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Higher demand lures cement cos to build presence in eastern India

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MUMBAI: Lured by a higher demand in the country's eastern region, leading cement players in India's other parts such as ACC, Dalmia and Binani Cements are expanding their presence in West Bengal, Jharkhand, Bihar, Chhattisgarh and Orissa.

India's eastern markets have recorded a 24% growth in demand in April-December, more than double of the national average of 11%. This spurt in demand may pull up cement prices in the region, while other parts of the country are expected to face over-supply this year, said sectoral analysts. In fact, cement prices have gone up by an unprecedented Rs 13 a bag, post the Budget on February 26, in eastern India.

"While cement prices in eastern India will remain stable, it would fall in most other places," said RP Gupta, chairman and managing director of Orissa-based Shiva Cements.

"We are expecting a 15% jump in revenues in the current quarter due to the boom in infrastructure and real estate projects in the east, especially in Kolkata," said Ashok Gutgutia, managing director of Burnpur Cement.

ACC, India's largest cement maker, has added one million tonne capacity at Bargarh plant in Orissa. The expansion, which was completed three months ago, raised the production capacity to 2.1 million tonne. ACC has also acquired a 14% stake in a coal block in West Bengal, to supply fuel to this unit.

Dalmia Cement (Bharat), second-largest player in south, has increased its stake in OCL last month to 45.4% "to get an access to the high growth in eastern market", the company's managing director Puneet Dalmia told ET. "With this strategic investment, the company's profitability is likely to improve," he added. Mumbai-based Binani Cement, which mainly supplies to Rajasthan, Gujarat and Delhi, is planning to set up a plant in eastern region.

The companies based in the eastern region are also scaling up their capacity. For example, Asansol-based Burnpur Cement is setting up a plant in Bihar, **while Shiva Cements is quadrupling capacity to 2.3 million tonne.**

The total installed capacity of the Indian cement industry, the world's second-fastest growing market after China, is 240 million tonne. The cement industry is growing at 9-11% for the past few years. It is widely-believed that the growth would be around 9% over next few years. China is growing at over 14% annually.

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