SAGAR CEMENTS LIMITED

Investor / Analyst Presentation

Q2 & H1 FY15

Industry Overview

Current demand environment stable; situation likely to improve post monsoon -- recovery in demand translating to gradual improvement in utilization levels

Improving sentiment of real estate sector likely to have a positive rub-off on the demand

Price hikes taken at the end of Q1 FY15 sustaining

Optimistic of increase in government projects in the current year

Industry Overview

Perspective on Cement Prices

West

- Cement prices increased by ₹ 18/bag in October 2014 vis-à-vis 256/ October 2013
- Prices in Mumbai & Pune stood at ₹ 275/-bag in the first week of October 2014
- Average prices in the region stood at ₹ 275/-bag in October 2014

South

- Average Prices in Seemandhra and Telangana increased by ₹ 20/bag & stood at ₹ 320/bag in October 2014 vis-a-vis ₹ 300/bag in October 2013
- Average prices in the Southern markets stood at ₹ 293 /bag in October 2014 in comparison to ₹ 282/bag in October 2013

SAGAR CEMENTS - PERSPECTIVES

Highlights

Performance Highlights (Q2 FY15)

- Q2 FY15 Net sales higher by 23.6% to ₹ 12,520.0 lakh
- EBITDA improved to ₹ 875.2 lakh
- PAT stood at ₹ 28,240.9 lakh
- Plant operated at around 50% capacity

Performance Highlights (H1 FY15)

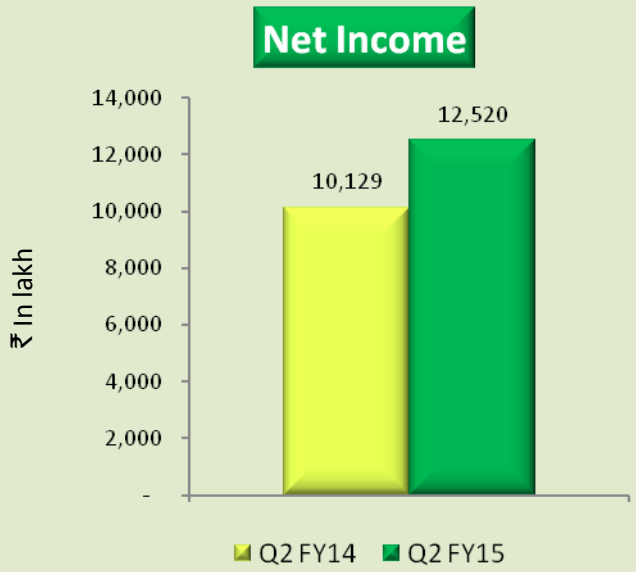
- H1 FY15 Net sales at ₹ 26,044.4 lakh; up by 16.1%
- EBITDA higher by 140.7% at ₹ 916.8 lakh
- PAT improved to ₹ 27,381.0 lakh
- Plant operated at around 55% capacity

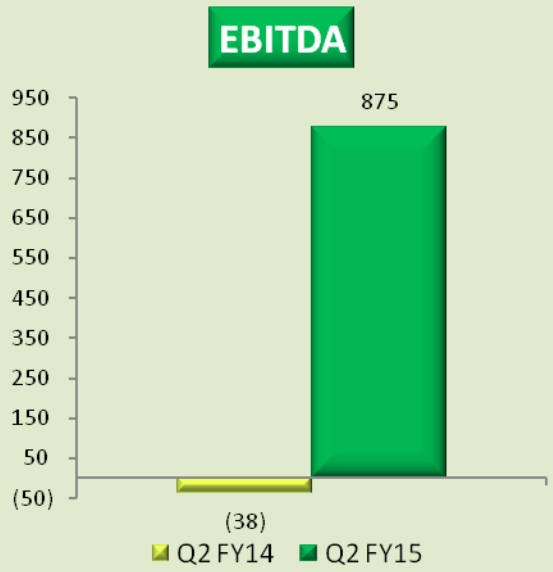
The Board of Directors have recommended an interim dividend of Rs. 5 per share i.e. 50% on face value of Rs. 10 per share

