

Taxes on Cement Industry & Its Implications for Construction Industry



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ULTRATECH CEMENT LANKA (PVT) LTD

Aditya Birla Group

A **US\$ 66*** billion conglomerate

Consolidated market cap of **US\$ 113 bn #**

Across **6** continents and **40+** countries

180+ state-of-the-art manufacturing units globally

187,000+ employees of over 100 nationalities

300M+ Loyal customer base

constant currency)

#As on 30th June'2024/ Q1'FY25 end



LEGACY THE GROUP KEY FIGURES ACQUISITIONS & MILESTONES SECTORS SUSTAINABILITY PEOPLE **CSR**

Global PRESENCE





ADITYA BIRLA GROUP

LEGACY

THE GROUP

KEY FIGURES

ACQUISITIONS & MILESTONES

SECTORS

SUSTAINABILITY

PEOPLE

CSR

Globally, Aditya Birla Group is...

#1
IN ALUMINIUM ROLLING



#1
RECYCLER OF ALUMINIUM



#2
IN CARBON
BLACK
(based on installed
production capacity)



#2
IN VISCOSE
STAPLE FIBRE



#3
IN CEMENT
(EXCLUDING CHINA)



#3
IN INSULATORS

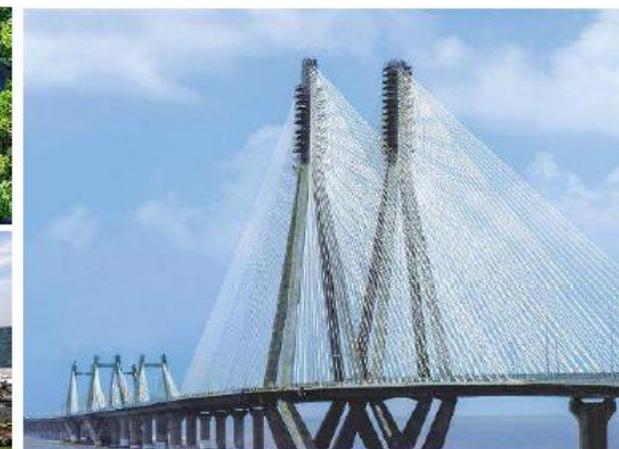




ADITYA BIRLA GROUP

CEMENT

UltraTech is a USD 8.4 billion building solutions powerhouse. It is the largest manufacturer of grey cement and ready-mix concrete (RMC) in India.



World's 3rd largest cement producer (excluding China)

Only cement company with 100+ MTPA capacity in a single country (excluding China)



One of the leading producers of white cement in India

With 316 Ready Mix Concrete (RMC) plants in 139 cities, UltraTech is the largest manufacturer of concrete in India



Grey Cement Capacity: UltraTech has 24 integrated manufacturing units, 31 grinding units, one Clinkerisation unit and 8 Bulk Packaging Terminals.

White Cement Capacity: 1 White Cement unit and 3 Wall Care putty units



Operations in four countries - India, UAE, Bahrain, and Sri Lanka

First company in India, and the second company in Asia, to issue dollar-based sustainability-linked bonds



ULTRATECH CEMENT LANKA (PVT) LTD: Serving Sri Lanka since 1999

A BOI Approved Company with **1.5 Mn Mt Bulk Cement Terminal** & a robust supply chain.

~**200, 160** distributors, **1500** Retailers and Dozens of major vendors Island wide

