

Concrete demands



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The Indian cement industry has not only been able to withstand any adverse impact of the global economic slowdown, but has also registered a commendable over-8% growth in the past two years.

The government has envisaged massive investment in housing and infrastructure development. To meet the expected increase in demand, the cement industry is on a major expansion mode, with nearly 100 million tonne capacity likely to be added by March 2013. This entails an investment of nearly Rs 50,000 crore. It is worthwhile to note that the industry added 112 million tonne during the period March 1999 to March 2009.

The cement industry is third-largest contributor to the exchequer and the government earns 1.9 times (by way of various taxes and duties) what the industry earns for itself. Excise duty from cement alone contributes over Rs 10,000 crore to the exchequer.

The cement industry is also a big employer, offering direct and indirect employment to nearly 10 million.

The industry has appealed to the government to address a few areas of concern. Cement is one of the highest taxed commodities, with total taxation constituting nearly 60% of the ex-works realisation.

To retain the attractiveness of the industry so that the investments required for further expansions flow to this sector, the industry has made the following suggestions:

- Abatement of 55% on excise duty as recommended by NCAER
- Alignment of VAT in line with steel. VAT on cement is pegged at 12.5% (some states have increased to 14-15%) while VAT on steel is 4%
- Existing excise duty structure on cement is complicated with a combination of fixed and ad valorem duties. It should be converted to uniform rate.
- Import duty on cement is zero while import duty on inputs like coal, petcoke, gypsum is 5%. Industry has requested that import duty on inputs should be same as the import duty on finished product.
- Royalty on limestone is very high. It should be allowed as either CENVAT credit or VAT credit. So also duties/cess levied on indigenous coal.

Besides above measures the industry needs to be insulated from the vagaries of cyclicity of demand so that the industry retains its attractiveness for huge investments required to achieve desired growth in the infrastructure sector. Concretisation of roads can largely serve this purpose. Besides showcasing the infrastructure progress of the country, the concrete roads will also help save 14% of the fuel being guzzled by the commercial vehicles in the country.