



Mr. S.R.B. Ramesh Chandro

President of All India Mini Cement Manufacturers Association (AIMCMA), Hyderabad

- Interviewed by **Suresh Menon**

'Cement price will cross Rs. 300/- per bag mark'



A sharp increase in the cost of some of the raw materials used in the production of cement combined with its surging consumption has lately pushed up cement prices all over the world. It has also led to a demand-supply mismatch in the Indian cement sector.

Speaking to CJI in an exclusive interview, Mr S.R.B. Ramesh Chandro, President of All India Mini Cement Manufacturers Association (AIMCMA) projects this demand-supply imbalance to continue during the next 3 to 5 years as India is talking of US\$320 billion investments in the infrastructure sector alone. Though large scale expansion of production capacity in Indian cement industry is already taking place, the demand will still outstrip the supply as there will be an increase to the tune of 130 to 140 million tones in consumption per year during the coming five years. Excerpts from the interview:



Q Please tell us how you view the current scenario in the Indian and global cement sector?

A Currently, the Indian cement sector is performing spectacularly well. I foresee this situation to continue for the next two decades as there will be a tremendous infrastructure development in the country in all the sectors. The total investments on infrastructure are supposed to touch 8 percent from the present level of 5 percent to be at par with the world class infrastructure standards.

Even the global cement sector scenario will continue to be the same as more and more nations are now focusing on developing and revamping their infrastructure. Going by the present trends of cement consumptions the world over, it is projected that there will be an increase to the tune of 130 to 140 million tons in consumption per year during the coming five years.

Q How do you foresee the emerging demand-supply situation in the cement sector over the next 3 to 5 years? Are expansions in the production capacity keeping pace with the strong growth in demand? Would the demand-supply equation be maintained in the coming years?

A I foresee demand-supply mismatch to continue during the next 3 to 5 years as the country is talking of US\$320 billion investments in the infrastructure sector alone. Though large scale expansion of production capacity in Indian cement industry is already taking place, the demand will still outstrip the supply. The expansion numbers are made based solely on blended cements and not on the clinker capacity. Therefore any shortage in the availability of fly ash or slag will immediately bring down the industry capacity. The demand-supply equation may therefore not be maintained in the coming years for a long time.

Q Do you foresee further price appreciation? If yes, what kind of price movement you expect to see in the next couple of years? And when do you see the cement prices stabilizing?

A Prices will further firm up in the next couple of years. We can think of price stabilization only after the prices cross the Rs 300-per-bag mark.

Q Do you agree with the Union government's moves to regulate prices in the cement sector? Will the government be successful in imposing its diktat.

A The government is not trying to regulate the prices. Government is only advising the industry to moderate the prices in view of rising inflation, which could be a temporary phenomenon. We are in an open economy.

Q As a cement manufacturer and also president of the All India Mini Cement Manufacturers Association (AIMCMA), can you elaborate on the major problems faced by your industry?

A Availability of power and coal are to be addressed by the government judiciously. The government should provide railway lines on priority to cement clusters and give priority for cement transport. This will help the industry to eliminate the price difference in different parts of the country.

Q Any other suggestions to resolve such problems?

A The government can further liberalize on the captive power generation – that is they should stop imposing duty on captive power generation and encourage the industry to have captive power. They should also give priority for laying railway lines in cement clusters.

Moreover, people should stop talking of surplus situation by 2009. Because that will discourage expansion and green filed projects, which in turn will further continue to strengthen the shortage situation. 