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Headline- INTERVIEW - Binani Cement sees margins improving on low input cost

MUMBAI (Reuters) - Binani Cement Ltd sees lower coal prices adding to its margins in the current fiscal and expects prices to remain firm on the back of increased thrust on infrastructure spending, a top official said.

"Firstly coal prices are down to \$70 a tonne from \$130 a tonne, freight, logistic and shipping prices are also down, Indian rupee which was last year almost touching 52 a dollar has now come down," Vinod Juneja, managing director told Reuters.

"These three factors should add about 4.5 percent to the bottomline," he said.

Coal, most of which is imported by the company, constitutes about 12 percent of the company's total production costs.

"Revenue last year was 2,000 crore (2 billion rupees) gross and this year we are targeting about 2,400-2,500 crore (2.4-2.5 billion rupees) of cash generation," Juneja said.

The company, which has a current installed capacity of 6.25 million tonnes, also hopes to add 2.5 million tonnes of capacity through its greenfield project in Gujarat.

Funding has been tied up but state government approvals are awaited for the project, which is expected to be completed by mid 2011.

The company expects prices to revive soon after the annual low demand months during the monsoon, Juneja added.

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Headline- INTERVIEW - Binani Cement sees margins improve

MUMBAI (Reuters) - Binani Cement Ltd expects margins to improve as prices firm up in the second half of the year and the northern-based producer gains from increased expenditure on government projects, its top official said.

The cement maker will also benefit from lower coal prices adding to its margins this fiscal, Vinod Juneja, managing director, told Reuters in an interview on Monday.

"Once the monsoon is there, there will definitely be pressure on the prices, but from Diwali onwards prices will firm up. Demand will be strong as government spending in infrastructure and the housing sector will get a boost," he said.

Input costs have fallen this fiscal compared with last year, especially of coal, most of which is imported by the company and constitutes about 12 percent of its total production costs.

"Firstly coal prices are down to \$70 a tonne from \$130 (peak prices) a tonne, freight, logistic and shipping prices are also down. Indian rupee which was last year almost touching 52 a dollar has now come down," he said.

"These three factors should add about 4.5 percent to the bottomline," he said.

Binani posted a consolidated net profit of 1.47 billion rupees on net sales of 19.61 billion rupees in FY09. Juneja sees revenue rise on the back of enhanced capacities in FY10.

"Revenue last year was 2,000 crore (2 billion rupees) gross and this year we are targeting about 2,400-2,500 crore (2.4-2.5 billion rupees) of cash generation," he said.

Last year, it sold 4.8-4.9 million tonnes of cement. In FY10 it expects to sell 5.6-5.7 million tonnes, he said.

It also plans to acquire local cement firms to increase its presence beyond the western and northern regions, he said.

By 2011, it will add another 2.5 million tonnes of capacity through its greenfield project in Gujarat at an investment of 8.3 billion rupees. Funding has been tied for this project.

Further, the cement maker has no plans to raise money from the capital market and is sufficiently funded, he said.

"We are doing both debt and equity to fund our projects. But we are not approaching the capital markets. We should get higher multiples for our shares and we are waiting for our capacities to come up and then we will see what best can be done," he said.

POWER COSTS

It is also focussing on backward integration to become self-sufficient in power requirements and cut down input costs.

It hopes to commission its second power plant in Rajasthan by June 2009 with 22.3 megawatts and has decided to set up a third with 25 megawatt closer to Binani's lignite mines in Nimbri.

Binani expects costs of power generation to reduce in the third plant by using lignite, a cheaper form of energy, which is about half the price of coal.

Its Nimbri mines are expected to produce lignite by March 2010.

"Today per unit of power is costing us 4 rupees 15 paise and with lignite variable it will reduce it up to 1 rupee 20 paise per unit," Juneja said.