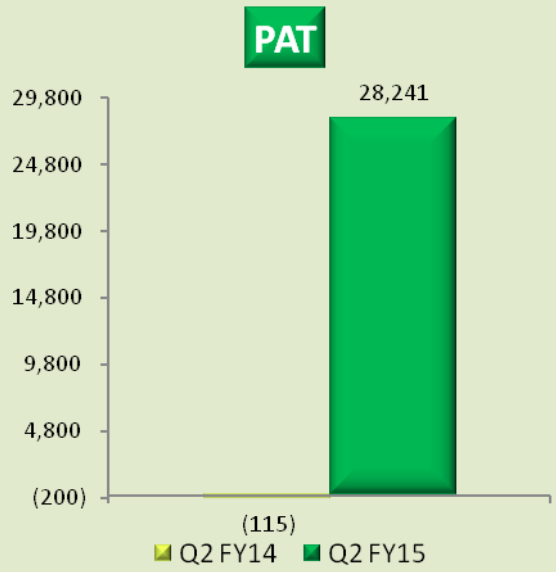
Acquisition of BMM Cements

- Board of Directors of Sagar Cements Limited accorded its final approval for the acquisition of 100% equity stake in BMM Cements Limited on September 24, 2014
  - BMM Cements owns a cement plant of 1 million tonne capacity p.a. and a captive thermal power plant of 25 MW capacity in Gudipadu near Tadipatri Anantapur District in the state of Andhra Pradesh
  - The total Enterprise Value of BMM Cements is valued at ₹ 540 crore
  - BMM Cements has limestone reserves of ~ 155 million tonnes
  - Successful completion of the transaction is subject to fulfillment of conditions precedent mentioned in the Share Purchase Agreement being entered into.
  - 1st April 2015 is the proposed closing date for the transaction
  - Current utilization rate of BMM Cements plant at 30% - plan to ramp up utilization levels at par with industry levels
- This transaction is the result of a strategic decision taken to leverage on the Company's strengths and explore opportunities to expand its presence in South Indian markets and create value for stakeholders

