of its High Street Phoenix project in South Mumbai. He also spoke on whether the Maharashtra government and the civic body have drawn lessons after the July 26, 2005 deluge in Mumbai.

Noted architect & CMD, Della Technica, Jimmy Mistry, made a detailed presentation on hi-end, cost-effective design in mass housing projects. Bernd Stampfl, Head Energy Solutions, Building Technologies, Siemens Ltd India,



Alok Agarwal: "China continues to remain world leader in cement consumption. USA remains in third place."



Revati Kasture: "Construction activity has declined significantly in FY12 to 5.3 per cent."



Bernd Stampfl spoke on sustainable building solutions.



Bina Verma, Editor, Construction Industry Review, welcoming the august gathering.



Sayan Banerjee made a presentation on the introduction to GRP SMC



Tirtha Banerjee expounded on improving life of structures by quality waterproofing.



Q&A TIME: An inquisitive delegate makes a point.



CATCH 'EM YOUNG: The students of the Rachna Sansad Academy of Architecture, Mumbai, deeply engrossed.

ANCHOR PAR EXCELLENCE: Nitin Mukadam (extreme left), renowned Management Consultant, regaling the crowd.



THAT'S MY CHOICE: A delegate hooked on to Construction Industry Review.



made a presentation on sustainable building solutions.

Tirtha Banerjee, Head of Training with Dr. Fixit Institute of Structural Protection & Rehabilitation (DFI-SPR) under Pidilite Industries Ltd, gave a detailed presentation on improving the life of structures by quality waterproofing. Sayan Banerjee, Marketing & Sales Officer, BT Composites, Binani Industries Ltd made a presentation on the introduction to GRP SMC and its applications and impact on today's construction industry.

The event was moderated by renowned Management Consultant Nitin Mukadam.

IN MAESTRO'S COMPANY: Narendra Patel, Chairman, ICI, and MD of Ariosto Group (forefront) at the event