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   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

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WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

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INFLUENTIAL FACTORS OF CEMENT CONSUMPTION IN INDIA FOR 2011-12

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ABSTRACT
Indian cement industry is the second largest in the world. The Indian cement industry witnessed an unprecedented growth as a sequel to the liberalization policies the Government initiated with partial decontrol in 1982 culminating in total decontrol in1989. The demand for cement mainly depends on the level of development and the rate of growth of the economy. The industry had achieved World Class Energy Efficiency rating. This research intends to highlight the cement consumption in India. The growth of the industry for the year 2011-2012 is described with certain influential factors for cement consumption. This study analyzes the effects of various factors such as economy, government initiatives, price escalation etc on cement consumption in India. Based on these factors, qualitative analysis is performed by collecting secondary data.

KEYWORDS
Cement industry, India, Influential factors.

INTRODUCTION
Our country is the second major cement producing country following the China; we have 137 large and 365 mini cement plants. Leading players in the industry are Ultra tech Cement, Gujarat Ambuja Cement Limited, JK Cements, ACC Cement, Madras Cements and Jaypee Cement etc. Cement is an adhesive that holds the concrete together and is therefore vital for meeting economy's needs of Housing & accommodation and necessary infrastructure such as roads & bridges, schools, hospitals etc. Hence, the cement 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. Based on the composition and percentage of clinker used, different types of cements are made, they are —Ordinary Portland Cement (OPC), Portland Pozolona Cement (PPC), Portland Blast Furnace Slag Cement (PBFSC), Portland Slag Cement (PSC) white cement and specialized cement—are produced for various end-uses.

Cement industry is being segmented regionally i.e. Northern, Central, Western, Southern and Eastern. Cement, being a bulk item transporting it over long distances can prove to be uneconomical as it attracts very high amount of freight. Thus, it has resulted in cement being largely a regional play with the industry divided into five main regions. As it is a freight intensive industry, the segment is completely domestic driven and exports account for very negligible percentage of the total cement off take.

Southern region in the country is the biggest contributor in cement production and it has a largest pie in capacity with 92.11MT. India has total capacity of 226.90 MT as on March – 2010 comprised of Northern Region 48.27 MT, Central Region 26.01 MT, Eastern Region 31.89 MT, Western Region 28.62 MT and as mentioned earlier Southern Region 92.11 MT. Rajasthan, Andhra Pradesh, Tamil Nadu, Madhya Pradesh and Gujarat are the prominent cement industry contributor states. The southern region generally has an excess capacity trend in the past owing to profuse availability of limestone, the western and northern regions are generally has more demand than availability.

The Indian cement industry is highly fragmented with the top few accounting for more than 50% of the industry capacity. The rest is distributed among the large number of small players. The cement industry in India has come forward as the second largest in the world, showing a total capacity of around 230 MT (including mini plants). However, on account of low per capita consumption of cement in the country (156 kgs /year as compared to world average of 260 kgs) there is still a huge potential for growth of the industry.

ALL INDIA REGIONS RANKING

Source: CMA

Cement demand growth has lagged GDP growth in past two years due to slowdown in real estate sector and lack of order inflows from infrastructure sector. Lower-than-expected demand coupled with incremental supplies has also resulted in declining capacity utilizations for the companies. Sector has also witnessed continued cost pressures in terms of higher power, fuel and freight costs. However it is expected that Interest rates will soften in the coming months leading to higher demand from Housing Sector.(Anil Kumar Pillai, 2012)

Cement sales are generally high during summer and low during rainy season, as most of the construction work materializes during summer. The industry is also picking up very well as government have taken several steps for infrastructure development, boom in real estate markets in both rural and urban areas and growth of other subsidiary areas.(Joyce, 1998)

Few of the major features of the Indian Cement industry are:

- It involves high capital costs and long gestation periods.
- Supply of coal power and access to limestone, which are controlled by the government acts as a significant barrier. To tide over the power crisis, manufacturers have gone in for captive power plants but volatility of coal prices continues to pose a challenge.
- Additional capacities introduced in the recent past has further intensified supplies and demand not picking up as expected, the degree of competition has increased.
- Sales volume is dependent primarily on the dealer network as availability and reach are considered to be the main factors.
- The analysis for the cement consumption in India is done considering some factors that enhance the consumption of cement. (Mr. N. Venkataramana, 2012)

The influential factors considered in this study are:

