Making a mark

SCL, with its established capacity, markets and strong focus on efficiency, is now well placed to emerge a winner, when the cement industry boom revives

It took three generations of the Bangur family to make Shree Cement Limited (SCL) what it is today – one of the biggest and most respected cement companies in the country. And the credit goes to B.G. Bangur 81, chairman, the patriarch of the family; H.M. Bangur, 63, MD, a chemical engineer from IIT, Mumbai, who played a major role in shaping the company; and his son, Prashant Bangur, 35, an MBA from Indian School of Business, who are its three main architects. And all three have contributed their mite with a passion and a single-minded determination to be the best in the industry. The zeal for growth has seen the small plant of 600,000 tpa in 1986, inherited during the family split in 1992, grown into a giant company with a capacity to produce 23.6 mtpa at present.

The story of SCL started way back in the 1980s. A commodity in short supply during the licence raj, the government granted licences to three groups. One of them was Bangur family of Kolkata, the others being Modi and Ambuja Cement. While the Bangurs promoted SCL, the plant set up by the Modis was bought off by the successful Gujarat Ambuja, which had set up business at the same time; and Gujarat Ambuja itself was bought off by the international cement giant Holcim a few years ago. The Bangur unit survived independently – which is not really surprising, considering that they are one of the oldest business houses in the country – operating well over two centuries.

"We took the advantage of the location of our unit at Rajasthan – which is close to limestone mines and the market," recalls the senior Bangur, sitting in the corner room of the company's heritage building 'Kettlewell-Bullen' in Central Kolkata. Today, SCL is among the top three cement manufacturers in the country and a leader in the northern region, employing over 5,000 people. The company controls over 22 per cent of

Share holding pattern

	Total no. of shares	% holding
Promoters	2,25,69,797	64.79
Indian financial institutions	17,876	0.05
Nationalised banks	17,684	0.05
Mutual funds	17,91,314	5.14
Foreign institutional investors/ foreign potfolio investors	40,04,041	11.49
Foreign companies/QFC/NRIS/OCB	38,93,351	11.18
Other bodies corporates	13,78,303	3.96
Public and others	11,64,859	3.34
Total	3,48,37,225	100.00

