

Quarterly Update (Quarter 4 FY 07)

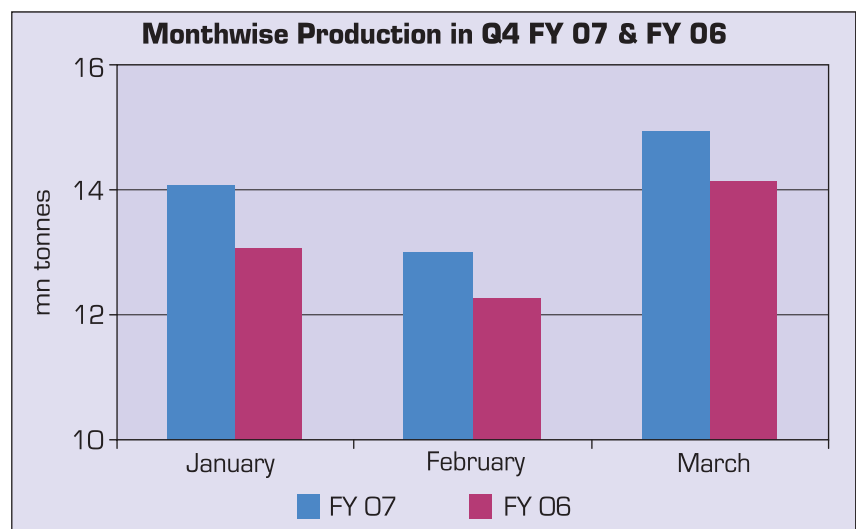
Quarterly cement production (in mn tonnes)

Particulars	Q4 FY 07	Q3 FY 07	QoQ (%)	Q4 FY 06	YoY (%)
Production	42.0	38.72	8.5	39.48	6.4

Source: CMA

Monthwise Production in Q4 FY 07 & FY 06

Cement production in the 4th quarter has registered a slightly sluggish growth of 6.4% on yoy basis (Q3 yoy 9.7%). Total cement production in FY 07 has reached a level of 155.3 mn tonnes. During the same period, Southern region has registered a highest growth in production at 11% on yoy basis. Western and Eastern regions registered production growth of 10% each whereas Northern and Central regions were at 8% each.

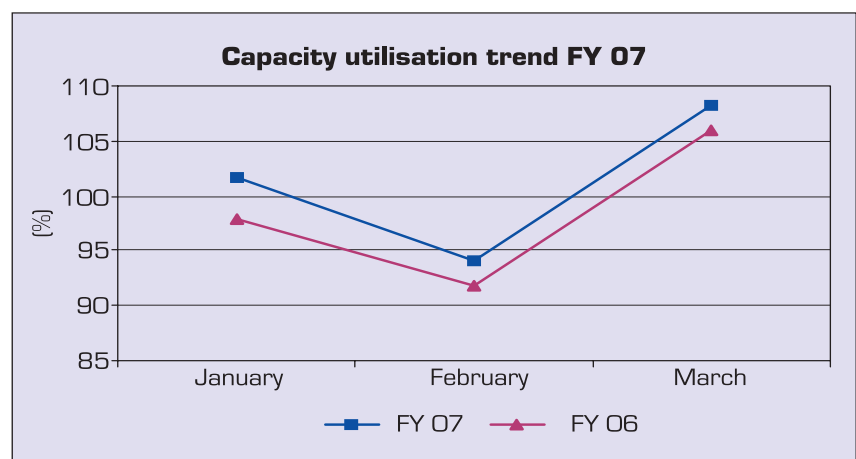


Source: CMA

Capacity utilisation trend FY 07

In line with the 3rd quarter, industry continued to operate at utilisation level above 90% in the 4th quarter. With increased production across all regions, industry has created a new benchmark with utilisation rate at 108% in the month of March 07.

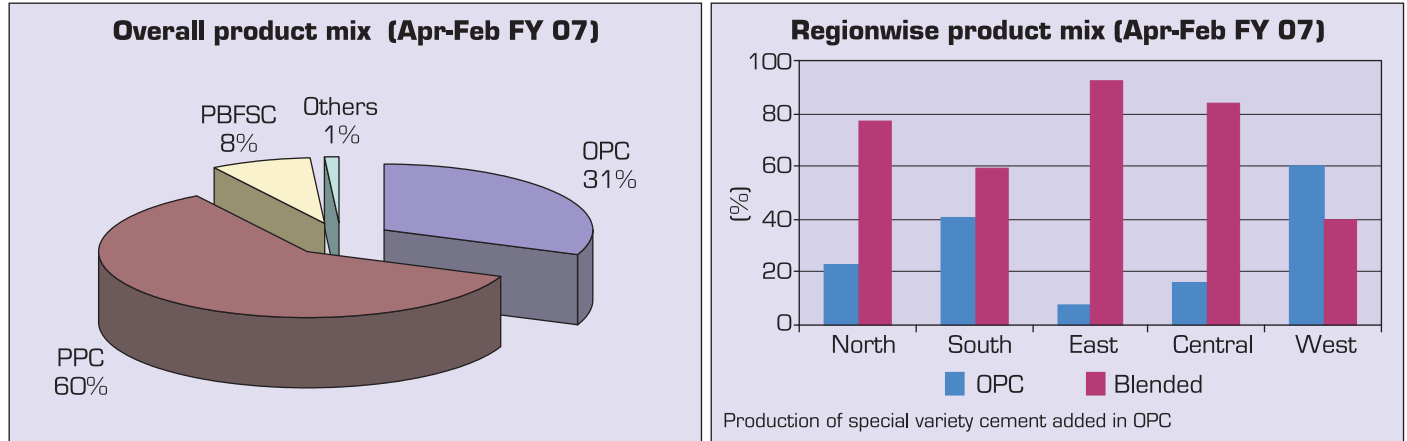
Capacity at the beginning of FY 07 was 160.24 mn tonnes and it has increased to 165.71 mn tonnes as on 31.03.07.



