Slowdown signs - Pakistani cement industry fears plant closures

Saturday, 21 Nov, 2009

A senior executive of DGK Cement revealed that many cement plants would be shutting down in the near future if the current cement market prices prevail any longer.

Talking to journalists visiting the DGK Cement at Khairpur, he said that at present the most efficient cement factories in Pakistan are suffering a loss of PKR 35 per bag to PKR 45 per bag and only the units with capacity to sustain the loss will survive.

Mr Dr Arif Bashir GM Works DG Khan Cement plant Khairpur said that the cement industry is facing over PKR 75 billion of loans a steep loss curve of PKR 40 per bag in the local market and uncompetitive prices in the international market.

Dr Bashir said that while the cost of production is high owing to rising fuel and energy costs, the domestic demand of cement has dropped by 13.44% in 2009. The only saving grace for the cement industry at present was that cement exports increased by 47.4%. He said that the cement industry has invested around USD 6 billion in expanding its capacity from 16.72 million tons in 2002 to 41.76 million tonnes in 2009. The industry has contributed PKR 30 billion as direct taxes to the exchequer. He added that Pakistan has exported over 11 million tonnes in 2009 earning foreign exchange of about USD 750 million.

Dr Bashir suggested that the government should work out a formula in consultation with the cement manufacturers to decide the floor price allowing a margin of profit. The government can also help the cement industry from closing down by giving them some relief on the high cost of fuel energy, as this constitutes 45% of the over all cost of production and if the government helps the cement industry the market demand for Pakistani Cement will reap massive foreign exchange and industrial development in Pakistan.

(Sourced from Thenews.com)