As on March 31, 2015

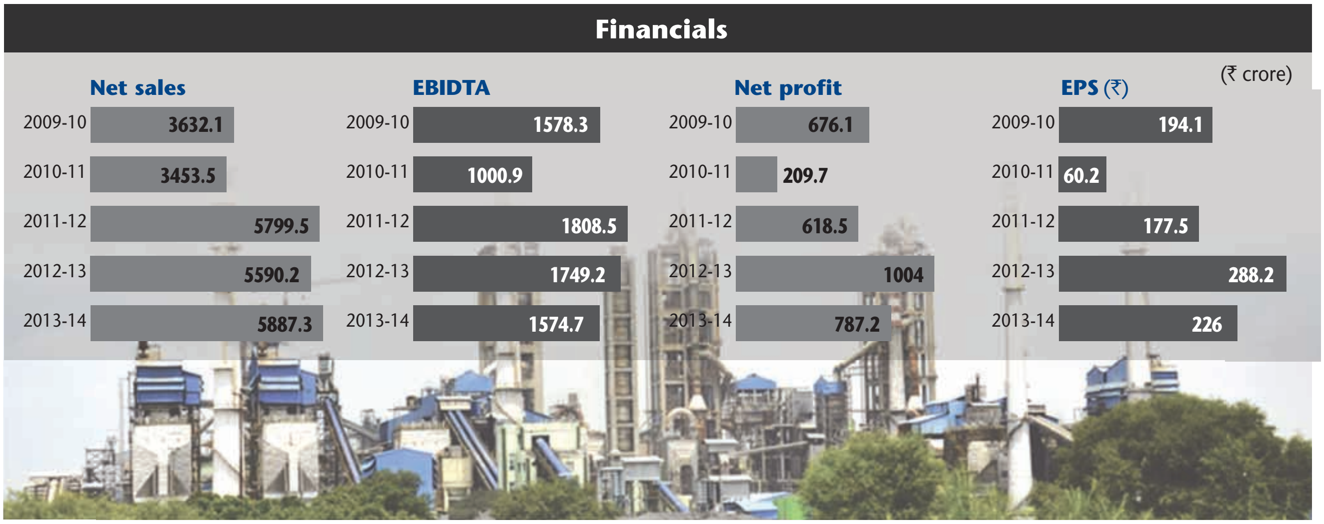
PHOTOS: SAJAL BOSE

The Bangurs: on the look-out for exploring new markets

the north market. It is based around two large integrated cement plants in Beawar and Ras – both in Rajasthan – and several grinding units in northern India, catering to Rajasthan, Haryana, Punjab, Himachal Pradesh, Uttarakhand, Uttar Pradesh and NCR. This right business strategy of locating the cement production around the fastest growing urban market has paid dividends.

And the growth story is by no means over. After creating a strong position in the northern markets the company is now looking at building a pan-India presence, beginning with the east. It recently commissioned a 2.6 mtpa integrated cement plant at Raipur. Also a 2 mtpa grinding unit at Aurangabad was commissioned in June last year in pursuance of this objective.

Realising early on that size matters in cement, after the amicable division of family assets in 1992, H.M. Bangur fought against all odds and pursued a rapid expansion policy. Deftly riding the business cycles, he helped his father create an



enterprise, which is now valued at ₹36,000 crore. SCL's market cap is second only to Aditya Birla's UltraTech (₹74,500 crore) but above Ambuja Cement and ACC (*see table*).

Prashant Bangur has been given the baton for moving the company to the next level of growth. An MBA degree did not, however, get him a berth at the top. He joined the company in 2004 as a trainee, learning the nitty-gritty of the industry at the plant. He lived in Rajasthan for almost for a year and was shuttling between the company's guest house at Beawar and the greenfield cement plant site at Ras, before he could put his managerial talent to use. He joined the board of directors only in 2012.

Quiet, private and conservative by nature, the Bangurs have been pursuing organic growth till recently. Over the last one year, SCL has set up two greenfield projects – a grinding unit at Aurangabad in Bihar and an integrated cement plant in Raipur at Chhattisgarh with a total investment of about ₹2000 crore. A ₹360 crore 2 MTPA capacity grinding unit at Aurangabad was commissioned in June last year. This new age vertical roller mill grinding unit is energy-efficient and can also produce cement from slag available at the nearby steel plants in the region, after mixing it with clinker. Bihar was the company's first venture outside northern India. The state, which has a shortage of cement, also has an estimated demand of around 11 MTPA.

Earlier this year, in April, the company has set up a 2.6 mtpa integrated cement plant in Raipur at Baloda Bazar district, with an investment of ₹1,600 crore. "This is our first integrated cement plant outside Rajasthan. We have also received mining lease from the government. The mine is adjacent to our plant, and has a good deposit of limestone to sustain almost 40 years," says H.M. Bangur. When Chhattisgarh, with huge deposits of limestone, became a new state in 2005, SCL is the first cement company to come up in the state. The other big players, UltraTech, Holcim, Jaypee, Lafarge, *et al*, have been operating there even when it was a part of Madhya Pradesh. The state produces almost 20 mt of cement.

The new SCL plant and its mines are spread across 1,700 acres. The

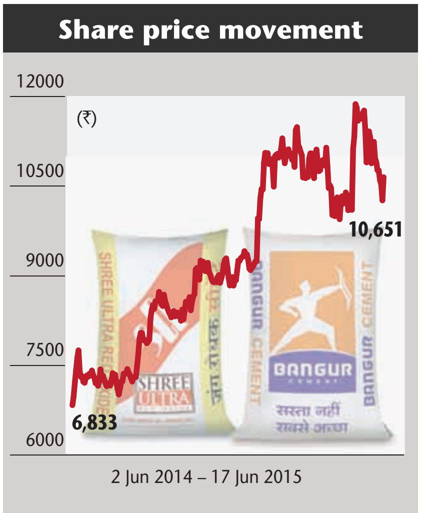
The driving force

A chemical engineer from IIT, Mumbai, H.M. Bangur is responsible for the technical excellence achieved by Shree Cement. His father Benu Gopal Bangur was the first graduate (B.Com Hons from Calcutta University) in the Bangur clan.

