SANGHI INDUSTRIES LIMITED

Corporate Presentation

January 2018

SANGHI CEMENT

Turning Dreams into **Concrete Reality**



Celebrating the spirit of **Make In India**

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AGENDA



- SANGHI - AT A GLANCE
- KEY STRENGTHS
- KEY MILESTONES
- EXPANSION
- FINANCIAL SUMMARY
- INDUSTRY OVERVIEW
- ANNEXURES

SANGHI - AT A GLANCE [1/2]

DIFFERENTIATED ADVANTAGE OF STRATEGIC LOCATION AND LAYOUT



Conveyor belt

~3 Km



Limestone Mines – 1543 Hectares



Clinker Plant
(3.3 MMTPA)

12 Km

N



Captive Thermal Power Plant *(63 MW, multi-fuel)*

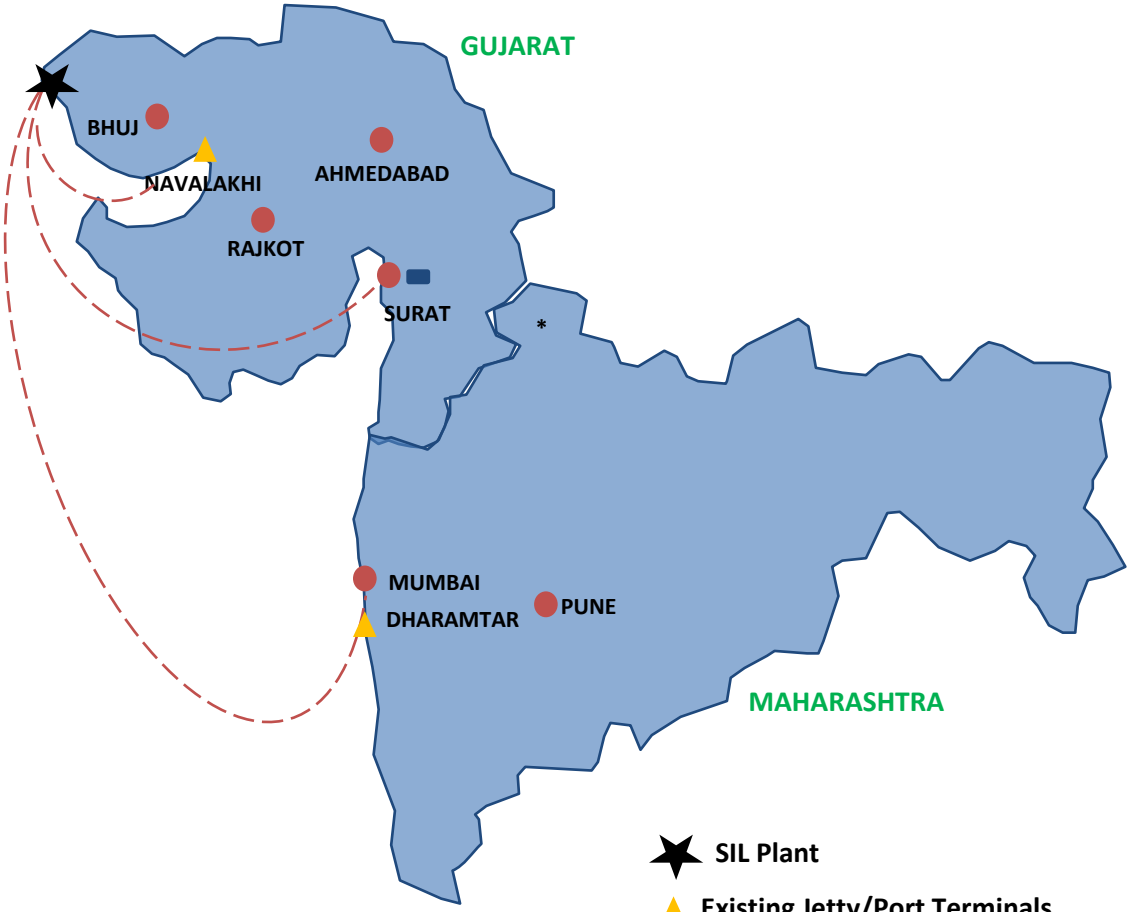


Cement Mills
(4.1 MMTPA)

