

# Shiva Cement expanding to produce Green Cement

Cement is a basic input for any construction activities and country's development. But like any other industrial product, it contributes to emission of carbon gases through burning of coal as well as burning of Limestone. One MT of Limestone releases about 0.44 MT of carbon gases upon de-composition besides coal burning. As per industry average, the Limestone cons. per MT of cement is 1.20 MT.

Shiva Cement Ltd, is 24 yr old Orissa based cement co.in Eastern zone of the country where Limestone deposits are limited. In view of this, Shiva Cement is adopting latest technology to produce blended cement in it's expansion plan and to conserve Limestone. It is claiming to consume only 0.65 MT of Limestone for every one MT of cement it will produce after expansion as against industry average cons. of 1.20 MT. It also stated that coal cons. will be hardly 0.12 MT as against industry average cons. of 0.22 MT. It means, carbon gases emission will reduce almost by 50%. Shiva Cement is going for a proven technology of separate Slag grinding in VRM instead of inter-mix grinding in Ball mill to achieve this result. The existing pyro-circuit shall be totally revamped with modern technology to reduce fuel cons. This will be highly environment friendly which is need for the future.

In FY 2007-08, it entered into strategic alliance with ACC Ltd with twin objectives to expand the plant capacity and to avail their Brand equity. ACC acquired about 14.3% equity and nominated a Director on the Board. Subsequently, with mutual consent and Board's approval, an expansion plan envisaging 2.6 Mn.TPA capacity was submitted to Govt. of Orissa with a capital outlay of Rs.800 Crore in two phases. 1<sup>st</sup> Phase upto 0.66 Mn.TPA was based on existing mines and 2<sup>nd</sup> Phase was based upon sanction of additional mines adjacent to present mines.

Accordingly, Govt. of Orissa has approved the project with minor

modification upto 2.3 Mn.TPA capacity in Oct'08. Now Phase-I expansion upto 0.66 Mn.TPA has been approved by the Board in it's meeting held on 31/10/09 with a capital outlay of Rs.163.5 Crore. Additional land for Phase-I has been allotted. Comm. Production is expected in Q-2 of FY 2011-12. Comm. Production of Phase-II is expected in the year 2013, subject to sanction of addnl. Mines in next 12 months.

Company is having leverage to raise debt. Present debt equity ratio is below 0.20 which will remain below 0.50 even after implementation of Phase-I expansion. Company is expecting sanction of Term Loan upto Rs.80 crore by Jan'10 end for part funding of the Phase-I expansion. It is also proposing to raise equity about Rs.80 crore. First trench of equity upto Rs.11 crore shall be brought in by the Promoter subject to approval in the forth-coming Board meeting to be held on 16/12/09 through preferential allotment. Balance Rs.70 crore shall be brought in either through right issue or preferential allotment shortly.

As per various estimates and appraisals by lenders, the revenue shall quadruplicate and operating profits (EBIDTA) shall increase seven folds after Phase-I expansion. This is mainly due to adoption of latest technology to reduce consumption of power, fuel & limestone below industry average.

After implementation of Phase-I, the present holding of ACC shall remain below 15% while as the holding of Promoter group shall exceed 30% from the present level of 28%. However, while implementing Phase-II expansion, company will be majorly depending upon ACC.

In the current FY, growth of demand is 12% on all India basis, 18% in Eastern zone and 20% in Orissa. On going deficit in Eastern zone shall continue and it will have to import cement from neighbouring States. Hence, the plant situated in Eastern zone will continue to derive the benefit of location.