

ACC 'constrained by capacity'

Demand may see healthy growth: Sumit Banerjee

INTERVIEW

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At a time when cement offtake is strong in the North, ACC's volume sales in the October-December period have dropped by over 4 per cent. Better realisations, however, helped it close the quarter with a marginal sales growth. Excerpts from an interview with Mr Sumit Banerjee, Managing Director, ACC.

Why has ACC seen only a marginal growth in despatches (with decline in growth in the October-December period) during 2009, when most other players in the same region have seen strong growth?

The answer is simple. We were constrained by capacity. If we had more capacity we would have registered commensurate growth in production and despatches.

Has the 3 mtpa capacity in Chanda, Maharashtra started production? Is the company looking at adding capacities in the North-East?

No. Work on the Chanda project is on. As of now, we are implementing on-going projects that will add 1 million tonnes in our Bargarh plant in Orissa (a part of which is already completed) and 3 million tonnes in our Chanda plant in

Maharashtra. These projects will raise our capacity from 26 to 30 million tonnes by the end of 2010.

How have your realisations been in the December quarter and for the whole year 2009?

Realisations in the October-December quarter of 2009 were 4.5 per cent higher on y-o-y basis. The year as a whole saw good financial results. Despite a listless growth of barely 2.4 per cent in sales volume, our consolidated profit before tax and exceptional items for 2009 at Rs 2,251 crore grew by more than 38 per cent. This is the highest level we have ever achieved. Our operating EBIT-DA margins improved significantly to 30.4 per cent in 2009 from 23.3 per cent in 2008.

Quarter after quarter ACC has been reporting significant decline in power costs. What do you attribute this to? What is the company's current captive power capacity?

This was enabled by improvements in the quality and cost of power generated by our captive power plants. Our power plants generated 12 per cent more electricity in 2009 as against the previous year. The share of captive power generation in our overall power consumption has gone up from 65 per cent in 2008 to 70 per cent in 2010.

In 2009, we commissioned



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Mr Sumit Banerjee,
MD, ACC

one 15 MW captive power plant as part of the expansion programme in our Bargarh plant. In this calendar year we are scheduled to add captive power generating capacity of 50 MW in Wadi and 25 MW in Chanda. With this increased captive generation, we expect our self-sufficiency in power to go up even further this year.

We are also satisfied to note that our wind energy plants in Tamil Nadu and Rajasthan have performed well.

Power generation from these two wind farms grew by 9 per cent in 2009 compared with the preceding year. We plan to set up a 2.5 MW wind farm in Maharashtra which is scheduled to be commissioned this year.

What do you think has contributed to the industry's strong despatches growth (13 per cent) in 2009?

The reason is mainly robust growth arising out of vigorous

infrastructure development, Government's stimulus packages to boost rural and other sectors and stable growth in the housing sector. The economy itself has grown. In retrospect you can see it was helped by the positive impact of last year's budget on the overall economy.

How is the cement demand in south and west regions of the country? Being an all-India player what is your take on the potential of the southern and western markets in terms of demand and prices?

The South has seen a higher share of new capacity coming up. But overall we are hopeful that there will be healthy growth in demand for cement in nearly all parts of the country for the reasons I have enumerated above. I would not like to comment specifically on price movements.

Do you see supply excesses in the current year?

Yes, we are likely to see regional and seasonal surpluses in some regions.

Do you see any relief on the raw material prices front? How are gypsum and fly-ash prices moving?

Both these commodities are getting costlier. These are definitely areas of concern apart from the other critical input, coal. Import duty on coal, gypsum and other fuels must be minimised as there is no import duty on cement, which is the value-added end-product. This is an area where we are hoping that Government will address in the forthcoming Budget.

As a cement manufacturer, what are your expectations from the Budget?

We would like the Government to address some lingering anomalies and discriminations in respect of cement as compared with other building materials.

Cement is not entitled to abatement of excise duty unlike other commodities where excise duty is levied on MRP.

In fact, there is a need to rationalise and simplify the excise duty structure such that there is a single uniform rate as had prevailed for so many years in the past.

The rate of VAT on cement is higher than that on steel and other building materials.