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## Slowdown signs - CMIE sees weakening in cement prices

*Tuesday, 20 Oct, 2009*

The woes of Indian cement industry are likely to continue as prices are likely to weaken during the remaining period of the current fiscal on the back of highest ever capacity addition by the industry in a single year.

Centre for Monitoring Indian Economy in its October review said that “Cement prices are expected to weaken across cities October to March 2009-10 because the industry will add another 30 million tonnes of new capacity.”

CMIE said that “Given that cement consumption was 177.8 million tonnes in 2008-09, this additional capacity will put pressure on the utilization levels and consequently, cement prices.” It will also put pressure on the realizations of companies.

CMIE said that the North was the only region where prices remained firm due to the upcoming Commonwealth games in 2010. The demand for cement in this region would remain strong which would restrict the price fall. The cement production grew by a robust 13% cent during the April to August period of the current fiscal.

CMIE further said that “With the Government's huge thrust on building infrastructure and a revival in the real estate sector, we have revised our cement production growth forecast for 2009-10 to 13.8% as against 9% earlier.”

The industry commissioned 18 million tonnes of fresh capacity in the first half of the current fiscal and with that, the installed capacity of the country was likely to touch 276 million tonnes at the end of March, 2010. This year the capacity addition would be the highest ever by the industry in a single year.

Cement prices fell across the country in September despite a strong demand. In the southern region, where most of the new capacity came up, prices tumbled by INR 7 to INR 24 per bag of 50 kg. The West and the East saw an average fall of prices by INR 2 a bag.

(Sourced from Business Line)

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