~1 Km



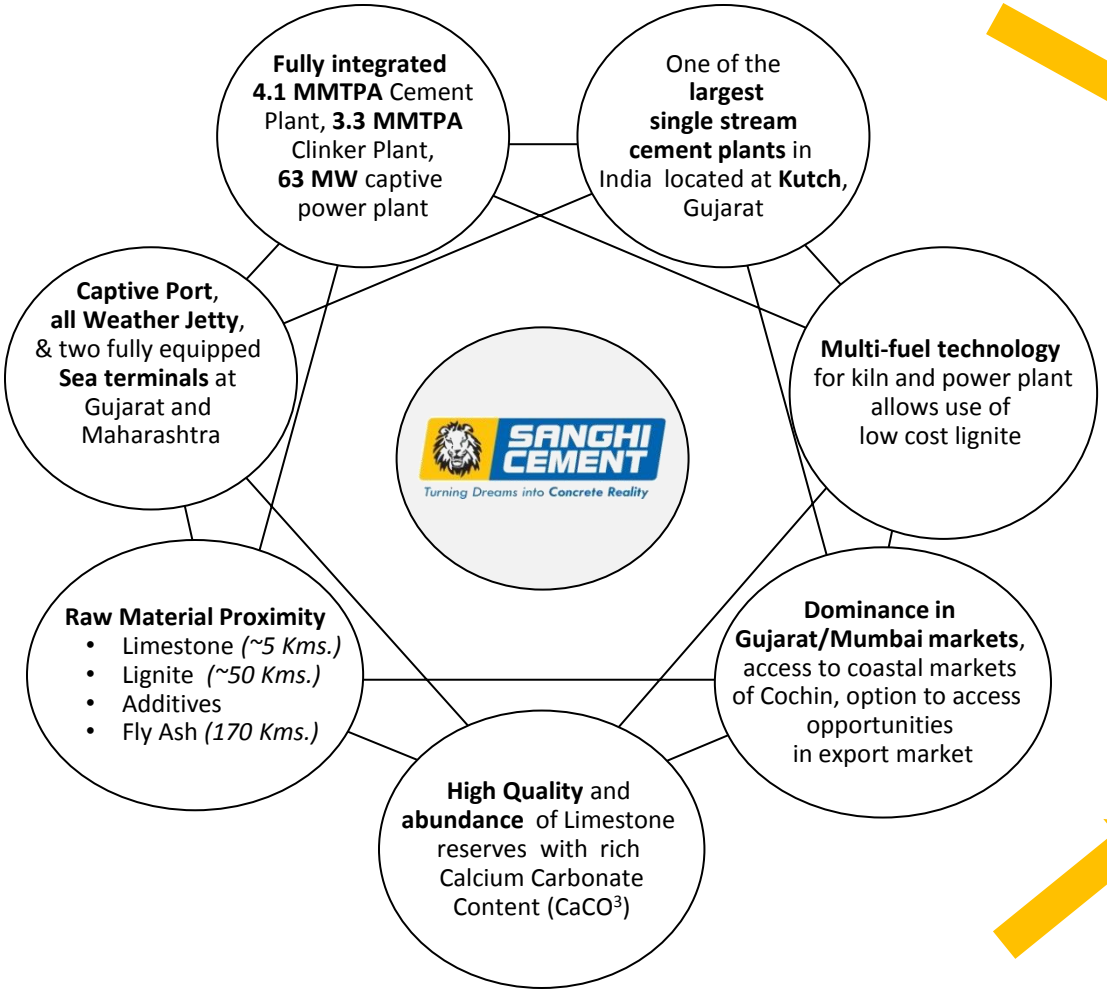
Captive Jetty/Port



*Note: Map not drawn to scale; *Proposed*

SANGHI - AT A GLANCE [2/2]

OVERVIEW



RESULTS IN

- **AMONGST THE LOWEST COST PRODUCERS** *DUE TO PROXIMITY TO HIGH QUALITY LIMESTONE & MULTI-FUEL TECHNOLOGY FOR KILN AND POWER PLANT*
- **MODULARLY SCALABLE** *AT THE CURRENT LOCATION DUE TO ABUNDANCE OF HIGH-QUALITY LIMESTONE & SURPLUS LAND*
- *ACCESS TO* **DIVERSIFIED MARKETS** *DUE TO COASTAL LOCATION*
- **LOW BROWNFIELD CAPEX** *FOR THE PROPOSED 4.0 MMTPA EXPANSION PROJECT*

SANGHI | OUR STRENGTHS

KEY INVESTMENT THEMES

SANGHI CEMENT
Turning Dreams into Concrete Reality

ACCESS TO HIGH QUALITY & ABUNDANT LIMESTONE RESOURCES

- SURFACE MINING : LOWER COST OF EXTRACTION & LOWER ENVIRONMENTAL IMPACT
- HIGH CALCIUM CONTENT IN LIME STONE RESERVES WITH ~47-48% OF $CaCO^3$
- MINING LEASE WITH VALIDITY UPTO 2046 SUFFICIENT FOR FUTURE EXPANSIONS
- ACCESS TO APPROX.1 BN. TON SOFT MARINE LIMESTONE WITHIN 5 KM RADIUS

MULTI- FUEL TECHNOLOGY TO CONTROL POWER & FUEL COST

- DE-RISKING STRATEGY - FLEXIBILITY IN USING DIFFERENT FUEL SOURCES BASED ON COST DIFFERENTIAL
- COST ADVANTAGE - AVAILABILITY OF LOW COST FUEL- LIGNITE
- COST-EFFECTIVENESS DUE TO 100% CAPTIVE THERMAL PLANT

PROXIMITY OF RAW MATERIAL & FUEL SOURCES ALLOWS US TO REMAIN ONE OF THE LOWEST COST PRODUCERS

- ACCESS TO LIGNITE FROM GMDC MINES (50 KM RADIUS)
- ACCESS TO ADDITIVES (CLAY, SILICA, LATERITE) THROUGH MINING LEASES
- LARGE POWER PLANTS AT MUNDRA PROVIDE ACCESS TO STABLE SUPPLY OF FLY-ASH

COASTAL LOCATION & BULK SHIPPING CAPABILITIES PROVIDE ACCESS TO HIGH PRICED MARKETS

- ACCESS TO LARGE COASTAL MARKETS IN INDIA THROUGH COST EFFECTIVE SEA TRANSPORT
- ABILITY TO IMPORT FUELS & RAW MATERIALS DUE TO CAPTIVE ALL WEATHER PORT
- TWO FULLY EQUIPPED SEA TERMINALS AT NAVLAKHI, GUJARAT & DHARAMTAR, NEAR MUMBAI
- OPPORTUNISTIC ACCESS TO THE EXPORT MARKETS

LOW OPERATIONAL COSTS & OPERATING EFFICIENCIES

- EBITDA PER TONNE OF RS. 987 AND RS. 686 FOR THE 6 MONTH ENDED SEPT. 30, 2017 AND FY17 RESPECTIVELY
- OPERATING MARGIN OF 23.36% AND 20.05% FOR THE 6 MONTH ENDED SEPT. 30, 2017 AND FY17 RESPECTIVELY
- 13MW OF WASTE HEAT RECOVERY PLANT UNDER CONSTRUCTION TO HELP REDUCE THE POWER COST

KEY MILESTONES

JOURNEY AND KEY MILESTONES

FY2002/03

2.48 MMTPA Clinker Unit commissioned

I2.89 MMTPA Cement Plant set-up

FY2007

Additional Clinker Capacity

Clinker production capacity enhanced from 7,500 TPD to 10,000 TPD

FY2011

Commissioning of 63 MW Captive Thermal Power Plant, Navalakhi Terminal, Ship Loading System

- *Switched from high cost DG sets to Multi fuel Thermal power*
- *Commenced implementation of coastal distribution channel*
- *Upgradation of Port to enhance the dispatch through shipping*

FY2013

Dharamtar Terminal

Built for access to Mumbai markets

FY2016

Addition of 1.2 MMTPA Grinding unit

Added PPC as a major product variation, by adding Grinding capacity

FY2017

Conveyor Belt from mines to clinker Plant, further investment in captive port, Alternate Fuel system, PPC silo

