

# Cement companies face coal shortage

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CEMENT companies, nursing excess capacity that cannot be put to full use, are faced with a coal shortage. From the ACC-Ambuja combine, to Ultra-Tech to smaller firms, many are affected.

Vineeta Singhania, managing director of J K Lakshmi Cement, told *Financial Chronicle* that Coal India did not have enough to supply to the cement industry. The industry has coal linkages of a maximum of 30 per cent of its requirement. For new plants, there is no linkage.

“Coal prices are 40 to 50 per cent higher than they were last year, as companies have to depend on imported coal. As a result, profit is impacted,” she said.

The industry has lobbied with the government, and many companies are weighing the option of buying coal blocks.

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# Things may look up if firms can pass on rising input cost

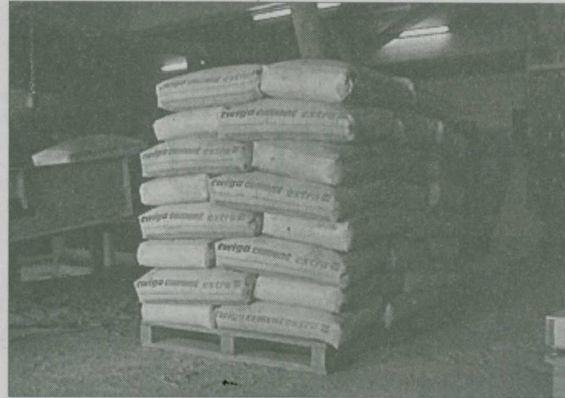
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“But procedures for acquiring coal mines are not clear. The industry is also looking at alternative fuels,” said Vineta Singhania.

It was not immediately clear if the coal linkages Singhania spoke of are for the entire installed capacity, or whether these linkages are inadequate even for the lower capacity use, forced by a low demand scenario.

Rajesh Kumar Ravi, analyst at Karvy Stockbroking, said cement production fell to 0.65 million tonnes in September from 1.02 million tonnes a year ago. Capacity use is averaging around 70-75 per cent, partially due to shortage of coal,” he said.

India’s biggest producer ACC Cement on Tuesday reported July-September net profit of Rs 159.30 crore, lower than analyst estimates. ACC said its power



**FREE FALL:** India’s biggest producer ACC Cement has reported bigger slide in Q2 net profit, beating the analyst estimates

and fuel costs had risen during the quarter to Rs 556.19 crore, up 52.6 per cent in a year.

ACC spokesperson R Nand Kumar said, “The supply of domestic coal, our principal source of energy, has been grim.”

Ambuja Cements managing director Onne Van Der Weijde said, “Despite growing sales in both volume and

value, the industry continues to face critical constraints such as rising cost of raw material, power and fuel.”

A top Madras Cement official said that if the coal shortage continued, it would hit the company’s production. At the moment it is using only 65 per cent of the installed capacity of 10.5 million tonnes.

Shashi Kumar, coal advisor of the Shyam group, which has interests in cement, said, “The problems started with shortage. We have only 60 per cent of the coal needed at our various plants. Then prices were also raised. On February 27, A and B grade coal prices were raised by 100 per cent and C grade by 30 per cent. The choice could be C grade coal but even that was refused and we were supplied A and B grade.”

Things may look up and companies may be able to pass on input cost increases to the consumer as demand is expected to rise in the fourth quarter, the peak season for cement companies, said Karvy’s Ravi. Since September companies have hiked prices by around Rs 25-30 per bag.

*(With inputs from Ritwik Mukherjee in Kolkata)*

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