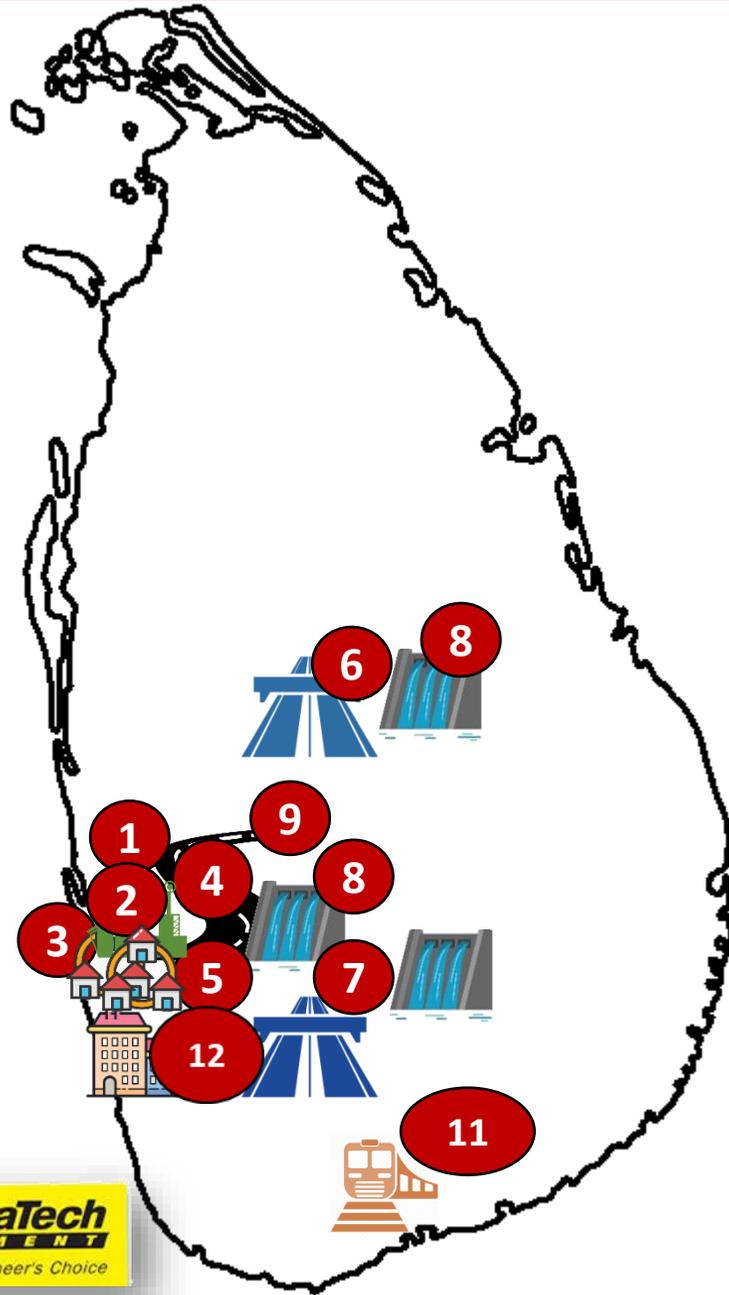
Earned credentials with consistently Superior Quality and services catering to **most of the Prestigious Mega Projects**



Engaged a **Sri Lankan Flag Vessel** on Long Term Charter

Superior technical services and skill Development Programs for Masons and Contractors, Knowledge Sharing programs with stakeholders

Third largest Cement Company in Sri Lanka with **Market Share ~ 20%**.

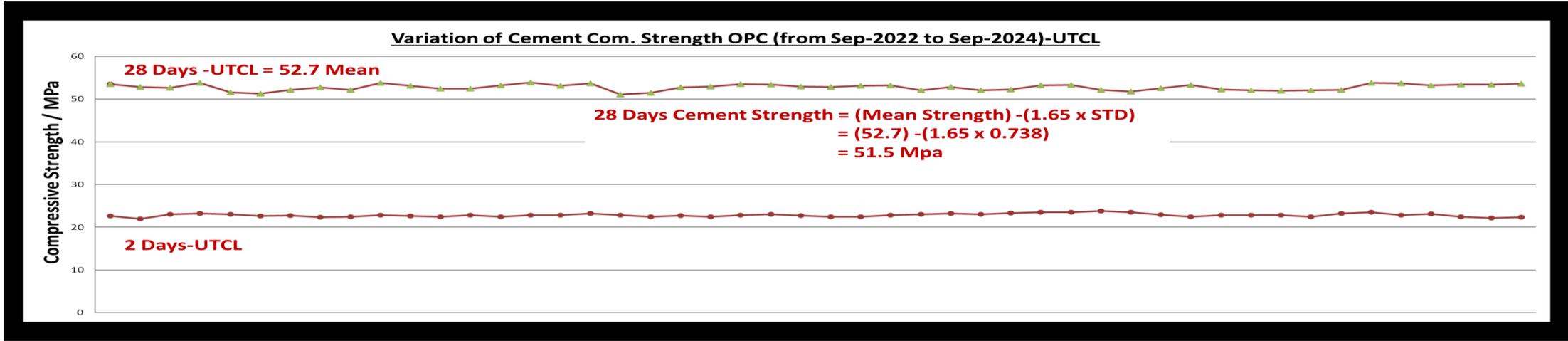


- 1) Colombo – Katunayake Expressway
- 2) Cinnamon Life – John Keells / Hundai: Biggest Real Estate Project of Sri Lanka: USD 1.2 Bn
- 3) Elevated Expressway connecting Colombo Port
- 4) Colombo Port breakwater - Hyundai Engineering
- 5) ITC One Colombo One - L&T Construction
- 6) Central Expressway Project – Phase 2
- 7) Southern Expressway Extension Project
- 8) Moragakhandanda Reservoir Project
- 9) Kalu Ganga Reservoir Project
- 10) Kerawalapitiya Outer Circular Expressway
- 11) Matara – Beliatta Section Rail Project
- 12) Havelock City: Mireka: 55 Story: China Harbor Eng.