1) ECONOMY
2) GOVERNAMENT DECISIONS ON INFRASTRUCTURE
3) PRICE ESCALATION

REVIEW OF LITERATURE

Referring to cement business, Francois (2007) observes that the name of the game was not differentiation and value proposition but protecting market share without triggering a price war that no one could afford. This reflects the degree of rivalry that is evident in Global Cement Industry. Levitt (1980) suggests that there is no such thing as a commodity and that all goods and services are differentiable. Creating differentiation is possible either in cement or in the services rendered during the supply of cement. Francois (2007) stresses that we no longer need to think of cement as a commodity – we can protect prices without compromising sales volumes. (Anil Kumar Pillai, 2012)

In a typical firm, if achieving sales target and cost control are given undue importance then long term marketing activities are neglected. Levitt (1983) is of the view that "There need be no such thing as a commodity." Levitt (1980) lists and explains the range of possibilities that the product could take and its characteristics. According to him a product could range from Generic, Expected, Augmented to Potential Product. The fundamental, rudimentary, substantive thing is referred to as generic product; Customers minimal purchase conditions like Delivery, Terms, Support efforts, New ideas as the expected product; the augmented product as being the one that may be augmented by things the customer has never thought about; potential product as the one which might be done to attract and hold customers, budget and imagination limiting the possibilities (Levitt 1980). (Jacques, 2007)

Kevin et al. (1998) has categorized and explained brand differences into the following three types (i) Brand Performance associations depicts ways in which product or service attempts to meet customer functional needs (ii) Brand Imagery associations indicates reliability, durability and serviceability of the brands depicting who uses the brand and under what circumstances (iii) Consumer Insight associations which signifies that if a brand can show consumers it has insights into their problems can then make the case that it is the solution.(David 1987)

Garvin (1987) has identified eight critical dimensions of quality that can serve as a framework for strategic analysis – Performance, features, Reliability, Conformance, Durability, Serviceability, Aesthetics, and Perceived Quality. Quality thus is not confined to performance of cement where surpassing the required parameters of cement is taken as an indicator. Mason and Bequette (1998) states that Perceptions about how products perform on salient attributes is more vital to consumers' purchase behavior than actual product attribute performance. Therefore evaluation of quality of cement on the basis of only test results without taking into account the perception of customers may not be effective. (David 1987)

(Sharma, 1995) Have used Cobb- Douglas production function to study productive efficiency (or Economic efficiency), which combines both technical and allocate efficiencies for the cement industry in India. (Majumdar, 1995)Evaluated relative performance difference between the government owned, joint sector and private sectors of Indian industry. (Kaur, 1998)compared TFPI of 15 public and 15 private enterprises from diverse sectors, viz., aluminum, steel, fertilizers, engineering, drugs and chemicals and consumer goods.(Levitt, 1980)

OBJECTIVES

The main objectives of the study are:

- ➔ To identify the influential factors of cement consumption in India
- ➔ To evaluate the effects of the factors on cement consumption

SIGNIFICANCE OF THE STUDY

With stout demand and tolerable supply, cement industry is growing exceptionally fast and it has a bright future ahead. The demand/sales of cement depends upon many factors such as its price, substitute goods, growth of the economy, growth of subsidiaries industries, infrastructure, licensing policy, so on and so forth. All these factors have augmented the demand for cement over the years. Thus forecasting sales/demand/production of cement has become a challenging task. The study is intended to determine the effect of some of these influential factors such as economy, price escalation on cement consumption in India for 2011-2012. (Mr. N. Venkataramana, 2012)

STATEMENT OF THE PROBLEM

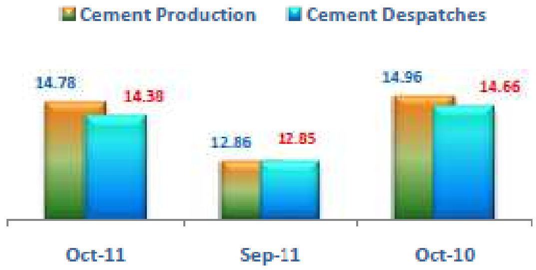
The major challenge faced by the Indian Cement industry are higher raw material prices especially the price of coal, gypsum and fly-ash. Whenever there is lackluster demand capacity utilization in the Indian Cement industry goes down impacting profitability of the firms. Certain problems are identified in the cement industry such as shortage of capital, power shortage, installation of captive power plants, location problems, shortage of coal, defective method of transport and technological obsolescence. (Mr. N. Venkataramana, 2012)