The Bangur business empire started 100 years ago in 1915 by Mugnee Ram and his brother in Calcutta. They have migrated to Calcutta from their native village Didwana at Nagour district of Jodhpur in search of livelihood. Both the brothers with the help of fellow Marwaris of Burrabazar area entered into broking and Jute trading business. The duo made a fortune during World War II in 1942 from the speculation of the raw jute price. In 1949, they bought Hastings Jute Mill and became industrialists. The group acquired major interests in Jute, tea, textile, cotton, paper, finance and shipping and became one of the largest and richest business families in the country by the late '60s when the fortunes of the family, as with other 'monopoly' houses, were hit when the government imposed the MRTP Act and excluded the family from fresh acquisitions and expansions.

There was constant pressure to keep the family together, as expansion slowed and the number of schisms within the family increased, as each branch rubbed elbows with the other within the same businesses. "No one wanted to leave the central headquarters, as each one began to voice concern about the future and wanted the businesses split amongst them. There was a fear that anybody setting up independent businesses would be excluded from the traditional businesses," recalls H.M. Bangur.

Things panned out well after all and, just as the economic reforms started




Jajoo: our growth is more than the industry

company acquired the land directly from the villagers and has paid higher than the market rate. "We never faced any problem in acquiring land. The plant was commissioned on time. The land losers were given job on merit. They have been trained and deployed in the plant," says S.R. Singhvi, vice-president, HR, Raipur plant.

The plant is built with the German technology. It has six stage pre-heaters and a high-efficiency modern plant. The 1.3 km-long pipe conveyor belt has a capacity of 3,000 tonnes per hour and is used to transport limestone from the mines to the plant. The pipe conveyer is environment-friendly and folds automatically once the material is loaded, thereby reducing wastage than the common conventional open conveyors.

The company gets its supply of fly ash from NTPC and many other private power plants within a radius of 100 km. The integrated plant is also setting up a 15 MW waste recovery power generation unit, which will use waste gases of the kiln. Currently, it is drawing power from the grid.

The eastern states of India, along with the border states, will be the new and virgin markets for cement companies and will contribute to their bottom line in future. "The demand from the eastern region is close to 50 mtpa. While the opportunity is huge, utilisation of capacity should not be a problem. Our plant in Chhattisgarh will cater to Bihar, Odisha, Jharkhand, Bengal and also to Maharashtra," says Diwakar Payal, president, marketing. "Our grinding

rolling out in 1990, the family split into five groups in August 1992. There were five inheritors: Purshottam Das-Benu Gopal; Balbhadra Das; Shree Niwas; Shree Kumar (grandsons and great grandsons of Mugnee Ram); and Laxmi Niwas (grandson of Ram Coowar). Shree Cement was inherited by Benu Gopal Bangur, who finally handed over the reins to his only son H.M. Bangur.

When the company was in the family fold, it did not make an impact. But H.M. was determined to show his ability to revive the business and took a major expansion path and successfully made it into a profitable venture. The growth proved his business acumen of the industry.

A former CMA (Cement Manufacturers Association) president, Bangur is an avid bridge player. He plays a vital role in promoting bridge in India, especially among the corporate fraternity. He is a veteran member of Corporate Bridge Association of India (CBAI). His company has been sponsoring three national level bridge tournaments annually. He thinks bridge doesn't conform to the normal perception of a card game. It is more systematic and holds great potential as a popular mind game. He also plays chess.

