

Ambuja Cement

Media Release

1) Standalone Results for Quarter ended 31st March, 2011

		Qtr. Jan-Mar 2011	Qtr. Jan-Mar 2010	Growth (%)
Sales Volume - Cement and clinker	Million tons	5.64	5.28	6.8%
Net Sales	Rs Crore	2,207	1,990	10.9%
EBITDA	Rs Crore	627	651	-3.7%
Profit Before Tax and Exceptional Items	Rs Crore	559	590	-5.2%
Net Profit	Rs Crore	407	462	-11.8%

Ambuja Cements Limited (ACL) today announced that production of cement for the quarter ended 31st March went up by 4.8% to 5.59 million tonnes compared to 5.33 million tonnes for the same quarter last year.

Overall sales volumes (cement and saleable clinker) increased by 6.8% year on year from 5.28 to 5.64 million tonnes. Domestic cement sales volumes increased by 5.5%. Cement exports were 89 thousand tonnes compared to 129 thousand tonnes last year, a decline of 31%. However, clinker sales were 134 thousand tonnes as against 18 thousand tonnes in the corresponding period. Net sales were 11% higher at Rs. 2207 crore.

Operating cost increased substantially during the quarter driven by increase in power and fuel cost on account of sharp rise in coal prices, higher grid tariff and increase in freight rates. With the capex initiatives taken in the previous year, there was an overall efficiency improvement in substituting own clinker with purchased clinker, improvement in thermal and electrical efficiency and gains in power generation and logistics efficiency. These operational efficiencies, to a large extent negated the steep increase in input cost. EBITDA fell by 4% year on year from Rs.651 crore to Rs.627 crore.

Depreciation charges were higher by 38% year on year on account of new project capitalized in March 2010. As a result, net profit for the quarter decreased by 12% to Rs 407 crore. Though the profits for the quarter have weakened on a year on year basis, there has been strong improvement over the previous quarter.

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2) Highlights of Quarter ended 31st March, 2011

Cement demand growth was subdued during the quarter, registering a 5% year on year growth versus 10% witnessed in the corresponding quarter. The southern region had a contraction in demand; demand in the north was moderate, while demand in west and east was strong. The export market continued to remain depressed.

Clinker production registered a good growth of 20% year on year backed by investments in new kiln lines. Accordingly, clinker purchases were negligible during the quarter in comparison to the corresponding period. This brought down the clinker purchase cost substantially. Although the cost of other raw material increased, the overall raw material cost decreased by 21% to Rs 145 crore.

Power and fuel cost increased 36% year on year, partly as a result of higher clinker and cement production, substantial increase in coal and pet coke prices and increased grid power purchase rate. These increases were partly mitigated by favorable efficiency gains in both thermal and electrical energy consumption.

Freight and forwarding expenses increased by 23% year on year, impacted by higher freight rates, growth in sales volume, and increased internal material transfers.

However, on a year on year basis, the net selling price increase of 4%, increase in clinker production and efficiency gains were not sufficient to mitigate the steep increase in the input cost. This resulted in a year on year dip in the EBITDA margin by 4%.

3) Outlook

With steep increases in energy cost driven by increase in coal cost, higher freight costs and higher expected inflation, profit margins are expected to be under pressure. However, thanks to the executed and ongoing capex investments, ACL continues to work on higher productivity and improved operational efficiency thereby partly mitigating this pressure. Revival of good demand and improvement in realization to absorb the additional cost burdens are critical as we move into subsequent quarters.



Onne van der Weijde
Managing Director

Mumbai, 26th April, 2011