

JSW Cement, Sun Inv to buy 32% stake in Shiva Cement for Rs14/sh

JSW Cement and Sun Investments have launched an open offer to buy 32 percent stake in Shiva Cement

▲ at Rs 14 a share, said the company's MD & chief promoter RP Gupta.

Speaking to CNBC-TV18, Gupta said that Shiva Cement will sell 19.5 crore shares to JSW Cement. The promoters, who held 36 percent stake in Shiva, will exit the company once the deal is done.

On the reason for sale, Gupta said: "We thought in the interest of the shareholders, employees and the company - on the standalone basis, we were not able to expand the plant."

ACC, which is the strategic investor in the company with 13 percent stake, could also exit in the future.

Shiva Cement is currently operating at a capacity of Rs 2 lakh tonnes and has recorded negative EBITDA/tonne.

Below is the verbatim transcript of RP Gupta's interview to Latha Venkatesh, Sonia Shenoy & Nigel D'Souza. Sonia:

Your press release is devoid of information, so could you tell us what is the total amount of this sale and how much of the promoter holding will be sold?

A: The total quantum of shares is 19.5 crore out of which the promoters are holding about 35.5 percent shares.

Latha: How many shares did you sell?

A: The promoters exit in total.

Latha: So that is how many shares and at what price?

A: The public offer announcement has already come and the public offer price is Rs 14 per share.

Sonia: The promoters are exiting their 37 percent stake in total - that's what you said?

A: Its approximately 36 percent.

Sonia: ACC ▲ also holds about 12 percent stake in the company, if I am not wrong. Will ACC also be looking to sell their stake?

A: ACC is not a promoter. It's a strategic investor in the category of non promoter. I cannot say exactly but they are likely to exit.

Latha: Do you have shares other than the shares of the promoter? Are you also otherwise a holder in the company?

A: The promoter group as a whole, not just me, the group is having about 36 percent.

Latha: Any reasons for the sale?

A: We had a plan to expand the plant to 2.6 million tonne based upon the commitment of other strategic investors, for which we acquired the land and we had obtained all the approvals, we had also entered a memorandum of understanding (MoU) with the government of Odisha, even the loans were sanctioned by the financial institutions but the project could not be completed due to multiple reasons. Therefore, we thought in the interest of the shareholders, employees and the company - on the standalone basis we were not able to expand the plant. We were trying to negotiate a joint venture arrangement but somehow our joint venture arrangement could not be fulfilled.

Therefore, we thought to exit so that the company can grow and all the stakeholders are benefited.

Nigel: As of today how much of a capacity is up and running because talking about 2.6 million - that is the expanded capacity. What is the per annum capacity that is up and running?

A: 200,000 is up and running.

Nigel: For that 200,000 - what is the current EBITDA per tonne that you are running at. Could you give us some kind of a number?

A: Till 2014 the EBITDA was around Rs 800-900 per tonne but 2014-15 was not a good year for us and in the current year we are entering losses.

Nigel: So currently this particular asset sale that you have done is at negative EBITDA per tonne and you are saying that the up and running capacity is 200,000, correct?

A: Yes. There was an interim expansion for 200,000 tonne but the commercial production could not commence because capex was completed in the current year, so due to certain liquidity problem we could not commence the commercial production but the capacity is there.

Nigel: You are talking about expanding capacity on your website as well. We have seen that you had incurred some capex to take it to 1 million tonne or 2 million tonne. How much of that has already been taken?

A: We entered MoU for 2.6 but the plan was for 2.3 million tonne. In phase one for 1.1 million tonne we had incurred the part of the capex.

Nigel: To get to 1.1 million tonne, the new owner JSW Cement, how much capex they will have to incur?

A: The plant and mineral asset has got huge potentiality because the limestone mine that we own, have about 120 million tonne reserves, so it can sustain more than 2 million tonne capacity of the clinker.

Nigel: Any number in terms of capex that they will have to incur because limestone yes, we are aware that it is available very close to this plant.

A: They will be doing in phases because this question can be better answered by JSW but from the preliminary discussion we understand that initially there will be a capacity of 1.2 million tonne and in the future they will like to exploit the complete reserves and will expand further and also probably, they can better confirm, that they will be taking the clinker from here for their Salboni unit in West Bengal.