The Bangurs hold almost 65 per cent of the company's stock. While public holding is less than 4 per cent, mutual funds have only 5.14 per cent. A cash surplus company, its low borrowings are reflected in the fact that there are no financial institution nominees in the company's board. But the market has recognised the solidity of its balance sheet and the shares are consistently outperforming the market indices, as the discerning investor scrambles around for the small floating stock. The stock price has moved from ₹5482 in April 2014 to touch a 52-week high of ₹11,755 in March 2015 on a ₹10 share, which is more than 100 per cent returns. The company's current share price hovers around ₹10,450. ◆

The heritage office

Most of the old and venerable managing agencies were put up for sale in the decades following Independence and quickly acquired by Kolkata's rich Marwari trading families. Often the centrepiece of these companies was their grand imperial office buildings, which have now been given the heritage tag.

Kettlewell-Bullen & Co's building, built in 1874, is one of the few remaining original managing agency houses on the Hooghly riverfront. Built in the imperial mould, with ersatz stone created from masonry, it has the usual two floor layout.

Kettlewell-Bullen, a Scottish company, has been a tenant in this historic 19,000 sq ft building, formerly owned by a Bengali lady and bought off by a Birla charitable trust at an auction. In 1953, the Bangurs moved their family offices into it. They finally bought the building from the Birlas in 1995 for ₹1.6 crore, before starting a long ₹3 crore restoration process, recalls H.M. Bangur.

"Restoring is a hard job, because it is a brick-with-lime-and-mortar construction. All walls are load-bearing and none can be removed. The exterior look kept exactly the same at it was built in 1874, says Bangur. A small parkomat is now being installed inside the lofty rooms, to solve the parking problem.

"We had to use marble inside because of the non-availability of material used earlier for this monolithic type of construction," says architect R.N. Gupta of Inter Design, who restored the building. Likewise, the original wooden staircases have been trimmed with marble to install a lift. Each change was done according to the law of heritage building. "The value lies in the unique identity the property has," says H.M. Bangur. He remembers coming to visit his father at the office which had two armed guards at the door. "British business visitors are particularly impressed by the building." ◆

unit in Bihar barely a year old; however, it has already captured 15 per cent of the market." The new unit of SCL at Raipur will also send clinker to grinding unit in Bihar for cement production.

Earlier, the Bihar unit used to get the clinker supply from the company's units in Rajasthan. One tonne of clinker produces little above 1.5 million tonnes of cement after adding fly ash. It is now working on spreading the dealer network in the state. Looking at a growth of 7-8 per cent in the east, SCL has signed an MoU for one more similar plant, adjacent to the existing plant at Raipur in the next few years.

"Setting up a cement manufacturing unit in Chhattisgarh is a good strategy. The market is emerging in the eastern India and SCL, with its best sustainability practices, will get the benefit," says, Mahendra Singhi, group CEO, cement division, Dalmia Bharat Cement.

Raipur is the third integrated cement plant of the company after Beawar and Ras in Rajasthan. SCL also has grinding units at strategic locations, such as Roorkee, Khushkhera, Suratgarh, Jaipur, Aurangabad and Panipat, to supply local markets. The cement market is region-based due to high transportation cost, as it is not viable for any cement company to supply beyond 200 km radius. SCL also had planned to enter the south market with a similar integrated cement plant like Chhattisgarh. But due to disputes in procuring contiguous land in Karnataka, the company has been forced to shelve the projects temporarily.

SCL continues its growth drive, with ramping up production organically. From June 2013 to June 2014, the company expanded its existing clinker capacity by adding 4 million tonnes at Ras in Rajasthan at a cost of ₹840 crore. This makes Ras the largest single location plant of the company in Rajasthan, with a total production capacity of 7 million tonnes. "We have been growing at more than the industry rate. For the last five years, our CAGR is 12.70 per cent, as against the 4.7 per cent of the industry," says Subhash Jajoo, chief financial officer, SCL.

