

BURNPUR CEMENT LIMITED ANNUAL REPORT, 2012-13

Powering India's infrastructure growth



DISCLAIMER


In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Indian economy is the second fastest growing economy in the world. Despite this, it ranks a dismal 84 out of 144 countries in terms of its global competitiveness for infrastructure


To correct this anomaly and maintain the economic growth the government of India plans to invest a sum of USD 1 trillion in the infrastructure sector during the twelfth five year plan (2012-17).

Viewing this huge opportunity Burnpur Cement Limited (BCL) invested a sum of ₹ 197 cr towards doubling its cement manufacturing capacity from 1,000 TPD to 2,000 TPD by 2014 and also integrating backward through adding an 800 TPD clinkerisation plant (with a provision to enhance the same to 2,000 TPD).



BCL forayed into the cement manufacturing segment in 1986. For over two decades it has continued to concentrate in this segment. Avoiding any diversifications it continued to strengthen its presence in this sector.

With 1,000 tonnes per day (TPD) of cement manufacturing capacity, 27 years of experience and product supplies to large reputed industrial concerns. BCL has emerged to be one of largest and most reputed cement manufacturers in the Eastern India.



Key financials, 2012-13

Revenue growth	
77.79%	
2011-12	2012-13
₹ 4,724.40 lacs	₹ 8,399.37 lacs

EBIDTA growth	
93.84%	
2011-12	2012-13
₹ 442.86 lacs	₹ 858.46 lacs

About us

■ BCL was incorporated in 1986 by Late Ramawatar Gutgutia (founder CMD) as Ashoka Concrete and Allied Industries Pvt. Ltd. for the manufacture of Portland Slag Cement (PSC).

■ The Company started operations in 1991 with a humble cement manufacturing capacity of 30 TPD.

■ In 2001, the Company changed its name to Burnpur Cement Pvt. Ltd. which was subsequently followed by its listing of shares in the Bombay Stock Exchange and National Stock Exchange.

■ The Company is headquartered in Kolkata (West Bengal) and its manufacturing unit is located in Asansol (West Bengal).

■ BCL is an ISO 9001:2003 certified company and its product conforms to IS:455 quality standards.

■ The Company's products caters to various infrastructural needs such as construction of residential/commercial complexes,

bridges, flyovers, roads, dams, culverts and other sophisticated mass concrete jobs.

Presence

■ West Bengal

■ Jharkhand

■ Bihar

Pride enhancing clients

■ Larsen and Toubro (L&T)

■ Jamshedpur Utilities & Services Company Ltd. (JUSCO)

■ Steel Authority of India (SAIL)

■ Mackintosh Burn Limited

■ Lafarge India

■ Bhushan Power and Steel

■ CESC

■ Eastern Coalfields Ltd.

■ McNally Bharat Engineering

■ Teesta Water Resources Division

■ Merlin Group

■ Nagarjuna Construction Company (NCC)