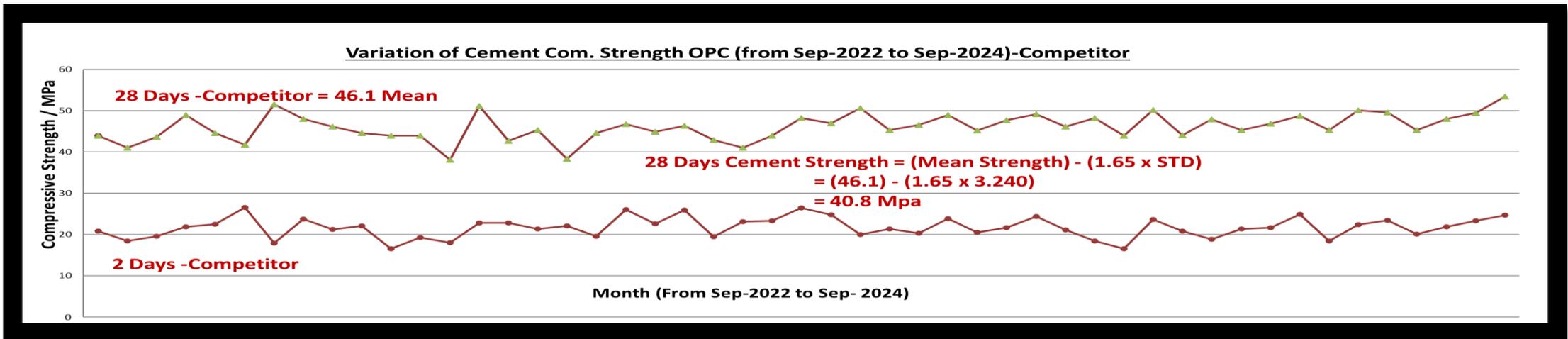


Quality advantage of a single source supply

Quality: Bulk Cement from single source



Quality: Clinker from various sources



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UltraTech
C E M E N T
The Engineer's Choice

Cement Industry: Salient Features



- Crucial & strategic industry as construction industry contributes about 8-10% to GDP.
- Capital intensive, cyclical industry with long term commitment.

Business/Production Models	Plant Capacity (Mn T per Anum)	Gestation period (Years)	*Investment (USD Mn)	Dedicated Vessels	Import Dependence for raw materials
Limestone to cement : Integrated Unit (IU)	1.5 (3)	3 to 4	150 (300)	Not Required	Part dependence
Import clinker for grinding : Grinding Unit (GU)	1.5	2 to 3	60	Preferred	Complete dependence
Import bulk cement for packing locally (BT)	1.5	2	30	Compulsory	Complete dependence

