



A Born Businessman

World Cement interviews Alok Sanghi, Director of Sanghi Industries, about his view of the Indian cement sector and how his company is responding to the challenges facing the industry today.



Q Mr Sanghi, you worked in a few other high profile companies before joining the family business in 2005. Was it always your intention to join the company? What experience did you gain from your time in education and prior positions that has influenced your role at Sanghi Industries?

A Sanghi Industries Ltd is the flagship company of The Ravi Sanghi Group, which was started by my father. We have grown up in an environment where business runs in our blood.

When my brother, Aditya, and I entered high school, we were sure that we wanted to join our family's business. Our higher education was pursued considering this intention. While my brother was keen to pursue engineering, I wanted to go for management. We knew that this diverse selection of ours would help us in managing our business.

Prior to joining the family company, it was important to understand various aspects of business to operate amidst bigger competition and increase profitability. My education at Indiana University and work experience at Merrill Lynch and Regency Securities armed me with all the required skills.

Sanghi Cement's main plant.



Q As a major player in the Indian cement industry, how do you see the market progressing given the oversupply situation, infrastructure investment, etc?

A The Indian cement industry has been facing an oversupply situation for the last few years. Currently, Indian companies have a production capacity of around 350 million t, while demand is in the range of 290 – 300 million t. The oversupply situation has come about due to several reasons that have widened the gap between demand and supply.

During the economic boom period from 2003 – 2007, infrastructure investment in India had created massive demand and this attracted many foreign cement companies to invest in India. These companies, together with big local companies, expected this demand to grow, as India was amongst the top five destinations for investment. However, the global crisis in 2008 abruptly impacted infrastructure projects. From 2008 – 2011, many companies added capacities to tap incremental demand. However, demand was hit badly as most of the infrastructure projects were either cancelled or postponed.

This oversupply situation is likely to persist for another couple of years, as we believe that demand is not likely to take a 'V' shape recovery. Presently, investment sentiments have worsened and stalled infrastructure projects aren't likely to begin before general elections next year.

Q In this context, what strategies does Sanghi Industries have in place to protect its market share?

A Our strategy is two-dimensional. We are increasing our capacity in the medium-term by around 25% through debottlenecking. For this, we will be investing around Rs.125 crore in the next two years.

Secondly, we are also increasing our reach by entering new markets for sustained long-term growth in top-line. Through this strategy, we want to ensure that our dependence on just one market reduces, thereby making us less sensitive to demand fluctuations.

Q In terms of operational and cost efficiency, are there any initiatives that you have adopted that you could share with us?

A Up to the global crisis in 2008, we were dependent only on the Gujarat and Mumbai markets, but this made us highly vulnerable to demand fluctuations. We decided to enter the Rajasthan market and break into other markets of Maharashtra. Recently, we have also entered the Kerala market. The penetration of new markets was possible due to the transport cost reduction strategy that we employed. We decided to opt for the sea route to reach Saurashtra (Gujarat), Mumbai and other markets in Maharashtra and Kerala. This has helped us to expand our reach and reduce our transport costs by 12 – 14%.



Greenbelt development around the Sanghi Cement plant.

On the energy front, our captive thermal power plant has significantly reduced our energy costs. We recycle flyash generated from this plant and blend it with cement to produce Portland Pozzolana Cement. Through this, we have cut our fuel and other input costs by 10%. We also started paying off our high interest debt, which led to a fall in our interest payments. While our diversification into new markets has helped us to grow our top-line, cost reduction strategies have improved our profits.

Q Sanghi Industries has made headlines with its marketing campaigns. Can you tell us a little more about that?

A We are a customer focused company, hence our marketing campaigns are always targeted directly at our customers. In fact, we were amongst the first few cement players to focus on branding a commodity product like cement in India. Today, the 'Sanghi Cement' brand is a household name across Gujarat. We are now focusing on emulating this success story in other markets as well. Our unique initiatives like 'Customer Care Centres', 'Shakti Rathes' and 'Toll Free Services' have further cemented our brand recall value.

We are educating the end-users of cement through initiatives like Customer Care Centres (CCC) and Shakti Rath. We have simply communicated this initiative and people relate to it well.

Q How is Sanghi Industries dealing with the high cost of fuel? Will you look into utilising alternative fuels?

A We are already utilising alternative fuels. We have developed a 63 MW captive thermal power plant to stop relying on highly priced industrial power coming from state agencies.

The company continues to make conscious efforts to evaluate opportunities for technological innovation and upgradation to improve the level of operations, resulting in cost savings and enhanced efficiencies.

Q I see that Sanghi Industries has achieved '5 STAR' certification. Could you tell us a bit about this?

A Sanghi Industries conforms to five management system certifications that it has received from the government. They are Quality Management System (ISO:9001:2000), Environmental Management System (ISO:14001:2004), Health and Safety Management System (OHSAS:18001:2007), Testing and Calibration Management System (ISO:17025:2005) as well as Social Accountability Management System (SA:8000:2001). These are the certifications in individual categories that the company has achieved.

These certifications are very important as they advocate our quality end-product and best in class infrastructure.

Q Construction quality has been in the news a lot lately – especially in parts of South Asia. What role do you think the cement and concrete industries have to play in construction quality?

A Cement and concrete have an important role to play, as the quality of construction would ultimately depend on the quality of limestone used in cement and the mixture used for preparing concrete. In today's world, where infrastructure has more to do with vertical development, high strength and low heat of hydration have to be ensured for construction.

The quality of concrete is highly dependent on having the right materials for the mixture and the mixing skills of the workman. For example, the ratio of water to cement for normal construction is 0.5. In cases where the quantity of water is higher or lower, the strength of the concrete would be compromised. To ensure product and construction quality, the industry needs to impart training and required skills to the actual on-the-ground workforce at the construction sites.

Q Going forward, what are Sanghi Industries' plans for expansion across India and internationally?

A We are in the process of debottlenecking our plant, which will increase our cement capacity from 2.6 million t to 3.3 million t by the end of the next financial year. We are focusing on investments that will cut our costs in the long run and give us an edge by having our own infrastructure rather than relying on others.

For this, we are investing in setting up jetties/terminals and acquiring ships as we now want to explore sea routes for all our markets. Right now, the company is focusing more on higher capacity utilisation and ensuring quality cement production. The company is also constantly updating, with new developments in the field of energy including the use of alternative sources of energy as well as technology adaptation and innovation. 🌱