Source: CMA

During FY 07, capacity has grown at the rate of 3.4% and production of cement has grown at the rate of 9.5%. This has translated in improved utilisation rate throughout the year as compared to FY 06.

Product mix



Source: CMA

Proportion of blended cement in the product mix has increased from 60% in FY 06 to 68% for the period Apr-Feb 07. Among blended cement, rise in proportion of PPC has been dominant which increased from 52% in FY 06 to 60% in FY 07.

During the same period, production of blended cement has been prominent (about 75%) in Northern, Central and Eastern region.

Regionwise cement demand

During the 4th quarter, demand in Western & Southern regions has grown at a double digit growth rate on qoq basis. During the same period, Northern & Eastern regions were laggards which led to a single digit overall demand growth rate on qoq basis.

In FY 07, total demand in the country (domestic plus exports) has registered a growth rate of 9%.

(in mn tonnes)

Particulars	Q4 FY 07	Q3 FY 07	QoQ (%)	Q4 FY 06	YoY (%)
North	7.88	7.71	2.2	7.29	8.1
South	11.97	10.56	13.4	10.74	11.5
West	8.41	7.08	18.8	7.67	9.6
East	6.56	6.31	4.0	6.19	6.0
Central	6.06	5.64	7.4	5.93	2.2
Exports	2.06	2.37	-13.1	2.42	-14.9
Total Dem.	42.94	39.67	8.2	40.24	6.7

Source: CMA

Growth in production slightly lagged behind the domestic consumption i.e. production grew by 9.5% as compared to 9.9% growth of domestic consumption. With the boom in the construction sector, Southern region has witnessed highest growth of 13% in cement consumption during FY 07, followed by 11% in Northern and 9% each in Western & Central regions.

Regionwise price trend & capacity utilisation trend

Western region has operated consistently at utilisation level above 100% which in turn has kept the price levels in the region elevated. Southern region (Chennai) has witnessed the highest price rise of 9.7% over the price prevailing in the month of December 06.



Source: CMA & CMIE

In Northern & Eastern regions (Delhi & Kolkata), prices have increased by 2.4% and 7.1% respectively over prices in month of December 06. This price rise across all regions was prominent in the month of March which was due to passing on the rise in excise duty (post budget announcement of dual excise duty structure) by cement manufacturers.

Companywise cement dispatches

(in mn tonnes)

Particulars	Q4 FY 07	Q3 FY 07	QoQ (%)	Q4 FY 06	YoY (%)
ACC	4.88	4.81	1.5	4.93	-1.0
GACL	4.32	4.12	4.9	4.19	3.1
Grasim	4.16	3.89	6.9	4.05	2.7
UltraTech	4.23	3.58	18.2	4.03	5.0
India Cem.	2.36	2.02	16.8	2.31	2.2

Source: CMA

During the 4th quarter, buoyant demand growth in Western and Southern regions has been reflected in dispatch figures of UltraTech and India Cements, both registering a double digit growth rate on qoq basis.

Proportion of cement dispatches through rail for period Apr-Feb has increased from 34% in FY 06 to 38% in FY 07.

Industry Developments

JV between cement & steel players: Steel Authority of India Ltd. (SAIL) has planned to form a Joint Venture with Jaiprakash Associates Ltd. (26% of the stake to be held by SAIL) to set up a 2 mn tonnes capacity plant at Bhilai in Chhattisgarh. This JV will produce blended cement using slag generated from Bhilai steel plant.

Gol intervention: In the recent Union budget, Gol has introduced dual excise duty structure (Rs.350/tonne for retail selling price equal to or below Rs.190/bag and Rs.600/tonne for retail selling price above Rs. 190/bag). As mentioned by CARE in its *Impact of Union Budget 2007-08*, this duty hike was passed on to consumers.

Recently, Govt has abolished Countervailing duty (CVD) & Special Additional duty (SAD) on import of OPC. Although, import of cement in the interiors of the country is unviable due to many constraints as mentioned in previous *Impact Analysis* note, CARE Research feels that deficit situation in certain areas near ports may induce some consumers to import cement.

Capacity addition: Total capacity added, 5.79 mn tonnes, in FY 07 was contributed by the players mentioned in the adjacent table.

ACC: Mancherial unit in Andhra Pradesh with capacity of 0.33 mn tonnes has been derated. Thus net capacity addition in FY 07 is 5.46 mn tonnes.

Players	Region	State	Capacity (mn tonnes)
Dalmia Cement	South	Tamilnadu	2.27
ACC	North	Himachal Pradesh	0.88
OCL India Ltd.	East	Orissa	0.52
Jaiprakash Associates	Central	Madhya Pradesh	0.50
J K Cement	North	Rajasthan	0.50
Rain Industries Ltd.	South	Andhra Pradesh	0.50
Meghalaya Cements	East	Meghalaya	0.44
J K Cement	North	Rajasthan	0.10
K.C.P. Ltd.	South	Andhra Pradesh	0.08

Source: CMA

Outlook

During FY 07, cement consumption in the country has grown at a rate of 9.9% as compared to a 3.4% growth in capacity. CARE Research projects capacity addition of about 23-25 mn tonnes in FY 08. However, most of this capacity would materialise during later part of the year. In the month of March 07, all regions were operating above 100% utilisation rate. With buoyant demand and scarcity of fresh capacity coming onstream in immediate future, trend of elevated utilisation levels would continue in next quarter till the monsoon season begins. CARE Research feels that the cement prices will remain stable across the country during the next quarter.

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