Sagar Cements Limited

Investor / Analyst Presentation

Q3 & 9MFY2013

January 23, 2013

Key Developments

Company Developments

Decrease in fuel cost per tonne of clinker due to sourcing of domestic coal from Singareni coal

Debt Equity ratio continues to remain at low levels of 0.40:1

Increasing sales outside AP helping combat entry of new capacities

Vicat Sagar JV

Vicat-Sagar facility has since been commissioned and fully operational

Clinkerisation facility was commissioned by end December last year

Cement production for the plant commenced middle January, 2013

Industry Outlook

Industry Outlook

- Non availability of continuous power combined with lower selling prices place stress on profitability of AP based players
- Prices expected to increase; they however continue to be significantly lower YoY
- Majority of demand in the South is arising due to increase in construction activity mainly in the housing sector and general election also expected to provide impetus to demand
- Capacity additions in the South is expected to stay low at 55 - 60%
- Although energy related input costs are expected to increase over the next two years due to further hikes in diesel & coal prices, international coal prices are expected to soften

Highlights

Performance Highlights (Q3FY13)

- Q3FY2013 Net sales decreased by 10.73% to ₹ 13,585 lakh
- EBITDA decreased by 53.4% to ₹ 1,918 lakh
- EBITDA margins at 14%
- PAT at ₹ 407 lakh
- Plant operating at around 54% capacity

Performance Highlights (9MFY13)

- 9MFY2013 Net sales decreased by 5.93% to ₹ 42,204 lakh
- EBITDA decreased by 43.20% to ₹ 6,049 lakh. Margins at 14%
- PAT at ₹ 1302 lakhs

Executive Director's Comment

Commenting on the performance, Mr. Sreekanth Reddy, Executive Director of the Company said,

"The quarter under review has been a challenging one for companies like ours operating in the South due to capacity additions and a difficult demand scenario. Amidst this environment, Sagar continues to make developments.

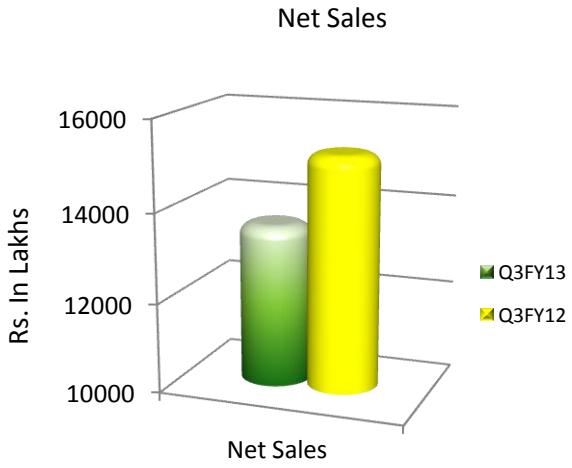
We are glad that our JV with Vicat has been commissioned and is now fully operational. Clinkerization began by the end of December and Cement production commenced middle January. This milestone will help Sagar scale greater heights in years to come.

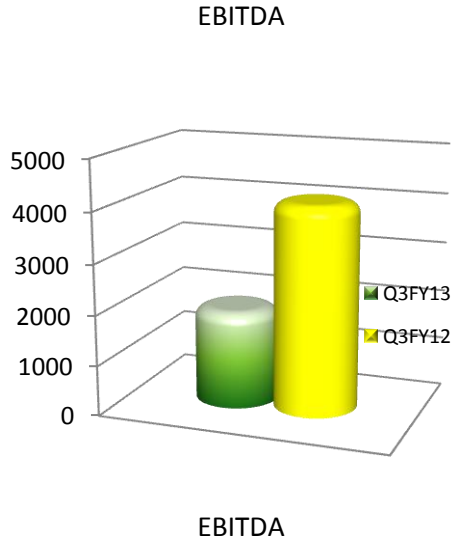
With the coal costs mix slowly shifting towards domestic coal we have been able to reduce the dependence on the high priced for South African coal, leading to lower fuel costs per tonne of clinker.

