

On overseas turf

In 1997, Binani Cement Ltd (BCL), the flagship of Binani Industries promoted by the Braj Binani group, had the capacity to make just 1.65 million tonnes per annum (mtpa) of cement at Sirohi, Rajasthan. Then in 2005, this was expanded to 2.25 mtpa. The influx of a new kiln, two additional 22.3 MW

the company already has in Amla and Thandiberi about 2-7 km from the plant, BCL has been allotted a lignite mine in Nimbri Chandawatan, north Rajasthan, and hopes to start production in 2010. This would further reduce the cost of generation of power from the captive power plant.

On the power front, BCL is 100 per cent self-sufficient with an average consumption of about 75 KWh per tonne (compared to an



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Juneja: discovering new markets

power plants and a grinding mill, along with a split grinding unit at Neem ka Thana, north Rajasthan, boosted the cement capacity to 6 mtpa with 69.6 MW of captive power generation.

In fact, today, the Rs1,960 crore BCL is one of the leading cement players in Rajasthan and Gujarat, rightly located to serve the North Indian market and accessible by rail through the company's railway siding to Maharashtra (Mumbai). "Till 2007, we were transporting cement to Maharashtra by road, which added to the freight cost. Setting up of the rail siding eliminated this, besides helping the company access new markets in Punjab, western UP and West Bengal in a cost-effective manner," observes Vinod Juneja, MD, BCL. An ex-banker, Juneja joined the company in 2007 and has since been part of the team focussing on expansion in the company.

"The large limestone reserves, sufficient for at least 25 years on expanded capacity, allow us to expand at a single location," adds Juneja. In addition to the two limestone mines that

industry average of 85-90 KWh per tonne) which is met from the captive plant where 25 MW power is generated by using coal blended with lignite, while the new power plant of 44.6 MW has flexibility in terms of fuel – gas, coal, furnace oil and lignite. This has enhanced BCL's operational performance. Profit margin at the operating level (EBITDA), which was 27 per cent in 2005-06 (before expansion), increased to 34 per cent in the following years and to 35 per cent in 2007-08. However, it dropped to 21 per cent last year (2008-09), thanks to the rising cost of coal.

Post-expansion, according to the Cement Manufacturers Associations (CMA) report, BCL commands a 14 per cent market share in Rajasthan, 10 per cent in Gujarat and 9 per cent in Haryana, and is within the top five players in the country. But BCL is still to become a pan-India player. However, it has recently entered the eastern markets and is competing with Shree Cement.

Interestingly, BCL had plans to invest Rs700 crore in a new 2.5 mtpa greenfield

In 2007, when we covered Binani Cement, it had a 2.25 mtpa facility. Now it has 6 mtpa and growing through overseas forays; it is already present in China and UAE. The target is to touch 15 mtpa by 2011

cement plant at Lodhva, Junagadh district, Gujarat. "The financial closure is complete, but this is not moving. We have signed the MoU with the state government and are awaiting clearances," explains Juneja.

Overseas projects

Meanwhile, BCL moved overseas. In the UAE, BCL already has a 10-year-old operating 1.2 mtpa cement and slag grinding facility located in the Jebel Ali industrial area with plans to increase capacity. In Indonesia, it has acquired port-based coal assets. Besides acquiring coal mines, Juneja has also entered into long-term contracts to source coal from South Africa to meet captive requirements.

The company also has a 49 per cent stake (with management control) in a Chinese company in Shandong Province. It has now increased its stake to 70 per cent. "It is a port-based plant with a 0.5 mtpa clinker capacity, 0.3 mtpa cement capacity and three lignite mines with 148 MT limestone reserves (enough for 50 years on expanded capacity). We are hiking the cement capacity to 3 mtpa by investing \$115 million. It is a new plant and currently operating at 100 per cent capacity," adds Juneja, who has already started exports of clinker from China to the Gulf, with plans to penetrate into the African markets from its proposed capacity expansion in Gujarat. The Chinese plant is expected to do seed marketing for BCL's cement plant. "Per capita cement consumption is highest in China - 780 kg as against 155 kg in India, which is much lower than the world average at 360 kg; Malaysia, 548 kg; and Thailand, 432 kg. The cement industry in China is expected to undergo consolidation in the near future," says Juneja.

Next on the cards is a 1 mtpa grinding unit in Mauritius. "We will be investing about \$30 million there to put up a clinker grinding and packaging facility at Port Louis, with adequate pollution-control technology."

With all expansion plans in place, Juneja hopes to double BCL's cement capacity from 6.5 mtpa to 15 mtpa in the next 2-3 years. "In the short term, there may be pricing pressures due to additional capacities being commissioned, but over the long term, the cement industry in India is expected to witness robust growth. In the long term, the government's strong focus on infrastructure development, new highway development and refurbishment of old highways, besides the housing sector, which consumes close to 50 per cent cement, would be drivers of growth," concludes Juneja.