Shri. Keshav Cement and Infra. Ltd. (KCIL)

Brief Profile of KATWA group.

Shri Keshav Cement & Infra. Ltd. (KCIL) (Formerly KATWA UDYOG LIMITED) is Public limited Company incorporated in the year 1993 to manufacture 43 grade and 53 grade Ordinary Portland Cement. The company raised capital via IPO during 1995 to raise capital of 512.42 lakhs which was over subscribed by 12 times. The stocks are actively traded in Mumbai Stock Exchange. The company has posted profits since inception.

Katwa Infotech Ltd. (KIL) is a medical transcription unit engaged in providing services to American Hospitals and Clinics. The company commenced commercial operations in 2000 by appointing 50 professionals and today is a 250+ organization. KIL is a privately held public limited company and has been posting profits and regularly paying dividends every year. Katwa Infotech Ltd. has paid up capital of Rs.50 lacs. In FY 06-07, the company achieved sales and PAT of Rs. 354.50 Lacs and Rs. 268.68 Lacs respectively. KIL holds 100% stock in ScribeCare, a US based marketing firm. ScribeCare brings in value to the services provided by getting significantly higher prices and better realization. Both these companies are making profits and paying dividends.

Katwa Finlease Limited incorporated in 1995, commenced its business of hire purchase finance for automobiles in 1996. The RBI granted registration to the Company under section 45IC of the reserve bank of India act, 1934 and classified it as a hire purchase Company under ‘A’ category. Currently RBI is not issuing any ‘A’ category classification to new entrants without substantial investment and stringent norms.

Katwa Construction Co. Ltd. is engaged in construction of luxurious flats targeting NRI’s. This company is proposed to be merged with the flagship KCIL soon.

Promoter Profile

The directors of the group are: Mr. H. D. Katwa, Mr. Venkatesh Katwa, Mr. Vilas Katwa and Mr. Deepak Katwa.

Shri H D Katwa, is an highly experienced entrepreneur and well-known industrialist in region with vast commercial and industrial knowledge. With more than four decades of rich expertise, he started his career as a trader in textiles. In 1978 he moved to Belgaum city and promoted a small scale industry in plastic materials. In 1984 he entered into cement arena by setting up a small mini plant of 30 Tones Per Day (TPD). Since then, there is not looking back and now he has spearheading 4 profit making organizations with cement capacity of 600 TPD. Currently, he is actively pursuing expansion of the cement plant to 3000 TPD - which is 100 times the capacity of the first unit set-up in 1984. A visionary and with perfect attitude, the chairman is heading the board who are currently finalizing setting up of Beneficiation plant, Spone Iron plant and Power Project of 15 MW.

Shri Venkatesh H Katwa, a graduate MBA from the University of Oklahoma, USA, is having wide experience in Cement industry, International business and Health Care service automations. After returning from USA in 1997, he took up his responsibility of Executive Director at KCIL. He later moved to promote Katwa Infotech Limited, a ITES serving medical and health care industry in USA. He established business development office in USA which is growing over 120% every year. Under his leadership, Katwa Infotech Limited has earned a respectable image and has been awarded as the highest and best exporter in north Karnataka since the award has been designated for last three consecutive years. The company with over 250 associates is growing rapidly and looking for over 100% growth this year too. Mr. Venkatesh is the Vice-Chairman at KCIL and working on executing projects of expansion and setting up of power project.

Shri Vilas Katwa, a graduate MBA from the University of Massachusetts, Boston stared his career in Information technology working as the chief systems engineer, in McCormack Institute of Public Affairs at U-Mass Boston. On returning to India, he joined at the Jt. Managing Director. As he gained experience in cement manufacturing he initiated many IT drives that gave good control over the production, quality and management parameters. During his time the company again gained its glory of giving dividends to its shareholders. Also being an engineer in Industrial and Production discipline, he has initiated many policies and systems that boosted production to its maximum capacity. He is now the managing director of the company and handles all the affairs He is currently working on operation to improve the product/services while reducing the cost by utilizing instrumentation techniques. One of the production facilities is completely electronically controlled making it the first production facility with such high level of automation in its category.

Shri Deepak Katwa, is a graduate MBA from the University of Okalhoma, United States, Having a very good commercial background he has made a very important contribution towards the finance and operations divisions of the company as well as the IT company that our group has established. It is during his time that the company continued to get three consecutive awards as the best exporter in North Karnataka for the IT division. His specialties are public relations, finance, operations and management. He is actively involved in settings up of the power plant to reduce the overall power cost for the cement plant.

The Company

Constitution: KCIL, is a public limited company with over 15 years in cement manufacturing and marketing. The company has posted profits since the inception and has been paying dividends regularly. The inception of the company began with acquisition of a sick cement plant of 20 TPD (Tons per day) in 1994. The capacity of the plant was gradually increased year after year to reach 600 TPD. The recent acquisition has added 300 TPD to the existing capacity. The company is undertaking an expansion project to increase the output to 3000 TPD which is One million TPA. On the financial side the company is confident to achieve 100% growth in FY-08 and 400% in FY-09 owing to the recent acquisition and recently concluded expansion plans.

With the ambitious expansion to One million TPA the sales turnover will be in the range of Rs. 350 to 400 crores.

