Cement industry on growth path

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CMA expects capacity to cross 250 m tonnes

At a time when industries were impacted by large scale slowdown, the cement industry continued on a steady growth path and has, in fact, been one of the pillars of fortitude.

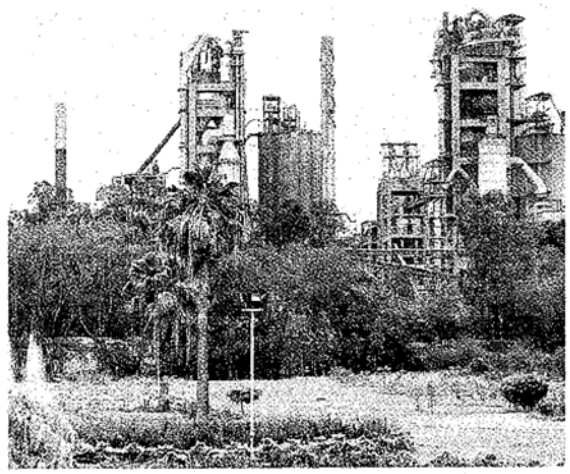
Expansion plans of major players are in place and figures from the Cement Manufacturers' Association (CMA) indicate that between 2005 and 2008, average cement production grew 9.7 per cent and consumption around 10 per cent.

H. M. Bangur, Managing Director, Shree Cement, and President, CMA, said the industry's performance in the first quarter of the current year was good and in April-May 2009 it has continued with a 12 per cent growth. "We expect a 9 per cent growth for the current year".

Mr. Bangur attributed the good showing by the sector to the rural segment and infrastructure spend. "The government made a lot of funds available to the rural economy in the form of loan waivers and the announcement of Pay Commission which led to individual houses being built in rural and semi-rural areas. Construction activity in metros is not significant because although it gathers a lot more eyeballs, the urban/metro demand accounts for a mere 3-4 per cent".

To meet the targets set by the Working Group on Cement Industry to reach a capacity of 298 million tonnes and production of 269 million tonnes by 2011-12 (XI Plan), the industry had embarked on a capacity addition programme. During the first two years of the Plan, a capacity of around 50 million tonnes was added to reach a total capacity of 218 million tonnes by 2008-09. The CMA expects capacity to cross 250 million tonnes this year. Traditionally, the cement industry has a capacity utilisation of 85-88 per cent and it is now at 91 per cent.

On an all-India basis, prices rose by Rs. 15-20 a bag in the last four months (January-April) and were stable in May and are likely to remain stable till mid-July. They could react by Rs. 5-10 by end-July with the onset of monsoon.



A view of Rajashree Cement factory at Malkhed in Sedam taluk, Gulbarga district, Karnataka. – FILE PHOTO

Vinod Juneja, Managing Director, Binani Cement, told *The Hindu* that owing to high prices and zero import duty, cement from countries like Pakistan was imported and therefore a countervailing duty on imports should be in place. Imports from Pakistan were up 32.6 per cent in May over April at 81,909 tonnes (61,790 tonnes).

In terms of a budget wish list, the move to reduce excise duty from 12 per cent to 8 per cent as part of the stimulus package in December 2008 was welcome but Vinita Singhania, Vice-President, CMA, and Managing Director, JK Lakshmi Cement, felt that cement continued to remain one of the most highly taxed core sector inputs. "The biggest concern is the levy of excise duty on MRP basis without any abatement. For cement, post-manufacturing expenses are high notably the freight and value-added tax (VAT) component. Therefore, the industry requests an abatement of 55 per cent, which is as per recommendation of the National Council for Applied Economic Research (NCAER)".

THE INDUSTRY BODY HAS REQUESTED THE GOVERNMENT TO REMOVE THE ANOMALY BETWEEN STEEL AND CEMENT AS FAR AS TAXATION IS CONCERNED.

Mr. Juneja said that for the cement industry, taxes accounted for 45 per cent of final price. "The government should give some concessions".

The CMA felt that while both steel and cement were important inputs for infrastructure, the VAT on cement was 12.5 per cent but only 4 per cent on steel.

Similarly royalty on limestone (a cement input) is Rs. 45 a tonne, but on iron ore, it is only Rs. 16 a tonne. The association has requested the government to remove the anomaly between steel and cement, as far as taxation is concerned.

India loses considerable fuel due to poor road conditions and quoting a study on the importance of concretisation, the CMA says commercial vehicles can save as much as 14 per cent on their fuel cost if driven on concrete roads.

At present, cement attracts zero import duty while its inputs such as coal, petcoke, and gypsum attract an import duty of 5 per cent.

This anomaly where import duty on inputs is higher than the finished product puts Indian manufacturers at a disadvantage and the association feels that the duty on these inputs should be abolished.

RAMNATH SUBBU