Cost efficiency, better inventory management and readiness for higher coastal outflow

FY2018

I. Two 4400 DWT bulk cement ships

II.13 MW WHRS Power – Generation at Low Cost*

- *Final step in coastal channel, giving complete captive control*
- *Power substitution of about 20% from thermal to low cost WHRS generation, where no fuel is consumed*

Way Forward

Expansion from 4.1 MMTPA to 8.1 MMTPA Cement Plant

WHRS *– Waste Heat Recovery System*
OPC *- Ordinary Portland Cement ,* ***PPC*** *- Pozolana Portland Cement*

**Expected in Q4FY18*

EXPANSION PLANS

LEAP FROM MID SIZED TO LARGE SIZED PLAYER

- **Capacity increase:** From 4.1 MMTPA to 8.1 MMTPA

ASSETS	EXISTING CAPACITY	EXPANSION (ADDITIONAL)	TOTAL CAPACITY AFTER EXPANSION
CLINKER	3.3 MMTPA at Kutch	3.3 MMTPA at Kutch	6.6 MMTPA
GRINDING UNIT	3 Grinding Units at Kutch aggregating to 4.1 MMPTA	4.0 MMPTA *(2 MMTPA at Kutch & 2 MMTPA at Surat)*	8.1 MMTPA
POWER	63 MW Thermal Plant + 13 MW WHRP	68 MW Thermal Plant	144 MW

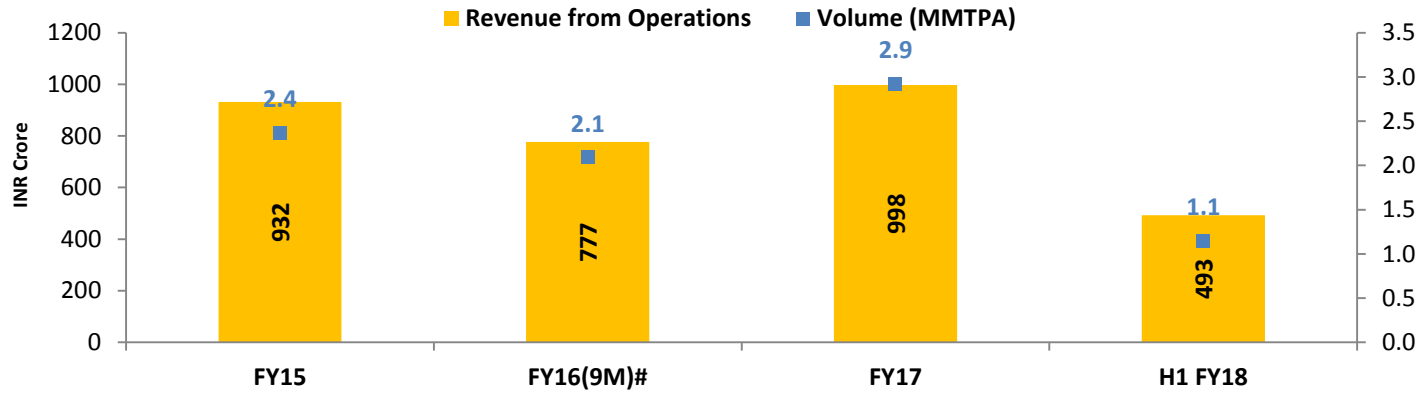
- **Estimated Cost of the Project:** INR 12,500 Mn. (INR 3,125 per ton/$49 per ton*)
- **Debt- Equity mix:** 1.78:1
- **Debt Status:** Final Sanction received for INR 8,000 Mn
  - *Door-to-door - 11 Years with a construction period of 2 years and Moratorium Period of 1 year*
  - *Interest cost in the range of 10.75% to 11% p.a.*
- Equity to be funded through fresh issue and internal accruals
- **Key Agreements in place:**
  - F L Smidth, India and Denmark - *10,000 TPD Pyro Processing Equipment*
  - Loesche India and Germany - *Raw Mills and Coal Mill; Grinding Mills under negotiation*
  - Hangzhou Steam Turbine Co. - *68 MW Thermal Power Plant*

**Rs./$ = 64*

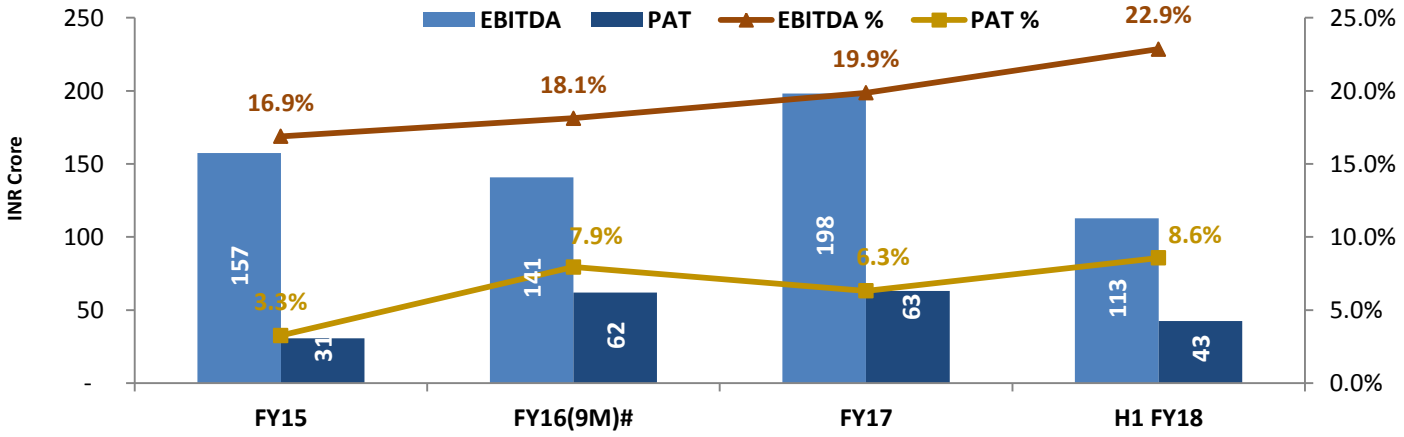
FINANCIAL PERFORMANCE [1/3]