■ Space Group

■ Paharpur Cooling Tower

■ Ideal Group

■ Bengal Greenfield

Profit after tax growth

210.37%

2011-12

2012-13

₹ 102.04 lacs

₹ 316.71 lacs

Production growth

56.70%

2011-12

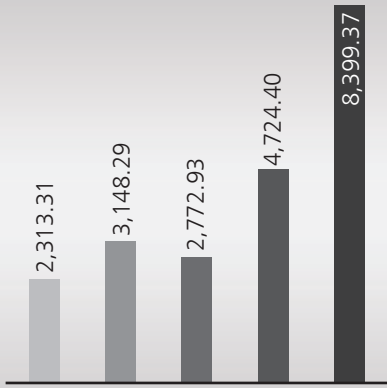
2012-13

1,11,260.65 MT

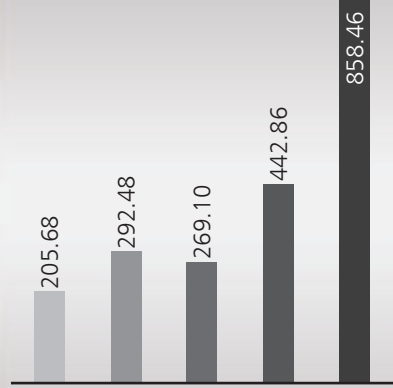
1,74,348.30 MT

Built on the foundation of strong numbers

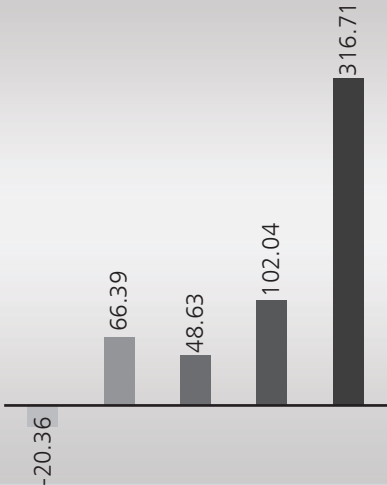
Total revenue (₹ lacs)



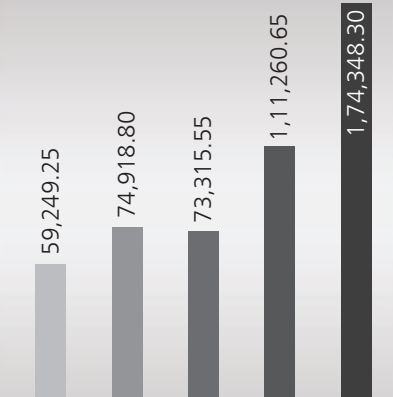
EBIDTA (₹ lacs)



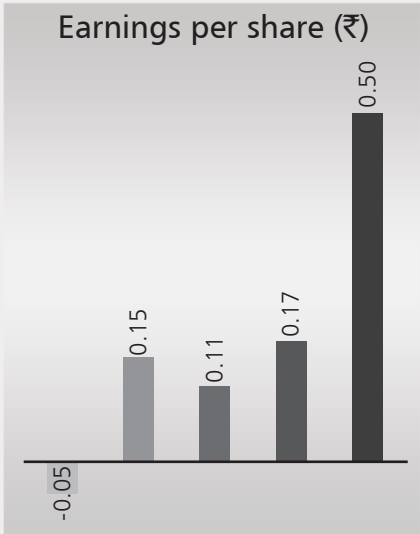
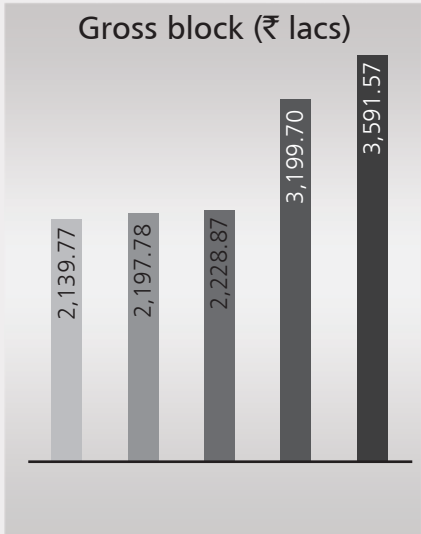
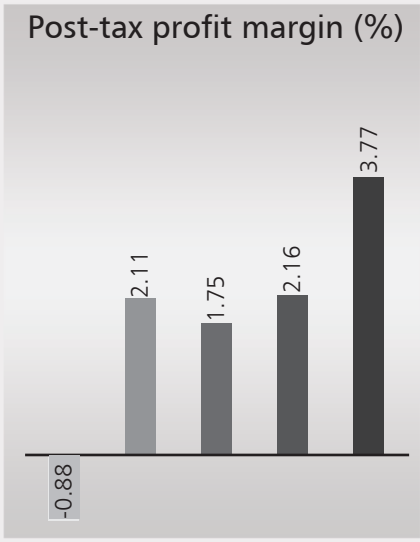
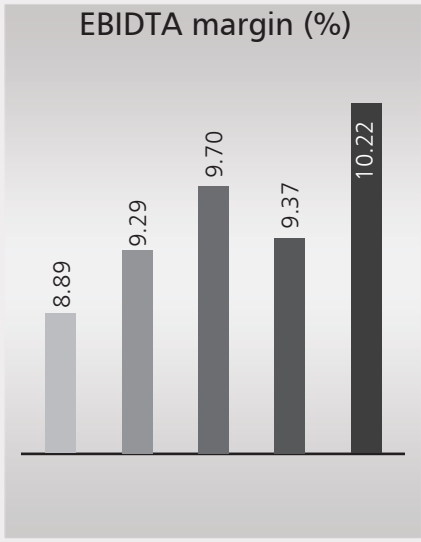
PAT (₹ lacs)



