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IMPACTING INDIA

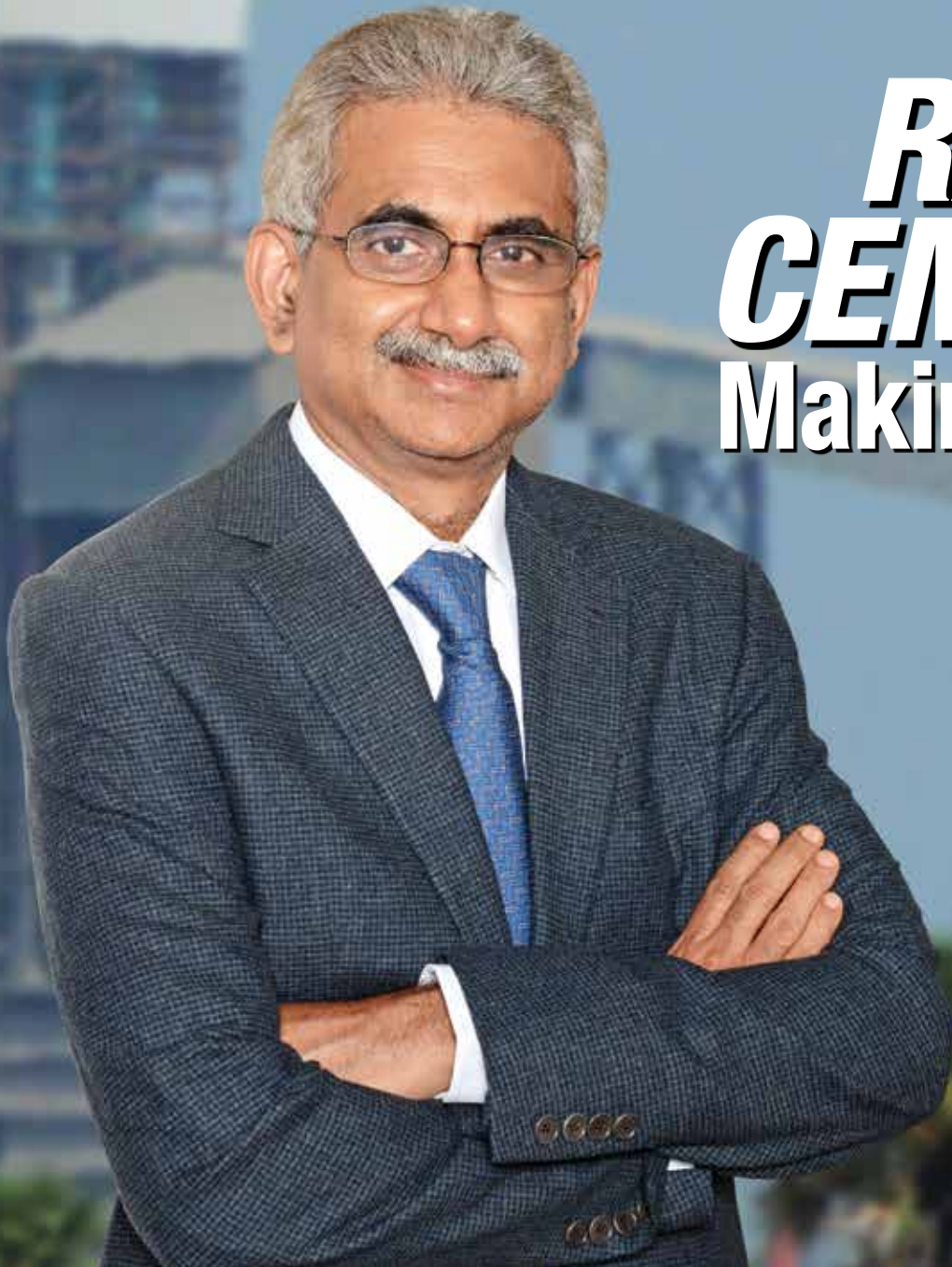
TROUBLE BREWING FOR  
CAFÉ' CHAINS

TRAVELOGUE—CAMBODIA,  
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# Corporate Tycoons

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## ***RAMCO CEMENTS*** Making a Mark

**PR VENKETRAMA RAJA**  
Chairman and Managing Director,  
Ramco Cements

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**PR VENKETRAMA RAJA**  
Chairman and Managing Director,  
Ramco Cements

# Ramco Cements Making a Mark

The company continues to remain a pioneer in cost efficiency in the industry and presents a creditable report card.

