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Aggressive policy-making structure a must to push growth: Vinita Singhania

Cement units want abolition of customs duty on imported coal

One of the highest taxed sectors in the country, the cement industry today stands at the crossroads. Inadequate power supply, rising input cost and high State and Central taxes threaten to derail expansion of the sector. The per capita cement consumption in India stands at 156 kg against the world average of 356 kg. Rising against the odds and seeking relief to allow the sector to expand to its potential, **Vinita Singhania**, *Managing Director, JK Lakshmi Cement, and President, Cement Manufacturers' Association (CMA), in a chat with* **Sujay Mehdudia**, *unfolds her vision, plans and investments for the future. Excerpts.*

Vinita Singhania

How urgent is the need today to rationalise taxes on the cement industry. How has the budget been able to address them?

In the Union Budget, the cement industry has been taxed heavily not only on account of change in the basis of excise duty from 10 per cent to 12 per cent but also due to change in the basis of charging excise duty on the retail selling price (RSP) instead of transaction value. Despite the abatement of 30 per cent given on the RSP, the net impact is considerable. This additional levy coming on the back of recent hike in the rail freight would considerably affect the delivered cost of cement to the consumers and, hence, the cost of construction would be adversely impacted.

As such cement is a highly taxed commodity.

We have been representing to the government with the set of our problems. When white cement is getting abatement of 45 per cent then grey cement should also get the same. For instance, VAT everywhere is 12.5 per cent but when it comes to cement it differs in each State, even touching 15 per cent. Interestingly, VAT on steel is 4 per cent while we are taxed at 12.5-15 per cent. Similarly, royalty on limestone is Rs.64 while that on iron ore is Rs.24.

What is the situation on availability of coal and how strongly is the cement industry poised to meet the challenges of the XII Plan?

We used to get coal under 75 per cent linkage plant from Coal India Limited. However, this has shrunk to around 43 per cent. Whatever we are getting, the quality of the coal is poor.

The new cement plants are no longer getting any coal linkage. During the XI Plan, the cement industry has touched 300 million tonnes capacity and the requirement of the XII Plan has been estimated at 478 million tonnes. Under the circumstances, it will be difficult to achieve such production targets. For instance, last year, our growth was around 5 per cent against 9-10 per cent earlier. In the three

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quarters of 2011-12, it stood at 3 per cent. It could reach 4 per cent at the most but things do not look rosy at the top. There is a need to adopt more aggressive policy-making structure to push growth. It is time for India to look positive.

How important is it to have in place a GST?

It is important that landmark legislations such as the Goods and Services Tax (GST) Bill are implemented and put in to practice at the earliest. This will put all the taxes under one roof. GST is also affiliated with States and there is a fear that it could go the VAT way. There are differences in the compensation and the Centre should step in as this has to be done as it is a revolutionary step.

What is your take on the demand for abolishing duty on imported coal and how is the industry coping with the power crisis?

Power is the basic need for any industry and the cement sector is no exception. However, a new trend has started in the cement industry now where the units are putting in place their own captive power plants to meet their requirements.

JK Lakshmi Cement has put up its own thermal power plant of 36 MW in Rajasthan. We are also trading in power in the open market. We are demanding that customs duty on imported coal should be abolished because we are not getting coal linkages anymore and, therefore, we should be allowed to import coal. The new rates of CIL are abnormally high.

As we are using pet coke, we are not impacted by the recent sharp hike in coal prices. But, overall, the cement industry has been impacted. We hope CIL will lower down the rate slabs of coal from April 1.

Could you explain the investment plans of JK Lakshmi Cement?

JK Lakshmi Cement will embark on an ambitious expansion plan during the next three to four years with an investment of around Rs.2,000 crore. We are setting up a plant of 2.7 million tonnes capacity at Drug with an investment of Rs.1,250 crore. We are also putting up two to three grinding units to be nearer to the markets and one of them will be commissioned in Haryana this month which will help achieve a capacity of 5 million tonnes. We are also revamping up our JK unit in Jodhpur and plan to add another 1.5 million tonnes capacity. We are going aggressive on value-added products such as RMCs as they do not require too much of manpower. We are also getting into pre-fabrication with the RMC business which is giving us good returns. We have put up 10 plants in our fold and, in the next two to three years, we will put up another 10 plants.