

LAKE CEMENT LIMITED – NOTE

Banco Products (I) Ltd proposes to invest \$ 12.3 m in Lake Cement Ltd , a Tanzanian company, which is to set up a green field project for manufacture of cement at location Kimbiji , near Dar es Salaam, Tanzania.

Project cost is estimated at \$ 70 m . and equity is to be \$ 24 m. Apart from Banco, there will be investors of local leading business groups. The capacity planned is 500,000 MT annually. Project includes limestone mining, clinker and cement production. The land of 70 hectares of limestone deposits is already acquired and all major necessary government clearances have been obtained including environmental clearances and mining license.

Lake Cement Ltd has appointed Development Consultants Ltd , a leading Indian consultant in cement industry , for technical consultancy .Other major manufacturers in cement industry in Tanzania are Holcim, Heidelberg and Lafarge. Commercial production is to from beginning 2013. Market share for Lake Cement Ltd will be about 11 % at full production level.

Management will be by a team of Indian cement industry professionals.

At full production, sales value will be \$ 62.5 m and profits at approx. \$ 20m. IRR on equity over 15 years is estimated at 48 % . Return on equity on 4th year of operation is estimated at 76 %.

PROJECT & PROMOTERS

1. **Lake Cement Limited (LCL)** is a Company incorporated in Tanzania. LCL is setting up a Cement Project to manufacture & sell 500,000MT p.a. of Portland cement. The Project will include Limestone-mining, Clinker & Cement Production and Packing - all carried out at a single site located at the village Kimbiji, District Temeke in Dar es Salaam Region, and 45 kms. South of the Port and City of Dar es Salaam along the coast of Indian Ocean.
2. **Gross Investment in the Project is estimated at US\$ 70m.** At this stage, the funding has been planned as \$24m by equity and \$46m by commercial loans. The loans will be raised from local/international banks and multilateral financial institutions, for which the application work will start from June 2010.
3. BPIL would be major shareholder of LCL with around 51% equity and balance would be from local business groups of Tanzania.
4. **BPIL** is a leading manufacturer of automotive cooling systems and gaskets, with plants in India and manufacturing subsidiaries in Europe. It enjoys top-most quality certifications and supplies to most major Indian Auto Manufacturers. It also exports 33% of its output. BPIL's shares are listed on Bombay and National Stock Exchanges of India. BPIL EBDITA for the year ended on 31.03.2010 stand at USD23m and Net Worth at US\$ 49m(Standalone basis). Consolidated Net Worth (BPIL+NRF) stands at US\$69m. for more details please visit Web; www.bancoindia.com

TANZANIAN & NEIGHBOURING CEMENT MARKET

5. The Cement Market of Tanzania and its neighbors – except Kenya and Uganda – is estimated in 2009 at 2.68m MT. With a compound growth rate of 8% in Tanzania and 6.5% with its neighbors, this Demand for Cement will climb up to 4.45m MT by 2016. The neighboring markets of Rwanda, Burundi and West DRC are land-locked and have no cement production at all. These markets will have easier geographical and commercial access from Tanzania under the recently introduced East-African Community's Free Trade Regime.
6. Cement Supplies from three existing Tanzanian Producers in 2009 stand at 1.9m MT. The total plant capacity of these three, including their known and announced plans of expansion for the next 3-4 years, stand at 2.53m MT. This leaves a gap of 1.92m MT between Demand and Supply by 2016. Based on this gap, LCL plans to put up a capacity of 0.5m MT of Cement in Tanzania by 2013. Present players are owned by Heidelberg, Holcim & Lafarge.
7. The lowest ex-factory price of cement during 2008-2010 in Tanzania has been seen at \$135-148 / MT nett of VAT. LCL Project assumes a conservative Price Realization of \$125 / MT in its Feasibility Study and Financial Projections.
8. LCL plans to have physical distribution of Cement with road transportation network under its own control with operation of sales depots at eight different locations in Tanzania. This will be carried out either directly by LCL or through a Distributor under its own control.

