

**Report of the Working Group on Cement Industry
for XII Five Year Plan (2012-17) – Projections and
Assumptions on Cement Production and Cement Capacity**

Table: Cement Production - Projections and Assumptions

(in million tonnes)

Ending March	Base Line	Base line+ Concrete Roads	Base line+ Roads+ Housing	Base line+ Road+ Housing+ Fiscal Support	Assumed Rate of growth (in per cent)			
					1	2	3	4
Scenario	1	2	3	4	1	2	3	4
2011	228.3	228.3	228.3	228.3				
2012	246.7	246.7	246.7	246.7	8.04	8.04	8.04	8.04
2013	267.7	270.2	271.4	272.0	8.53	9.53	10.04	10.29
2014	290.4	295.8	298.6	299.9	8.50	9.50	10.00	10.25
2015	316.6	325.4	329.9	332.2	9.00	10.00	10.50	10.75
2016	345.1	358.0	364.5	367.9	9.00	10.00	10.50	10.75
2017	376.1	393.8	402.8	407.4	9.00	10.00	10.50	10.75
2022	605.8	663.5	694.2	710.0	10.00	11.00	11.50	11.75
2027	975.6	1118.1	1196.4	1237.4	10.00	11.00	11.50	11.75

Note - For 2017-22 and 2022-27, the next two Five Year Plans, GDP growth is assumed at 10 per cent, which results in an increase in growth.

Assumptions

- Base line growth from 2014-15 is kept at assumed GDP growth, or an elasticity of 1.0
- The growth is expected to increase by 1 per cent above the base line in scenario 2 assuming NH and SH to be initially covered¹.
- In scenario 3, assuming a further increase in growth by 0.5% and in scenario 4 growth is scaled up further by 0.25%.
- Base Growth kept a little lower than GDP growth in first three years because of pickup in demand may take some time.
- With all the three expectations being met, growth improves to 10.75% or with an assumed elasticity of roughly 1.2, as against observed elasticity of 1.07 during 12th Plan and further to 11.75% in the next 10 years. Elasticity tapers off to 1.175.

¹ The Task Force for the 11th Plan for the Cement sector also mentioned that the concrete roads, besides providing an excellent surface, enjoy a lower life cycle cost. In the current scenario, however, concrete roads enjoy an initial cost advantage as well.

Table: Cement-Installed Capacity - Projection and Assumptions

(in million tonnes)

Ending March	Base Line	Base line+ Concrete Roads	Base line+ Roads+ Housing	Base line+ Road+ Housing+ Fiscal Support	Assumed Rate of growth (per cent)			
					1	2	3	4
Scenario	1	2	3	4	1	2	3	4
2011	323.2	323.2	323.2	323.2				
2012	336.1	336.1	336.1	336.1	4.0	4.0	4.0	4.0
2013	349.6	349.6	349.6	349.6	4.0	4.0	4.0	4.0
2014	363.1	369.8	373.2	374.9	3.9	5.8	6.8	7.2
2015	386.1	396.9	402.3	405.1	6.3	7.3	7.8	8.0
2016	413.3	428.7	436.6	440.6	7.0	8.0	8.5	8.8
2017	442.5	463.3	473.9	479.3	7.1	8.1	8.5	8.8
2022	692.3	758.3	793.4	811.4	9.4	10.4	10.9	11.1
2027	1084.0	1242.3	1329.3	1374.9	9.4	10.4	10.9	11.1

Note - For 2017-22 and 2022-27, the next two Five Year Plans, GDP growth is assumed at 10 per cent, which results an increase in growth.

1.4.3.1 Assumptions

- a. The existing installed capacity is higher than the demand would have required the sector to create. The existing plants and plants in the pipe line indicate that excess capacity will continue. In fact, based on demand projections, additional capacity creation becomes necessary from 2013-14 only.
- b. For the first two years, it is, therefore, assumed that the existing capacity will be operationalized. In 2013-14, it is assumed utilization to reach a level of 80 per cent and gradually increase to reach 85% level in 2016-17. Capacity, therefore, is higher than domestic production by that factor. Capacity utilization is projected to improve further in next 10 years to an average of 87.5% during 2017-2022 and 90% during 2022-2027.