*Internal Estimates

Cement Industry: Sri Lanka in a global perspective

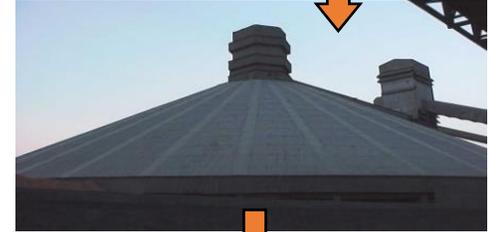
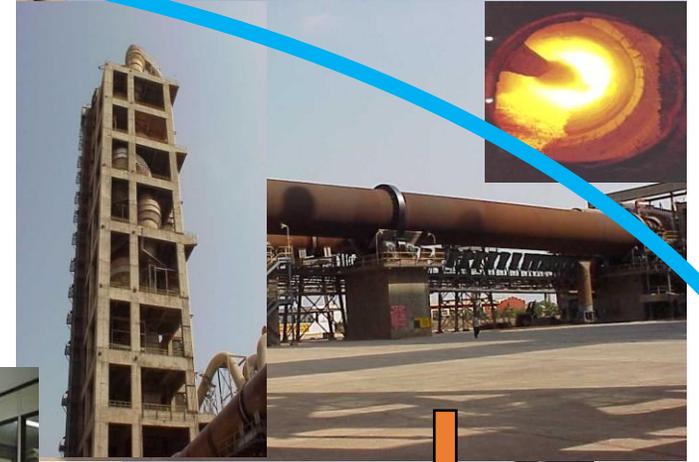
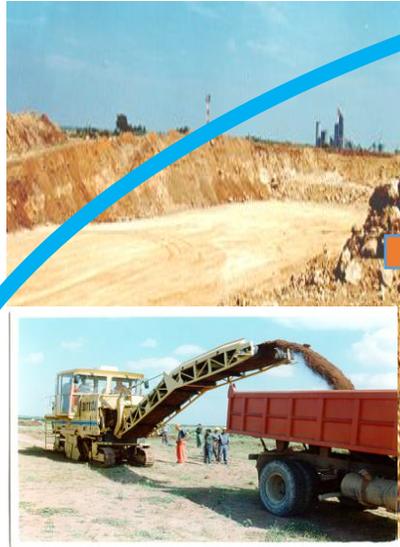
Particulars	Sri Lanka Peak Demand , 2022 (2023)	World , 2022
Cement Consumption	7 MTPA (3.9 Mn T)	4100 Mn T*
Imports (World Trade)	6 MTPA, 86% (2.9 Mn T, 75%)	106 Mn T (2.5%*)
Per Capita Consumption	325 KG (177 KG)	515 KG*

- Global Cement Business in 2022 was about USD 400 Bn.
- In 2022, Cement were the world's 280th most traded product, with a total trade of \$15.1B.
- In 2022, Cement clinkers were the world's 799th most traded product, with a total trade of \$4.73B.
- Very little cement/clinker, only 2.6%, is traded. By comparison, 24% of global steel production was exported in 2021.

Dependence on Imports: Local Production?

Courtesy: <https://rhg.com/research/the-global-cement-challenge/> Courtesy: <https://oec.world/en/profile/hs/cement?redirect=true>
 Courtesy: Internal MIS Remark: For Sri Lanka, data may vary slightly due to CY and FY.

Manufacturing Process: IU, GU and BT



IU



GU

BT

Bulk Cement Terminal



DUTY ANOMALY BETWEEN TWO SUBCATEGORIES OF IMPORTS (GU & BT)

Particulars	Bulk Cement Importers	Clinker Importers	Difference
Local Value Addition	10%	20%	10% (50%)
PAL (% age of CIF)	10%	7.5%	2.5%
CESS (Rs per Kg)	4	0	4 (400%)

Timeline/CESS per KG	Bulk Cement	Clinker	Difference
Up to Oct 22	Rs. 2.00/ Kg	0	Rs. 2.00/ Kg
Nov-22	Rs. 2.50/ Kg	0	Rs. 2.50 / Kg
Jan-23	Rs. 3.00/ Kg	0	Rs. 3.00 / Kg
Jun-23	Rs. 5.00/ Kg	Rs. 1/ Kg	Rs. 4.00 / Kg
Sep-24	Rs. 4.00/ Kg	0	Rs. 4.00 / Kg

For a GU, Imports of all raw materials like Gypsum, fly ash, GGBS, etc. does not have CESS burden.

Dependence on Imports: Local Production?

