

SUSTAINABILITY REPORTING PRACTICES WITH SPECIAL REFERENCE TO CEMENT INDUSTRY IN INDIA

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Abstract

Over recent years, there has been a focus in corporate activity upon the concept of sustainability reporting. Sustainability reporting has gained importance by Indian companies and corporates have adopted sustainability reporting practices since few years. This paper undertakes a research on sustainability reporting practices done by the Cement companies of India. This paper describes role of cement industry in India and also comparison was made between 15 sectors on the basis of various sustainability parameters and indicators. Cement industry has outperformed when it came to voluntary sustainability reporting practices.

Keywords: Sustainability, sustainability reporting, Cement industry, Rank of Cement industry

INTRODUCTION

India is the second largest producer of cement in the world. No wonder, India's cement industry is a vital part of its economy, providing employment to more than a million people, directly or indirectly. Ever since it was deregulated in 1982, the Indian cement industry has attracted huge investments, both from Indian as well as foreign investors.

India has a lot of 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 98 smart cities are expected to provide a major boost to the sector.

Expecting such developments in the country and aided by suitable government foreign policies, several foreign players such as Lafarge-Holcim, Heidelberg Cement, and Vicat have invested in the country in the recent past. A significant factor which aids the growth of this sector is the ready availability of the raw materials for making cement, such as limestone and coal.

MARKET SIZE OF CEMENT INDUSTRIES

Cement prices in India recorded a 6.7 per cent month-on-month growth in April 2017, thereby indicating the probability of growth in volume and profitability of cement companies in the quarter ending June 2017.

The housing sector is the biggest demand driver of cement, accounting for about 67 per cent of the total consumption in India. The other major consumers of cement include infrastructure at 13 per cent, commercial construction at 11 per cent and industrial construction at 9 per cent.

The cement capacity in India is estimated to be at 420 MT as of March 2017 with production growing at 5-6 per cent per year. The country's per capita consumption stands at around 225 kg.

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. A total of 188 large cement plants together account for 97 per cent of the total installed capacity in the country, with 365 small plants account for the rest. Of these large cement plants, 77 are located in the states of Andhra Pradesh, Rajasthan and Tamil Nadu.

Market Overview

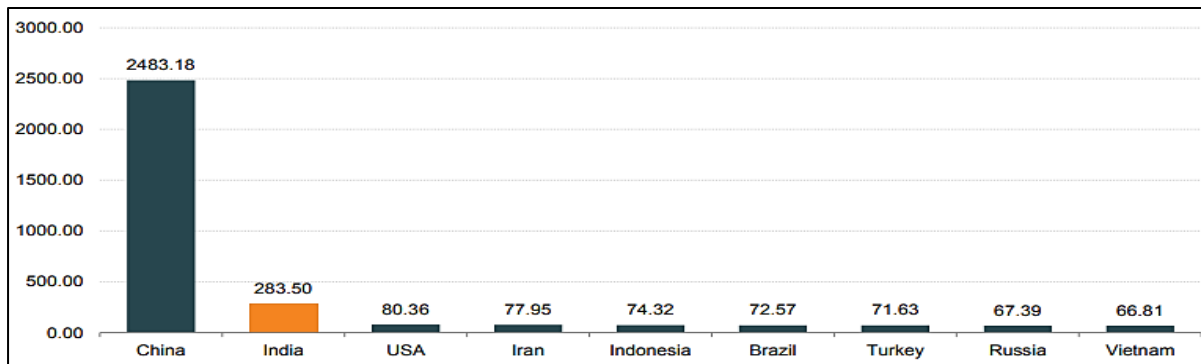


Figure 3.1- Top Cement Producers in FY16 (in MTPA)

- India - world's 2nd largest cement market, both in production and consumption.
- Supported by high level of activity going on in real estate and high government spending on smart cities and urban infrastructure.
- A total of 575 operational cement plants in the country.
- Capacity of 453.4 MTPA as of 2017.

