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Expect to grow 15 times in next 3-4 years: Shiva Cement



Rourkela-based Shiva Cement has been buzzing lately with reports that cement major ACC might takeover the company. ACC currently holds about 14.5% stake in Shiva Cement.

In an interview with CNBC-TV18, RP Gupta, CMD, Shiva Cement, spoke about the possible ACC takeover and the company's expansion plans going forward.

Below is a verbatim transcript of the interview. Also watch the video.

Q: There is a lot of buzz that ACC, which holds about 14.5% stake in your company, could just takeover. There would be an open offer on the line. Is there some truth in all these rumours doing the rounds?

A: Let me tell you the total growth plan in how the funds will be coming etc. We have firmed up to grow nearly 15 times in next 3-4 years with Rs 800 crore investments with the support of ACC. Now this growth plan, phase I will be from 1.5 lakh to 6.6 lakh tpa (tonnes per annum), that is, 4 times and thereafter in phase II from 6.6 lakh tpa to 23 lakh tpa, that is, another by 4 times.

Phase I will be requiring Rs 165 crore and phase 2 will be requiring Rs 635 crore. The production of phase I is likely to come in FY12 for which the implementation has already started and phase 2 will be coming somewhere in FY14.

ACC's major investment is going to come in phase II. For phase I, we have already acquired the land. We do not need the mines, most of the statutory approvals are in place and the turnover will go up nearly by 4 times after implementation of phase I.

But the EBITDA will be increasing by nearly 7-8 times. We are going to put up a most modern finishing mill, that is, cement grinding. With the latest technology it could be perhaps third or fourth plant in the country. The technical advice has been given by the ACC's technical wing only.

Q: You are talking about aggressive growth trajectory in terms of your capacity additions. Are you sufficiently funded for the capital expenditure (capex) plans that you just outlined?

A: The funding is almost on the verge of closure for phase I. For phase II, we will be getting ACC's help.

Q: What is the break up of the route for phase 1 funding? Will anything be via equity?

A: Phase I is divided into Rs 80 crores loan, which we are expecting in next two weeks time—all the formalities have been over and Rs 80 crore through the equity and Rs 5 crore through the internal cash accruals. Out of Rs 80 crore, now promoters have already started pouring—Rs1 crore warrants they have issued, they have brought the funds also and the capex has already started and balance will be immediately tied up as soon as this project is further gears up.

Q: Has there been any formal intimation from ACC with regards to any set of stake they may be looking at upping—if you could go record to deny or accept it?

A: It's very clear that ACC is not going to contribute in the equity in the phase I because of their 15% threshold limits etc. But in phase II because the size of funds requirement is more than Rs 600 crore at that time without their help it is not possible. We have the agreements etc in the place and that will be done at the time of phase II only.

Q: So Rs 600 crore would mean how much of a dilution?

A: I am talking of phase II. Phase II will commence only after the acquisition on land and mines. We have received the project approval from the Government with assurance of the land and mines—that approval is in place along with other statutory approvals. But the physical acquisition of the land and mines unless it is done. Phase II cannot be implemented because our existing mines cannot cope up with the phase II requirement.

That's why we have split the total expansion plan in two phases and in the first phase it is done through us and in the second phase ACC will come.