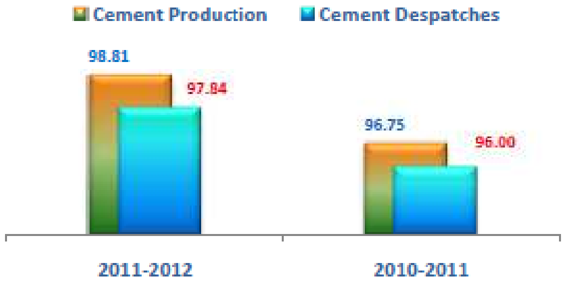
RESEARCH METHODOLOGY

There are two types of data analysis were considered, mainly qualitative and quantitative analysis. As we have to discuss the influential factors for cement consumption, we will analyze the data through qualitative analysis. Hence, secondary data have been used to conduct this study. We intend to highlight and determine some of the influential factors related to the cement industry in India which are mentioned below:

1) ECONOMY

The demand for cement mainly depends on the level of development and the rate of growth of the Economy. There are no close substitutes for cement and hence the demand for cement is price inelastic. During the October – 2011 14.78 MT were produced and 14.38MT was consumed. For the FY 2011 – 12 (Apr - Oct), MT 97.84 was consumed from the 98.91 MT produced. During the first half of the year, there was marginally poor off take in cement demand due to passive construction activity, which lead to excess supply, thus putting downward pressure on realizations. This has been coupled with rise in input costs, especially prices of coal and petroleum products. As a result, both the top line and bottom line have been affected. This demand supply mismatch scenario is expected to prevail (Levitt, 1980) for some time. Good agricultural income will support demand.





2) GOVERNMENT DECISIONS ON INFRASTRUCTURE

Growth in domestic cement demand is likely to remain strong, with the resumption in the housing markets, regular government spending on the rural sector and infrastructure accomplished by rise in the number of infrastructure projects implemented by the private sector. A large number of overseas players are also expected to enter the industry in the coming years as 100 per cent FDI is permitted in the cement industry. Our country is the second major cement producing country following the China having a total capacity of around 230 MT (including mini plants). However, on account of low per capita consumption of cement in the country (156 kgs/year as compared to world average of 260 kgs) there is an enormous potential for growth of the industry. (Joyce, 1998)

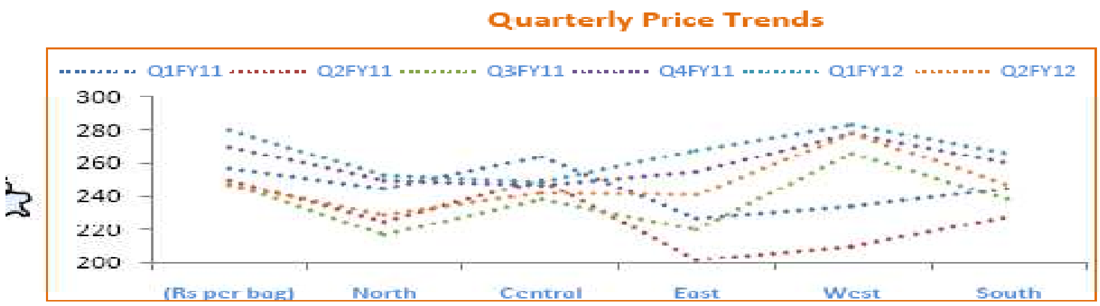
With a goal of speed up and sustaining growth in the cement industry the government has taken a range of steps in the Union budget 2011-12. The infrastructure sector has received a momentum in the form of improved funds and tax related incentives offered to magnetize investors for tapping the infrastructure opportunities across the country. Introduction of tax free bonds, formation of infrastructure debt funds and formulating a comprehensive policy for developing public private partnership projects (PPPs) are some of the steps that will provide required stimulus for growth of the cement industry in India. (Reddy, 2012)

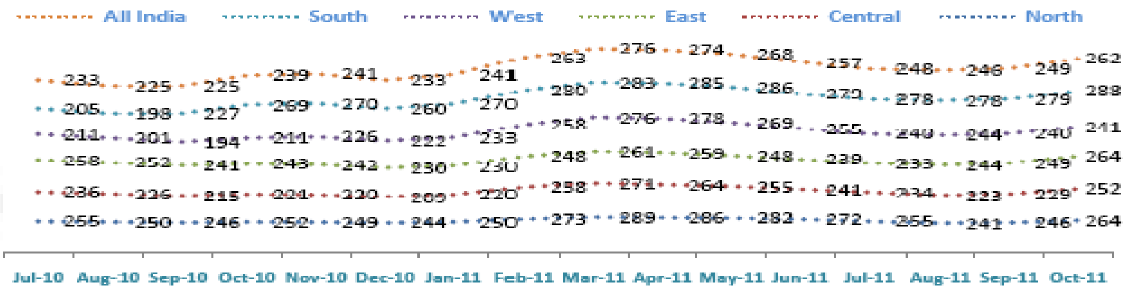
The Indian cement industry is highly fragmented with the top few accounting for more than 50% of the industry capacity. The rest is distributed among the large number of small players.