CONSISTENT IMPROVEMENT IN MARGIN PROFILE

Net Revenue from Operations* and Volumes



EBITDA^ & PAT^



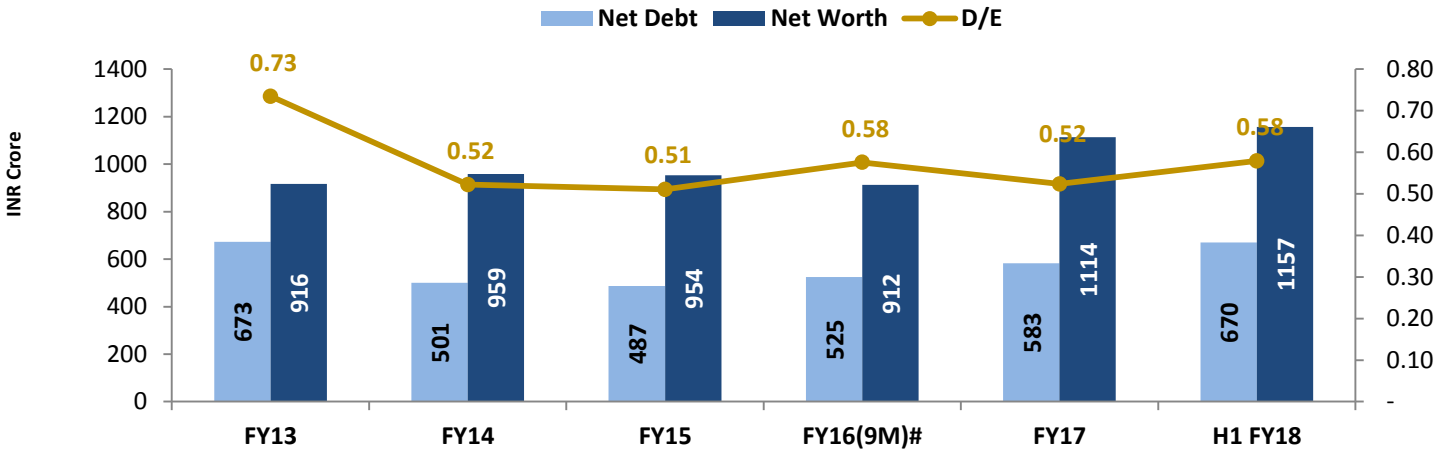
**Net Revenue from Operations have been calculated net of Excise and VAT/GST*
^EBITDA is calculated excluding other income ; PAT considered before Exceptional Items
#FY16 is not comparable as the same is for 9 months due to change in the reporting period; MMTPA: Million Metric Tonne per annum

Note: 1. Financials not comparable between FY-2016 (INDGAAP) & 2017 (INDAS)
2. Demonetization impact around December 2016

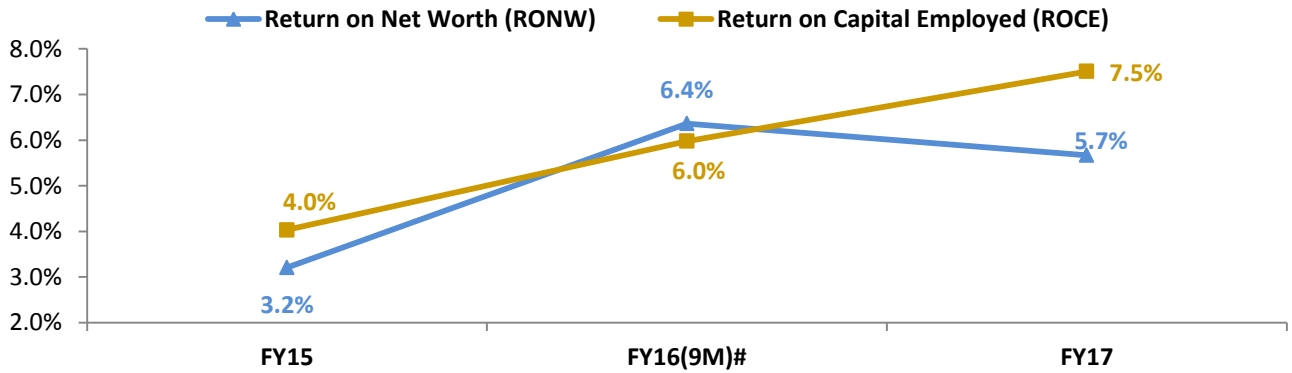
FINANCIAL PERFORMANCE [2/3]

CONTINUOUSLY IMPROVING LEVERAGE POSITION AND RETURN PROFILE

Leverage Position^



Return on Net Worth# and Return on Capital Employed#

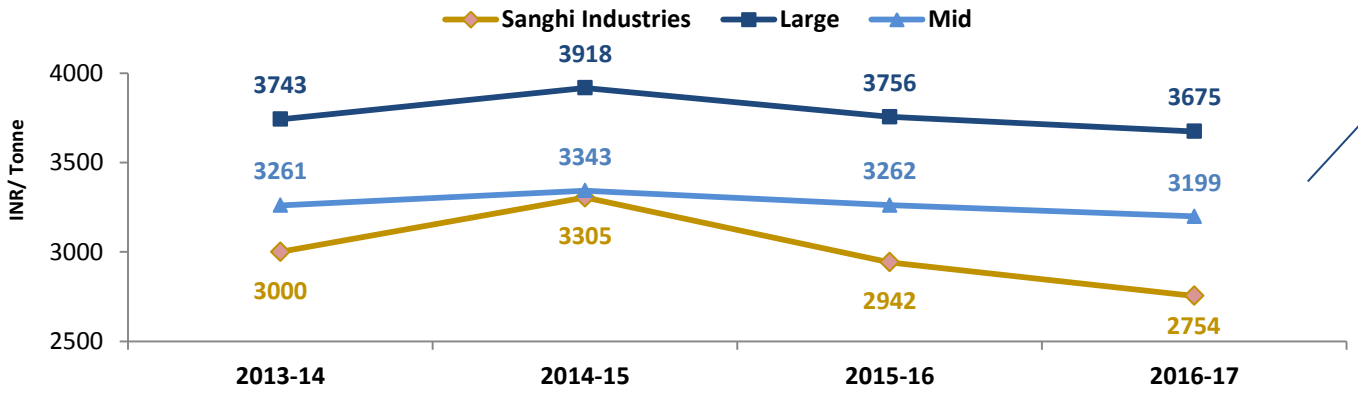


^Debt is net of cash & bank balance
#RONW and ROCE is calculated before exceptional items

