

# Now is the time

Cement, Steel Prices Touch A New Low, So Are Interest Rates. Labour Is Available And Cheap

If high costs had forced you to put plans for a dream home on hold, breathe easy. All those nightmares — high prices of building materials, costly and scarce labour and booming real estate prices — have vanished. All thanks to the global recession which put a sudden brake on the fast-paced growth of economy. Now the labour is in surplus and reasonably priced; building material prices have come down and stabilised, and land is available at affordable prices. Loans continue to be available at attractive rates.

This situation — low material cost, cheap loans and easy availability of labour — makes it the most favourable time for those who feel like giving shape to their dreams. This is a rare interregnum, and is likely to continue until the global economy turns the corner again.

The price of steel which was on the rise in the past two years has shown steady decline in the recent months. Compared with Rs 58 per kg in last September, it is today Rs 35 per kg. Most steel-makers see no immediate hike in prices as “steel prices in India follow global trends,” say industry analysts. “However, we see no immediate hardening up of steel prices in India.” Steel makers such as Tata Steel and Jindal have also indicated price stability in the immediate future.

With credit crunch for mega projects undermining demand, cement prices have also softened recently. Firms which increased prices to protect margins in the past find the demand dwindling as



corporates have put expansion plans on hold and cut demand for offices and homes. Analysts say prices may decline 5 to 12 per cent in 2009-10. The prices which touched Rs 260 last year are in the region of Rs 245 today.

Availability of employees, a critical factor for the timely and economical completion of construction projects, has also witnessed a dramatic turnaround this year. The sudden spurt of projects in Kerala, especially in Kochi and surrounding areas, had resulted in an acute shortage of people. A large influx of labourers from States such as Bihar, West Bengal and Orissa helped bridge the demand-supply gap. The better wages and living conditions here made Kerala an attractive destination for them.

But the slowdown, which impacted construction industry the most, hit them, too. Some have returned home while others have decided to stay put. This has considerably eased the labour shortage.

“We do not face shortage of labour now,” said Sujesh Satyan, Deputy Director (projects) of Kochi-based Mir Realtors. “The wages, however, have not come down.” He also said the slowdown has forced some

spurious players to quit the industry, leaving it to serious players who are totally committed to their customers.

The builders in fact find it a good time as cost of construction has come down. The industry, which is in a consolidation mood, now addresses the genuine requirements of customers, and not inflated demands as it was earlier. “And we do not find it difficult to sell our homes,” avers Satyan.

Banks are also extending liberal housing loans these days. State Bank of India, one of the leading players, is offering loans at an interest rate of 8 per cent for loans below Rs 20 lakh. “This is one of the best and most attractive rates in recent years,” says K Vijayamohan, Customer Relationship Manager, State Bank of India. With inflation rates at historic lows, the banks can afford to offer low interest rates, and hence, “this is the best time for one to look for a home loan,” he said. The latest government decision to further reduce interest rate for loans below Rs 10 lakh is an extra incentive available to the customer now.

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### ADVANTAGE NOW

	Sep 2008	Sep 2009
Cement / packet (Rs.)	260	245
Steel / tonne (Rs.)	58000	35000
Interest rate (%)	11	8-9

Steel prices follow a global pattern. With the global economy still in the grip of recession, steel-makers see no immediate hike in prices. However, it could change once the economic situation improves.



