

Cement & steel firms hike prices as construction demand picks up

Some industry players, however, warn that price recovery is supply-led & not on demand

ISHITA AYAN DUTT &
AVISHEK RAKSHIT
Kolkata, 11 November

Prices of steel and cement are showing early signs of recovery led by low inventory level at the user end and a pick-up in construction activity post-monsoon combined with festive buying.

Steel companies have increased prices of flat products in November by ₹500-750 a tonne and long steel up to ₹1,000 a tonne, after a gap of more than seven months.

Cement prices, too, moved up last month in all regions except South India, which witnessed a decline; in Central India, it stagnated. Prices in South India have remained muted since the monsoon and remained so even after the festive season.

The price rise in other parts of the country, especially in Gujarat, Punjab, Haryana, Uttar Pradesh, East India and some pockets in the southern belt like Chennai, Bengaluru, Kochi and others, helped pull up the average prices by around four per cent post-monsoon.

Sales volume in North, East and West India is much higher than South India.

Recovery in steel prices is largely led by low stocks in the trade as well as higher international prices.

T V Narendran, chief executive officer and managing director, Tata Steel, said, profitability of the industry ensured there was not much room to drop the prices further.

"Scrap prices (ex-US) started moving up in early to mid-October, pushing up rebar and sponge prices. Also, stocks of steel are low in trade and consumer network as well as import volumes have dropped. There are some positive signs from pre-festive buying and



CEMENTING POSITION

All figures in ₹ per bag

| | AVERAGE PRICE RANGE | | |
|---------|---------------------|-----------|---------|
| | August | September | October |
| North | 315-320 | 320-330 | 325-335 |
| West | 315-320 | 320-325 | 325-335 |
| Central | 330-335 | 325-330 | 325-330 |
| East | 300-310 | 310-320 | 315-325 |
| South | 370-380 | 350-355 | 325-335 |

Source: Sector analysts

Cement prices had been flattish during the monsoon, with construction activities having stopped and government projects coming to a halt. A prolonged rainy season further worsened the demand situation

rural markets," he said.

Jayant Acharya, director (commercial & marketing), JSW Steel, also said that prices had hit bottom. "International prices have moved up by \$25-\$30 a tonne. As a result, domestic prices are at a discount of 6-7 per cent to imports. Additionally, inventory in the domestic channel is much lower," he said.

At the retail end, there was some destocking in auto. "There is also resurfacing of funding in refinery and road projects," Acharya said.

Some industry sources, however, cautioned that the

price recovery was supply-led and not demand. But they are hoping that an increase of ₹750 a tonne may be possible in the next month.

Acharya said it is too early to say whether prices would be increased next month but expected the situation to be much better next quarter.

Narendran said India has been a price setter in the South East Asian market. Therefore, prices in the region have gone up.

Cement prices had been flattish during the monsoon with construction activities having stopped and govern-

ment projects coming to a halt. A prolonged rainy season further worsened the demand situation.

However, average prices have been moving up since August. In the northern region, prices increased marginally by ₹5 a bag since August which took the average to ₹325-335 although volume has declined by 5-7 per cent. While the demand is driven largely by the individual home buyers, an uptick was noticed after Diwali.

Industry officials are of the view that prices will not decrease any further. They are of the opinion that demand

from individual home buyers, backed by a higher disposable income as a result of good monsoon, has led to revival in demand. But government buying still remains muted.

"We believe that after a good harvest and investment returning to the housing, infrastructure sectors and with increased government spending in rural housing and roads, one will see a distinct pick up in the core sector," said Sandip Ghose, chief operating officer at MP Birla Cement.

H M Bangur, managing director at Shree Cement, as well as Ghose, are of the view that the price increase will continue on an uptrend in the near term.

"Overall, there has been around four per cent price increase on both year-on-year basis as well as on a sequential basis after the monsoon and the festive season. Prices are going to be sustained and there is no way prices will go down further on an average," Bangur said.

In the eastern part of the country, similar to the North, prices have been increasing since September to around ₹315-325 a bag while in the West, prices improved since the last month to go up between ₹325 and ₹335. In both these regions, dealers expect a further increase by ₹10-20 per bag this month.

"The price corrections are market-led and according to the normal trend of demand uptick post monsoons and festival months. The increase is nominal - so we expect it to sustain," Ghose added.

Industry officials noted that demand was expected to improve from November when largescale construction activity will pick up and government spending, especially in the rural sector, is expected to help push demand.

Who did you meet? Chhattisgarh cops ask NSO on WhatsApp row

NEHA ALAWADHI
New Delhi, 11 November

The Chhattisgarh Police has written to the Israeli company behind the Pegasus spyware that was used, according to recent revelations, to snoop on around 1,400 individuals, including 121 Indians, by misusing a WhatsApp vulnerability.

In a letter to Shalev Hulio, a co-founder of NSO Group, which developed and sells Pegasus, the police have asked for information on the Israeli firm's alleged meeting and presentation to senior police officers of the state in 2017. According to news reports, the presentation was made to sen-



ior IPS officers in Raipur during 2017 (when an earlier government was in place). People in the state were allegedly subject to the snooping enabled by Pegasus through WhatsApp.

In the letter dated November 5, according to sources, the state police has asked NSO Group about particulars of their visit to Raipur, who

was in their team, whom they met in the state police and details of the meeting. The department is also considering writing to WhatsApp.

In May, WhatsApp has said it became aware of NSO Group having used a coding glitch in the messaging app that lets its customers spy on some people. WhatsApp fixed the issue, and worked with Citizen Lab, a digital and human rights research group, to contact all those affected, telling them what they could do to keep their communications safe. On October 29, WhatsApp decided to sue NSO Group for misusing the messaging platform's code to compromise user privacy.

CRISIL SME TRACKER

Double whammy looms for plastics and plastic products SMEs

CRISIL Research expects a combination of weak demand from end-user industries and the ban on single-use plastics to slash growth of the plastics and plastic products industry by 200 basis points, to 5-6 per cent (in value terms) annually through fiscal year 2021, compared with 8 per cent in the three years through fiscal year 2019.

Small and medium enterprises (SMEs) - which account for nearly 75 per cent of the 30,000-odd registered plastics processing units in the country, with Mumbai and Chennai among the big clusters - are expected to be hit particularly hard.

Weak demand from automobiles, coupled with moderating demand from consumer appliance and household segments, is expected to impact revenue growth in the current fiscal year. Realisations are expected to shrink, too, accompanied by a drop in prices of raw materials such as polyethylene and polypropylene.

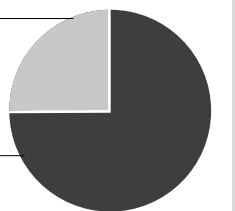
Added to this is the sharper focus of the central and state governments on moving away from single-use plastics, which is expected to impact the revenues of SMEs.

The Centre had earlier announced a nationwide ban on single-use plastics effective October 2, 2019. However, later

SMEs DOMINATE DUE TO LOW CAPITAL AND ADEQUATE AVAILABILITY OF RAW MATERIAL

Large players
25-30%

SMEs
70-75%



Note: Share is calculated on revenue basis (fiscal year 2019)

Source: CRISIL Research

- following objections of industry over non-availability of ready alternatives - it decided to phase out single-use plastics by 2022. However, several public and private organisations, as well as state and central government departments, have banned single-use plastics already, with some states (Maharashtra, Odisha, Goa and Andhra Pradesh) implementing the ban.

Added to all this, intense competition in this highly fragmented industry is expected to put operating margins under pressure.