

Shree The Industry



The industry is building upon an internal need. What next?

There's more to demand than meets the eye

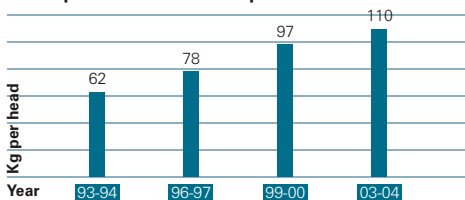
Situations of demand-supply parity or supply surplus in some of India's regional cement markets today may lead to a false projection about the scenario tomorrow. 'Let's wait for demand to catch up or a shortage to appear before cranking up capacity' could be a plausible reason to postpone an investment decision in the Indian cement industry. Except for one thing. Potential growth. Growth that would arise from latent demand. An internally driven demand that is awakening like a sleeping giant.

Is the industry gathering steam?

Factors operating at different levels are rousing up this demand. Among others, they are growth of Indian economy, rising investment activity, enhanced budgetary allocation for development activities, policies to stimulate infrastructure development projects, surge in housing demand and increase in exports.

All these demand drivers are raising the trend line of per capita cement consumption in India, which is growing at a CAGR of 6%.

Per Capita Cement Consumption



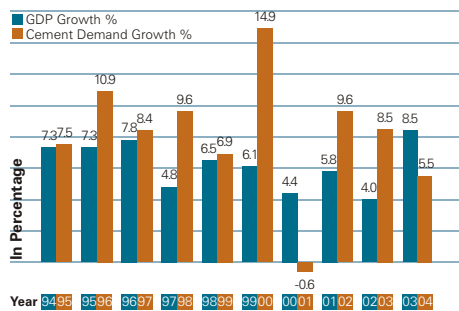
When international comparisons are made with India's per capita cement consumption of 110 kg per year, the demand potential becomes even more

apparent. China's figures of 659 kg per year and the world average of 253 kg per year tell a story where India's demand for cement has a lot of catching up to do.

The equation with the economy

Cement demand mimics the economy's performance. Its growth picks up and slumps along with the economy.

Indian Economy and Cement Industry

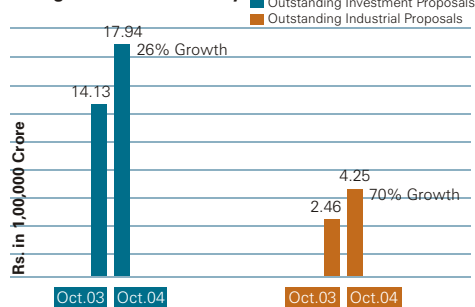


On an average, GDP growth of 5.3% sparked off a cement demand increase of 7%. This is good news for the Indian cement industry because there are reasons to believe that the country's GDP is all set to clock higher growths.

Consumption and investment

A mark of heightened economic activity is the movement of the consumption and investment aggregates. In India's case, the trend is positive for both. For instance, even a cursory look at the outstanding investment and industrial proposals reveals the obvious.

Rising Investment Activity



Industrial growth of 7.6% and capital goods production growth of 13% in 2004-05 have been the highest in the last ten years. Such a buoyant investment and industrial scene promises a bigger economic surge in the future.

Infrastructure build-up

India is keen to emulate the Chinese model of development - growth through massive and rapid infrastructure build-up over time. The 10th Five Year Plan (2002-07) has allocated 63% more funds to infrastructure compared to the 9th. This includes huge outlays on power, urban infrastructure, telecom, roads, airports and ports totalling Rs. 4,76,100 crore. The corresponding total for the 9th Five Year Plan was Rs. 2,91,150 crore.

A budgetary proposal in the current financial year has earmarked Rs. 10,000 crore from India's forex reserves to fund

