CEMENT INDUSTRY IN INDIA:

India is the second-largest cement producer in the world and accounts for over 8% of the global installed capacity. Of the total capacity, 98% lies with the private sector and the rest with the public sector.

Key Industry Statistics:

In 2022, the market size of India's cement industry reached 3.64 billion tonnes and is expected to touch 4.83 billion tonnes by 2028, exhibiting a CAGR of 4.94% during 2023-28. India's cement production reached 374.55 million tonnes in FY23, a growth rate of 6.83% year-on-year (YOY).

India's cement production for FY24 is expected to grow by 7-8% driven by infrastructure-led investment and mass residential projects.

The Indian cement sector's capacity is expected to expand at a compound annual growth rate (CAGR) of 4-5% over the four-year period up to the end of FY27. It would thus begin the 2028 financial year at 715-725 MT/ year in installed capacity.

Cement consumption is expected to reach 450.78 million tonnes by the end of FY27.

At present, the Installed capacity of Cement in India is 570 MTPA with a production of 298 MTPA.

FDI inflows in the industry, related to the manufacturing of cement and gypsum products, reached US$ 5.50 billion between April 2000 and September 2023.

Major investments and expansion projects by key players:

In June 2023, Shree Cement announced four planned capacity expansion projects that aim to increase its installed cement production capacity by 20% to 55.9 MT/year.

Adani Group will set up two new cement manufacturing plants, 15,000 MW of renewable power projects, and a data centre in Andhra Pradesh.

In November 2023, ACC received a renewed licence for its Rajasthan limestone mine, allowing it to increase its extraction of limestone there to 1.5 million tonnes per year.

In December 2023, UltraTech Cement concluded an agreement to acquire Kesoram Cement from Kesoram Industries for US$ 912 million.

In October 2023, UltraTech Cement announced planned new capital expenditure (CAPEX) investments worth US$ 1.56 billion to grow its production capacity, beginning in the 2026 financial year.

In October 2023, Dalmia Bharat announced a planned investment of US$ 10.9 million in a grinding unit expansion at its 1 million tonnes/year Banjari cement plant in Bihar.

An MoU was signed between Star Cement Limited and the Government of Assam for an investment worth Rs. 1,400 crore (US$ 170.9 million) for setting up a Cement Grinding unit in Guwahati and another Cement Grinding unit in Cachar and AEC Block and other construction manufacturing units in Guwahati.

Ramco Cements is planning to invest a total of US$ 91.3 million towards growing its capacity in FY24. Its planned investments consist of US$ 15.8 million in an expansion to its Haridaspur grinding plant in Odisha and US$ 75.5 million in the acquisition of land in Bommanalli, Karnataka, on which to establish a limestone mine.

Dalmia Cement (Bharat) is planning to invest US$ 560 million following the signing of a memorandum of understanding (MoU) with the Assam government on the construction of a new cement plant in the state.

In October 2022, UltraTech announced that it has been granted Environmental Product Declaration (EPD) certificates for four of its cement products, which are Ordinary Portland Cement (OPC), Portland Pozzolana Cement (PPC), Portland Slag Cement (PSC) and PCC (Portland Composite Cement).

Government Initiatives:

As per the Union Budget 2022-23, there was a higher allocation for infrastructure to the tune of US$ 26.74 billion in roads and US$ 18.84 billion in railways is likely to boost demand for cement.

Under the housing for all segments, 8 million households will be identified according to Rs. 48,000 crore (US$ 6.44 billion) set aside for PM Awas Yojana.

The government approved an outlay of Rs. 199,107 crore (US$ 26.74 billion) for the Ministry of Road Transport and Highways, and this step is likely to boost the demand for cement.

India's export of panel cement, clinkers, and asbestos cement products stood at US$ 682.32 million in FY23 while the imports were US$ 288.42 million.