– By a Special Correspondent

**C**hennai based Ramco Cement Limited, one of the oldest cement producers in the country since 1961 is an example for its ability to stay evergreen through manufacturing competence. Three generations of family has carefully knitted the business to make Ramco a respected cement companies in the country. And the credit goes to PAC Ramasamy Raja the founder, Ramasubrahmaneya Rajha former chairman and visionary who played a major role in shaping the company; and his son, present chairman and managing director P R Venketrama Raja 59 a chemical engineer, MBA from Michigan University, has taken the company to a new height, are its three main architects. Ramco today is amongst the 6th largest national cement players with a capacity of 16.5 million tonne per annum (mtpa) and a popular brand in South India.

When Ramco Cements began its journey in early 60's the cement industry was not considered as a favourable venture due to price controls. In late 50's then central industry minister Manubhai Shah came to Madras to meet prominent industrialists of the state. He met PAC Ramasamy Raja a successful entrepreneur was running the cotton spinning mill at Rajapalayam from 1938. Seeing his patriotism and care for the country's development, the minister requested Raja to start a cement factory in Madras state (now Tamil Nadu). Knowing the state was starving for cement, Raja gladly accepted the offer. The company was promoted in 1957 under the government licence for 200 toons per day (TPD) of cement mill in RR Nagar near Madurai in the Second and Third Five Year Plan. The operation of



A V Dharmakrishnan,  
CEO; IT integration improved  
operational efficiency

*It also ensures hassle-free supply chain, inventory monitoring in real-time to manage raw material and fuel requirements. “The cement industry is highly competitive. The prompt response to customers’ needs is the key factors. The IT integration has now changed the game with real time information. This has improved our operational efficiency,” – says Dharmakrishnan.*

the new cement plant in the name of Madras Cements Limited (later the name changed to Ramco Cements) commenced with initial capital of Rs.50 lakh in 1961. It was the third cement unit in the state after Dalmia Cement and India Cement. In 1962 PAC Ramasamy passed away after making his son the chairman. His

son P R Ramasubrahmaneya Rajha took the company into solid expansion till his death in 2017. After his demise, his son PR Venketrama Raja is now in the helm of affairs of the company.

Ramco always believes in steady growth. The company is not into aggressive expansion or unworkable acquisition just to increase its size. Last year industry also had witnessed fierce battle between Ultra Tech and Dalmia Cement over Binani Cement. “There are huge risk involve in number game. It is not always viable. Since the inception, our focus remains on the sustainable growth. So our growth may not be spectacular but consistent,” claims Raja a tech savvy who later created group’s IT solution business-Ramco Systems Limited in 1999. Ramco Cements reflects a mind-set where manufacturing most importantly is accompanied by large investments in research and service. The company has very strong operation cost control ecosystem that gives Ramco edge among its competitors and makes impact



Raja and his son Abhinav; mentoring

on the profitability. Its capacity utilisation is the highest in the industry with 90 per cent as against average 75-80 per cent in the industry. Ramco is always profitable and can survive under any circumstances. A listed company Ramco Cements today is one of the largest cement manufacturers in the country having net revenue of Rs. 5187 crore as on March 2019 employing over 3200 people.

It was the earliest adopter and converted from wet process to dry process technology in cement production to save fuel cost in 1973. The adopting the new technology at their R R Nagar plant needed to install 1200 tonne per day kiln. It was the largest kiln in the country in 70's. Others manufacturers followed Ramco's footsteps and have gradually converted to dry process. The wet process involves adding water to finely crushed raw materials to make slurry that is fed into a cement kiln. The disadvantage of this method is that evaporating the water from the slurry needs huge amount of fuel. So the fuel cost is very high. Whereas no water is added in the dry process, instead, the raw materials are fed into the kiln in its dry state. Which uses compressed air to mix the dry material, the process is economical. Today cement is produced through dry process only and Ramco's energy efficiency is 680kcal/kg of clinker compared to the national average of 750 kcal/kg making it possibly the most efficient in the industry with fuel costs at 13 Per cent compared to say, 21 per cent for India Cements. "We are pioneer in adopting and implementing sustainability in business operation. A low cost producer in the country with enhanced productivity through improves kiln operation and better raw material mix. Our production cost is 8-10 per cent lower than the peers." says chief executive officer A V Dharmakrishnan, a veteran in the cement industry in the country. He is the driving force of the Ramco's growth story with the absolute support of the promoter.

