

Cement despatches grow on back of weak monsoon 57/12

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Mumbai, Sep 2: Weak monsoons and new capacities seem to have benefited the cement industry at least in terms of increased despatches. Major players like Aditya Birla group, ACC Ltd and Ambuja Cement have reported an increase in their despatch figures for the month of August 2009.

+ Indian cement industry witnessed a despatch growth of about 9.9% in July 2009, and industry watchers expect the total despatch growth to be more than 15% in August this year. With prices correcting and demand expected to grow by just 8%, the oversupply of the commodity is clear with increased despatch numbers reported by the cement manufacturers. Aditya Birla Group's cement despatches in August 2009 grew 32.15% to 3.21 million tonne (mt) against the same period last year, whereas its production for the month grew by 38.30%. Ambuja Cements despatches during August grew 15.33% to 1.42 mt and ACC Ltd's despatches grew 7.14% to 1.65 mt. Similarly, Shree Cement reported a 30% growth in its August cement shipment, whereas, Dalmia Cement and JK Lakshmi's Cement's despatches grew 15.7% and 15% over August 2008.

J Radhakrishnan, an analyst with India Infoline, in a recent report had said, "Cement Manufacturers Association (CMA) has reported 15 mtpa capacity addition so far in the current year. Based on interaction with companies and factoring in further delays, we expect 32 mtpa capacity additions through the rest of FY10. This could go as high as 40 mtpa if Jaypee's Himachal Pradesh units, all grinding units of Grasim's Kotputli expansion and ACC's Wadi expansion come on stream as guided by the companies."

According to a cement dealer, "The new capacities that have come on stream are getting stabilised. Demand is still there and there is only a slight correction in prices," he said on condition of anonymity.

Cement prices in Mumbai are about Rs 250 per 50 kg bag, whereas in North and East the prices are Rs 240 and Rs 270 per bag respectively. In South, where the prices have fallen 2-15% in the past three months is at about Rs 250 per 50 Kg bag.

Meanwhile, commodities such as coal are under severe pressure due to the slow down in the global economy. Sharekhan in its recent report on the cement sector said, "The recent cost inflation in terms of the expected increase in the price of raw materials (due to increase in the limestone royalty payment) and the expected increase in the price of domestic coal could put pressure on the margins in the coming quarters."