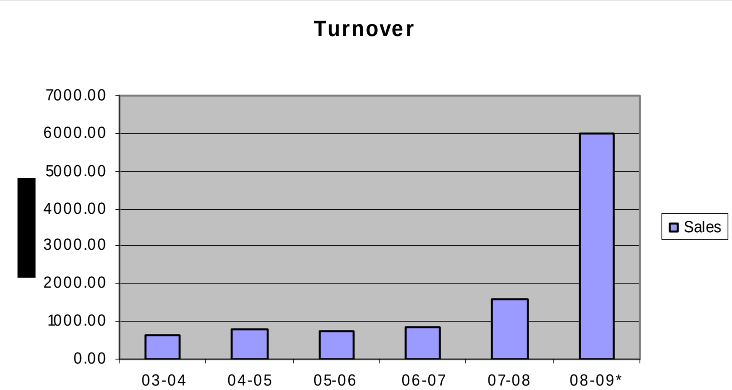

Fig 1: Sales for last 4 yrs and projected 2 yrs.

Brand : Presently the cement brands "JYOTI POWER" and "JYOTI GOLD" are very popular in the regional cement market. Company supplies in North Karnataka, North/South Canara, Goa and some parts of Maharashtra. A new brand with name "Keshav Cement" is launched on Jan 4th 2008. This brand will reach bigger markets like Bangalore, Pune and Mumbai. Currently due to aggressive marketing and using innovative techniques, the brand 'Keshav Cement' is being sold at premium prices and reached North Karnataka and South Maharastra. Due to capacity limitations the company is not able to supply to the bigger markets such as Pune, Mumbai and Bangalore. With the additional capacities added, the company is in a better position to supply to such bigger markets utilizing over 90% of the capacity.

Name: The company Stocks are traded as Katwa Udyog but board is currently in the process of changing the name to Shri. Keshav Cement & Infra. Ltd., so that the current activity of the company is correctly reflected in the name. The name change of the company has been accorded by Registrar of Companies and other departments.

Market: With Indian economy booming and no significant new capacities being added in the immediate future, the prospects of KCIL are on brighter side. In fact, in the areas of market where KCIL is operating, there are no major cement plants except one which is not operating currently. Due to proximity of target markets, the company has an edge over the pricing in this price-sensitive commodity with better realization. Since the current capacity is defined as mini-cement plant by the government, the company enjoys lower customs compared to other major competitors. This adds to better bottom line currently and in future.

With the expansion to one million TPA, the company plans to operate from split location to enjoy the lower customs and taxes offered by the Government. This will place us ahead in the competitive advantage.

Due to ongoing growth in the Indian economy the demand for the cement will be on the rise. As per the CMIE (Center for Monitoring Indian Economy) the prices will remain firm to upward growth in the next few years. Due to slow pace of capacity addition, the cumulative production growth is not expected to pick up significantly. Due to this CMIE has revised its annual production growth forecast for FY-08 downwards.

Plans: With robust economy, the company is contemplating aggressive growth strategy that will take the capacity to over 1 million tones in the next 12 to 14 months. KCIL acquired a cement plant at Lokapur, Karnataka for Rs.11.30 Crs. The current cost of the Greenfield project of this capacity is over Rs. 45 Crs. This cement plant is designed as per old capacity theory which leaves a huge scope to increase the capacity to 3000 TPD with investment of Rs. 206.84 Crs. To set-up a 1 Mil Ton capacity, the current capital cost is around Rs. 350 – 375 Crs. Apart from the significant saving in the capital cost, the cement will be sold in the nearby markets like Hubli-Dharwar belt, Coastal Karnataka, Goa and South Maharastra with low shipping cost compared to other major brands thus gaining better realization.

This additional capacity will help the company to reach bigger markets such as Pune, Mumbai and Bangalore. The company currently employs road transportation to deliver the product, is working on setting up a railway track from the operations to the nearest railway station. With this the cost of transportation is likely to go down and the brand will position foremost on the comparative advantage.

The current Kiln size of 3.0 x 45 meters is sufficient to produce 1800 TPD clinker after erection of pre-heater and pre-calciner equipment. With fly-ash technology, the cement production from both the plants will augment to around 3000 TPD to make it a 1 Million TPA plant. The company plans to utilize the latest instrumentation technology which will reduce the fuel/electricity consumption which is the biggest contributor to the product cost. This new instrumentation technology has been successfully utilized in one of our existing units which contributed to increase in the output significantly while decreasing the cost of fuel/electricity.

The company has already begun conducting requirement check and in a process of identifying suppliers for the plant/machinery procurement.

The company is also proposing to set-up hybrid (Coal and other) based 15 MW power unit to reduce the power consumption of cement unit cost by more than 40%. The excess power generated will be sold to many private organizations like TATA and Reliance to feed the rapidly growing Indian economy. With liberal financing powers to this priority sector, the company is negotiating with Banks to secure an optimum funding ratio. The company is negotiating with few major turn-key solution providers and currently in the final stages of selection. Due to very high demand and captive consumption, the power plant project is taken at par with capacity expansion of the cement plant. The current power requirement of our cement plant is 6.5 MW and estimated requirement will be around 15 MW after expansion.

Conclusion:

KCIL, with promoters of over 50 years combined experience and top-managers with over 200 years combined experience is confident to achieve the actual target of implementing and commissioning the envisaged 1 Million TPA Cement plant. The time-line is 14 months from the date of actual field work. The civil work drawings are ready, civil work is in the conceptual stage and requirement of plant and machinery identification has begun. A team of experts are involved in planning, erecting and commissioning of this 1 mill. TPA cement manufacturing plant.

Due to over 30 years of cement industry know-how by promoters, the project development is achieved at lowest capital cost. The current cement plant capital cost is around Rs. 3500 – Rs. 4000 per ton of cement. With this capital cost a million TPA plant will cost around Rs. 350 Crores against our Rs. 206.24 Crores. This is achieved simply due to promoters' significant experience and in-depth knowledge of the plant, machinery and actual running of the cement plant. The current available land is sufficient for the expansion and some of the new equipments that are being installed during regular maintenance is equipped for the expanded capacity.