3) PRICE ESCALATION/ INFLATION

The demand for cement heavily depends on the level of development and the rate of growth of the economy. There are no actual substitutes for cement. The demand for cement is, therefore, **price inelastic**. This implies that price cutting does not help in boosting the demand in an oversupply condition. At the same time if supply falls short of demand, the prices can increase substantially without hurting the demand. This makes the industry conducive for growing monopolies. Since the government directs a main portion of the cost of production, through administered prices of fuel and power and through taxes, there is **very little scope for cost cutting**. **The companies can therefore either raise prices or volumes in order to increase their profits.** In a competitive market scenario, it is difficult for a single manufacturer to control prices. The companies can increase their volumes or market share through product differentiation or through acquisitions. There is **limited scope of product differentiation** given the nature of the product. One of the key factors that seem to have a major say on stock price movements of cement companies are cement prices. (Vora, 2011)

Raw materials like limestone and gypsum costs are usually lower than freight and power costs in the cement industry. Excise duties imposed by the government and labor wages are among the other chief cost components involved in the manufacturing of cement. (Vora, 2011)





RUPEE FLUCTUATION

For manufacture of 100 tonnes of cement about 25 tonnes of coal is required. Coal which is normally imported from other countries due to its high calorific value is dependent on rupee depreciation.

Coal prices procured from government through relevant agencies are volatile.

INDUSTRY FACTORS

The factors that could trigger cement sales are infrastructure demand especially for government projects, higher housing demand in rural and semi urban areas. Higher realization and rising dispatches are considered to be conducive for higher profits for the cement industry.

INVESTMENT FACTORS

The following factors are of particular importance in shaping the size of the firm's investment in receivables:

1. The terms of credit granted to customers deemed creditworthy.
2. The policies and practices of the firm in determining which customers are to be granted credit.
3. The paying practices of credit customers.

4. The vigor of the sellers' collection policies and practice.
5. The volume of credit sales.

In order to optimize investment in receivables effective credit granting and collection policies have to be formulated. A number of other factors which are considered in formulating a credit policy are:

1. The need to create demand for inventory that may otherwise become obsolete, e.g., fashion goods.
2. Provision for extended credit periods to help out valuable customers over short-term liquidity risks.
3. General credit terms may be given as part of a promotional campaign relating to now or existing products.
4. More generous credit terms may be given during off- season so as to generate more consistent sales.
5. Competitive pressures may force a firm to revise its policies.
6. By offering price cut in the form of a discount may reduce competitors' reactions due to their not recognizing or not-recognizing straightaway what has happened.

RESULTS AND DISCUSSION

Lower demand from housing sector in view of higher Interest rates and weakening of government finances may adversely impact infrastructure spending in 2012 as well for Indian cement industry. However it is expected that interest rate trend may soften in coming months leading to pick up in demand from housing sector from second half of 2012-13. Industry may also experience pressure on margins in short to medium term due to rising power and fuel and logistic costs. (Tedd, 1983)

FINDINGS

Demand for Cement in India is likely to see a recovery process and will touch levels of 6-8 percent growth in 2012. The increase in growth will be triggered by the government's drive to revive economic activity by initiating investment in infrastructure projects. A correction is foreseen in interest rates and improved regulation as regards land acquisition and environmental clearance leading to revival of several on-hold projects. Cement prices are likely to maintain an upward curve due to increasing production and ownership costs.

Despite a strong GDP growth forecast of 8-9% in next 3-4 years, Industry is likely to see pressures on prices due to higher demand supply gap and increased cost of inputs, fuel, and logistics. (Anil Kumar Pillai, 2012)

To devise effective Marketing promotions, it is necessary to understand customer perceptions especially those of Engineers who are considered to be the major influencers in cement buying behavior.

Understanding of consumer behavior in cement purchase, defined needs, support expected by them to make good concrete and purchase convenience helps in offering differentiated product.

