

Cement, Steel Cos may Suffer if Cash Squeeze in States Hits Infra Work

Govt-led projects
are the domestic
demand drivers for
cement firms

Bhavya.Dilipkumar
@timesgroup.com

Mumbai: Tax kitties of states and the Centre are shrinking due to the lockdown, and that isn't good news for ₹102 lakh crore of projects in various stages of execution. In turn, that's bad news for cement and steel industries that undergird big infra.

"The recently launched National Infrastructure Pipeline investments by FY2025 envisages funding from the states to the extent of 40%. With strain on state finances, the funding for NIP will be lower, thereby slowing the award and execution pace," said rating agency Icria's senior vice president Shubam Jain.

States are staring at a huge revenue deficit. The overall capex budget by states for FY 2021 is around ₹5,70,800 crore, which will witness steep cuts, Icria said. An Ind-Ra report on Tuesday said that states' own tax revenue receipts were lower by 2.2% in FY20.



"Of course business is not as usual, but the expenditure is postponed. I just hope growth will come back to India once the situation normalises," said the spokesperson at a top cement maker.

Analysts also said that government-led projects are the only key domestic demand drivers for cement firms.

Executives believe that the road to normalcy is tortuous. Fiscal health of contractors has also been a concern, impacting demand and working capital management. JSW Steel's joint managing director Seshagiri Rao told ET that steel exporting nations were not able to produce and export due to the pandemic.

.....