# Build Your Home



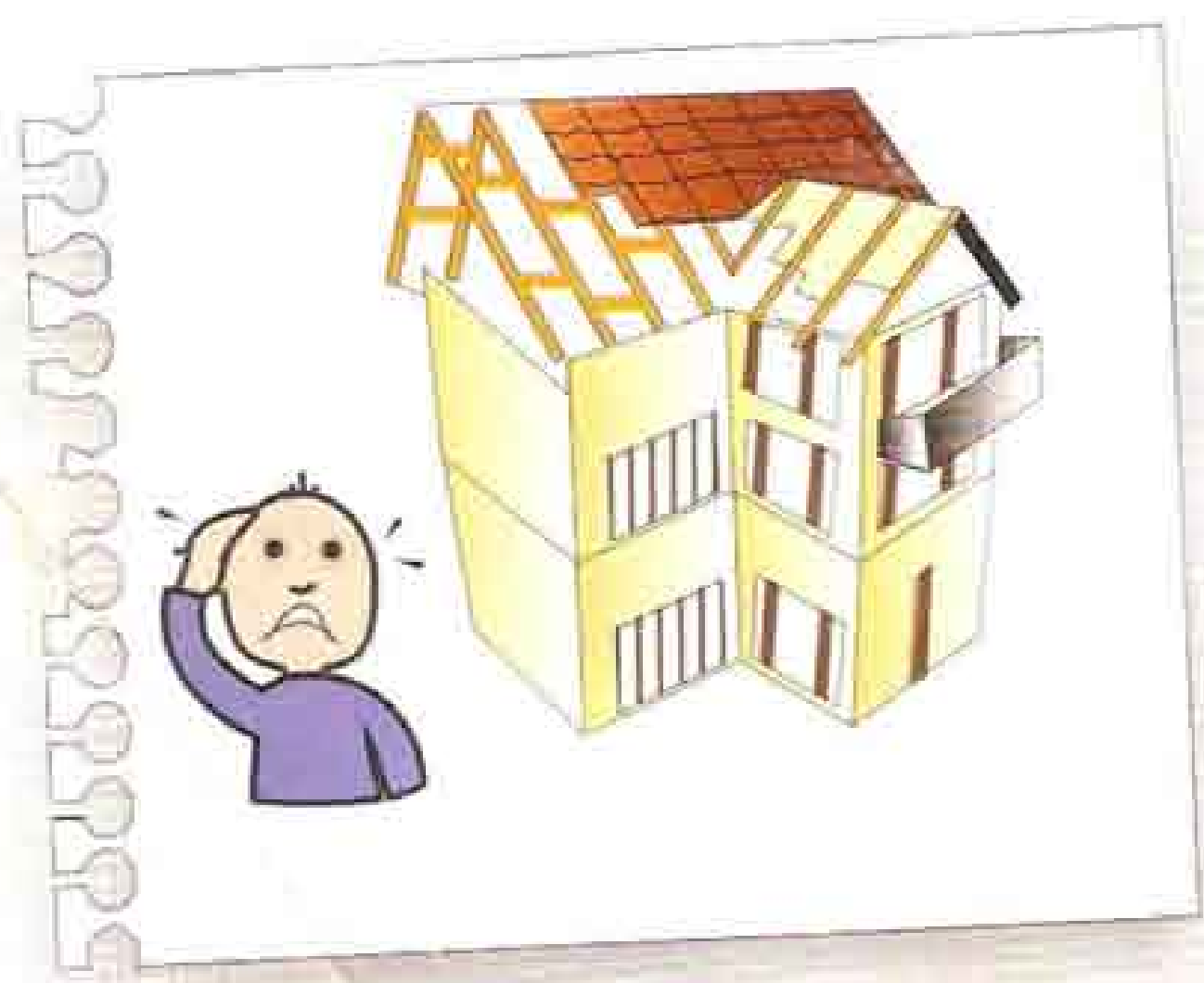
# FAST

People take up to two years to build a house. But experts say with a little planning and deft moves one can economise on time. Steel Update puts together tips that can help you keep the deadline.

## Budget first, design next



Cut the feet to fit the boot. Not a great idea to follow in life, but certainly the one when building a home. You might have collected a lot of ideas of a dream home, but be realistic about them when you sit down to draw a design. Decide on the budget first, and then finalise the design. If you have to compromise on certain amenities and fixtures, so be it. After some years, when you have the money and still feel the necessity, you could go for them. The bottomline is that before you start work, you should have a proper budget and have arranged for the finances. Don't overshoot the budget, come what may.