Cement companies have reported an impressive growth in sales in October despite two consequent price hikes. This has happened mainly on the back of fresh demand from real estate companies and restocking by big dealers. Brand Premium is almost non-existent in the industry. (Reddy, 2012)

PROBLEMS OF CEMENT INDUSTRY

The main impediments to the growth of cement industry in India may be broadly listed as follows:

1. **Shortage of capital--** The cement industry is capital-intensive in nature. On account of its record on declining profitability, it is unable to raise the required finance from the capital market.
2. **Power shortage--** Power is an important infrastructure, which the cement industry needs. The cement industry is being adversely affected with the State Electricity Boards (SEBs), raising costs year after year accompanied by diminishing quality of power supplied, in terms of frequent voltage fluctuations, power cuts and interruptions.
3. **By installing captive power plants--** The Indian cement Industry is today supplementing grid power supply as a result, capacity has crossed 700MW.
4. **Location problems--** Cement industries are mainly situated in Western and Southern regions producing about 71 per cent of the total output, while the Northern and Eastern regions account for 29 per cent of the total output. The Southern and Western regions consume only 57 per cent of their total output, while the Northern and Eastern regions consume 43 per cent of their total production. There is excess production in the Southern and Western regions while there is excess demand from Northern and Eastern regions. These factors lead do heavy transport cost.
5. **Shortage of coal--** Coal shortage affects production of cement industry resulting in idle capacity and under utilization of Capacity. Coal requirement by the industry today, stands at 13 MT, which is just 6 per cent of the total coal produced in India. As a Result, industry sources say that cement manufacturers are left at the mercy of traders in coal, who charge exorbitant prices. By 2010 AD, the need for coal will go up to 25 MT per annum. The availability and movement of coal has been a perennial problem of the cement industry. Ninety per cent of the coal deposits occur in the four states of Bihar, Orissa, West Bengal and Madhya Pradesh. Barring Madhya Pradesh, none of the other states have any limestone deposits and hence coal has to be hauled over very long distances.
6. **Defective method of transport--** Methods of cement bagging and its transportation in India is primitive which make marketing inefficient and uneconomical. Hardly any quantity of cement at present is handled in bulk. Negligible share in World Trade: India's share in world trade is negligible. Currently, India export only about 3.5 lakh tones in a year.
7. **Technological obsolescence--** The industry is in need of change in the production process. There is a need for conversion from wet process to dry process.

RECOMMENDATIONS

In our country, cement industry's adequate concern is not shown for proper management of working capital. In order to make industry conscious about the need of better management, Cement Manufacturers Association should create awareness by arranging seminars and workshops in which top management and senior officers from the finance and marketing departments of the industry should be invited. There is an urgent need of cash budgeting by all cement companies. This requires proper estimation of cash and credit sales, production planning, purchase planning for inputs, financing plan and capital budget. This also requires estimation of profits and cost of production properly, which is rarely done at present and if done it is far off from the mark. Therefore, there is need of accurate forecasting by using modern statistical techniques.

CONCLUSION

Growth in domestic cement demand is likely to remain strong, with the resumption in the housing markets, regular government spending on the rural sector and infrastructure accomplished by rise in the number of infrastructure projects implemented by the private sector. Furthermore, it is expected that the industry players will continue to increase their annual cement output in coming years and India's cement production will grow at a compound annual growth rate (CAGR) of around 12 per cent during 2011-12 - 2013-14 to reach 303 Million Metric Tons, according to Indian Cement Industry Forecast to 2012. Cement Manufacturing Association (CMA) is targeting to achieve 550 MT capacities by 2020.

In view of the fact that the industry operates on fixed cost, higher the capacity sold, the wider the cost distributed on the same base. But there have been instances wherein despite a healthy capacity utilization, margins have fallen due to lower realizations.

The sector is energy intensive in nature as power is an important cost factor, about 30% of total expenses are being spent on power and energy needs of the plant. Hence, many large companies resort to captive power plants in order to reduce the power costs, as this source is economical and results in continual supply of power. Therefore, higher the captive power consumption of the company, the better it is for the company. The cement industry is likely to maintain its

growth momentum and continue growing at around 8% to 9% in the medium to long term in line with the development of the economy (GDP). Government initiatives in the infrastructure sector and the housing sector are likely to be the main growth drivers.
The success of a firm in the Indian Cement industry is dependant on the degree of integration between various functions of Marketing – Distribution, Pricing, Segmentation, Differentiation and Integrated Communication Program.

SCOPE FOR FURTHER RESEARCH
A detailed study on customer's perceptions of cement would help in formulation of effective Marketing strategy for a cement company. Understanding of the consumer behavior, segmentation on the basis of appropriate criteria helps in positioning of cement brands. Any marketing activity with customer at the center would contribute to the firm's profitability. Research on various marketing efforts to enhance branding of commodities like cement would help companies in the industry. Further work needs to be done on the identification of right kind of Marketing Communication for the target segment.

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