FINANCIAL PERFORMANCE [3/3]

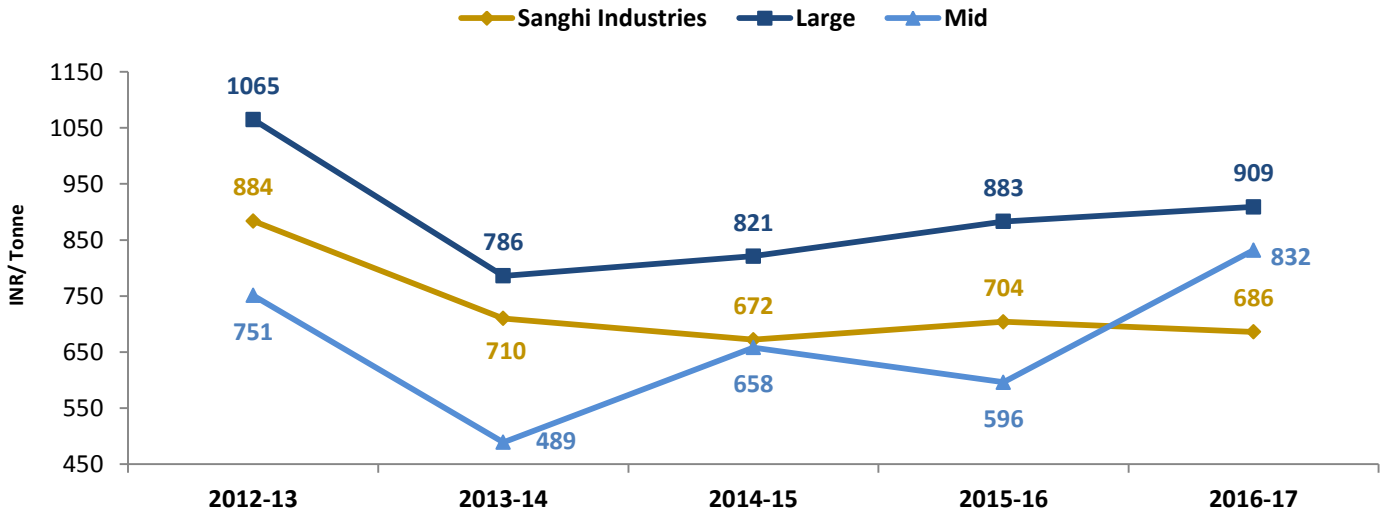
COST LEADERSHIP AND CONTINUTED FOCUS ON FURTHER COST OPRIMSATION MEASURES

Trend in Cost of Sales



Company has been among the lowest cost producers compared to large and mid sized players.

Trend in EBIDTA Per Ton



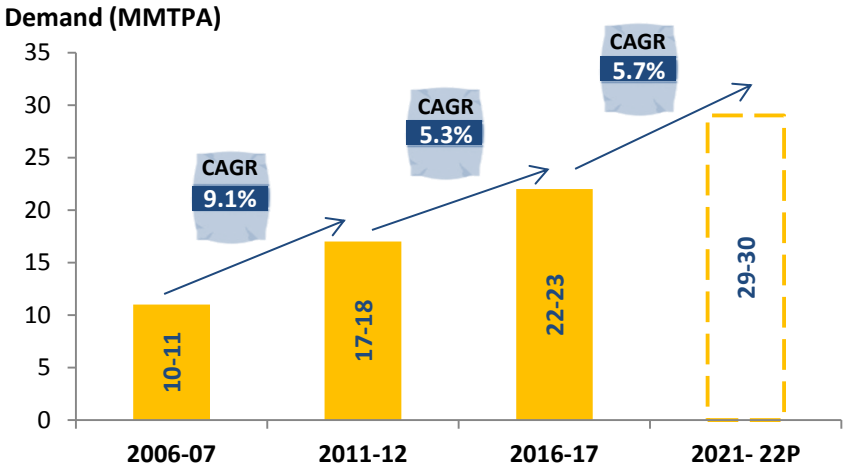
Note: *For Sanghi, H1FY18 cost of sales is Rs. 3,331 and EBITDA/Tonne is Rs. 987*

Source: *CRISIL Research:* ***Large players*** *(Capacity > 8 MMTPA) ;* ***Mid-sized players*** *(Capacity : 2-8 MMTPA)*

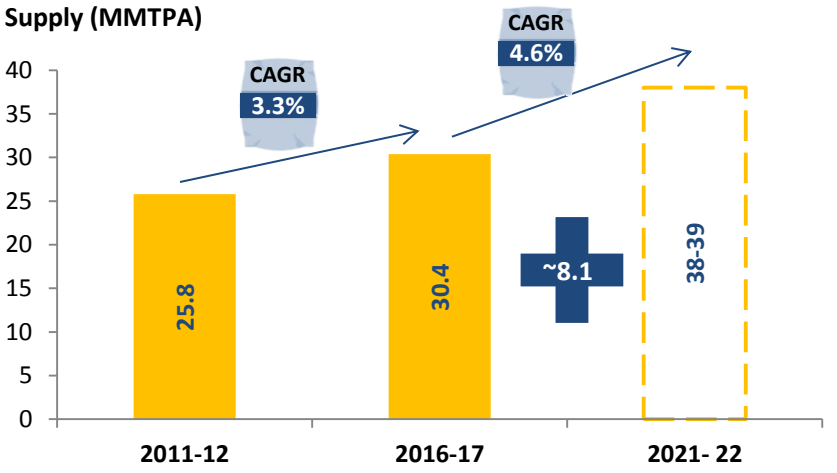
INDUSTRY OVERVIEW [1/3]