VALUE FROM AND FOR A BT AND GU



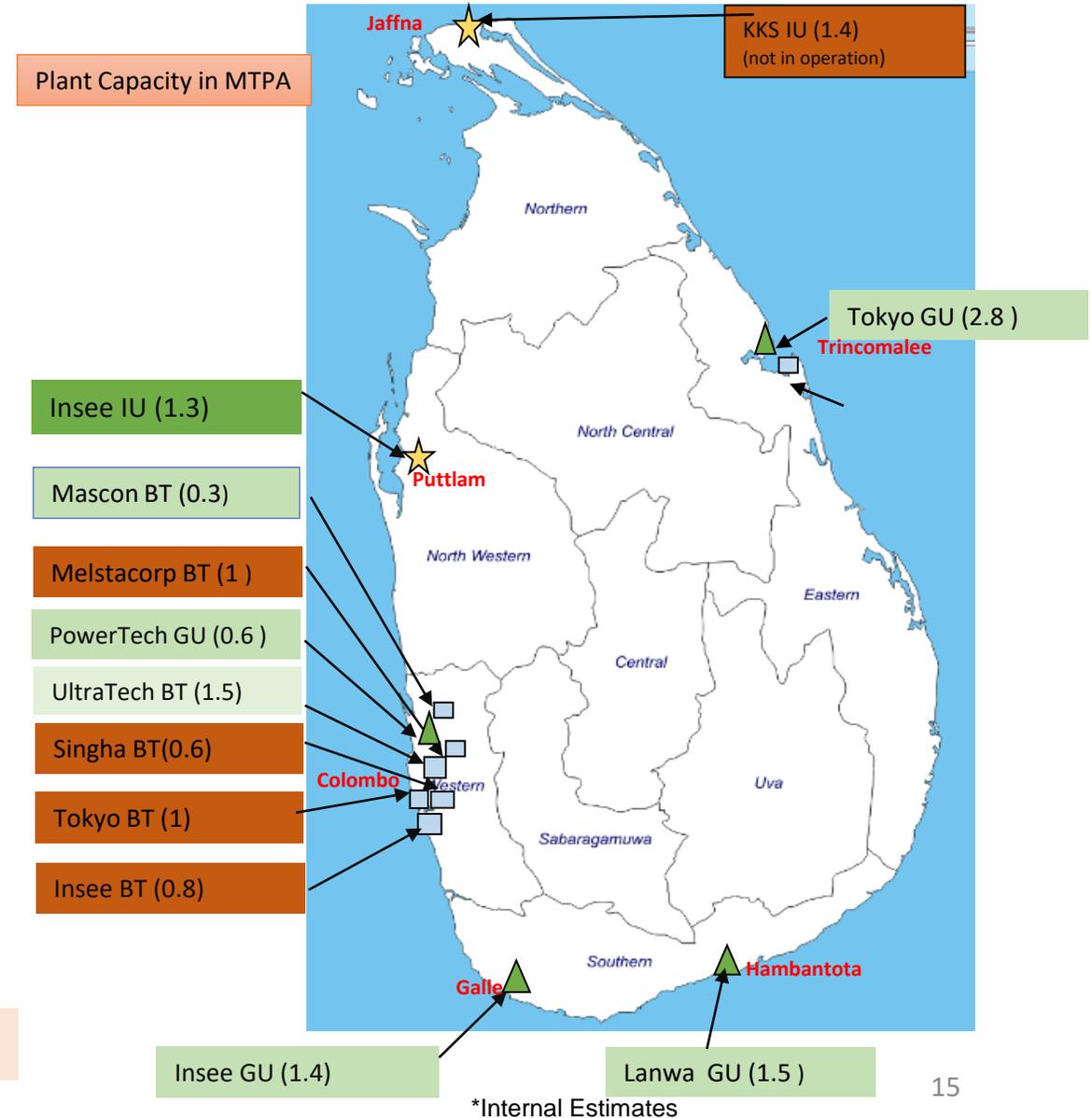
Particulars (Plant Capacity 1.5 MTPA)	*UltraTech's Existing BT	*Additional for a GU
Investment / Replacement Value	USD 30 Mln Plant+USD 75 Mln Vessels	USD 30 Mn
Manpower	200	50
Import Dependence for raw materials	97 %	90 % (*assuming 5% LS as MC)
Power Consumption	1.5 KWH per MT	30 KWH per MT
Benefit to Market	Pan Sri Lanka: Market share 18-20%	No further benefit to market
Price to Customer	Same: Eco Variables/Demand/Supply	Same:Eco Variables/Demand/Supply

*Internal Estimates

Sri Lankan Cement Industry: Change, is it good construction industry?

Business Model & Process	Local Value Addition	*Quantity MT FY 22 –H1	*Quantity MT FY 25 – H1	Degrowth
Limestone to cement : Integrated Unit (IU)	~80%	~ 600,000	~ 600,000	~ 0%
Import clinker's grinding : Grinding Unit (GU)	~ 20%	~1,205,000	~1,203,000	~ 0%
Import bulk cement for packing locally (BT)	~10%	~1,598,000	~442,000	~72%
Import readymade bagged cement	~1%	~45,000	~22,000	~51%
Total		~3,448,000	~2,267,000	~34%

Total Industry Capacity: 10.6 MTPA 2022 and 12.4 MTPA in 2025



- Cement shortage period in 2021-22. Can cement industry serve with over reliance on one or two models?
- Equitable and consistent duty structure is necessary for survival of a balanced and holistic cement industry.
- Government's revenue can be sustainable only in case of an equitable tax structure
- If anomaly in import duties (unequitable treatment) continue, quality investors would find it difficult to sustain operations.
- Such a fate of genuine world class investors would deter further investments.
- Absence of a healthy competition may lead to monopolistic practices and in turn a compromise on world class quality, services and business practices.

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Thank You