

# Cement cos raise prices by Rs 12 on excise duty hike

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IN WHAT could be the highest ever price rise in the history of Indian cement industry, companies across all capacities, have hiked the price of the key building commodity in the range of Rs 10-12 a bag, to offset the twin effects of the excise duty hike and the rise in diesel rates.

The hike, which amounts to a 4.5% rise in Mumbai alone, has come into effect from March 1, and has been implemented in all zones in India, said the senior executives of at least three large cement companies that ET spoke to. This is one of the very few occasions that cement companies across the country have raised prices uniformly, as the commodity is zone-specific and cement prices depend on the market conditions of each region.

The last time cement prices were raised by a large quantum was in November 2009 when prices were hiked by Rs 10 per 50 kg bag after a shortage in rail wagons affected supplies in the key markets of western and southern India. Cement is transported in 50 kg bags and is mostly moved from manufacturing sites to consumption centres through trains. Price hikes in this industry have always been about Rs 3-5 per 50 kg.

"It is an industry practice where any hike in input costs needs to be passed on to end users to offset margin pressure," said Adesh Gupta, CFO of Grasim Industries, India's largest cement maker.

The \$28-billion diversified Aditya Birla Group controls UltraTech and Grasim, which together account for almost a fifth of the Indian cement market. The group's capacity is expected to be hiked to 63 million tonnes in few years.

In Mumbai, the country's largest cement consumption market, prices

have gone up by Rs 12 per bag. The retail price has touched Rs 280 and wholesale price in the trade segment is commanding around Rs 265 per bag, say dealers.

Although the price hike is attributed to Budget proposals of excise duty and diesel rate rise, analysts say fast capacity addition in the world's second largest cement market after China, is likely to depress prices and hence makers are squeezing each opportunity.

Cement players in the country have been aggressively ramping up capacity due to a spurt in domestic demand, which is one of the few markets in the world to see a sharp rise in cement usage. India's annual cement production, which is likely to grow by 10% every year, will go up to 250 million tonnes by FY10. China produces 1.4 billion tonnes of cement every year.

"Costs of coal, pet coke and freight charges have gone through the roof. The price rise in diesel and petrol would affect our input cost as it is an energy-incentive sector," said ML Pachisia, managing director of Orient Papers & Industries in Kolkata. Prices have increased by Rs 8 per bag due to excise duty rise and there could be further rise in cement prices to offset diesel and other input costs, Mr Pachisia added.

The excise rise has been steep. For the cement industry, for every 50 kg bag with a retail price of less than Rs 190, the excise duty went up to Rs 290 a tonne from Rs 230. For cement costing over Rs 190, the excise duty was hiked to 10% from 8% on cement and cement clinker.

"Prices moved upward by Rs 7 to offset the excise duty hike. Industry is passing another Rs 5 per bag due to the hike in diesel prices, which has impacted cement transportation costs," said RP Gupta, chairman of Rourkela-based Shiva Cement.

## Steel prices go up by Rs 650/tonne

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DOMESTIC steel prices have gone up between Rs 500 and Rs 650 per tonne in the wake of the budget proposal to raise excise rates from 8% to 10%.

The move is slated to impact products from both large integrated steel producers and mid-sized makers of speciality steels for auto and construction. In case of the country's largest steel company, Steel Authority of India Ltd (SAIL), the excise changes have led to an effective price hike of between Rs 600-650 per tonne of steel for the end-customer.

Similarly, Tata Steel, which is one of the largest private sector steel players, is also expected to pass on the hike, though there was no official comment on this from the company.

Domestic steel prices range between Rs 26,000-Rs 37,000 per tonne depending on various categories and grades.

Long steel products like TMT bars and rods are mainly used by infrastructure and construction sectors, flat items like hot and cold rolled coils and sheets are used in automobiles and consumer durables.

"While it will be possible for the automobile sector to pass on the hike to the customers, real estate players may find it difficult to do so," Manoj Agarwal of Adhunik Metaliks which makes automotive steels said.

The excise hike has also led to a price increase in other iron and steel products like pig iron and sponge iron.

"The excise hike was largely anticipated. It will, however, amount to a Rs 400 per tonne hike in pig iron which has an ex-factory price of Rs 20,000. For sponge iron, it amounts to around Rs 280-300 per tonne," Visa Steel managing director Vishal Agarwal said.

Steel prices were widely predicted to rise on the back of the excise duty hike announced in the Union Budget for 2010-11 last Friday.