



ABRIDGED PROSPECTUS FOR THE ISSUANCE OF DCCL BOND (SERIES II)

Dungsam Cement Corporation Limited (DCCL)

As required by the Companies Act of Kingdom of Bhutan 2000 and the regulations thereunder, the following particular comprises full, true and clear disclosure of all material facts relating to the securities offered by this prospectus.

1. General Information

Head Office and Incorporation: Dungsam Cement Corporation Limited has its head office in Chengkari, Nganglam, Pemagatshel, Bhutan and is incorporated under the Companies Act of Kingdom of Bhutan 2000 vide registration number U20090910PEM0234 dated September 10, 2009.

Short Note on Company: Dungsam Cement Corporation Limited is constructed with the state of art of Humboldt technology, new, integrated, Greenfield cement plant with a production capacity of 1.0 million tonnes of clinker and 1.36 million tonnes of cement per year, and has launched its product under the brand name of "Dragon Cement"

Name and Address of Auditors: M/s Singh & Co., Chartered Accountants, Kolkata.

Objective of the Issue: To meet annual long-term debt obligation for the FY-2014 and other general corporate expenses of DCCL.

2. Capital Structure:

Authorized Capital: Nu.8, 000.00 million, Paid up Capital: Nu. 5,073.950 million

3. Particulars of the offer

Particulars	No. of Scripts	Face Value	Issue Price	Total Value of Offer
Secured Corporate Bond (Series II)	350,000.00	1000/-	1000/-	350,000,000/-

Tenure	Coupon Rate	Coupon Payment	Minimum Subscription	Broker
10 Years	9% p.a	Semi-annually	1000 (one thousand) scripts for institutions and 10 (ten) for private individuals.	BNB Securities Limited

Tax: Coupon Amount will be exempted for the purpose of PIT

4. Eligibility: The following categories of investors may apply for the bonds: Commercial Bank, Financial Institutions, Insurance Companies, Provident, Gratuity, Superannuation and Pension Funds, Corporate entities and companies authorized to invest in bonds. Trusts, Individuals, Association of persons, Societies registered under the applicable laws in Bhutan that are duly authorized to invest in bonds.

5. Time line of the issue

Opening Date	Closing Date	Allotment Date
September 27, 2014	November 4, 2014	Within 30 days of closing date

6. Method of Application:

6.1 Brokerage Firm: BNB Securities Limited

6.2 Application form and where to deposit application form and money

Application form will be available at the following centers: BNB Securities Limited, Thimphu Bhutan and all the branches of BNB across the country.

7. Board of Directors comprises of: Dasho Sangay Khandu, Chairman, DHI-Chairman, Mr. Yonten Namgay, Director, DRC, MoF – Board Director, Mr. Pema Wangdhee, DHI – Board Director, Ms. Chimi P. Wangdi, Secretary General, Tarayana Foundation – Board Director, Mr. Dorji Norbu, CEO, DCCL – Board Director, Dasho Tshering Kezang, Dzongda, Pemagatshel – Board Director and Mr. Sangay Wangdi, CEO, BBPL – Board Director.

8. Management: DCCL has a very competent management team with vast work experience and the Chief Executive Officer would work under the supervision of its eminent Board of Directors.

9. Basis of Allotment: The allotment will be done based on 'Equal Allocation Method' as per RSEBL norms.

10. Guarantor: Equity shares of a subsidiary of Druk Holding and Investments Ltd, Motithang Thimphu

11. Risk Factor: Some of the important risk factor are as laid down below and Investors are expected to go through full prospectus for detail risk factors highlighted in the full prospectus:

(i) OUTSTANDING LOAN: The Company has significant concentration of debt obligations to banks in Bhutan and India. DCCL has also availed short-term loan from NPPF in June 2014. **Management Perception:** The Company is expected to produce quality cement to be marketed both in Bhutan and India. A strong sales prospect is expected to generate enough cash flow to meet repayment schedule on time without any default. **(ii) DISTRIBUTION NETWORK:** Many strong producers of cement including multinationals are competing in Indian market. **(iii) CEMENT MARKET IS HIGHLY COMPETITIVE:** Some of the competitors of the Company are larger than the Company and have vast financial resources that may enable them to deliver products on more attractive terms or to invest large amounts of capital into their business, including greater expenditure for better and more efficient production capabilities. These competitors may limit the opportunity of the Company to expand its market share and may compete with it on pricing of products. The business, financial condition and prospects of the Company could be adversely affected if it is unable to compete with its competitors and sell cement at competitive prices.