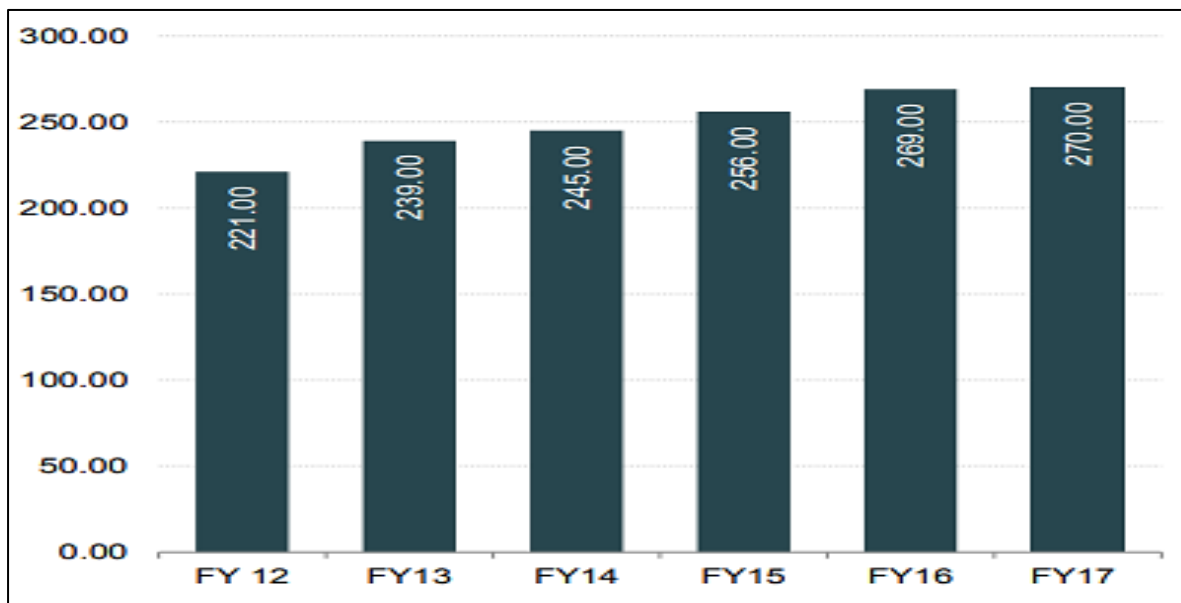


Figure 3.1 - Cement consumption (million tonnes)

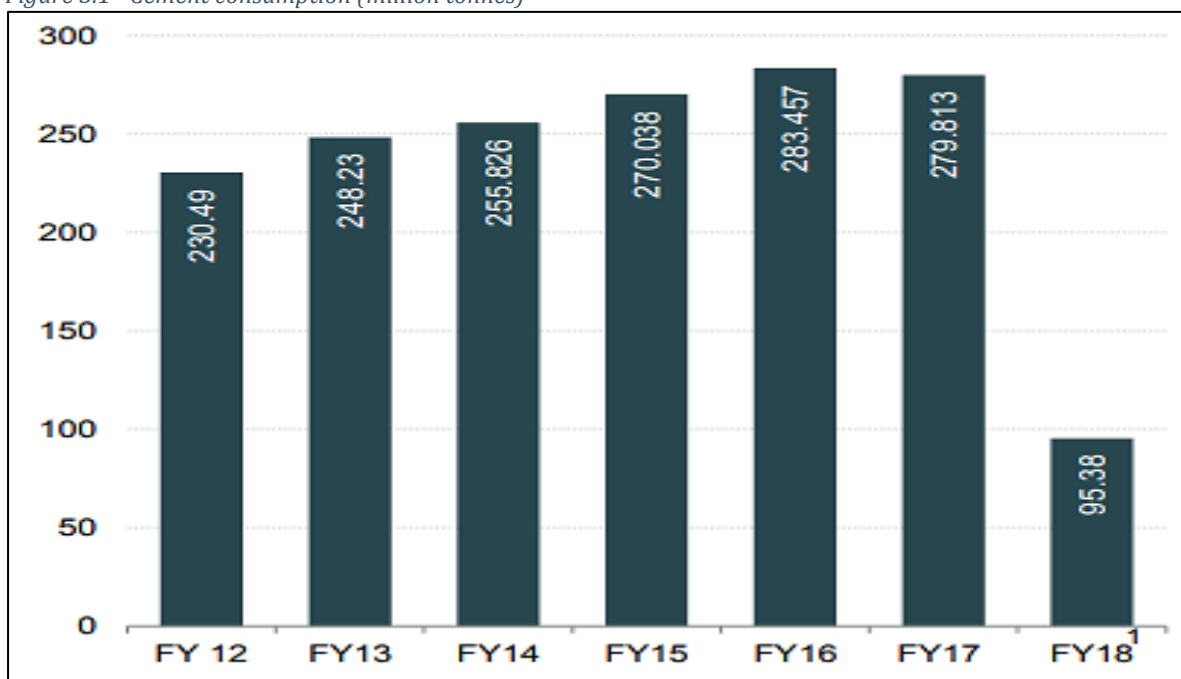


Figure 2.3 - Cement Production in India (million tonnes)