Q2 FY15 Performance Review

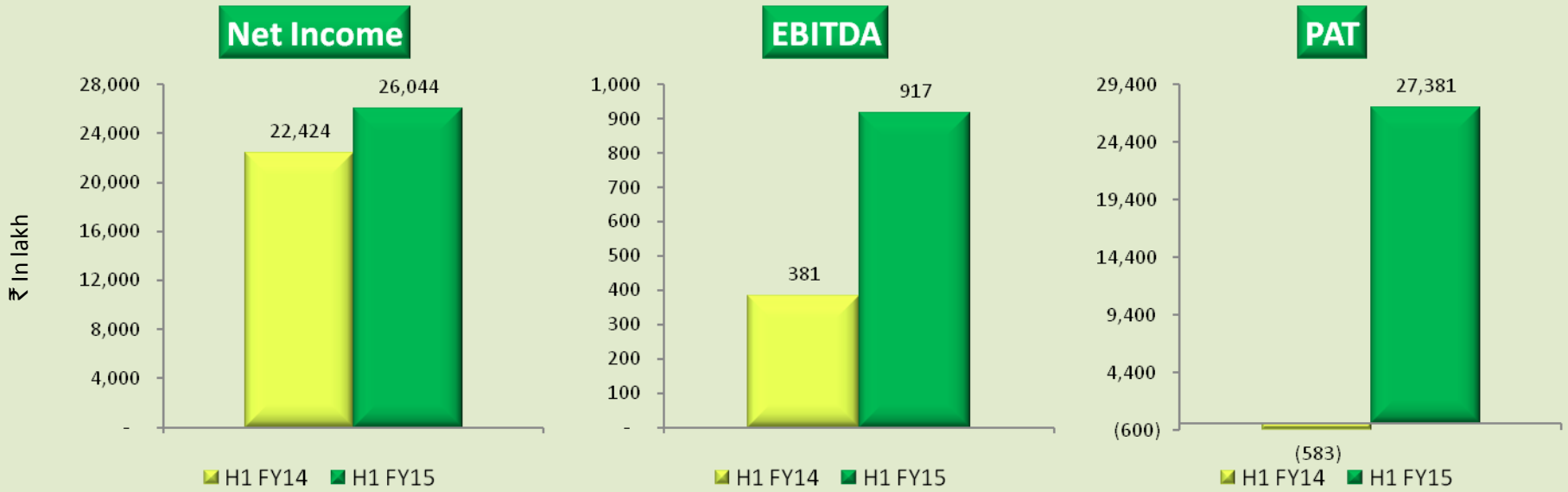






- Net Income from operations higher by 23.6% to ₹ 12,520 lakh from ₹ 10,129 lakh in Q2 FY14
- EBITDA stood at ₹ 875 lakh as compared to ₹ (38) lakh in Q2 FY14
  - EBITDA Margins improved from (0.37)% in Q2 FY14 to 7.0%
- PAT stood at ₹ 28,241 lakh compared to a loss of ₹ (115) lakh in the corresponding quarter last year
  - Other Income includes profit of ₹ 34,900 lakhs realized from sale of stake held in the JV, VSCPL
- Diluted EPS (not annualized) at ₹ 162.42 for Q2 FY15

H1 FY15 Performance Review



- Net Income from operations stood at ₹ 26,044 lakhs as against ₹ 22,424 lakh in H1 FY14; up by 16.1%
- EBITDA increased to ₹ 917 lakh as compared to ₹ 381 lakh in H1 FY14
  - EBITDA Margins stood at 3.5% vis-à-vis 1.70 in H1 FY14
- PAT stood at ₹ 27,381 lakh compared to a loss of ₹ (583) lakh during the corresponding period in the last year
  - Other Income includes profit of ₹ 34,900 lakhs realized from sale of stake held in the JV, VSCPL
- Diluted EPS (not annualized) at ₹ 157.47 for H1 FY15

Executive Director's Comment

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

"We are encouraged by the operational and financial performance during the quarter. Healthy growth in demand is consequent to lower base of last year as well as recovery in Capex cycle, leading to better demand off-take thereby translating to healthy topline growth. The hike in prices towards the end of Q1 are reflected in the earnings performance.

We are pleased to announce that in line with our strategy to leverage on the Company's strengths and explore opportunities to expand scale and presence in South Indian markets, we are in the process of acquiring 100% stake in BMM Cements' for an EV of ₹ 540 crore. We believe that the two companies are wholly complementary geographically with considerable potential for synergies.

A stable political environment is likely to give some fillip to the demand environment. However in a considerably over capacity scenario, we believe the improvement will be very gradual. We are also channelizing our efforts towards cost rationalization. An initiative towards that is the railway siding project which is excepted to be completed by end of FY15 and can be expected to contribute to improved efficiencies.

Overall, we intend to continue to drive growth and explore both inorganic and organic opportunities that will enhance the value for the share holders on a long term."

Realization & Utilization

Matampally Plant

Gross Realisations (₹/tonne)				
	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Overall Average	4,865	4,678	4,476	4,230
AP	5,097	4,762	4,685	4,343
OAP	4,619	4,602	4,261	4,099
	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Overall Average	4,429	4,655	4,623	4,195
AP	4,554	5,363	5,173	4,421
OAP	4,298	4,142	4,196	3,933
	Q1 FY15	Q2 FY15		
Overall Average	4,302	4,866		
TG	5,160	5,595		
OTG	4,225	4,703		

Utilisation (%)				
	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Cement	60	54	54	68
Clinker	59	65	60	67
	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Cement	53	42	49	67
Clinker	68	48	56	74
	Q1 FY15	Q2 FY15		
Cement	60	50		
Clinker	75	63		

Coal Prices

Q4 FY13

- Domestic : International coal mix was 55:45
- Singareni Coal: Reasonable quantity sourced