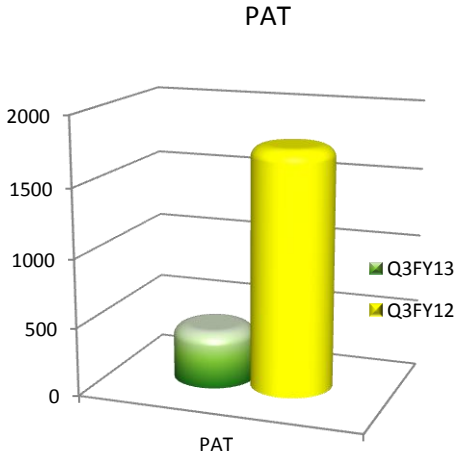
Our Balance Sheet continues to depict healthy numbers and our workforce has been a driving force contributing to the growth of our Company.

Although the operating environment for companies in the South will continue to be demanding through the end of the fiscal, we are well poised to capitalize on our strong foundation as soon as the Situation improves."

Q3FY2013 Performance Review

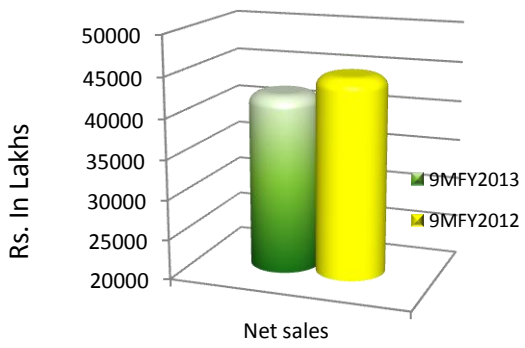


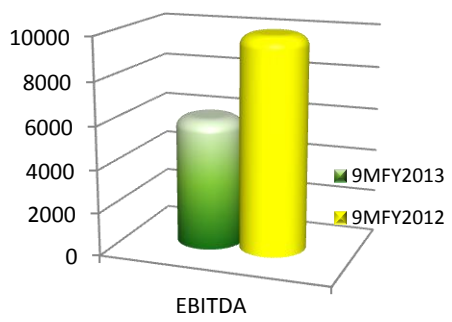


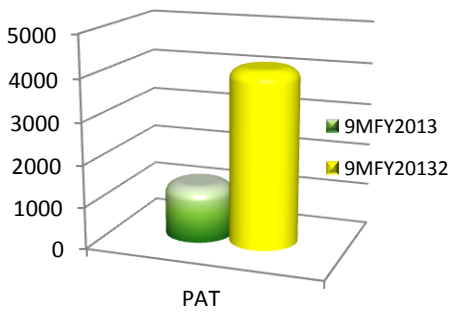


- Net Sales declined by 10.73% YoY to ₹ 13,585 lakh from ₹ 15,218 lakhs compared to Q3FY12
- EBITDA declined 53.40% to ₹ 1,918 lakh from ₹ 4,119 lakh. Operating margins for the quarter at 14%
- Net Profit stood at ₹ 407 lakh compared to ₹ 1,766 lakh on a corresponding quarter basis
- EPS (not annualized) at ₹ 2.34 for Q3FY2013

9MFY2013 Performance Review







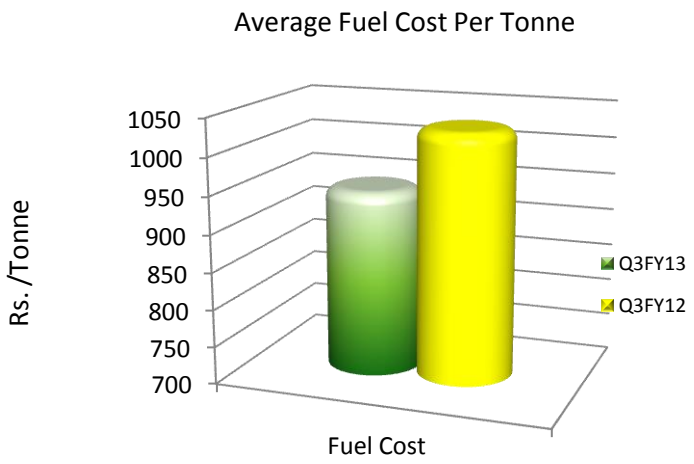
- Net Sales declined by 5.93% to ₹42,204 lakh in 9MFY13 from ₹ 44,861 lakh in 9MFY12
- EBITDA declined by 43.20 % to ₹ 6,049 lakh from ₹ 10,650 lakh. Operating margins for 9MFY2013 stood at 14%
- Net Profit stood at ₹ 1,302 lakh as compared to ₹ 4,174 lakh the previous year