It's always better to have a downsized but finished home than an unfinished mansion.

## Prepare a timeline



Sit down with your builder/architect and prepare a timeline for work, marking the deadlines for the completion of each stage such as excavation, foundation, walls, concrete, first floor, second floor, plumbing and electrical works, slabs, plastering and painting. Factor in the time to get various permits, too. Write it down so that you can refer to it often. Don't make it an ambitious one: instead, make it a realistic, practical and workable document, allowing sufficient time to complete each work. And ensure that all the deadlines are met.

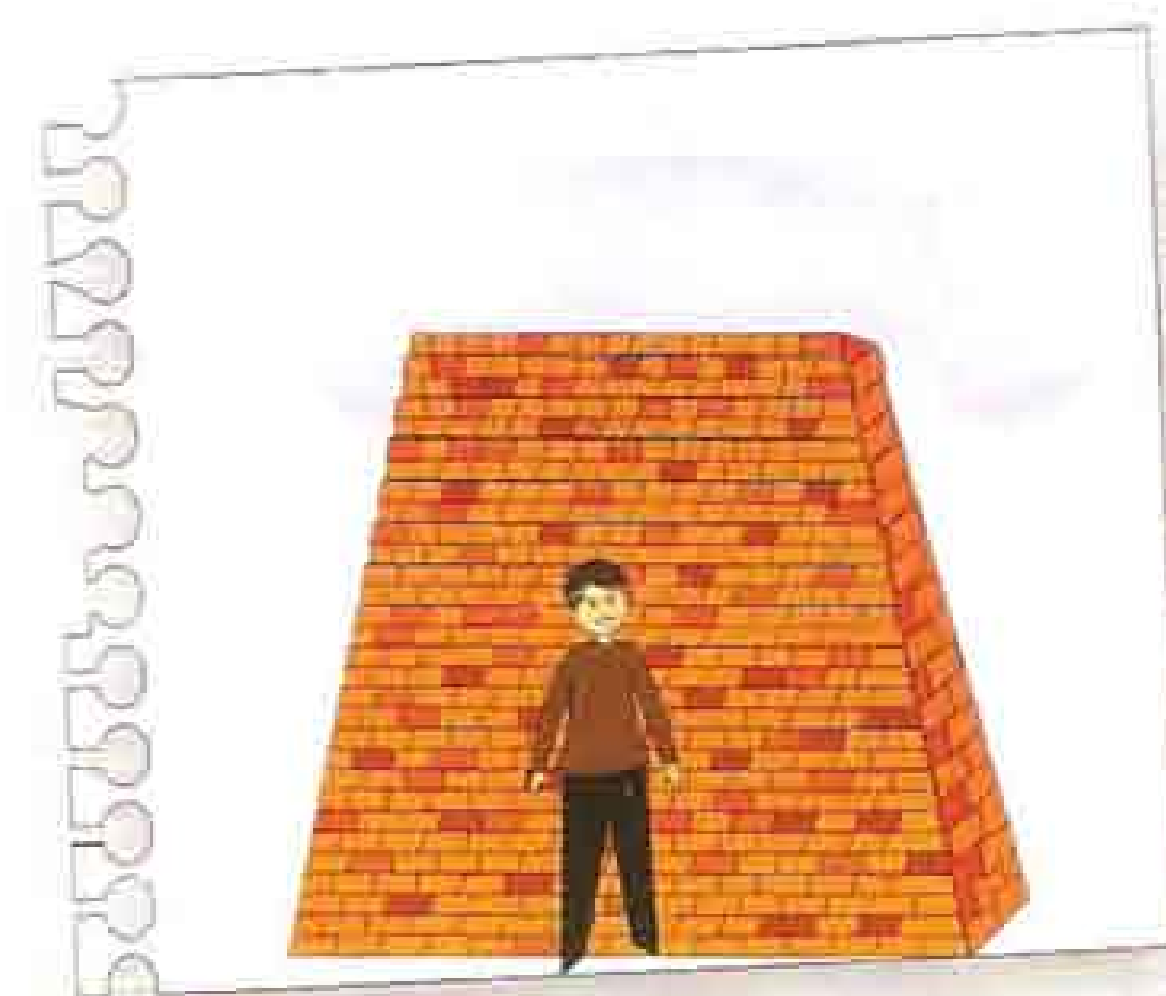
If you have to get money in tranches, then your timeline should reflect it. Plan your payment schedules accordingly. Avoid delays in payments as they could affect the quality of manpower and materials.