Several government schemes such as MGNREGA, PM Garib Kalyan Rozgar Abhiyan and state-level schemes such as Matir Srisht (West Bengal) and public work schemes (Jharkhand) have aided the demand.

In October 2021, Prime Minister, Mr. Narendra Modi, launched the 'PM Gati Shakti - National Master Plan (NMP)' for multimodal connectivity. Gati Shakti will bring synergy to create a world-class, seamless multimodal transport network in India. This will boost the demand for cement in the future.

Future Outlook:

The Government of India is strongly focused on infrastructure development to boost economic growth and is aiming for 100 smart cities. The Government also intends to expand the capacity of railways and the facilities for handling and storage to ease the transportation of cement and reduce transportation costs. These measures would lead to increased construction activity, thereby boosting cement demand.

In the next 10 years, India could become the main exporter of clinker and grey cement to the Middle East, Africa, and other developing nations of the world.

Cement plants near the ports, for instance, the plants in Gujarat and Visakhapatnam, will have an added advantage for export and will logistically be well-armed to face stiff competition from cement plants in the interior of the country. India's cement production capacity is expected to reach 550 MT by 2025. The cement demand in India is estimated to touch 419.92 MT by FY27 driven by the expanding demand of different sectors, i.e., housing, commercial construction, and industrial construction.

Conclusion:

In conclusion, the cement industry in India has demonstrated remarkable growth and resilience over the years, evolving into one of the largest and most dynamic sectors in the country's economy.

Looking ahead, the cement industry in India is poised for continued growth, supported by increasing demand from infrastructure projects, affordable housing schemes, and urbanization trends. Collaborative efforts between industry stakeholders, policymakers, and environmental agencies will be crucial to addressing challenges and ensuring sustainable growth in the future.

BUSINESS MODEL OF PANYAM:

Business model of the Panyam Cements involves the following key components:

1. **Raw Material Sourcing:**
   Cement production requires significant quantities of raw materials like limestone, flyash, coal, gypsum and others. The company have mines on lease within the production plant vicinity with ropeway for easy transit of limestone extract into production plant. Coal and other raw-materials are being sourced indigenously on price-parity basis.

2. **Manufacturing Process:**
   Cement manufacturing involves several stages, including crushing, grinding, blending, and heating raw materials to form clinker. This clinker is then ground into a fine powder and mixed with gypsum to produce cement. The manufacturing process involves infrastructure, including kilns, mills, crushers, and storage facilities.

3. **Production Capacity and Efficiency:**
   Cement companies invest in production capacity to meet demand while striving to optimize operational efficiency. This involves managing factors such as energy consumption, resource utilization, and waste management to reduce costs and enhance productivity.
   We are currently at the stage of optimizing our operation efficiency and looking out to stabilize in the coming days.

4. **Distribution and Logistics:**
   Cement is a bulk commodity with distribution networks spanning regions or even countries. Cement companies manage logistics and transportation to deliver products efficiently to customers, including wholesalers, retailers, contractors, and infrastructure developers.
   Currently, we have strong dealership network in the districts of Andhra Pradesh State, few districts of Telangana, Karnataka and Tamil Nadu.
   In the coming days, we will actively make our foot-fall over entire south India and establish our brand.

5. **Customer Segmentation and Market Focus:**
   Cement companies target various customer segments, including construction companies, infrastructure developers, governments, and individual consumers. The products and services can be tailored to meet the specific needs and preferences of each segment, often offering different grades or types of cement for different applications.
   Currently, we don't have specific segment as such to tailor our product and we may look-out to arrange for discussions segment-wise and meet their requirements to distribute our products at aggregate level.

6. **Quality Assurance and Compliance:**
   Cement companies prioritize quality assurance to ensure that their products meet industry standards and regulatory requirements. This involves rigorous testing, quality control measures, and adherence to environmental and safety regulations throughout the production process.
   We are actively compliant with all the applicable quality standards and meeting the product standards for distribution in the market.