Investments

On the back of growing demand, due to increased construction and infrastructural activities, the cement sector in India has seen many investments and developments in recent times.

According to data released by the Department of Industrial Policy and Promotion (DIPP), cement and gypsum products attracted Foreign Direct Investment (FDI) worth US\$ 5.24 billion between April 2000 and March 2017.

Some of the major investments in Indian cement industry are as follows:

Emami Ltd, a fast-moving consumer goods (FMCG) company, plans to invest around Rs 8,500 crore (US\$ 1.32 billion) to scale up its cement production capacity from 2.4 million tonnes (MT) to 15-20 MT in the next three to five years.

The Gujarat-based Nirma group, with presence in detergent, soap and chemicals sector, has bought Lafarge India's cement business, consisting of 11 MT production capacity, for US\$ 1.4 billion.

FLSmidth, a global engineering company based in Copenhagen, has signed a contract with India's Larsen & Toubro Limited for engineering, procurement and supply of equipment for a complete cement production line with a capacity of 3,000 tonne in Tamil Nadu.

GOVERNMENT INITIATIVES

In the 12th Five Year Plan, the Government of India plans to increase investment in infrastructure to the tune of US\$ 1 trillion and increase the industry's capacity to 150 MT.

The Cement Corporation of India (CCI) was incorporated by the Government of India in 1965 to achieve self-sufficiency in cement production in the country. Currently, CCI has 10 units spread over eight states in India.

In order to help the private sector companies thrive in the industry, the government has been approving their investment schemes. Some such initiatives by the government in the recent past are as follows:

The State Government of Chattisgarh has auctioned one block of Limestone (Kesla II) in Raipur District having estimated reserves of 215 million tonnes valued at Rs 10,367 crore (US\$ 1.61 billion), and would earn a cumulative revenue of Rs 11,894 crore (US\$ 1.85 billion) to State Government over the lease period.

The Union Budget proposed to assign infrastructure status to affordable housing projects and facilitate higher investments and better credit facilities, in line with the government's aim to provide housing for all by 2022 which will boost cement demand.

The Finance Minister, Arun Jaitley, said that the National Housing Bank will refinance individual housing loans of about Rs 20,000 crore (US\$ 3 billion) in 2017-18. The Finance Minister proposed to complete 1 crore houses by 2019. All these developments are expected to boost cement demand.

The increased allocation to rural low-cost housing under Pradhan Mantri Awaas Yojana- Gramin scheme to Rs 23,000 crore (US\$ 3.45 billion) from Rs 16,000 crore (US\$ 2.4 billion) in FY17 is likely to drive a 2 per cent increase in cement demand, Ambit Capital said in a report.

Sustainability Reporting Concept in India:

A sustainability report is an organizational report that gives information about economic, environmental, social and governance performance. Sustainability reporting prepared for internal and external stakeholders is not just report generation from collected data; instead it is a method to internalize and improve an organization's commitment to sustainable development. In other words, Sustainability Reporting is disclosure of the attempts made by an organization on environmental reporting, human resource reporting, reporting on social & governance performance, reporting on sustainability issues either in a separate report or integrated with the annual financial report.

In recent years, the growing concerns for environmental and climate change, have pressurized the corporates to be accountable and transparent, and to disclose a wide variety of information about activities, including their sustainability. For the purposes, sustainability reporting is the only communication tool through which corporations make their corporate social-responsibility (CSR) activities, including social and environmental impacts in addition to financial performance.

The reporting scenario in India is still in nascent stage with nearly 217 companies disclosing their sustainability performance. Sectors that lead the reporting initiative in India include cement, construction and building material, metals and mining, oil and gas and chemicals while sectors like transportation, finance, trade and retail and communications and media have few reports.