Management Perception: With strong growth prospects fueled by aggressive developmental activities in North-Eastern Indian States particularly in construction activities and infrastructure development, the demand for quality cement will be on rise. The company also foresees growing domestic demand for its products due to increased hydropower projects. Since the plant is located close to the principal raw material source i.e. limestone, it will provide enough cost advantage to be competitive in the market. **(iv) SITUATION IN THE NORTH INDIAN STATES:** Any conflicts or communal riots in North-Eastern Indian States could adversely affect general business sentiment and the Company's business. **Management Perception:** If communal disturbances or riots recur in North Eastern Indian States, or if regional hostilities increase, this would adversely affect the company's business as it intends to export 70 - 80 percent of the production to North-Eastern Indian States. **(v) SEASONALITY OF BUSINESS:** The sale of cement is adversely affected by difficult working conditions during monsoon that restrict construction activities. **Management Perception:** Revenues recorded between April and September is traditionally lower compared to revenues recorded during other months of the financial year. During periods of curtailed construction activity due to adverse weather conditions, the Company may continue to incur operating expenses, but its revenues from sale of its products may be delayed or reduced. **Other important risk factors highlighted in the full prospectus are: (vi) RISE IN INPUT COST MAY AFFECT PROFITABILITY (vii) MARKET AND TECHNOLOGY-RELATED RISKS (viii) OPERATIONAL RISK (ix) AVAILABILITY OF SUFFICIENT LIMESTONE (x) NON-AVAILABILITY OF POWER COULD DISRUPT THE OPERATIONS FOR THE PROPOSED PROJECT (xi) ABILITY TO ATTRACT AND RETAIN SKILLED PERSONNEL (xii) REGULATORY RISK (xiii) ENVIRONMENTAL RISK (xiv) MARKET/ECONOMY RISK**

12. Promoter: The promoter of Dungsam Cement Corporation Limited is Druk Holding and Investments Limited.

13. Financial Information:

Mil Nu.

Projected Balance Sheet	2013	2014	2015	2016	2017
Liabilities					
Paid up Capital	5,074	5,074	5,074	5,074	5,074
Retained Earnings		0	0	270	1,264
Loans	4,688	4,979	4,430	3,881	3,343
Working capital Loan		154	172	189	209
Other long-term liabilities	4				
Current Liabilities	1,403	840	789	812	829
Total	11,169	11,047	10,465	10,225	10,719
Assets					
Non-current assets (including fixed assets and Bond Redemption Deposit	10,498	9,654	8,827	8,001	7,240
Current Assets	671	828	1,343	2,225	3,479
P/L a/c (Dr Balance)	-	565	294	0	0
Total	11,169	11,047	10,465	10,225	10,719

Projected Profit and Loss Account	2014	2015	2016	2017
Sales				
Total revenue	3,091	5,346	5,926	6,649
Total expenditure	2,239	3,674	4,023	4,441
EBIDTA	852	1,672	1,904	2,208
Depreciation and Amortization	826	826	826	760
EBIT	25	845	1,077	1,448
Interest on term loan	561	551	486	425
Interest on WC loan	29	24	26	29
EBT	-565	270	565	994
Tax liability (after carry forward of losses)	0	0	0	0
PAT	-565	270	565	994

14. Declaration:

That all the relevant provisions of the Companies Act of the Kingdom of Bhutan, 2000, and the guidelines issued by the Securities Exchange have been complied with and no statement made in prospectus is contrary to the provisions of the Companies Act of the Kingdom of Bhutan, 2000.

Place: Thimphu

Date: September 27, 2014

Sd/-