The timeline will help you practice discipline in work. If you miss a deadline by some days at one stage, you can try and retrieve them in the next. The minimum you can do is to assess why it

happened, and avoid its recurrence.

## Have a material plan

You use a lot of materials to build your home, such as cement, steel, brick, sand and wood. Cement and steel are available throughout the year, and you can source them from a reliable shop without much price variation at any day of the year. But it is not the same with brick and sand, because their availability is seasonal. Sand is difficult to get in rainy season, so stock it when there is abundant supply. Same is the case with brick. Brick kilns generally become active by December when the rains are over, and will work till March. This is the time when bricks are in abundant supply—make an advance booking of the same. Once the season is over, you will have to pay a premium for it. In case you run short of sand, go for manufactured sand. It can be mixed with natural sand in 50:50 ratio and used, mainly for flat roofs. A higher ratio is discouraged as the size of M-sand is slightly bigger than natural sand.



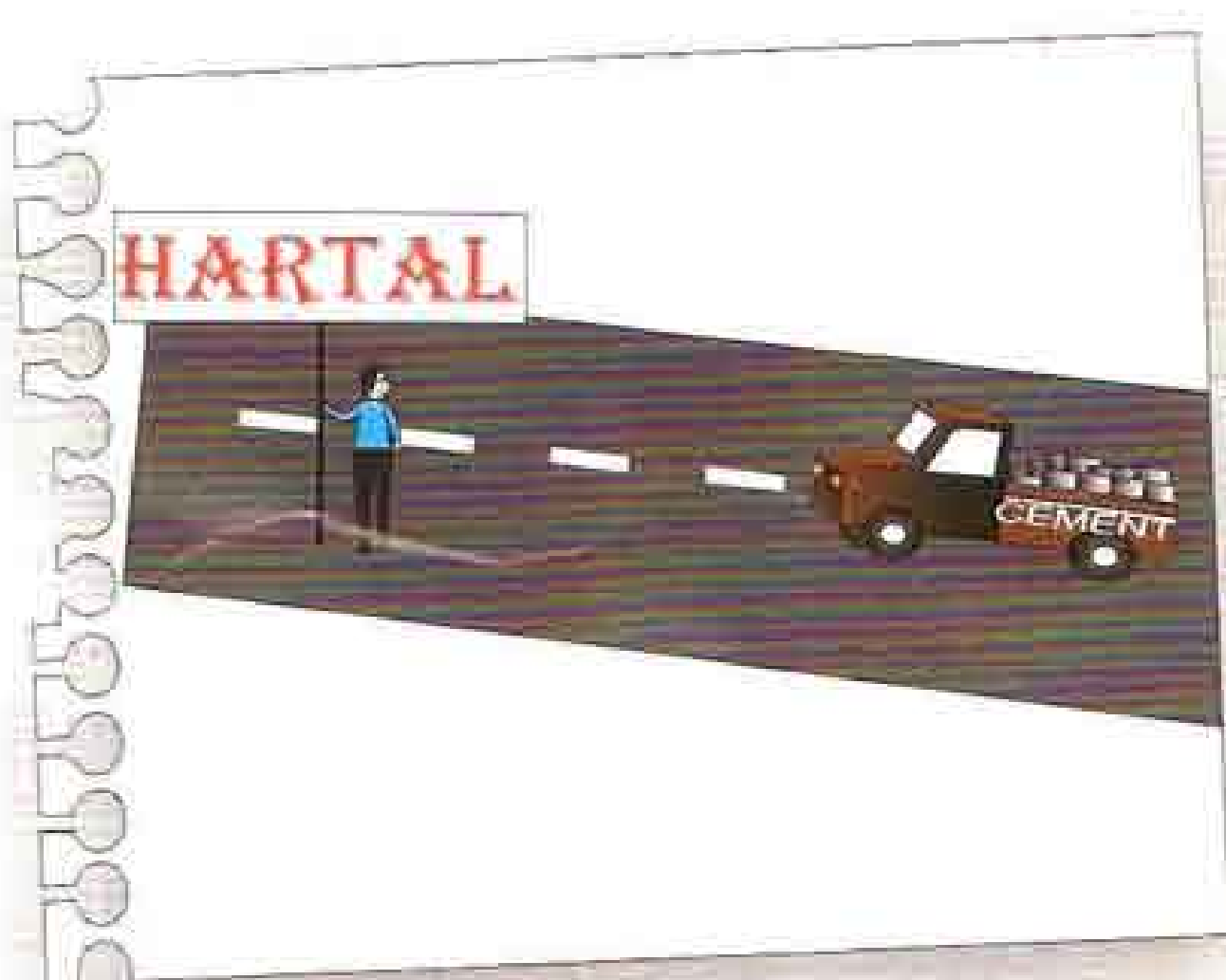
## Material management

A stitch in time saves nine. It is very important that you do not wait for



the last moment to bring the material to the site. Often one is tempted to think that cement and steel are available at the shop next door, and can be arranged at short notice. It need not be the case. A sudden turn of events, like the declaration of a hartal or a trucker's strike, or a ban on quarrying or sand collection, can throw your plans out of gear. Even a minor disruption to the work, which was otherwise progressing smoothly, may result in unpredictable loss and attendant problems. So have the material stocked at least one week before you plan to start the work.

### Plan tomorrow's work



**W**ell begun is half done, especially in construction. It is very important that you, as well as the workers, have a clear idea of the work ahead for the next day. Discuss the work plan before you leave the day's work, so that the workers arrive at the site with a clear understanding of what to do. This will give a headstart to the day's work. Make calls in the previous evening and ensure that all key workers will be present on the day when you plan a major work. The absence of one such person can affect the whole team.

### Allow no disruption in work

**S**mooth and undisturbed work throughout the construction is very critical for its timely completion. Once disrupted, it would take a lot of time for the tempo to come to the top gear again.



If you plan it wisely giving small gaps in between stages of construction, you can complete the work in time. You can start bending of steel bars for the second floor immediately after the work on the ground floor is over. While the work for the second floor is on, you can go start electrical and plumbing work in the ground floor.

### Have a steady team

**R**olling stone gathers no moss. Retain the same team as far as possible throughout the work. Ensure that there is harmony among the team members. Pay them properly. Realise their needs and be compassionate. However, you should not overpay them and give them the impression that you are at their mercy.