However, the industry has been showing positive signs in embracing this concept and recent policy developments including 'National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business' will bolster the reporting efforts in India.

Across the world economic considerations, innovative practices, employee motivation-morale boosting and cost savings are some of key business drivers for companies to adopt sustainability; in India it has been observed that strengthening reputation and brand and ethical considerations prompt companies to embrace this concept.

Why Sustainability Reporting is required in cement industry?

The challenge for cement companies is to balance the growing demand for cement with its environmental implications by developing and championing sustainable solutions for the industry.

Meeting the growing demand for cement without harming environment is the biggest challenge for cement Industries.

Considering the increase in demand of cement the issues like safety, waste management, energy reduction, water conservation, biodiversity management, afforestation and emission reduction are to be taken care of for a sustainable business in cement industry.

Seeking resort to sustainable solutions is the only option for cement industries.

Thus, In India, UltraTech Cement, Shree Cement, Dalmai Bharat Cement Orient Cement are members of Cement Sustainability Initiative (CSI).

Scenario of Sustainability Reporting in various industries of India

RESEARCH METHODOLOGY

- **Data collection** – Secondary data: Data is collected from Annual reports of various industries and websites of various companies.
- **SampleSize**–100 most valuable private companies (rated by *BusinessToday500(BT500)* classified under 15 different sectors.
- **Method** – 15 sectors are compared on the basis of various sustainability indicators (parameters given below). Cement, chemicals, FMCG, Metals, Automobiles and parts, Oil & Gas, Electric utilities, Infrastructure, pharmaceuticals, banking & finance, industrial equipment, IT consulting & Software, Realty, Telecom and TV are the sectors compared. Content Analysis technique is used for knowing the disclosure pattern of various sectors. As per the content analysis ranks are given from 1 to 15 to the sectors.
- **Parameters** –
Following parameters are used to evaluate sustainability disclosure of various sectors:

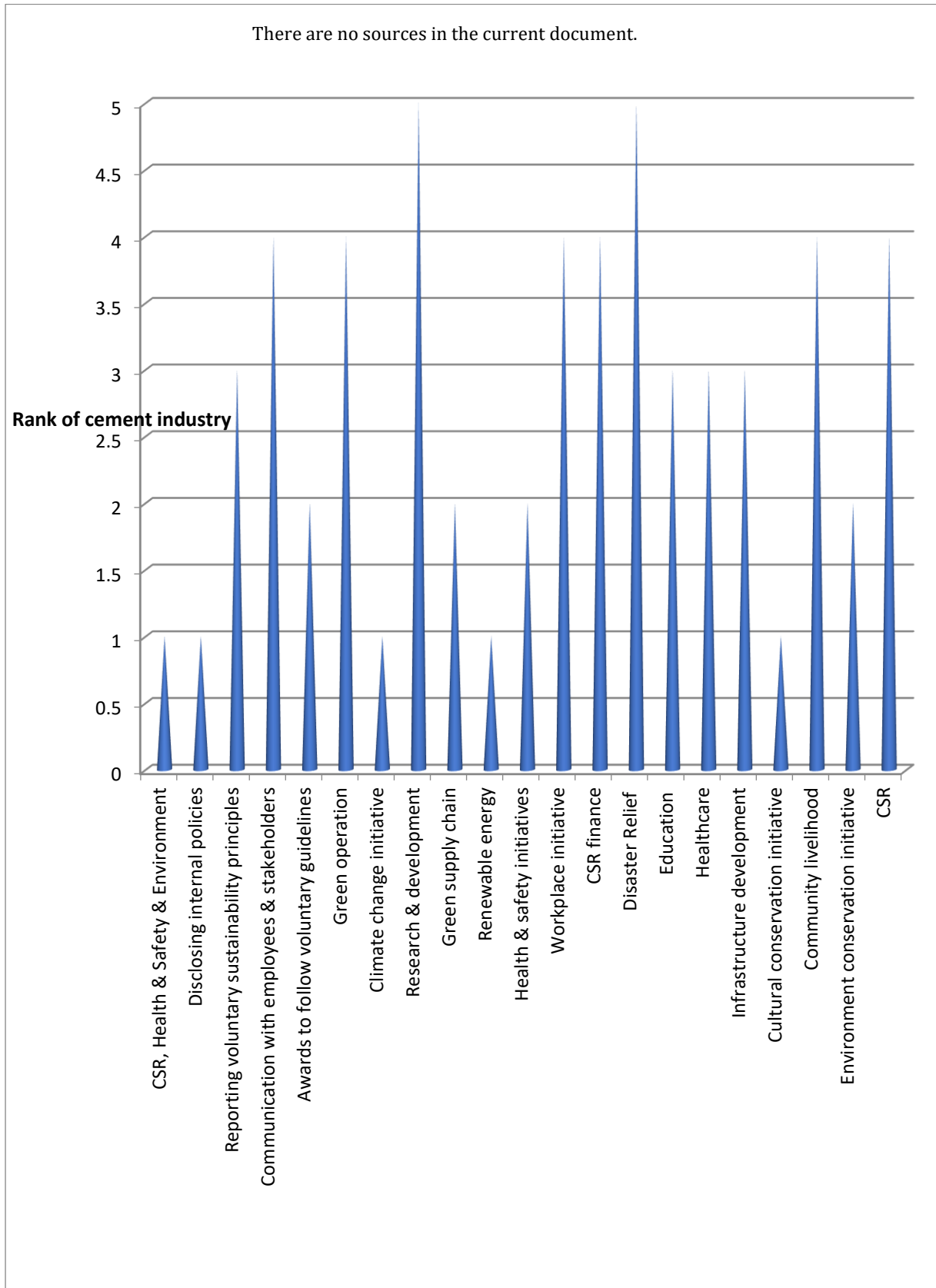
- I. Health & Safety initiatives
- II. Internal policies & code of conducts
- III. Adoption of voluntary sustainability principles & codes of conduct
- IV. Communication with Employees & Stakeholders
- V. Green operation
- VI. Climate change initiatives
- VII. Research & development initiatives
- VIII. Green supply chain
- IX. Renewable energy
- X. Workplace initiatives
- XI. Donations & sponsorships
- XII. Disaster Relief
- XIII. Education Initiatives
- XIV. Community livelihood
- XV. Environment conservation
- XVI. Infrastructure development
- XVII. CSR Finances
- XVIII. Cultural conservation

