

# 'Cement capacity to increase by 50 MT this year'

*The cement industry appears to be emerging from the lean patch last year. Capacity utilisation is improving, dispatches are picking up and companies have raised prices this month. However, the industry may soon find itself in a difficult situation with the addition of 50 million tonnes (MT) capacity in the current financial year, leading to an oversupply. H M Bangur, president of the Cement Manufacturers Association (CMA) and managing director of Shree Cement, spoke to Ajay Modi on the prospects. Edited excerpts:*

**There is a general perception that cement prices continue to remain high. Most companies took a price increase earlier this month. Is this likely to result in higher profits?**

Prices are certainly higher than last year. But the profitability of companies is down by an average 10 per cent, since the cost of inputs like fuel and freight continues to increase.

**What kind of capacity addition is expected in 2009-10? What would be the country's total capacity by March 2010?**

The existing capacity is about 218 million tonnes. The industry is expected to add around 50 million tonnes this year, taking the total capacity to 268 million tonnes by the end of this financial year.

**The new capacities are expected to create an oversupply, since cement consumption growth is likely to fall in tune with the GDP growth rate. How would the industry cope with it?**

The market will face an oversupply situation from



September onwards, when the new capacities would get stabilised. While domestic supply will outpace the demand, even export is losing attraction. In such a situation, a lot would depend on the new government and its initiatives related to infrastructure projects.

**How is the industry going to manage this oversupply?**

Individual companies need to act keeping in mind their strengths and weaknesses. However, the situation would make it difficult for new players to enter the market.

**Is the industry trying to find ways to boost cement consumption?**

The industry is trying to project the benefits of cement concrete roads over the bitumen road. Various researches have established that the initial cost of a cement concrete road today is cheaper than a bitumen road. Plus, the maintenance cost on cement roads is low as well.

**Given the cement import from certain neighbouring countries, is the industry seeking protection from the government in terms of safeguard duty, etc?**

No. The industry is globally competitive and it does not require any protection. However, a level playing field should be ensured.