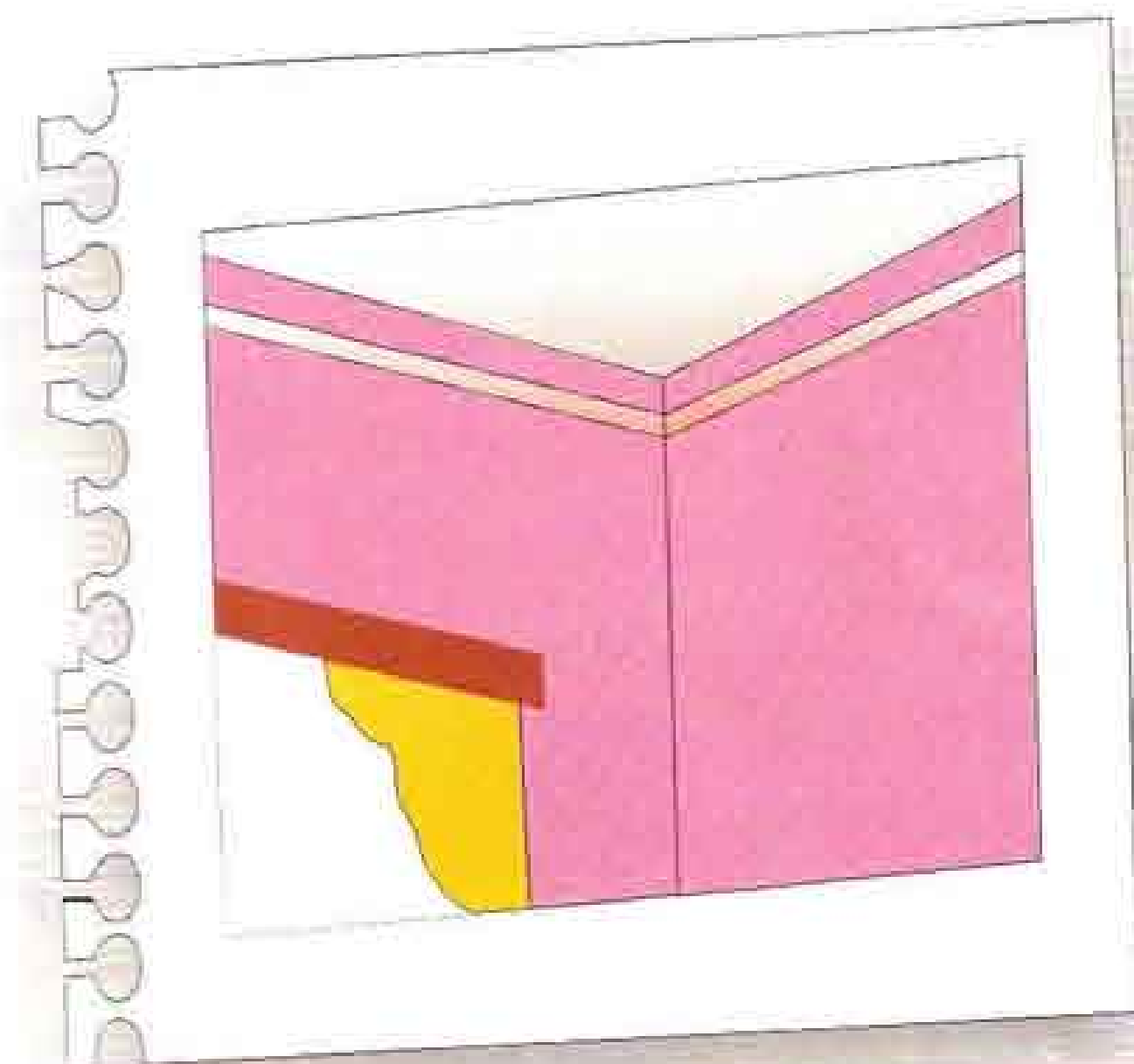
### Time your construction

**I**f time and circumstances permit, allow natural seasoning of the structures. If you expose the foundation to the rain and sun for two months, it will settle fully. Instead, if you rush through the work, chances are that the soil could cave in, affecting the stability of tiling. You may have noticed a hollow sound when knocking on tiles on some floors. This is because the soil below it did not set properly. You would not be able to set it right even if you change the tiles. The same is the case with the walls. If you allow the natural seasoning, the plastering will last long without developing cracks.

### Know shortcuts

**T**here are ways to ensure that your wall plastering does not crack. Give

a groove under the beam. In case of a crack, it will appear at this groove. Just like the weakest part of the bone breaks first when you fall. You can easily hide it and avoid being noticed by others.