Ramco Cements is part of the Rs. 7500 crore Ramco Group has diverse business interest in textile, cement, and information technology. Ramco Cements limited is the flagship company of the group. Promoters hold 43 per cent of the company. The share price hovering between Rs.755 to Rs.766 a piece on NSC while the market cap is Rs 17780 crore. Predominantly a South based player, Ramco is now on expansion mode and set a target to achieve 20 mtps by 2020. It is ramping up clinker and grinding in southern and eastern India.

Looking at the emerging opportunity, Ramco is expanding its market reach in the eastern region. The company recently has doubled the grinding capacity at its Kolaghat unit in West Bengal by adding one more line to make it 2 mtpa. In 2010, Ramco had entered in the east and set up 0.95 mtpa grinding unit at Kolaghat in West Bengal as part of building pan-India presence. "We needed to augment the additional capacity of 1 mtpa to cater to meet the growing demand of our cement in the region," says

Raja. The demand for cement in the eastern India is about 60 mtpa at present of which West Bengal alone 21 mtpa and growing.

Spread over 50 acres the Kolaghat plant is strategically located on the NH-41 and NH-6 by road and through the Howrah-Kharagpur board gauge line. The new modern unit was commissioned with an investment of Rs.425 crore. It is next to the Kolaghat Thermal power Station to get seamless supply of fly ash for producing blended cement. "As our focus always remain on cost efficiency, we do right planning from inception. Whether it is selecting a location, layout, machinery, raw material sources etc, says M Srinivasan, president manufacturing "even the capital cost is little more but it pays back in future." A high-energy efficient vertical roller mill has put up for grinding. This gives flexibility in producing different types of cement like OPC, PPC and PSC that uses wet fly ash and wet slag as raw material.

The unit caters to markets like east Midnapore, west Midnapore, Kolkata. The company is now explore north Bengal market too. It gets clinker for production from company's integrated plants in Andhra and Tamilnadu through the coastline by vessels. Haldia port is merely 50 kms from the plant give the company cost advantage. Ramco presently has 600 dealers in the state.

Nischint Cement Pvt Limited, a largest dealer in Bengal for Ramco handling 5 districts- Kolkata, South 24 parganas, North 24 parganas Howrah and Hooghly. "We have been associated with the Ramco since their entry into the eastern market," Biswanath Paul, owner of Nischint Cement Pvt Limited says. He said "Despite a late entrant in the eastern market Ramco is forcing its competitor to roll their sleeves up. A quality conscious company believe in complete transparency. The company is dealer friendly and fulfil their commitments."

"In FY10 Ramco used to sell more than 90 per cent of its production in the southern region, today it selling 73 per cent of its volume in the southern region and 25 per cent in the eastern region as on March 18. It is a significant gain in east," says J Radhakrishnan analyst with IIFL.