Cement production (MT)



2008-09 2009-10 2010-11 2011-12 2012-13



Vice-Chairman's review



Vice-Chairman and Managing Director Mr. Ashok Gutgutia (left) and Whole Time Director Mr. Manoj Kumar Agarwal (right) analyses the performance of the Company.

Performance highlights

The year 2012-13 has been a record year for the Company as its revenues increased 77.79% from ₹ 4,724.40 lacs in 2011-12 to ₹ 8,399.37 lacs. We reported an EBITDA and PAT of ₹ 858.49 lacs and ₹ 316.71 lacs in 2012-13 as against ₹ 442.86 lacs and ₹ 102.04 lacs respectively in 2011-12. The capacity utilisation at the plant increased to 58% as the production increased from 1,11,260.65 MT in 2011-12 to 1,74,348.30 MT in 2012-13.

Our position

The Company is well-placed in the industry and is one of the largest and most reputed cement manufacturing units in eastern India. The Company being located in Asansol (West Bengal) is in close proximity to raw material suppliers and customers (in West Bengal,

Jharkhand and Bihar) resulting in low logistics cost. The Company continues to focus on product quality, cost reduction, after sales service and timely delivery as a result of which most of our customers trust us and prefer doing business with us.

Industry optimism

The cement industry in India is poised to witness significant growth in the coming years in terms of capacity addition and modernization given the government of India's plan to invest a sum of USD 1 trillion in the infrastructure sector. India currently has a cement manufacturing capacity of 324 million tonnes per annum (MMTPA) and operates at an average of 75-80% capacity utilisation. (Source: IBEF)

According to a report by Credit Suisse the cement demand in India is likely to grow by 5% in FY2013 and

7% in FY2014 as a result of a high demand from the housing and infrastructure segments which is likely to push up the demand for building materials by 7-8%. This growth in demand would be driven by recovery in rural housing, roads and railways segment. (Source: Credit Suisse)

Housing sector in India accounts for 2/3rd of the cement demand and rural housing 40% of the total. The demand for housing in India is expected to grow at a CAGR of 8%. Majority of this growth would come from the rural areas backed by central and state government schemes and upgradation of individuals houses to 'pucca' houses. Under the Indira Awas Yojana (IAY) scheme the government increased allocation per household from ₹ 45,000 to ₹ 70,000 and from ₹ 48,500 to ₹ 75,000 in hilly and difficult areas resulting in an increase in budgetary

The Company has invested a sum of ₹ 197 cr (40% capex already done) in setting up a green field integrated cement plant in Patratu (Ranchi, Jharkhand) with an initial manufacturing of 800 TPD of clinker and 1,000 TPD of cement.

allocation from ₹ 11,075 cr in 2012-13 to ₹ 15,184 cr in 2013-14. (Source: *Credit Suisse*)

Roads sector in India witnessed a major turnaround during the year as the finance minister announced development of 3,000 km of new road projects in Gujarat, Maharashtra, Madhya Pradesh and Uttar Pradesh. Moreover, the government targets awarding 9,600 km of new road projects in FY14.