GUJARAT - FUTURE GROWTH TRENDS TO SURPASS PAST TRENDS

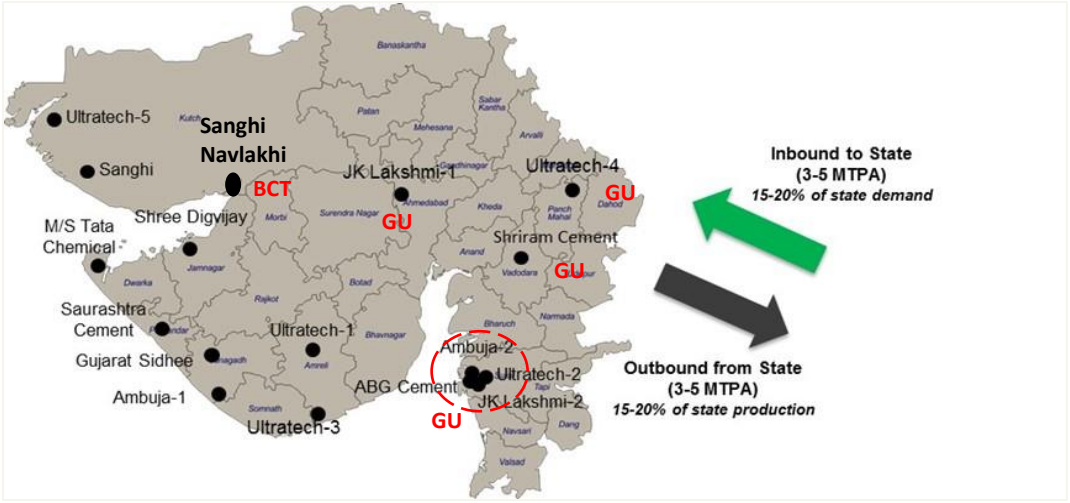
GUJARAT CEMENT DEMAND REVIEW



GUJARAT CEMENT SUPPLY OUTLOOK



CEMENT PLANTS ACROSS GUJARAT

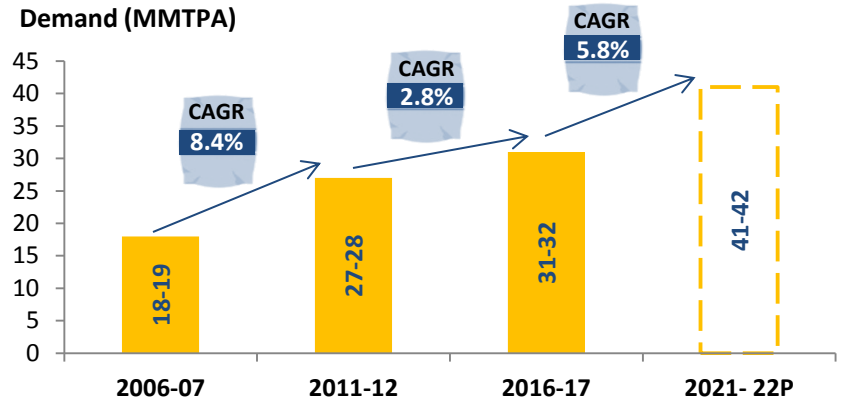


Source: CRISIL Research
MMTPA: Million Metric Tonne per annum
GU: Grinding Unit; BCT: Bulk Cement Terminal

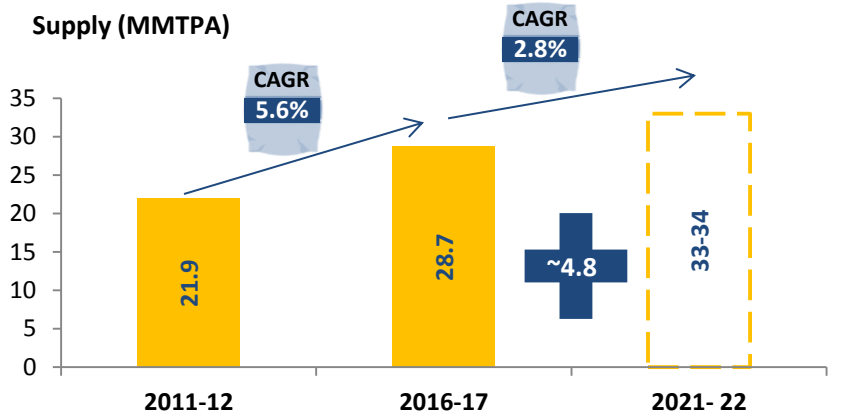
INDUSTRY OVERVIEW [2/3]

MAHARASTRA – REGION WITH THE LOWEST CAPACITY ADDITION GOING FORWARD

MAHARASHTRA CEMENT DEMAND REVIEW

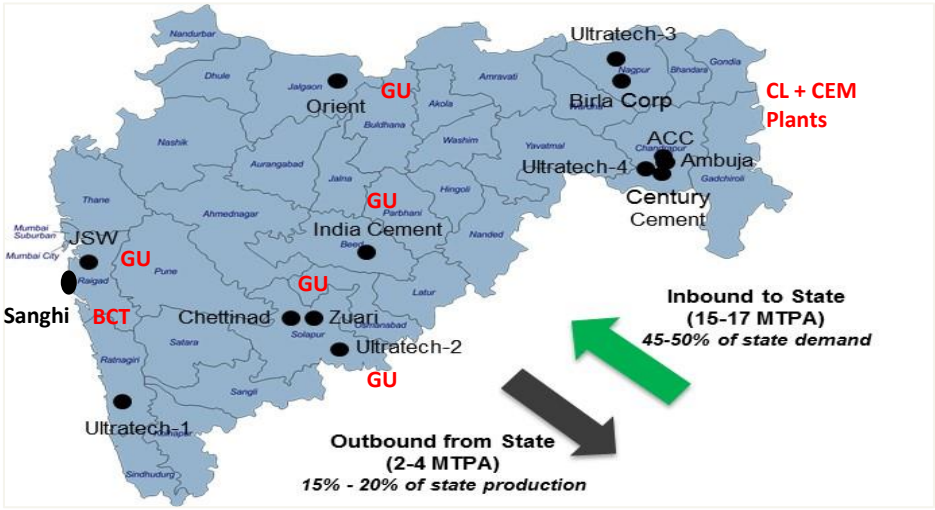


MAHARASHTRA CEMENT SUPPLY OUTLOOK



The Mumbai Metropolitan Region (MMR) comprising of Mumbai/Thane and Pune constitutes 40-50% of overall Maharashtra demand and trend likely to be maintained.