Q1 FY14

- Domestic : International coal mix was 60:40
- Singareni Coal: Reasonable quantity sourced

Q2 FY14

- Domestic : International coal mix was 70:30
- Singareni Coal: Reasonable quantity sourced

Q3 FY14

- Domestic : International coal mix was 78:22
- Singareni Coal: Reasonable quantity sourced

Q4 FY14

- Domestic : International coal mix was 75:25
- Singareni Coal: Reasonable quantity sourced

Q1 FY15

- Domestic : International coal mix was 38:62
- Domestic Coal: Limited quantity sourced due to price hikes considered by Singareni

Q2 FY15

- Domestic : International coal mix was 40:60
- Domestic Coal: Reasonable quantity sourced

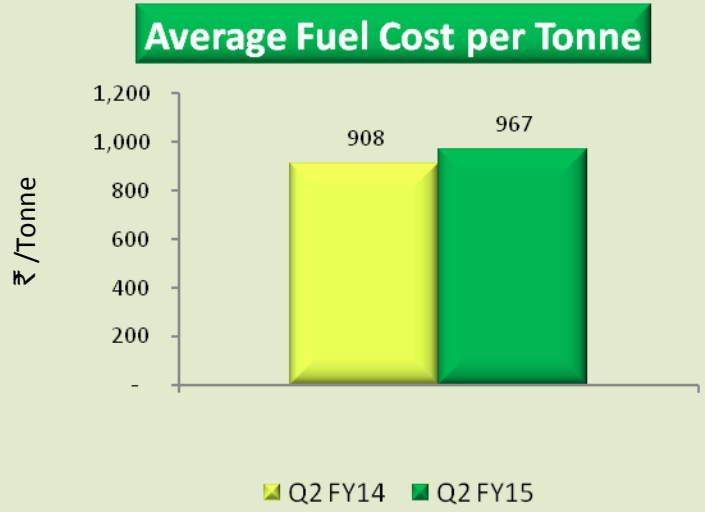
Coal Cost (₹/Tonne)				
	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Indian Average	3,849	3,908	4,613	4,558
Imported Coal Average	5,350	5,022	4,967	4,498
	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Indian Average	4,618	4,582	4,551	4,442
Imported Coal Average	4,273	4,850	7,065	6,924
	Q1 FY15	Q2 FY15		
Indian Average	4,862	4,087		
Imported Coal Average	5,315	5,405		

Operations Overview

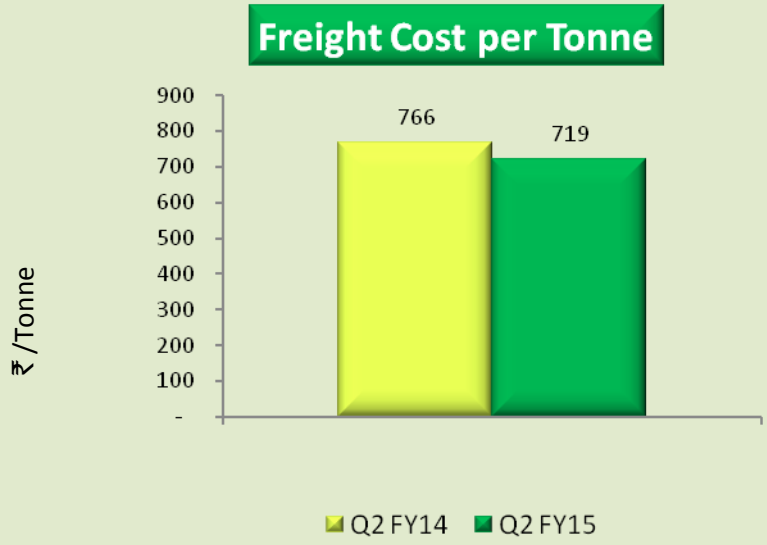
Production (MT)	July	August	September	Total
Clinker	125,040	100,020	85,800	**310,860**
Cement	113,406	107,236	114,693	**335,335**