However, Prashant Bangur does not believe in sticking to past dogmas. Recently, SCL, for the first time, acquired a 1.5 mtpa cement grinding unit at Panipat, Haryana, at a cost of ₹360 crore from Jaypee Cement. The eight-year-old plant is located on the boundary of the Panipat Thermal Power plant. However, for the last few years, the plant has been running only 15-20 per cent of its capacity. Jaypee used to transport clinker for grinding unit from its plant at Himachal. The hill

Raipur plant: first integrated plant of SCL outside Rajasthan

transportation had high landed cost, which raised its cost of production. Also, the Jaypee group has been selling assets to cut its debt, which had accumulated to ₹60,000 crore. The group earlier sold its 2.5 mtpa plant in Gujarat to UltraTech.

SCL has absorbed the manpower of the Panipat unit. "It is a modern unit and will help us increase our market in Haryana," says Prashant Bangur. "Our company was exploring for a grinding unit in the region; so, we grabbed the opportunity that came our way. The deal was completed in a short time," adds S.S. Khandelwal, company secretary, who was actively involved in the takeover process. SCL will bring clinker for the grinding unit from its plant in Rajasthan by trucks. And the same trucks can carry back fly-ash from adjoining thermal power stations to the Rajasthan plants. Availability of fly ash only few metres away and the reverse logistics will effect a major saving for the company.

The plant uses German technology. "Normally, in a grinding unit, the V-separator is above the roller press but, in this unit, the roller press is above the V-separator. This gives better fine particle separation during manufacturing," says Rajeev Jain, unit head. The company already has sufficient clinker capacity to support an additional cement grinding capacity. So, the new grinding unit is being planned to fully utilise the clinker capacity available.

The company is also setting up a 2 mtpa grinding unit in Bulandshahr

Vast potential

India is the second largest cement producer in the world after China, with a capacity of 350 mtpa and a per capita consumption of 190 kg (China produces 1.4 billion tonnes and its per capita consumption is 1,000 kg, against a world average of 500 kg). The country has the potential for development in the infrastructure and construction sector and the cement sector is expected to largely benefit from it. Some of the recent major government initiatives, such as development of 100 smart cities, are expected to provide a major boost to the sector.

The housing sector is the biggest driver of cement, accounting for 75-80 per cent of the total consumption. The other major consumers of cement include infrastructure, commercial construction and industrial construction. To meet the rise in demand, cement companies are expected to add over 60 mtpa capacity over the next three years. A total of 188 large cement plants together account for 97 per cent of the total installed capacity in the country, while 365 small plants account for the rest. Of these large cement plants, 77 are located in Andhra Pradesh, Rajasthan and Tamil Nadu.

The Indian cement industry is dominated by a few companies. The top 20 cement companies account for almost 70 per cent of the total cement production of the country. ◆

Panipat grinding unit: a good buy

in UP, along with a unit for manufacturing AAC (autoclaved aerated concrete) bricks, with a total investment of ₹650 crore. ACC bricks, made of cement and fly-ash, are lighter than the conventional clay bricks and environment-friendly. Both plants are expected to be on stream by December this year. "ACC has high durability, strength, low weight and easy buildability. It is ideal for all climates because of its perfect thermal insulation. The product saves 20 per cent of the construction cost. We will market it through our same dealer network and directly to the developers in the NCR," says Shrinath Savoor, senior vice-president, strategy & new business development.

"All the projects which we have commissioned were planned 2-3 years ago," says Prashant Bangur, justifying the expansion in a sluggish market. "And, we have strategically invested for future demand. Our capacity utilisation is 85 per cent, which is higher than the industry. In a commodity business, expansion helps. When the market turns favourable, we will get the maximum benefits." However, after Bulandshahr, SCL is not planning to go for further expansion in the north.

