

Four-month cement slump seen ending on roads, houses spend

Prices may recover as govt's 'Housing for All' plan gathers pace along with \$62-bn spending on roads, railways and airports

BLOOMBERG
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INDIA'S AMBITIOUS PLANS for housing and infrastructure construction may end a slump in cement prices. Prices are expected to rise as much as 5% in the second half of the year ending March 2018, according to Reliance Securities.

They have dropped 9.4% since a May high after four back-to-back months of de-

clines, Mangesh Bhadang, a research analyst at Nirmal Bang Equities, wrote in a research report this month.

India's cement capacity has more than doubled in the past decade though demand has been subdued recently with an existing slump in housing exacerbated by a crack-down on black money and new legislation to ensure better homebuyer protections.

Cement prices are expected to recover as the government's 'Housing for All' plan gathers pace along with promised spending of ₹3.96 trillion (\$62 billion) on railways, airports and roads.

"Demand is expected to see a meaningful improvement due to the low base, good monsoon aiding a pick-up in rural activities and the government's push in infrastructure and housing segments," said Mumbai-based Binod Modi, a research analyst at Reliance Securities.

India plans to expand its current highway network 50% by 2022, which may create 80 million tonne of cement demand, Bloomberg Intelligence analyst Michelle Leung estimated in a report. That translates to at least 5% growth in demand a year, she wrote.

Cement prices have already started improving in some parts of the country and the gains should continue with the end of the annual monsoon season and the start of a string of festivals, said Madhusudan Shah, president of the Cement Stockists and Dealers Association of Bombay. Wholesale prices in the Mumbai region have increased by ₹25-30 a bag in September, he said.

Manufacturers may take advantage of better demand to pass on any further increase in international pet-coke prices, used to fuel kilns, Reliance Securities' Modi said. Pet-coke prices have climbed 20-25% in the past year, he said.



Ultratech Cement, India's largest cement producer, expects a gradual demand pickup after the monsoons, the company said in an investor's presentation on September 8. Con-

sumption in India's largest state economy of Maharashtra is going to be "good," said Rakesh Singh, executive president at India Cements, a cement manufacturer in south.