

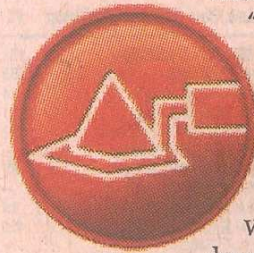
Cement prices may decline next quarter

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CEMENT prices are likely to fall early next quarter, especially in the weak southern market, as the Indian building commodity industry grapples with the near-term effects of additional capacity, said **RP Gupta, chairman of mid-sized Shiva Cements** told ET on Monday. "There will be pressure on selling prices due to large capacity addition...India's (total) capacity could reach 270 million tonnes by (fiscal year) 2011," said Mr Gupta. The current total installed capacity of the Indian cement industry - considered to be world's second fastest growing market after China - is 240 million tonne.

Shiva Cements, is partly owned by ACC, India's second largest cement company. "While cement prices in eastern India will remain stable, it could likely fall in most other places," said Mr Gupta.



"The fall could be in double figures in a few pockets in south India, while in northern and western India, it will remain volatile," he added. Cement is highly zone-specific and competitive industry where the cost of travelling hinders movement of the commodity. So

a manufacturer in western India, typically sells his product in the western market alone, unlike other commodities such as steel, which is sold everywhere irrespective of the manufacturer's location.

Interestingly, prices of cement had gone up by Rs 10 for a 50 kg bag, in southern India late November, to about Rs 175. A similar price hike in Mumbai on December 2, had raised prices to Rs 245 per bag.

The Cement Manufacturers' Association says the Indian cement industry is growing at 9-11%, although it is widely-believed that over the next few years the growth would be around 9%. China, the world's largest market is growing at more than 14% annually. Industry analysts say cement sales in India are picking up but additional capacity could lead to an oversupply situation. The eastern market is the only region in the country where price hike is a possibility, while across the country prices could likely drop.