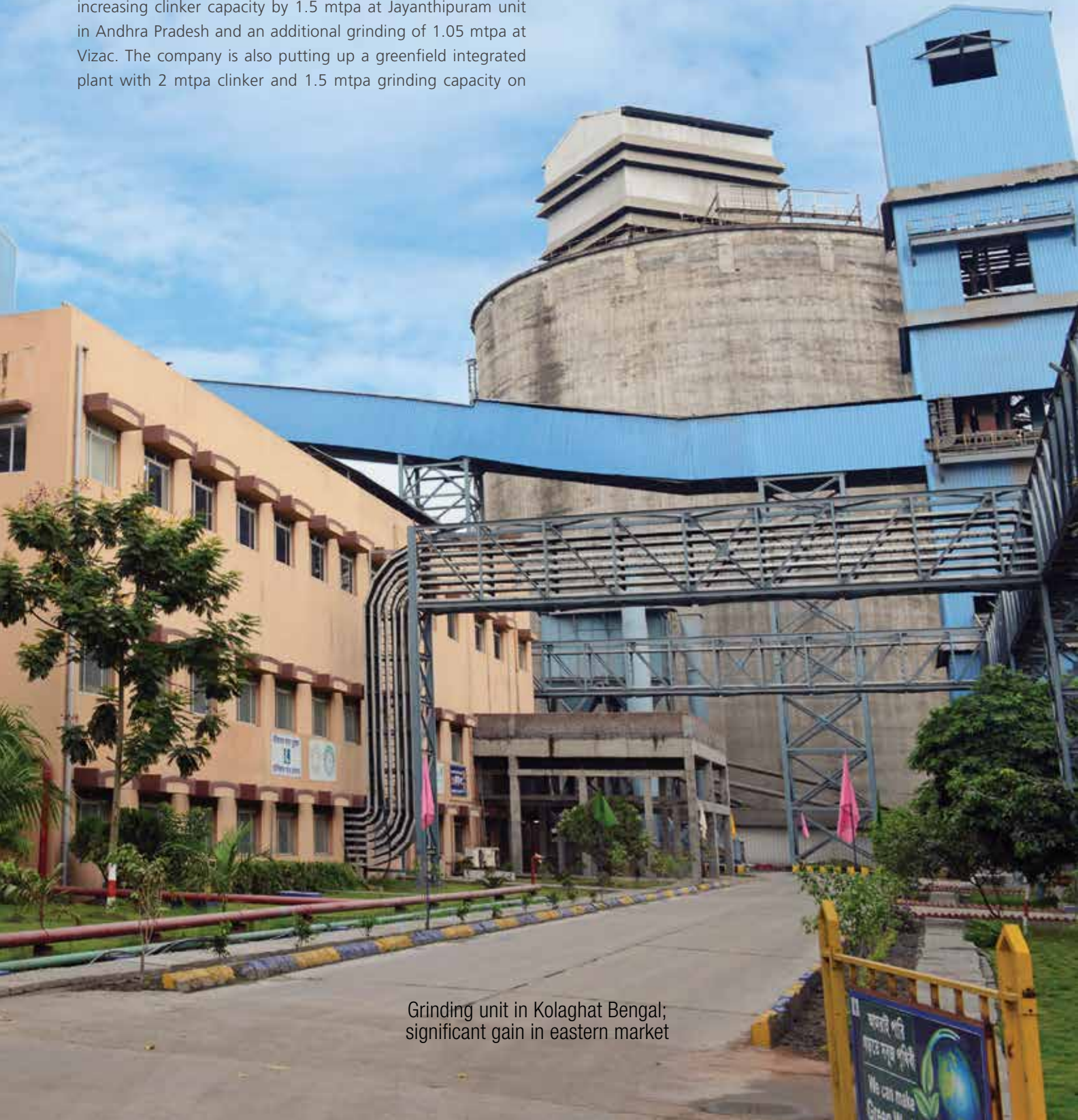
*The company recently has doubled the grinding capacity at its Kolaghat unit in West Bengal by adding one more line to make it 2 mtpa. In 2010, Ramco had entered in the east and set up 0.95 mtpa grinding unit at Kolaghat in West Bengal as part of building pan-India presence. "We needed to augment the additional capacity of 1 mtpa to cater to meet the growing demand of our cement in the region," says Raja.*



Ramco also setting up 1 mtps grinding unit at Haridaspur at Odhisa at a cost of Rs.515 crore. The plant should be ready end of the year. The total project area is 180 acres of which the plant will be put up on 105 acres the balance area is kept for the future expansion. "Once ready, this unit will cater to Southern Odhisa market," says Raja.

Besides the grinding units in the eastern region, Ramco is increasing clinker capacity by 1.5 mtpa at Jayanthipuram unit in Andhra Pradesh and an additional grinding of 1.05 mtpa at Vizac. The company is also putting up a greenfield integrated plant with 2 mtpa clinker and 1.5 mtpa grinding capacity on

460 acres of land at Kolimigundla, Kurnool district in Andhra Pradesh at an investment of Rs.1600 crore. The construction of the greenfield project is in full swing. All of them should come up and running in the next one year to reach the target of 20 mtpa by 2020. All plants are equipped with multiple silos for storage, railway siding, waste heat recovery system for power generation and are supported with grinding units at the



Grinding unit in Kolaghat Bengal; significant gain in eastern market



strategic locations. “The Kolimigundla plant expected to fulfil the clinker requirements in the east at the cheapest landing cost,” explains Abhinav Raja 26 year old son of the chairman P R Venketrama Raja. An engineer, Abhinav is just inducted in the company’s strategy and planning team under the guidance of Dharmakrishnan.

“We are investing Rs.3500 crore for all these expansion which will be funded through internal and bank loan. In the last 3 years our revenue is growing at a CAGR of 9 per cent,” says CFO S Vaithiyathan. The company has reported a steady performance in FY19 despite sluggish demand in the later part of the fiscal and rising input cost. “We have a strong balance sheet. We are careful that the capacity expansion should not make much stress on our balance sheet,” Raja affirms.