7. **Innovation and Sustainability:**
   As the cement industry evolves, companies invest in research and development to innovate and improve their products, processes, and environmental performance. This includes initiatives to reduce carbon emissions, increase the use of alternative fuels and raw materials, and develop eco-friendly cement formulations.
   We have not reached this stage yet and we are actively looking forward to undertake such activities on stabilisation of our production process.

8. **Marketing and Branding:**
   Cement companies engage in marketing and branding activities to promote their products, build brand awareness, and differentiate themselves from competitors. This may involve advertising campaigns, sponsorships, participation in industry events, and engagement with stakeholders.
   We have not yet actively advertising our products but still able to reach reasonable customers in Telugu and other state districts. Once we take-up this activity, we have more probability to out-reach few of our competitors in coming days.

9. **Financial Management and Investment:** Cement companies manage their finances prudently, balancing investments in production capacity, technology upgrades, and market expansion with profitability and risk management objectives.
   We have dynamic promoters who have invested their funds, upgraded the Cement Production Plant and facilitated for financing from Canara Bank, Mid Corporate Branch, Chennai for a sum of Rs.160 Crores in fund and non-fund basis to meet capital and revenue expenses of the Company. On production stabilization and sales up-scale, the finance and investment in the Company will be escalated to go for expansion over current capacity.

PRODUCTION ACTIVITY:

The company cement plant has a Clinker production capacity of 2,000 Tonnes Per day (TPD).

Running a cement plant involves a combination of technical, managerial, and operational tasks to ensure efficient production and optimal performance.

Limestone is quarried and transported by rope-way to the production plant.

The additives materials like Laterite (alumina grade) and Iron Ore/ Laterite (Iron grade) were used based on our limestone quality.

The additives will be mixed in Additive crusher and same will be blended with limestone through conveyor and transferred into Rawmill.

The blended outcome will be grinded at Raw mill and the resultant will be called as Raw meal. This raw meal will be stores in Silos.

The said Raw meal will be transferred through bucket elevator belt into our rotary horizontal kiln for clinkerization process, where raw meal is heated.
The diesel will be used for initial light-up of Kiln and coal will be used to maintain the temperature in Kiln at 1800 degrees Celsius.

The resultant outcome will be termed as Clinker, which is next will be sent into cooler, where the coaling system will reduce the temperature. The clinker breaker will crush the material and output will be stored in clinker yard. This is an intermediate product of cement manufacture.

Then, clinker will be transferred through conveyor to cement mills, blended with gypsum, finely grinded and the final output-cement will be produced.

The resulting cement will be Ordinary Portland cement (OPC) grade.

If we add 30% FlyAsh, the resultant will be Portland Pozzulona Cement (PPC) Grade cement.

Rigorous quality control measures are taken to ensure that the final product meets the required standards.

The produced cement will be stores in cement silos with a capacity of 4,000 tonnes having 2,000 tonnes for each cement grade. This cement is conveyed into packing machines, where cement will be packed in each 25kgs bag and loaded into vehicles for sale distribution.

{This entire plant operations of the Company will be run under supervision of Plant Head-Vice President (VP) - Mr. G. Sudhakar Reddy.}

ROLE AND FUNCTIONS OF INDEPENDENT DIRECTORS:

The Independent Directors shall:

(1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;

(2) bring an objective view in the evaluation of the performance of board and management;

(3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

(4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

(5) safeguard the interests of all stakeholders, particularly the minority shareholders;

(6) balance the conflicting interest of the stakeholders;

(7) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;

(8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

DUTIES OF INDEPENDENT DIRECTORS:

The Independent Directors shall:

(1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;

(2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;

(3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;

(4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;

(5) strive to attend the general meetings of the company;

(6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;

(7) keep themselves well informed about the company and the external environment in which it operates;

(8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;

(9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;

(10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;

(11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;

(12) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;

(13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.