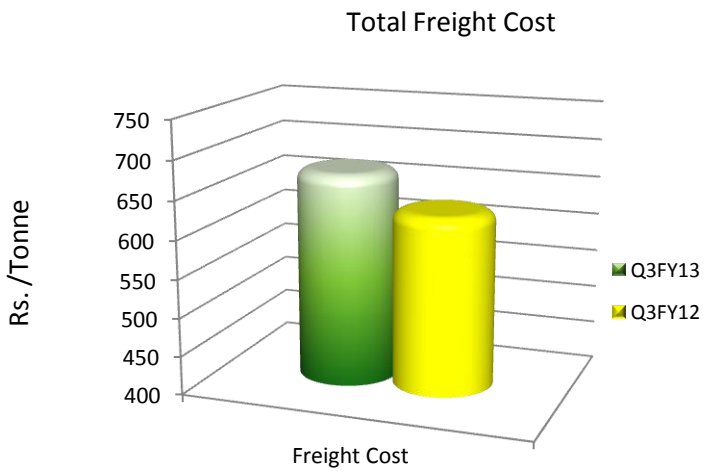
Operations Overview

Production (MT)	October	November	December	Total
Clinker	94,430	118,270	108,540	321,240
Cement	140,418	86,868	135,525	362,811

Description	Sales ('000'MT)		Value Rs. Lakhs. (net of excise & Vat)	Realization ₹. Mt
Q3FY2013	Cement	352	13,585	3,858
Q3FY2012	Cement	388	15,218	3,923
% Shift	Cement	(-) 9.28	(-) 10.78	(-) 1.66
9MFY2013	Cement	1,123	42,204	3,758
9MFY2012	Cement	1,204	44,861	3,726
% Shift	Cement	(-) 6.73	(-) 5.93	0.85

Cost Overview

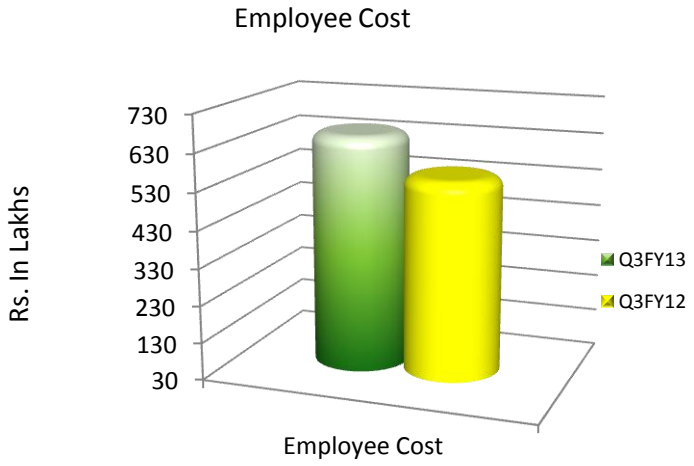


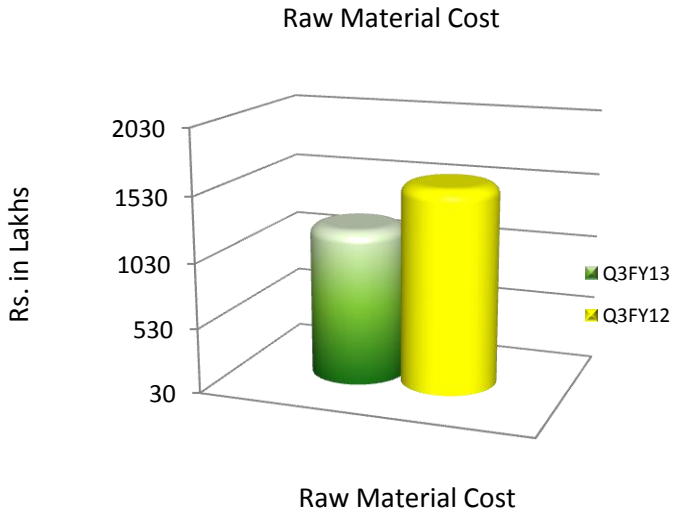


Cost Overview

- As more domestic coal was used during the quarter, average fuel cost per tonne of clinker production during the quarter was at ₹ 947 as compared to ₹ 1,032 per tonne in the corresponding quarter in previous year.
- On account of higher diesel prices prevailing during the year, total freight cost per tonne of cement for the quarter stood at ₹ 675 as compared to ₹ 630 in the previous corresponding quarter.