Description	Cement Sales ('000'MT)	Value ₹ Lakh (net of excise & VAT)	Net Realization ₹/Mt
Q2 FY15	330	12,520	3,794
Q2 FY14	280	10,129	3,614
% Shift	*17.8*	*23.6*	*5.0*
H1 FY15	737	26,044	3,534
H1 FY14	640	22,424	3,504
% Shift	*15.1*	*16.1*	*1.0*

Cost Overview

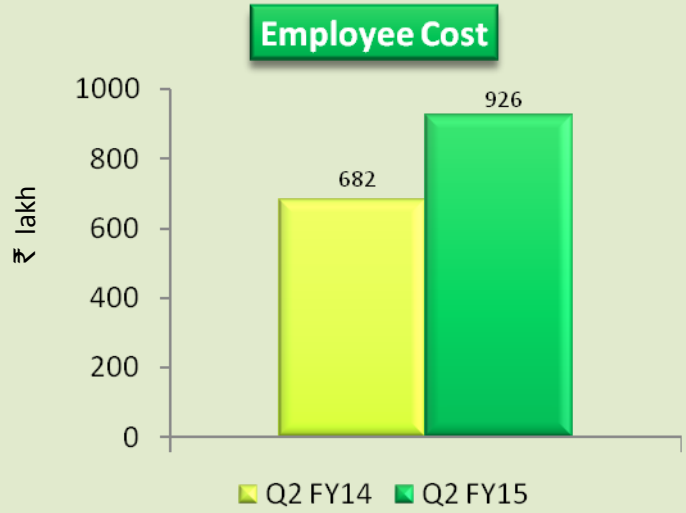


- Increase in Price of imported coal and change in coal mix

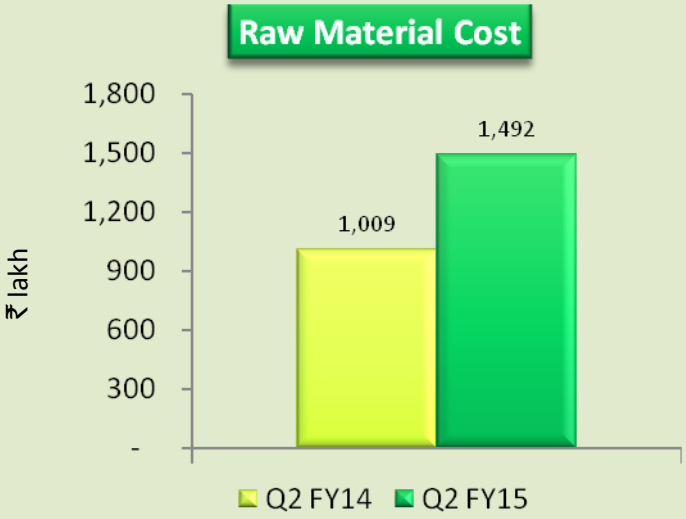


- Freight per ton decreased due to difference in lead distance

Cost Overview



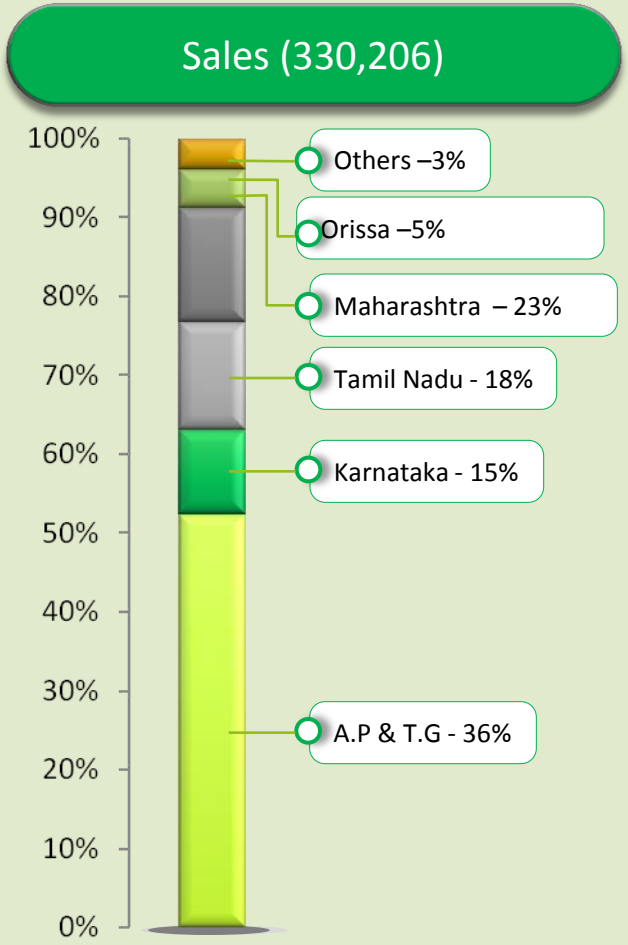
- Employee costs were higher due to salary increments



- Increased production resulted in higher raw material costs

Plant Highlights

- During Q2 FY15, the plant operated at reasonable utilization levels producing 310,860 tons of clinker and 335,335 tons of cement
- Utilization levels for clinker : 63%
- Approximately 64% of cement dispatches was to various markets outside Andhra Pradesh & Telangana



Sales in Q2 FY15 vs. Q2 FY14

	Q2 FY15		Q2 FY14	
Markets	Quantity (in Tonnes)	% of Total Sales	Quantity (in Tonnes)	% of Total Sales
Andhra Pradesh & Telangana	119,929	36.32	117,694	42.00
Karnataka	49,950	15.13	39,697	14.17
Tamil Nadu	57,820	17.51	48,215	17.20
Maharashtra	75,846	22.97	51,117	18.24
Orissa	17,951	5.44	15,730	5.61
Others	8,710	2.64	7,791	2.78
Total	**330,206**	**100.00**	**280,244**	**100.00**

Dispatches by Road & Rake

DISPATCH DETAILS					