SCL spends 0.46 per cent of the turnover in R&D. The company was the first cement company to join the Cement Sustainability Initiative of the World Business Council and has been recognised as one of 16 global sustainability champions at the World Economic Forum at Davos in 2012. "We are like an explorer who is constantly on the lookout for exploring new. It is the consistent embracing of the uncomfortable that has enabled us to excel," says H.M. Bangur.

The company makes constant effort to gain efficiency and reduce cost of production. The opportunity for innovation in Shree Cement has been substantial and failure through experiment was always accepted by the management. The company successfully introduced 'structural mapping', which was a first-of-its-kind project conducted on a limestone deposit. Generally, this is used for metallic deposits. "It indicates the

Tied to the roots

Many Marwari business families had left Kolkata due to labour militancy of Bengal in the 1970s. They have also moved beyond old economy business and found foothold in sunrise sectors. The prime example was Aditya Birla. Those who stayed back have not achieved the scale of their counterparts in Mumbai or Delhi.

Shree Cement does not have any plant in the state but still functions from Kolkata. "I did not move out, because I have grown in the city and life is comfortable in Kolkata," says H.M. Bangur. "Now, with the availability of modern communication technology, you don't have to be present always at the operational areas. Professionals take care of all our businesses; we just guide them," All the plants of SCL are connected to Kolkata office for video conferencing with Bangur. His son Prashant travels to the plants frequently. Prashant's elder sister, married into a Jain family in Delhi, is a Chartered Accountant. Prashant's two children Viraj and Vidush are in school in Kolkata and hopefully will someday lead the business. ◆

occurrence of limestone at greater depth than earlier expected and estimated, thereby reducing exploration drilling cost by 20 per cent," says S.C. Suthar, vice-president, mines.

Also, the company now uses non-electric detonators for blasting operation, replacing the conventional electric detonator, because non-electric method is safe and the overall yield is more, as the lime stone rock sizes are more uniform after the blasting. That also saves 15 per cent of the loading cost. SCL also insists on strictly following the safety and environment practices at their mines, manufacturing facilities and townships. "Changes gripped the industry because of us. Other cement producers are changing themselves to adopt our ways and practices," claims H.M. Bangur.

The company has been helping local villagers invest in about 500 trucks, which are then employed by the company to ship its cement. Each truck employs about three people and it has helped create thousands of jobs in the area not directly with the plant. Outside the colony, it has also funded and created facilities in the local government schools so that the standards of education improve. It runs extension programmes for modern dry-land irrigation methods – like drip irrigation – so that local villages have better crops.

SCL has a strong balance sheet, with the finances built studiously over the years. The total focus of the family on the business has seen the company post good profits, year after year. "Operating efficiency is leading to a higher profitability. Our company's EBIDTA per tonne of cement (₹1,104) is constantly higher than the industry, due to our being a low cost producer," says Jajoo.

SCL has been maintaining an accounting year from July to June since 2011-12 in order to get the benefit of peak cement season from October to June. But, in accordance with the new Companies Act, the company will revert to April-March next year onwards.

SCL's turnover for the nine-month ended March 2014 is ₹4,720 crore, as against ₹4,224 crore reported during the corresponding period of the previous year. The company's net consolidated annual sales was ₹5,887 crore and net profit, ₹787 crore in June 2014, as against sales of ₹5,590 crore and net profit of ₹1,003 crore reported in June 2013. The net profit for the current fiscal declined primarily due to higher depreciation charges in respect of the commissioning of new plants. In fact, the company maintains an aggressive accounting method, writing off their plants faster than its peers. The industry normally writes down the assets over a 15-20 years but SCL does so in 7-8 years.

Apart from focussing on operations, the company is also investing in building brands. Some of its popular brands are Shree Ultra, Bangur and Rockstrong. SCL has above 4,000 dealers

Payal: strengthening the eastern market

Pay-back time

H.M. Bangur has embarked on a CSR project to facilitate a community support network for lonely senior citizens, in tandem with the Kolkata police. Currently 'Pronam' the old age care trust is inundated with over 10,000 senior citizens, who want help. Almost every middle-class home now has one or more children living abroad. Many lively homes have now become shells of silence, as the old folk live out their last years, while their children go from strength to strength in New York or London or Mumbai.