The Indian Railway expects to attract investment worth ₹ 1 lakh crore in PPP projects during the twelfth five year plan. These projects include laying down of new tracks and platform construction which is likely to boost cement demand. (Source: *IBEF*)

Moving ahead

To capitalise on these huge opportunities coming up in the infrastructure segment the Company plans to expand manufacturing capacity and graduate to an integrated manufacturer through setting up a clinkerisation plant.

The Company has invested a sum of ₹ 197 cr (40% capex already done) in setting up a green field integrated cement plant in Patratu (Ranchi, Jharkhand) with an initial manufactur-

ing of 800 TPD of clinker and 1,000 TPD of cement. The funding of this project has been done at a debt:equity of 1.73:1. The Company expects to commission 1,000 TPD grinding unit by December, 2013 and the clinkerisation unit by April, 2014. Post commissioning our plant would become the only second integrated cement plant in the entire Eastern India.

On commissioning of the clinkering unit, the Company shall become 100% self-sufficient in terms of clinker requirement which is a primary raw material used in production of cement. This would not only ensure raw material security but also reduce manufacturing costs significantly. Moreover, the plant being located very close to thermal power plant shall be able to procure fly ash at low transportation costs.

To further enhance our passion for product quality we have equipped the plant with X-ray fluorescence (XRF) spectrometer which has the ability to do online testing of product quality and PLC automation system which would enable 100% automation of operations. Plant automation would reduce downtime and enhance operational efficiency resulting in higher capacity

utilisation.

This plant would also enable the Company to expand geographical spread and enter new markets of Orissa and Uttar Pradesh. On stabilization of the clinkering unit, the Company has further plans to enhance its clinkering capacity (to 2,100 TPD from 800 TPD) and cement manufacturing capacity. Once these expansion are complete the Company would be in a position to produce OPC, PSC and PPC cement.

Message to stakeholders

We expect timely commissioning of our projects as almost 60% of the work in grinding unit and 40% work in clinkering is already complete. Going forward the new plant would stabilize operations in 2014-15 and achieve capacity utilisation of 75% which shall increase to 90% from 2016-17 onwards.

We are optimistic of achieving a topline of ₹ 250 cr by 2017-18, thereby continuing to enhance value for all stakeholders. On behalf of the entire BCL's team, I thank you for your continued support and trust in us.

Mr. Ashok Gutgutia
Chairman and M.D.

Strengths

BRAND NAME

The Company has become one of the most reputed brands in Eastern India for cement. Leading government concerns and corporate houses continue to trust us on the grounds of our excellent product quality, low-cost and timely delivery schedules.

CLIENT RELATIONSHIP

The Company enjoys long term relationships with leading government concerns and corporate houses, who account for nearly 40% of our total sales. Most of our customers have been dealing with us for over a decade.

OPERATIONAL SCALE

The Company is one of the largest manufacturers of cement in Eastern India with an installed capacity of 1,000 TPD.

DEALER NETWORK

The Company has a strong network of about 1,000 active dealers (800 in West Bengal) who account for nearly 60% of the total sales. BCL enjoys long term relationships with these dealers and continuously look towards adding new ones.

PRODUCT QUALITY

The Company ensures product quality control at all stages of production. Moreover, the plant is equipped with state-of-the-art laboratory with experts who conduct quality control tests and are continuously engaged in research and development activity to further enhance product quality.

LOGISTICS ADVANTAGE

The Company's plant being located in Asansol (West Bengal) is in close proximity to various steel plants from whom slag (raw material) is sourced. The plant is well connected with national highway and rail enhancing inbound and outbound logistics. Moreover, most of the Company's products are marketed in West Bengal and also in Jharkhand and Bihar which are neighboring states. Thus, the Company's logistics cost are significantly reasonable.

RICH INTELLECTUAL CAPITAL

The Company has a professional team of highly qualified, skilled and experienced technical engineers and administrative staff. Its top management possesses rich experience in the field of cement manufacturing and managing business operations.