FINDINGS:

Sector-wise comparison is made on the basis of various sustainability parameters

Parameters	Rank of cement industry
CSR, Health & Safety & Environment	1
Disclosing internal policies	1
Reporting voluntary sustainability principles	3
Communication with employees & stakeholders	4
Awards to follow voluntary guidelines	2
Green operation	4
Climate change initiative	1
Research & development	5
Green supply chain	2
Renewable energy	1
Health & safety initiatives	2
Workplace initiative	4
CSR finance	4
Disaster Relief	5
Education	3
Healthcare	3
Infrastructure development	3
Cultural conservation initiative	1
Community livelihood	4
Environment conservation initiative	2
CSR	4

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CONCLUSION

Among Sectors like cement, chemicals, FMCG, Metals, Automobiles and parts, Oil & Gas, Electric utilities, Infrastructure, pharmaceuticals, banking & finance, industrial equipment, IT consulting & Software, Realty, Telecom and TV taken under the study; infrastructure, cement & metals and mining were found to have the highest percentage when it came to reporting on voluntary sustainability principles. Among all the heavy industries Cement has outperformed other sectors on most parameters/indicators. There are 24 members across the globe in Cement Sustainability Initiative (CSI) of which 4 members are from India. Thus Cement sector in India stands at highest position in terms of sustainability disclosure.

SUGGESTION

Cement industries of India need to improve on the parameters like code of conduct, community livelihood, disaster relief, Research & Development.

Road Ahead

The eastern states of India are likely to be the newer and virgin markets for cement companies and could contribute to their bottom line in future. In the next 10 years, India could become the main exporter of clinker and gray cement to the Middle East, Africa, and other developing nations of the world. Cement plants near the ports, for instance the plants in Gujarat and Visakhapatnam, will have an added advantage for exports and will logistically be well armed to face stiff competition from cement plants in the interior of the country.

A large number of foreign players are also expected to enter the cement sector, owing to the profit margins and steady demand. In future, domestic cement companies could go for global listings either through the FCCB route or the GDR route.

With help from the government in terms of friendlier laws, lower taxation, and increased infrastructure spending, the sector will grow and take India's economy forward along with it.

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