Early Warning System

IFC-32265

UltraTech Cement Limited

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Quick Facts

Countries	India
Financial Institutions	International Finance Corporation (IFC)
Status	Completed
Bank Risk Rating	A
Voting Date	2013-07-03
Borrower	ULTRATECH CEMENT LIMITED
Potential Rights Impacts	Cultural Rights, Healthy Environment, Housing & Property, Indigenous Peoples, Labor & Livelihood, Marginalized Groups, Right to Food, Right to Health, Right to Water
Investment Amount (USD)	$ 100.00 million

Project Description

This Project involves the clinker production capacity expansion of UltraTech Cement Limited (UltraTech) at its integrated cement plant in Chhattisgarh, a low-income state in the eastern part of India, and the investments for the necessary infrastructure to support the expansion. The Project is a key component of Ultratech's cement capacity expansion strategy in the eastern part of India.

The proposed project comprises a brownfield expansion

Early Warning System Project Analysis

CATEGORIZATION

This is a Category A project according to IFC's environmental and social review because the project has the potential for resulting in significant adverse environmental and social impacts that will be diverse and irreversible.

APPLICABLE SOCIAL AND ENVIRONMENTAL STANDARDS
The IFC has identified the following performance standards:
PS 1 Assessment and Management of Environmental and Social Risks and Impacts
PS 2 - Labor and working conditions
PS 3 - Resource Efficiency and Pollution Prevention
PS 4 Community Health, Safety and Security
PS 5 Land Acquisition and Involuntary Resettlement
PS 7 Indigenous Peoples

CONSULTATION PROCESS

IFC states that public consultations have been completed for expansion of the cement plant (Rawan), the associated power plant, and Jhipan Mines as part of the requisite regulatory permitting process. For Guma mines, IFC states that UltraTech began interacting with the project-affected families soon after the land was identified for purchase in 2007, through its Land Team, which conducted several informal consultations and negotiations with individual landowners. The subjects of these consultations focused on the project, the need for land acquisition, land price and land purchase schedule.

Additionally, IFC states the UltraTech's Social Impact Assessment consultants conducted additional stakeholder engagement activities in Guma from July 2012 to April 2013, which included focus-group discussions with the affected communities to identify the impacts and community development needs. Altogether 15 consultations of various types were conducted from July 2012 to April 2013 in the village and at the community center. IFC holds that all consultations had a good representation from various socio-economic groups, which included women, Scheduled Tribe (ST) households and other vulnerable households. IFC states that the consultations were conducted in the local language and conducted in the presence of UltraTech representatives. In addition, discussions and interviews involving local government functionaries were also undertaken.

IFC indicates that, during the social impact assessment process, the key expectation of the project affected households expressed was for enhancement of employment opportunities, income generation, skills training and support to community infrastructure related to water, education, health and agriculture. During consultations, local communities expressed their concerns regarding the adequacy of mitigation measures undertaken by UltraTech, adequacy of compensation, delays in land purchase due to constitutional provisions, difficulties proving land ownership, damage to livelihoods, and road closures and the ability to ensure school attendance for school children.

UltraTech pledges that [t]he project will be transparent in disclosing information related to the project and people's participation will be sought across the project cycle. As a result of the consultations, IFC states that UltraTech has prepared and disclosed a livelihood restoration framework, social impact assessment report, environment and social action plan and a community development plan that addresses these key concerns and expectations of the affected communities. The Guma EIA recognizes that operationalizing these plants, demonstrating ownership of the suggestive measures and committing resources (human as well as financial) would be crucial to the success of livelihood restoration, meeting community expectations and developing/strengthening term trust and good will the company currently enjoys in the area.

IFC also states that subsequent to the local disclosure of social and environmental information, UltraTech has gone back and engaged, consulted with, and raised the awareness of, the affected communities about the project's impacts and benefits. IFC

Investment Description

- International Finance Corporation (IFC)

The total project cost is estimated at US$297 million. IFC has been requested to provide a loan of up to US$100 million for its own account.

Private Actors Description

UltraTech is a part of Aditya Birla Group (ABG) – one of India's largest and most reputable conglomerates and a long-standing client of IFC in Egypt, India, Thailand and Indonesia. ABG operates in 33 countries with more than 133,000 employees worldwide. The group has diversified business interests in viscose staple fiber, metals, cement, viscose filament yarn, branded apparel, carbon black, chemicals, fertilizers, insulators, financial services, telecom, BPO and IT services. Grasim Industries Limited of the Aditya Birla Group has a 60.3% stake in UltraTech.
UltraTech, a listed company, has 12 integrated cement manufacturing plants, 15 grinding units, 5 bulk terminals and more than 100 ready mix concrete plants, spanning India, UAE, Bahrain, Bangladesh and Sri Lanka with 52 million tons per annum (Mtpa) capacity.

B. ADITYA BIRLA GROUP (ABG):

A US $40 billion corporation, the Aditya Birla Group is in the League of Fortune 500. It is anchored by a force of over 136,000 employees, belonging to 42 different nationalities.

Over 53 per cent of its revenues flow from its overseas operations. The group operates in 36 countries: Australia, Austria, Bangladesh, Brazil, Canada, China, Egypt, France, Germany, Hungary, India, Indonesia, Italy, Ivory Coast, Japan, Korea, Laos, Luxembourg, Malaysia, Myanmar, Philippines, Poland, Russia, Singapore, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Tanzania, Thailand, Turkey, UAE, UK, USA and Vietnam.

In India the Group is responsible for:

- The largest fashion (premium branded apparel) and lifestyle player
- The second-largest manufacturer and largest exporter of viscose filament yarn
- The largest producer in the chlor-alkali sector
- Among the top three mobile telephony companies
- A leading player in life insurance and asset management
- Among the top two supermarket chains in the retail business
- Among the top 6 BPO companies
- The largest manufacturer of linen fabric

C. GRASIM INDUSTRIES LIMITED:

An industrial company engaged in production of synthetic fibers, textiles, cement, and various chemicals.

PAST IFC FUNDING:

1. ULTRATECH is a newly formed company. The Company wants to select IFC as its long-term strategic partner.
2. ADITYA BIRLA GROUP (ABG) is a long-standing client of IFC in Egypt, India, Thailand and Indonesia.
3. GRASIM INDUSTRIES LIMITED (see ABG).

PRIOR ENVIRONMENTAL VIOLATIONS

According to the Access Initiative, on July 6, 2012, the UltraTech plant was shut down by the Government of India for violation of air pollution control norms. Issues included "air and noise pollution, threat to the catchment area of a local stream, health impacts on a village located nearby and shoddy implementations of Corporate Social Responsibility."

The Centre for Science and Environment rated Grasim Industries Limited, which has 22% of the market share of the cement industry, as mediocre in terms of being an environmental leader.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Aditya Birla Group	Parent Company	-
-	-	-	-	Grasim Industries Limited	Undisclosed	-
-	-	-	-	UltraTech Cement Limited	Client	-

Contact Information

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Bank Documents

- Annex D Rapid Ethnography Assessment Report.pdf
- Annex A Stakeholder Engaement Plan.pdf
- Annex B Community Development Plan.pdf
- Final SIA, CDP and SEP for pre-Board Disclosure.pdf

Campaign Documents

- Company Responses to Human Rights Reports: An Empirical Analysis
- Eighth Asian CSR Awards Winners Recognized