Ramco’s integrated IT solution across all layers of the organisation has enhanced the productivity of human resources and ensured appropriate information for decision-making. This management information system-ERP designed and developed by Ramco System was introduced in 2001. Dharmakrishnan was the architect to implement the IT. This smart technology run the business efficiently and controls the operations end-to-end from raw material procurement to shipping. It also ensures hassle-free supply chain, inventory monitoring in real-time to manage raw material and fuel requirements. “The cement industry is highly competitive. The prompt response to customers’ needs is the key factors. The IT integration has now changed the game with real time information. This has improved our operational efficiency,” says Dharmakrishnan. The usage of ERP benefited in productivity

Ramco adopts innovative method in operation



and improved the selling price by 2-3 per cent. No other company is even closer to us in information diaspora claims Dharmakrishnan.

The company is having eight state of the art production facilities. All are competing with each other to keep highest parameter of operating efficiency and consistent quality. The facilities include integrated cement plants and grinding units with a total production capacity of 16.50 mtpa. The grinding capacity of which alone is 4 mtpa. As a thumb rule, one ton of clinker produces little above 1.5 tons of cement after adding fly ash. The integrated cements plants are located at R R Nagar in Tamil Nadu capacity 2 MTPA, Alathiyur in Tamil

Nadu capacity 3.05 MTPA, Ariyalur in Tamil Nadu capacity 3.5 MTPA, Jayanthipuram in Andhra Pradesh capacity 3.65 MTPA and Mathodu in Karnataka capacity 0.29 MTPA. The satellite grinding units are situated at Chengalpet and Salem in Tamil Nadu, Vizag in Andhra Pradesh and Kolaghat in West Bengal. Also the company's thermal power plants aggregating to a capacity of 175 MW are located at its cement manufacturing plants are used for self-consumption in the cement manufacturing.

The company also produces Ready Mix Concrete near Chennai and Dry Mortar products at Sriperumpudur. The ready mix concretes caters to the customised need for the infrastructure and housing industry whereas the dry mix plant was established in collaboration with M-tec Germany manufacturing plastering materials and tile fixing compounds for housing industry. Ramco also owns one of the largest wind farms in the country having a capacity of 166 MW across South India for captive consumption and selling to the Tamil Nadu Electricity board and group companies.

"Ramco controls over eight per cent market share in South India next to India Cements. Nevertheless we are the clear market leader in Tamil Nadu and Kerala with a market share of 17 per cent and 20 per cent respectively," Dharmakrishnan informs. The South India has consumption of about 70 MTPA of cement. Ramco is a single established brand of the company has several grades of cement for different applications. The company is always in the forefront for latest research relating to different types of cement grade for specific application. The state of the art research and development centre is actively carries out advanced research in construction industry.

Ramco is always looking for new technology in the business operations. The Pandalgudi mines at R R Nagar installed Optical Sorter for the first time in India. The technology has been adopted from food industry. It removes unwanted black stone from the limestone through the colour optical light beam helps enriching the quality in the cement production. Similarly the company is using Surface Minor for its mining operation in the Alathiyur. "The noise and pollution free mining process does not require drilling and blasting. The equipment used for extracting limestone from the earth. Cutting, primary crushing and loading the limestone in a single operation step thereby more efficient than the conventional drilling and blasting method," explains Srinivasan.

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Long before corporate philanthropy became an integral part of the corporate's business model, Ramco group quietly has been working actively towards holistic socio-economic development of peripheral villages and society around its plants. They work around the education, health, and environment among others. Nirmala Raja wife of the chairman is actively involved in CSR work of the group, continuing with the family legacy. In a unique initiative She has introduced waste management programme called Garbology in schools at Rajapalayam in a partnership with WasteLess, a non-for-profit research organisation based in Auoville created the innovative curriculum Garbology. Upon learning about the waste management, students practise their learning in school. They now separate waste into different categories, compost all organic waste and recycle the dry waste.

"Children empowered with this knowledge start to become change makers in their direct environment. They engage their parents to follow the movement. It's a leap towards sustainable future," says Nirmala with delight. Ramco group supported CSR initiatives have resonated with the Tamil Nadu School Education department.

The growth prospects of the cement industry are closely linked to the growth of the overall economy, the real estate and construction sectors. Through the expansion in the growing markets, Ramco is well placed to take full advantage of the economic momentum in the coming years. The company is in good hands for the next decade or more. Only then will the quality of the next generation be tested, as the old generation fades away and Abhinav comes to the fore. ■



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Nirmala Raja in a school; actively involved in group’s CSR activity.