TPT	**Q1 FY14**	**Q2 FY14**	**Q3 FY14**	**Q4 FY14**	**TOTAL**
BY ROAD	361,042	277,970	324,774	450,710	**1,419,829**
BY RAKE	-	2,688	2,645	-	**5,333**
TOTAL	**361,042**	**280,658**	**327,419**	**4,50,710**	**14,19,829**
TPT	**Q1 FY15**	**Q2 FY15**			
BY ROAD	4,05,886	3,31,912			
BY RAKE	-	-			
TOTAL	**4,05,886**	**3,31,912**			

Status of Railway Line

- Total Investment for new railway line – ₹ 123 crore
- Completion of the new railway line will lead to better efficiency and savings in costs
- Dispatches by rail expected to go up by 20%
- Project Completion - FY15

Key Balance Sheet Items

- Gross debt as on 30th September 2014 stood at ₹ 22196 lakh out of which ₹ 15662 lakh is long term debt with the remaining constituting working capital
- The Net Worth of the Company as on 30th September 2014 was ₹ 51377 lakh
- Cash & Bank Balances held by the Company at the Balance Sheet date was ₹ 32651 lakh
- Investments stood at ₹ 2503 lakhs
- Debt : Equity Ratio as on September 30, 2014 stood at 0.30: 1

Sales Outside AP

Historical trend cement sales OAP

			Q2 FY15	Q1 FY15
OAP Sales			64%	47%
	Q4 FY14	Q3 FY14	Q2 FY14	Q1 FY14
OAP Sales	46%	57%	58%	49%
	Q4 FY13	Q3 FY13	Q2 FY13	Q1 FY13
OAP Sales	46%	49%	52%	48%
	Q4 FY12	Q3 FY12	Q2 FY12	Q1 FY12
OAP Sales	49%	48%	48%	40%

Sales in regions other than AP & Telangana have remained stable over the last 2 years

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