1. Project Data:

- **OEDID**: L3196
- **Project ID**: P009981
- **Project Name**: Cement Industry Restructuring Project
- **Country**: India
- **Sector**: Other Industry
- **L/C Number**: Loan 3196-IN
- **Partners Involved**:
  - **Prepared by**: David G. Greene (consultant), OED
  - **Reviewed by**: Roger J. Robinson
  - **Group Manager**: Ruben Lamdany
  - **Date Posted**: 06/30/1998

2. Project Objectives, Financing, Costs and Components:

   In 1989 the Government of India removed all price and distribution controls on the cement industry. In response, the Bank made a loan providing US$ 300 million, 289 million of which was lent to the Industrial Development Bank of India and the Industrial Credit and Investment Corporation of India for re-lending for projects to restructure and modernize the cement industry. The project also financed a pilot bulk cement transport project. A manpower training component, designed by the cement companies themselves to meet the needs of an expanding and modernizing industry, received assistance from DANIDA.

3. Achievement of Relevant Objectives:

   All objectives of the project were achieved. Projects financed under the loan contributed to an increase in installed capacity from 64.5 MMT in 1990 to 96.2 MMT in 1997. Major increases in the northern and eastern regions significantly reduced regional imbalances. The completed projects all achieved or exceeded the financial and economic rates of return targeted at the time of appraisal. The consolidate economic rate of return for the projects was 20.6% and the financial rate of return was 15.9%.

4. Significant Achievements:

   The project clearly demonstrated that industrial deregulation, combined with programs to facilitate restructuring and modernization can result in substantial, measurable economic benefits.

5. Significant Shortcomings:

   The project itself had no significant shortcomings. However, inadequacy of supporting power and transport infrastructure was a problem for the companies, and may have resulted in somewhat lower rates of return than might otherwise have been achieved.

6. Ratings:

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<tr>
<th>Outcome</th>
<th>ICR</th>
<th>OED Review</th>
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<tr>
<td>Institutional Dev</td>
<td>Substantial</td>
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<td>Sustainability</td>
<td>Likely</td>
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<td>Bank Performance</td>
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<td>Borrower Perf.</td>
<td>Highly Satisfactory</td>
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<td>Quality of ICR</td>
<td>Satisfactory</td>
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7. Lessons of Broad Applicability:

   As indicated in para. 3 above, the project demonstrated the benefits of market liberalization for industrial growth and efficiency. The problem of power supply reliability that affected all companies furnishes further evidence that state-owned utilities, with inadequate rate structures impede industrial development.
### Audit Recommended?
- [ ] Yes
- [x] No

### Comments on Quality of ICR:
The ICR is highly satisfactory