The trust does not pay anybody or receive donations. Kolkata police personnel along with Pronam staff visit old people in the Kolkata police precinct areas on a routine to check their needs. It has declared a 24 hour emergency helpline, cashless arrangements with 30 hospitals and offers legal aid. There are also occasionally social get-togethers for the lonely folks. "Old people become a soft target for abuse and neglect in the society; our aim is to give them a social support so that they relax and enjoy their twilight years. There are 80 million old people in the country and the need for this sort of service is infinite," says Bangur. ◆

across the country. During the last three years, the company has added 1,000 dealers.

SCL had drawn attention of the industry in 2002, when it had developed special properties that protect steel from rust under Shree Ultra Red Oxide–Jung Rodhak Cement brand. Several in the industry thought it was a marketing gimmick. But Shree Ultra now is most popular. It is the flagship brand of the company and contributes nearly half of its sales with a strong brand recall in north India. "Our USP is quality and strong brands. Keeping costs under control helps us to strengthen our market position. We are now focusing on the eastern market." says Payal. He is hopeful the cement demand will improve slowly by end of this year. The company has also introduced laminate bags to protect cement from moisture.

"SCL is in the forefront of cost reduction in the industry and its aggressive marketing strategy makes it a larger player in the northern market. It is a healthy competitor, which makes others improve. However, it may not score high on quality," says S. Chouksey, whole time director, JK Lakshmi Cement, who is also the vice-president of Cement Manufacturers Association (CMA).

Ras plant: the largest single location plant of SCL with 7 mtpa capacity

SCL has demonstrated a good track record of growth during the last few years, constantly outperforming the industry. It is the most profitable cement company in India by a large margin. Unlike peers who have gone for large expansion, SCL has always gone for smaller capacity and expanded it later as per the market needs. That gives it an edge over others," says Jinesh Gandhi, senior vice-president, research, Motilal Oswal Securities.

H.M Bangur has taken the company through great strides, quietly transforming the company. From being a regional player, it is now well on its way to become a pan India player of repute in the coming years.

Given the fact that the entire edifice of Shree Cement is based on a very miniscule capital base of Rs 34crore with hardly any long term debt on its books, company can ramp up its capacity through acquisitions. While leveraging could cause a certain amount of discomfort, it is living in the comfort zone which could make it complacent. The company which in its last financial report had said at Shree Cement we find comfort in seeking discomfort and set new benchmarks to overcome it, could well look at taking on more debt to ramp up capacity if it is serious about building a pan India presence in double quick time.

◆ SAJAL BOSE

sajal.bose@businessindiagroup.com

Eye for details

SCL leads the way in adopting and implementing sustainability in business operations in the industry. It takes multiple initiatives from running efficient and profitable operation to continuous improvement of efficiencies and is reducing resource consumption by using its capabilities to create sustainable solutions. It puts a lot of compulsion on innovation and creativity whether it is in power, mining, usage of alternate fuel like pet coke or saving water. SCL was the first in the country to substitute the use of conventional coking coal with petro-coke and other agro-based waste for the power plants. This has brought down costs significantly.

The company is one of the lowest-cost producers in India and has enhanced productivity through improved kiln operation and better raw material mix. Its specific power consumption is among the lowest in the world. The company is also a major power producer in Rajasthan with an installed capacity of 597 MW, although its own needs are just 150 MW. The balance is sold to the grid. SCL is proud of its 65 MW of electricity generation out of heat recovery from the pre-heaters and clinker coolers of its main cement lines. The method of power generation saves 110,000 tonnes of pet coke fuel and reduces CO_2 emissions. The company claims this is the world's largest heat recovery unit in the cement industry, excluding China.

Likewise, the company has installed the largest air-cooled condenser in India, which reduces water consumption by 90 per cent at its power plant. ◆