MANUFACTURING , PROJECT SCH & MANAGEMENT

9. LCL has hired services of **Development Consultants International Limited (DCIL)** to carry out detailed Geological and Mining Assessment for Limestone available at LCL's mine site and also prepare Techno-economic Feasibility Report for the Cement Project. DCIL will also act as Prime Consultant to the Project for preparing detailed tender specifications for the Plant, the evaluation of tenders, approval of all the civil, electrical and mechanical drawings and instrumentation layouts submitted by the turn-key plant supplier . DCIL will also supervise and audit the entire erection and commissioning process incl. the start-up of the Plant and ensure production of correct quality and quantity of Cement. DCIL have acted as Project Consultants to over 120 cement projects worldwide, including all the three existing cement plants in Tanzania. They can be visited at www.dcpl.net.in
10. LCL has already acquired 70 Hectares of land, including 10 Hectares for the Plant. The entire Mining Land has been surveyed through extensive drilling to establish quality and quantity of Limestone – the main raw material for production of Cement. This survey concludes that 31 MT of excellent quality limestone is available at LCL-site, enough to last for 40 years for Cement Production at full capacity. By going below the av. depth of 35m- down to 45-50m level, additional 13m MT of good quality limestone would be available to last for 16 more years. Other raw materials like Clay and Sand are available either at site or within a radius of 2 kms. Gypsum would be available from existing mines 200kms away.
11. Coal will be imported from South Africa by Sea and used as fuel for the Kiln. The kiln will be designed for conversion later on to Natural Gas, if the same is available with surety. Power has been requested from TANESCO and work on a 33KV line has been started by them to supply power to the Plant. However, stand-by power , through own diesel or Gas Generators will be made available in stages for the entire plant, in tune with increase in the Cement Production over the first four years. The Cement Plant will be designed for optimal power consumption with good Japanese and European Technologies and supplied by Indian Cos. Of repute on turn-key basis.
12. All manufacturing and Mining Licenses, Approval for Investment Incentives, Title Deed for Land and the Environmental Clearance have been obtained.

13. Key senior managers and technical staff will initially be made up of expatriates from India, Middle East and South Africa , for all the critical areas of the Project incl. Finance and Marketing. Local staff will be gradually trained and inducted to replace the expatriates, wherever possible. This professional team will be guided by the Board of Directors that consists currently of three senior persons - each having 25-30 years of industrial experience in East Africa and Asia. The Board will be further expanded in the next 6-8 months.
14. The Project will be implemented over a span of 30 months starting from today. Clinker-Grinding and Cement-Packing Sections of the Plant will be completed in advance, within the first 16 months. This will enable LCL to seed the market with its brand of cement, made by grinding imported clinker, one year ahead of the full plant getting commissioned. This strategy will facilitate LCL to achieve a capacity utilization of 55% in the very first year of its full plant operation.
15. Total Project Cost would be US\$70M of which equity portion would be US\$24M and Debt US\$ 46M . Project schedule to start commercial production from 01.01.2013

FINANCIAL INDICATORS

16. IRR on equity over 15years = 48%. IRR at 10% lower sale price and 10% higher investment works out at 44%. Return on equity in 4th year of operation works out at 76%
17. Major Financial indicators :

Debt : Equity	1.90 : 1
IRR on own Fund	48%
Pay back period	3 years
DSCR	2.05
Project break even	at 28% capacity utilisation
18. Projected demand is assumed as below for next Five year in Tanzania and near by country where Tanzania can supply (Estimated)

Year	MT
2009	26.8 Lacs MT
2010	33.3 Lacs MT
2011	35.8 Lacs MT
2012	38.5 Lacs MT
2013	41.4 Lacs MT
2014	44.5 Lacs MT
2015	47.2 Lacs MT

19. Capacity utilization and market share have been planned as below

Capacity utilization and Market Share

	Capacity Utilisation	Market Share
First Year	51%	7%
Second Year	72%	9%
Third Year	88%	10%
Fourth Year	100%	11%

20. Cash Flow Generation (Cash profit generation have been assumed as below)

Cash Profit US \$ M	
First Year	9.7m
Second Year	18 m
Third Year	24m
Fourth Year	30m

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