### Sequence the work

**T**here are certain works which can be best completed in a sequence. If you complete those works earlier, it would save a lot of time, and would add to the quality. If you paint the steel bars before fitting them on the windows, it will save a lot of time, besides ensuring that the paint reached every part of the bar. If you paint it after fitting them on to the windows, it would take a lot more time, and the quality will be less. Another example is lintels.

Most people prepare the lintels on top of the doors and windows. Work will be effectively halted for several days for the curing of these lintels to be over. Instead, prepare the lintels beforehand, like while preparing the beams. It will save time and money.

### Get proper advice.

**I**gnorance is not bliss, in construction. It is catastrophe, instead. If you feel that you don't have the requisite knowledge in deciding certain things, then don't feel shy, seek professional advice. It will help you avoid wastage on several counts.

## Why is time important?

Money doesn't grow on plants. True. But it does grow in houses completed early. For those who stay in rented houses, savings begin the moment they move to the new home. For those who have availed a home loan, a delay means double the cost as they would be paying interest, apart from the rent. For those who want to sell it, like builders, time is liquid cash.

So the earlier, the better.





# Build To Last

A quality structure offers hassle-free service for maximum number of years, offers maximum usable space at minimum cost, can withstand and give protection against natural calamities such as earthquakes. It should also offer maximum resale value.

There are certain distinct advantages if you spend an extra rupee and ensure that your building is future-proof and meets safety standards such as earthquake resistance.

Buildings that meet safety norms such as earth quake resistance has two distinct advantages: they allow you to use them with peace of mind. And should you decide to

educational institutions and places of worship as a large number of people throng these places. Use of quality TMT rebars is key to ensuring earthquake resistance.

Regulatory authorities, such as local self-governments and financial institutions, change safety norms regularly reflecting the latest trends. A structure that does not meet such norms will have few takers. Even banks could refuse financing their purchase. This is particularly true of public spaces: safety norms could get tightened and updated. Even shops could find it tough to get their licences renewed.

A building that offers maximum carpet area for a given space will have a premium, especially in cities. A concrete framed structure offers 5 to 10 per cent more space than ordinary buildings, which effectively means 100-200 sft for an ordinary house. This is true for public spaces, too. The extra space will be a bonus in public spaces. "In a 30,000 sft shopping centre, an addition of 3000 sft translates into a lot of extra money. And for a place of worship, it means space to accommodate more people," says Reji Zacharia, a consultant engineer.

The way out is clear. Go for quality.

China continues to be the top net exporter of steel (49.2 million metric tonne) while US continues to be the top net importer of steel (17.9 mmt).

## Top 5 steel-producing countries

China	(500.5 mmt)
Japan	(118.7 mmt)
US	(91.4 mmt)
Russia	(68.5 mmt)
India	(55.2 mmt)

## Top 5 steel-producing companies

ArcelorMittal	(101.6 mmt)
Nippon Steel	(37.5 mmt)
Baosteel Group	(35.4 mmt)
Hebei Steel Group	(33.3 mmt)
JFE	(32.4 mmt)
Tata Steel	(8 <sup>th</sup> position with 24.4 mmt)



sell, they will fetch better resale value. Earthquake resistance has special relevance to public places such as shopping centres,

Engineer's choice

## The Pencil Option

During the heat of the space race in the 60's, engineers from the National Aeronautics and Space Administration (NASA) of the US had to call off a mission midway as their pens failed to write in zero gravity. They got into R&D, spent \$1 million and developed a pen that defied gravity.

The Soviet engineers, when faced with the same problem, used a pencil!

