

C O P Y

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.....
No.1-22/76-Cem.
Government of India
Ministry of Industry
Department of Industrial Development
.....

New Delhi, the 9th September, 1977
18th Bhadra, Saka 1899

R E S O L U T I O N
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Subject:- Ex-works price for cement units.
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In their Resolution No.1-10/74-Cem. dated the 9th April, 1975, the Government had announced that the ex-works price in the case of cement units holding letters of intent and expected to come into production during the last two years of the Fifth Plan would be fixed on the basis of a return of 14% on the capital employed subject to a ceiling on capital cost of Rs.650/- per tonne. The industry has been representing for some time that the ex-works price fixed on the above basis would be inadequate to pay a reasonable dividend to the shareholders and in fact, yield a very low return on equity. In the meanwhile, the Government had also been examining the question of fixation of price for controlled commodities and have come to the conclusion that in such cases, the rate of return in general should be calculated on net worth of a company rather than on total capital employed. It has accordingly been decided that the ex-works price of new cement units should be fixed on the basis of a net post tax return of 12% on net worth, the net worth being limited to a figure of Rs.230/- per tonne of installed capacity instead of fixing the price on the basis of 14% return on total capital employed. This formula will be applicable both to new units as well as expansions of the existing units.

O R D E R

ORDERED that a copy of the Resolution be communicated to all concerned and that it be published in the Gazette of India.

sd/-

(D.K.SAXENA)

JOINT SECRETARY TO THE GOVERNMENT OF INDIA

To

The General Manager,
Government of India Press, Faridabad.

Copy forwarded for information to:-

The Cement Mfrs. Assn, Express Bldg. Churchgate, Bombay.