Cost Overview



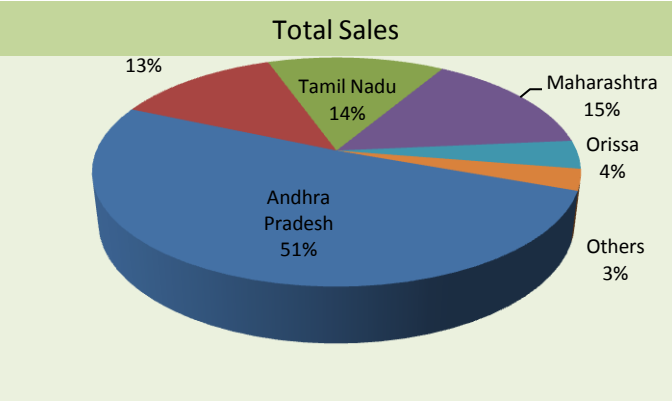


Cost Overview

- There is a decrease in raw material costs of 22.96%. This is mainly on account of lower volumes.
- Employee costs increased by 18.01% over the corresponding quarter last year, mainly on account of increments and other benefits.

Plant Highlights

- During the quarter, the plant operated at reasonable utilization levels, producing 321,240 tons of clinker and 362,811 tons of cement.
- Utilization levels for clinker for this quarter at 64%.
- Volume of cement production in Q3FY2013 was lower by about 4.43% as compared to the corresponding quarter in the previous year.
- The company continues to have its presence in the established markets of Orissa, Karnataka, Tamil Nadu and Maharashtra as well as in Andhra Pradesh. During the Quarter approximately 49% of cement dispatches was to various markets outside the home state.



Dispatches in Q3FY13 vs Q3FY12

	Q3 FY 2013		Q3 FY 2012	
Markets	Quantity (in Tonnes)	% of Total Sales	Quantity (in Tonnes)	% of Total Sales
Andhra Pradesh	178,172	50.60	202,235	52.12
Karnataka	45,320	12.87	56,703	14.61
Tamil Nadu	47,665	13.54	45,257	11.66
Maharashtra	54,139	15.37	48,176	12.41
Orissa	14,256	4.04	14,568	3.75
Others	12,594	3.58	21,112	5.45
Total	352,146	100.00	388,051	100.00

Dispatches in 9MFY13 vs 9MFY12

Markets	9MFY2013		9MFY2012	
	Quantity (in Tonnes)	% of Total Sales	Quantity (in Tonnes)	% of Total Sales
Andhra Pradesh	5,60,562	49.90	659,149	54.73
Karnataka	1,67,961	14.95	165,417	13.74
Tamil Nadu	1,58,911	14.15	136,470	11.33
Maharashtra	1,51,391	13.48	136,261	11.31
Orissa	41,596	3.70	46,263	3.84
Others	42,952	3.82	60,764	5.05
Total	1,123,373	100.00	1,204,324	100.00

Key Balance Sheet Items

- Gross debt as on 31st December, 2012 stood at ₹ 18,517 lakh out of which ₹ 11,047 lakh is long term debt with the remaining constituting working capital
- The Net Worth of the Company as on 31st December, 2012 was ₹ 27,272 lakh
- Cash & Bank Balances held by the company at the Balance Sheet date was ₹ 293 lakh
- Investments stood at ₹ 8603 lakhs
- Debt : Equity as on December 31, 2012 stood at 0.40 : 1.

Progress on Vicat-Sagar

- The plant has since been commissioned and is now fully operational
- Clinkerisation facility was commissioned by end December last year
- Plant commenced Cement production by middle January

VICAT SAGAR
CEMENT PRIVATE LIMITED

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