

Cement industry has been burdened with duties, making it cost more

VINITA SINGHANIA,
MD, JKLakshmi Cement



From the perspective of the cement industry, the Budget has been quite a disappointment. The disappointment gets compounded because finance minister Pranab Mukherjee in his speech had mentioned relief to the industry by changing the basis of levying excise duty.

For a moment we thought that the industry's long pending demand of abatement on the excise duty has been finally heard by the government. However, on going through the fine print we found that the effective excise duty has actually been increased by making it a combination of ad valorem and specific duty.

The specific component is very much on the high side and this will result in the duty going higher by over ₹80 per tonne or about ₹4 a bag at the current prices.

Further, even on the input side there has been an unexpected levy of 1% excise duty on fly ash, coal and lignite and what is worse is that the increases have been made non-deductible.

This is, indeed, very surprising as it reflects that the cement industry has been chosen to be burdened with additional duties and thereby making cement dearer.

Value-added products like RMC have also not been spared.

In fact, this product which merits encouragement, being more eco-friendly, has been burdened with excise duty of 1% without any relief by way of modvat credit on excise duty being paid on the major raw materials, particularly in cement and fly ash. This would make RMC industry uncompetitive.

The partial relief granted to the industry by way of reduction in the custom duty from 5% to 2.5% on petcoke and gypsum is welcome.

However, the industry has been requesting the government to consider nil custom duty, in view of the fact that cement can be imported with zero duty thereby putting the domestic cement manufacturers to a competitive disadvantage.