

# “Cement consumption to grow at 6-7% over the next 3-5 years”

**Madhumita Basu,**

Chief of Sales, Marketing & Innovation, Nuvoco



and are expected to play a major role in the coming period as well. Such policy triggers play a key role in increasing the growth momentum in cement demand.

## What are the changing dynamics of cost and profitability of the industry during the current year, from the present standpoint?

Opportunities for growth notwithstanding; the industry is also faced with the risks relating to rise in input costs, lower sales realisations, and cyclicity. Increase in fuel and energy prices over the last few years has impacted the profitability of cement. Logistics issues relating to wagon availability and route restrictions have also gained a lot of prominence in distribution of cement/clinker through railways. The challenges will eventually benefit the consumer as the mature Indian cement industry will work to offer value and quality to differentiate and command the premium in the market.

## Hope floats for cement industry. How do you see the growth prospects for the industry during the current year and in the next three years? Have you seen any hints on growth, by now?

The cement consumption stood at an estimated volume of 305 MT in FY18, and is expected to grow at 6-7 per cent over the next three to five years; on the back of higher government spending in rural and urban housing projects and growth in infrastructure spends. The eastern markets in India witnessed a strong growth last year; estimated at around 18 per cent over the previous year, and which is expected to continue with the same momentum in the current year. Nuvoco, particularly, has witnessed good growth in its footprint markets in FY18.

## What are the triggers for your views on the industry's growth prospects and how they are set to impact demand in your view?

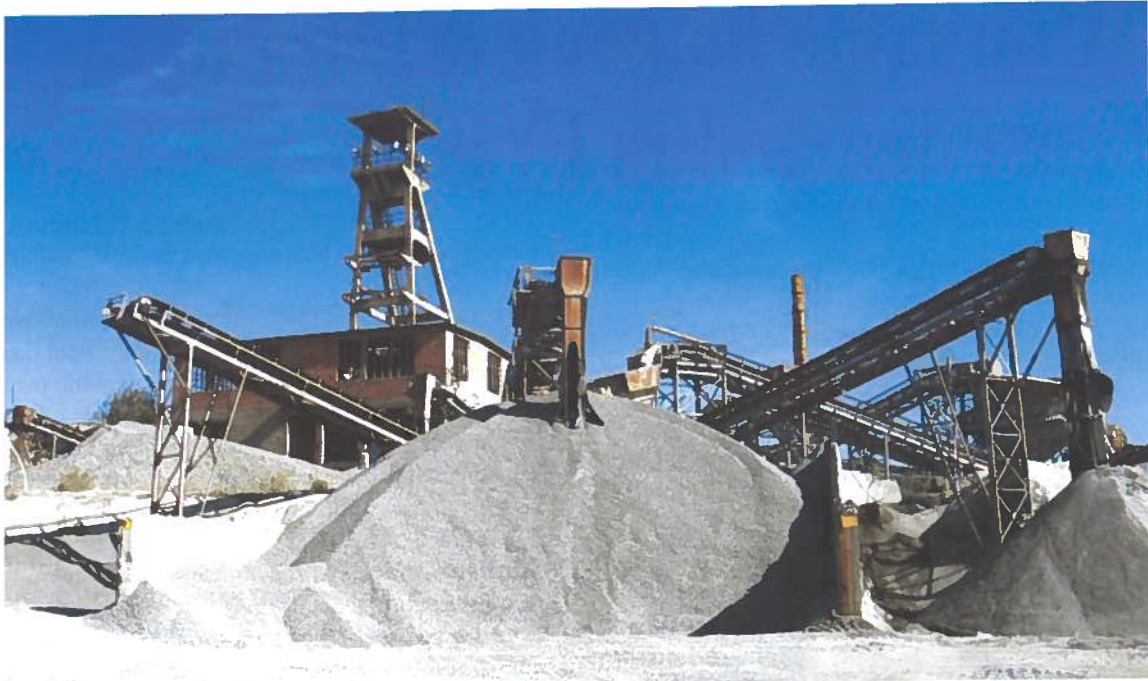
Policy decisions by the government such as Pradhan Mantri Awaas Yojna (PMAY), concrete highways and industrial corridors have had a significant impact on the cement consumption;

## How do you see the three segments of cement demand – residential, infrastructure and industrial construction – are set to boost/impact cement demand this year?

Residential housing and commercial real estate contribute nearly 78 per cent of the cement demand; while Infrastructure stands at around 13 per cent; followed by Industrial at around 9 per cent. Rural and Affordable housing, on the back of PMAY and improvement in Crop MSPs leading to higher liquidity, is expected to boost the demand; supported by Government Infrastructure spends.

## Housing is by far the biggest contributor to cement demand. Do you see any major recovery on the sector during the remainder of the year with the government's thrust to 'Housing for All' scheme?

Housing contributes to nearly 67 per cent of the cement consumption in India. With the government's focus on key projects, such as Housing for All and PMAY, we have observed a



significant boost to the sector. With structural reforms such as RERA; there could be some initial hurdles in organised and urban housing; but it also continues to remain focus for the government and should deliver a healthy recovery.

**Pre-poll year is considered to be an infrastructure year. What are the infrastructure areas that may get boost going by last Budget?**

Last year, we witnessed, the infrastructure segment's significant contribution to the cement demand. It is expected to continue with the government's favourable budget allocations on metros, road and highways, railways, ports and irrigation projects.

**What is the demand growth do you foresee for the year in the geographies of your operations and what are triggers?**

Nuvoco has its cement operations in the Eastern and Northern states of India; while we have our ready-mix concrete plants across the country; and aggregates in the North. We expect a growth for cement to be in the range of 11-15 per cent for the East (primarily supported by affordable and rural housing, and resolution of issues relating to sand in markets of Bihar); while North would be in the range of 7-9 per cent on the back of Housing and Infra projects; with the Rajasthan Mining issues seeking resolution.

**How the consolidation underway in the industry and expansions coming on stream are set to impact capacity utilisation and pricing power of the industry during the year, with particular reference to your company?**

In the recent years, our industry has witnessed a fair level of consolidation; with the top five groups accounting for nearly 45 per cent of the overall capacity. Capacity additions are generally sporadic in nature because of long gestation periods for setting up a unit. We expect the country's cement capacity, which currently stands at around 470 MT, to add another 85-90 MT (a growth of nearly 20 per cent) in the next three years. With the major players adding capacity; the prices will come under pressure as ramping up of new capacity and capturing market growth would take priority.

The Indian cement industry, being the second largest in the world comprising matured players, will find its fine balance between capacity utilisation and price. Nuvoco sees this as an opportunity to focus on providing consumer-centric solutions and innovative products. It will continue to perform at high capacity utilisation levels and offer value-added products like microfibre cement. For an individual home builder, products like packaged cement with the benefit of fibre technology will enable them to have structures with high strength, resistance to dampness and with minimal cracks.