

Cement industry pins hope on Budget to beat oversupply woes

■ Expects the govt to announce big spend on infra projects & reduction in excise duties ■ Wants railway ministry to cut freight charges

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Mumbai, Feb 10: The 240-million tonne (mt) cement industry, which has already started feeling the heat of a possible oversupply, has big expectations from the Budget. The industry hopes that the government will announce big spend on infrastructure projects and perhaps reduce excise duties. Cement makers are also expecting the railway minister to bring down freight charges.

Industry players point out that the industry is on its way to adding nearly 100 mt over a peri-

od of four years to meet the increasing demand from housing and infrastructure development. This would entail an investment of nearly Rs 50,000 crore.

Aklesh Gupta, CFO, Grasim Industries, is one of those nurturing expectations of higher spends on infrastructure, which, he says, would drive demand. Vinod Juneja, MD, Binsani Cement, told FE, "Higher spending on infrastructure will increase demand for the commodity, especially investments in road and national highways. We are also hoping for some reduction in



Concrete steps

- The industry transports around 60% of the commodity by road
- Freight costs account for about 18-20% of operating costs
- The freight charges are about Rs 1.50 per tonne per km
- Players disappointed as excise duty issues is unaddressed
- Industry is the third largest contributor to the exchequer
- Has appealed for an abatement of 55% of excise duty

the railway freight." Juneja, however, added that any increase

in prices of diesel, petrol or gas would be a dampener.

The cement industry transports approximately 60% of the commodity by road and freight costs account for about 18-20% of operating costs. Currently, the freight charges are about Rs 1.50 per tonne per km.

Meanwhile, industry players are a little disappointed that the government has not yet addressed their long-standing demands for a uniform rate of excise duty across states and a zero import duty on coal, pet coke and gypsum.

According to Vinita Singhania, MD, JK Lakshmi Cement,

and the president of the Cement Manufacturers Association, the industry is the third largest contributor to the exchequer and the government earns nearly twice of what the industry earns by way of various taxes and duties since excise duties alone contribute over Rs 10,000 crore.

"We have appealed to the government for an abatement of 55% of excise duty as recommended by NCAER and an alignment of the value added tax (VAT) to be in line with that on steel. The VAT on cement is pegged at 12.5% (some states have increased it to

14-15%) while the same on steel is 4%," explains Singhania.

With talks of the stimulus package being rolled back doing the rounds, Mihir Jhaveri, analyst with Religare Capital Markets, believes there could be a roll back of the excise duty on cement.

The previous Budget might have failed to bring any cheer to cement manufacturers but experts believe that more spending on infrastructure and no roll back of the excise duty should provide relief for the industry this time.