CEMENT PLANTS ACROSS MAHARASTHRA

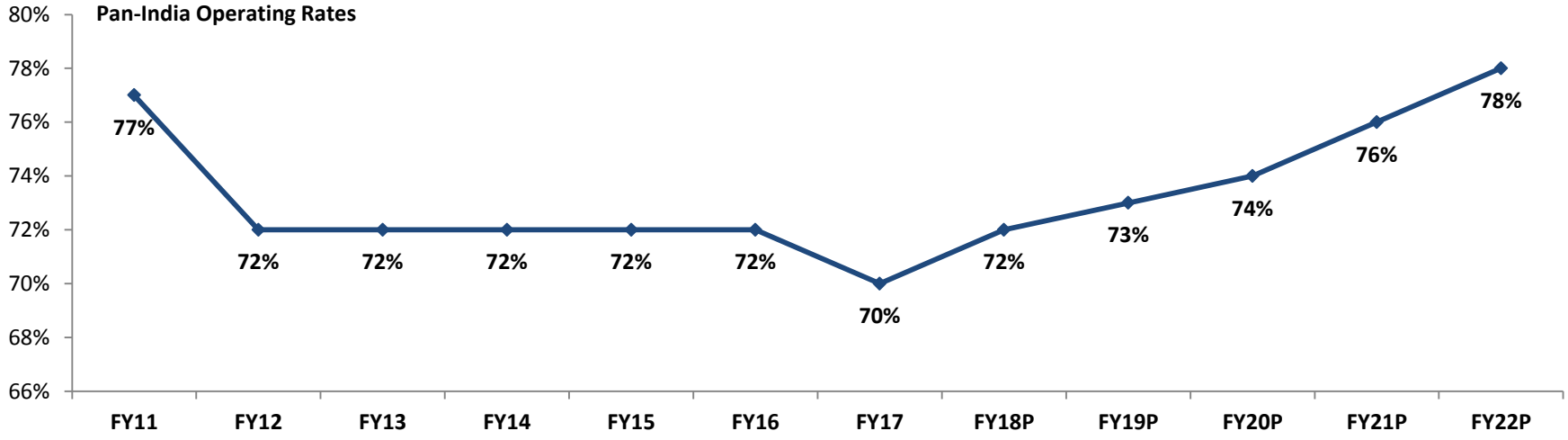


Source: CRISIL Research
MMTPA: Million Metric Tonne per annum
GU: Grinding Unit; BCT: Bulk Cement Terminal

INDUSTRY OVERVIEW [3/3]

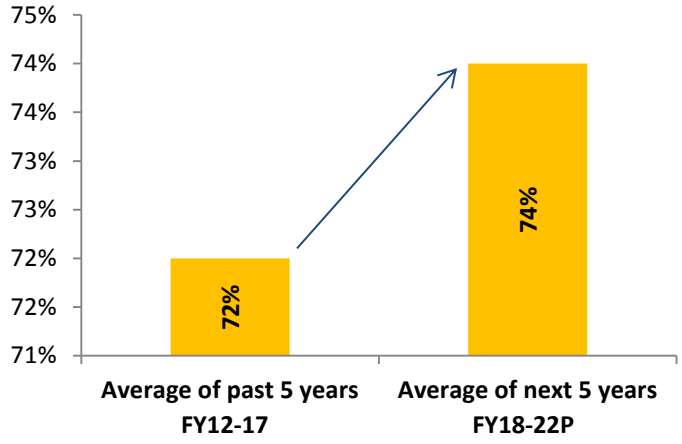
OUTCOME IS IMPROVED UTILISATION AND HENCE IMPROVED OPERATING LEVERAGE

TREND IN OPERATING RATES

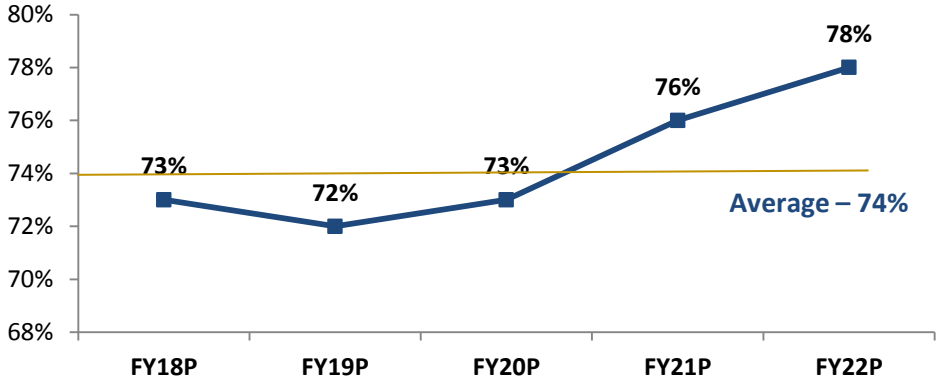


TRENDS IN OPERATING RATES IN WESTERN REGION

Trend of operating rates in West (2012-17) vs (2018-22)



Trend of operating rates in West



Source: CRISIL Research

ANNEXURES

MANAGEMENT TEAM

KEY PERSONNEL



- **Mr. Ravi Sanghi - Chairman and Managing Director of the Company**, is a first generation entrepreneur and the visionary behind the establishment of one of the world's largest integrated single-stream cement plant in Kutch, leading it since its conception to completion. He has vast experience in conceptualizing and directing projects across diverse industries and magnitudes.



- **Mr. Aditya Sanghi - Whole Time Director,** holds a Masters Degree in Industrial Engineering from Rochester Institute, USA and has worked with leading American companies. He has rich experience in management of the clinker and cement operations, and the establishment of CPP. He successfully implemented many best manufacturing practices and executed diverse projects for the company. He expertly guides the production, project and corporate strategy.



- **Mr. Alok Sanghi - Whole Time Director,** has studied Finance and Management from Kelley School of Business, Indiana University, Bloomington, USA. He has worked with leading financial services companies. He has been instrumental in successfully launching the company's products in domestic and international markets. He possesses acumen in corporate, commercial, shipping and marketingstrategies.