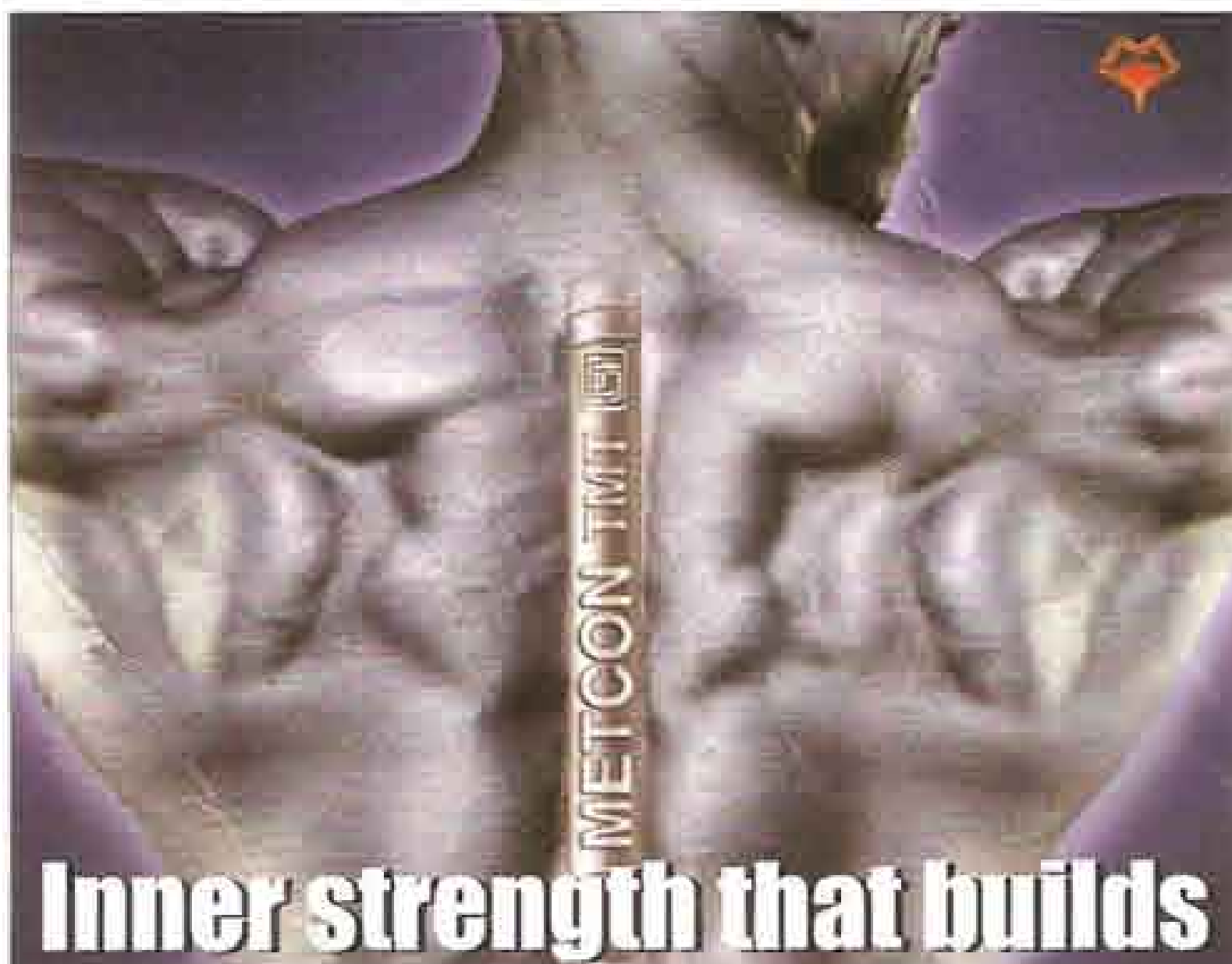


## From Pencil

And the consumers are awake to the situation. "There is a definite increase in demand for home loans, especially in the region of Rs 20 lakh," Vijayamohan said. HDFC, one of the other main players, has also announced a cut in lending rates recently. Banking circles, however, indicate that the rates could go up once the economy picks up and the inflation rate hardens.

"Our feedback is that construction activity is hectic in upcountry towns and villages," says Metrolla marketing manager Arun Singh. "Our sales in these areas have picked up, proving that genuine customers continue to go ahead with their construction activities."

Time for all to follow in those wise footsteps.



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