- **Mrs. Bina Engineer - Whole Time Director,** is a qualified Chartered Accountant having rich and wide-range experience of more than two decades in the areas of Project and Corporate finance. She has successfully managed project funds, finance and working capital requirements. She has been conferred “Best CA CFO Award – Woman 2016” by Institute of Chartered Accountants ofIndia



- **Mr. N. B. Gohil - Whole Time Director,** has more than 37 years of rich industrial experience in various activities pertaining to Thermal Power Plants. He specializes in Pollution Control Norms, Factory Regulations and other administrative matters.

KEY FINANCIALS [1/3]

BALANCE SHEET [1/2]

INR Crore	FY15	FY16(9M)	FY17	H1 FY18
Equity and Liabilities				
Shareholder's Funds	**953.52**	**912.39**	**1113.98**	**1156.57**
(a) Share capital	262.64	219.98	219.98	219.98
(b) Reserves and Surplus	690.88	692.41	894.00	936.59
Non-current liabilities	**342.14**	**578.01**	**609.71**	**646.81**
(a) Financial Liabilities				
(i) Borrowings	282.29	476.28	459.02	510.66
(ii) Others	21.89	47.41	102.58	90.62
(b) Long-term Provisions	37.96	54.32	48.11	45.53
Current liabilities	**464.36**	**343.43**	**341.94**	**390.04**
(a) Financial Liabilities				
(i) Borrowings	52.75	65.22	127.81	181.77
(ii) Others financial liabilities	-	-	20.02	44.05
(b) Trade payables	165.44	143.95	142.13	110.38
(c) Other current liabilities	245.67	133.64	30.48	25.24
(d) Short-term provisions	0.50	0.62	10.25	21.55
(e) Deferred Revenue	-	-	11.24	7.05
Total	**1760.02**	**1833.84**	**2065.62**	**2193.42**

KEY FINANCIALS [2/3]

BALANCE SHEET [2/2]

INR Crore	FY15	FY16(9M)	FY17	H1 FY18
Assets				
Non-current assets	**1352.90**	**1365.45**	**1677.52**	**1764.98**
(a) Fixed assets:	**1294.38**	**1287.48**	**1619.00**	**1706.46**
i) Tangible assets	1238.04	1205.13	1451.87	1458.38
ii) Capital Work in Progress	56.34	82.35	167.13	248.08
(b) Other Non-current Assets	-	19.45	-	-
(c) Deferred Tax Assets	58.52	58.52	58.52	58.52
Current assets	**407.12**	**468.39**	**388.10**	**428.43**
(a) Inventories	167.13	162.93	186.58	169.29
(b) Trade receivables	14.54	18.44	23.94	42.48
(c) Cash and cash equivalents	5.53	83.03	16.27	58.62
(d) Other current assets	219.92	203.99	161.31	158.04
Total	**1760.02**	**1833.84**	**2065.62**	**2193.42**

KEY FINANCIALS [3/3]

STATEMENT OF PROFIT AND LOSS

INR Crore	FY15	FY16(9M)	FY17	H1 FY18
Revenue from operations				
I. Revenue from operations	932.25	776.74	997.53	493.13
II. Other Income	7.10	2.82	2.24	3.24
III. Total Income (A)	939.35	779.56	999.77	496.37
IV. Expenses				
Cost of materials consumed	54.1	52.4	71.03	32.31
Changes in inventories of finished goods, work-in-progress and stock-in-trade	-16.31	16.19	7.84	-12.25
Power and fuel	246.56	160.45	231.04	115.07
Employee Benefits Expenses	46.46	37.8	52.53	25.89
Depreciation and Amortization Expenses	106.43	54.05	73.06	35.83
Selling Expenses	327.49	257.55	333.32	154.16
Other Expenses	116.56	111.59	103.58	65.23
Finance costs	27.47	27.23	64.23	37.61
Total Expenses (IV)	908.76	717.25	1,041.13	479.50
V. Profit/(loss) before Exceptional Items and Tax	30.59	62.31	63.14	42.52
VI. Exceptional Items	-	(60.39)	-	-
VII. Profit/(loss) before Tax	30.59	1.92	63.14	42.52
VIII. Tax expense:				
(a) Current Tax	-	0.39	-	-
(b) Deferred tax	-	-	-	-
(c) Excess tax provision reversal related to earlier years	-	-	-	-
4.Mat Credit entitlement	-	-	-	-
IX. Profit/(Loss) for the period	30.59	1.53	63.14	42.52

AWARDS AND ACCREDITATIONS



India's Most Trusted (Cement Manufacturing) Company Award
(2017)
International Brand Consulting Corporation, USA



Greentech Environment Excellence Gold Award
(2008,2013,2014)
Outstanding performance in Environment Management



7th Metalliferous Mines Safety Week
(2016)
1st prize in overall performance & quarry workings & general safety to Motiber Silica Mine in Category C



Two Star Export House
(Certificate of Registration)
From the office of the Joint Director General of Foreign Trade, Government of India



Best Mining operations
(4 consecutive years)
1st prize from Indian Bureau of Mines & Directors of Mines Safety, Government of India



Cashless Township
(2017)
Recognised by Prime Minister Shri Narendra Modi



India's Top Challengers 2016-17 Trophy
(2016-2017)
Construction World Magazine & Media



Most preferred brand by real estate sector
(Nov 2017)
Real Estate & Infrastructure Round Table & Awards



Business Excellence in Waste Management Initiatives award
(2014)
Given by the Chief Minister of Gujarat



Young Entrepreneur of Kutch Award
(2014)
Given by the Chief Minister of Gujarat

INTERNATIONAL ACCREDITATIONS

For manufacturing of Cement & Clinker

- **ISO 9001:2008** *(Quality Management System Standard)*
- **ISO 14001:2004** *(Environmental Management System Standard)*
- **OHSAS 1800:2007** *(Occupational Hazard and Safety)*
- **SA 8000:2008** *(Social Accountability)*
- **ISO/ IEC 17025:2005** *(NABL accreditation for Chemical and Mechanical Testing)*

THANK YOU..