ADITYA BIRLA

UltraTech









INDIA'S LARGEST CEMENT COMPANY

EARNINGS Q3:FY 2015/16







Stock code: **BSE**: 532538 **NSE**: ULTRACEMCO **Reuters**: UTCL.NS **Bloomberg**: UTCEM IS / UTCEM LX

Contents



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MACRO AND SECTOR UPDATE

KEY HIGHLIGHTS FOR THE QUARTER

OPERATIONAL AND FINANCIAL PERFORMANCE

SECTOR GUIDANCE

GLOSSARY

Mnt – Million Metric tons **Lmt** – Lakhs Metric tons **MTPA** – Million Tons Per Annum **Q2** – July-September **Q3** – October-December **9M** – April-December

LY – Corresponding Period last Year **FY** – Financial Year (April-March) **ROCE** – Return on Average Capital Employed

Note: *The financial figures in this presentation have been rounded off to the nearest ₹ 1 cr ; 1 US$ = ₹ 66*

Economy Update



Macro Performance

- Industrial Production YTD Nov'15: 3.9% (2.5% in LY)
- CAD up from 1.2% in Q1 to 1.6% in Q2
- WPI inflation decline 2.2% over LY
- Crude oil prices declined 70% since Jan'14

Sector Performance

- Estimated Growth ~ 4.5%
- Capacity utilisation ~ 65%
- Weak cement prices
- Favorable operating costs in spite of negative impact due to MMDR Act & Bonus Act

Sector- Regional Update



Zone / Region	Volume	Infra	Comm.	Housing	Rural
North	↑	+	=	−	=

- Infrastructure growth, particularly roads sector across regions
- Early signs of demand from Uttar Pradesh
- Rural housing – suppressed

East	↑	+	+	+	+

- Low cost housing demand continues
- Positive demand from IHB segment
- Government spending on rural roads and Infrastructure

Sector- Regional Update



Zone / Region	Volume	Infra	Comm.	Housing	Rural
West	⇔	+	–	=	–

- Maharashtra – Started infrastructure activities, particularly highways & rural roads, Housing segment remained average
- Gujarat – Festive seasons and lack of Government infra work impacted demand

South	↓	–	–	–	–

- Tamil Nadu rains
- Poor availability of sand
- Andhra Pradesh development yet to take-off

- **Demand in Q3 grew higher than H1 growth**
- **Government announced ~ ₹ 3.5 lacs crores road projects during this quarter**






Key Highlights for the Quarter






Company Update



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CCI case	▸ The Competition Appellate Tribunal set aside the CCI order and given timelines of three months to CCI for fresh order. Deposit refunded
Projects Update	▸ Construction work for grinding in Bihar and Maharashtra on track Commissioning by Mar'16 (Capacity: 1.6 mtpa each)
WHRS Ramp-up	▸ Share in total power mix increased to 5% from 1% last year
UltraTech Building Solutions	▸ Added ~ 80 stores more during this quarter. Now total stores > 1100
Position in CDLI	▸ Awarded position in the Indian Climate Disclosure Leadership Index (CDLI) with total score of 95

Q3 – Encouraging performance



		YoY Change
❑ **Domestic Cement Sales Volume**	**11.26 Mnt**	**+ 7%**
❑ **Average Realisation** (Indian Operations)	**₹ 4,866/t**	**(-) 4%**
❑ **Petcoke Consumption**	**74%**	**+ 23%**
❑ **Energy Cost**	**₹ 824/t**	**(-) 17% Efficiency Gain – 5%**

Q3 – Encouraging performance



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❑ Adjusted Consolidated EBIDTA*	₹ 1308 Crs	+ 24%
❑ EBIDTA Margin*	21%	+ 300 bps
❑ Profit after tax**	₹ 601 Crs	+ 50%
❑ Net Debt	₹ 4,254 Crs as on 31.12.15	(-) ₹ 1000 Cr

** EBIDTA and Operating Margin before the impact of Bonus Act and MMDR Act*

*** Before the onetime impact of Bonus, MMDR and depreciation for componentization*



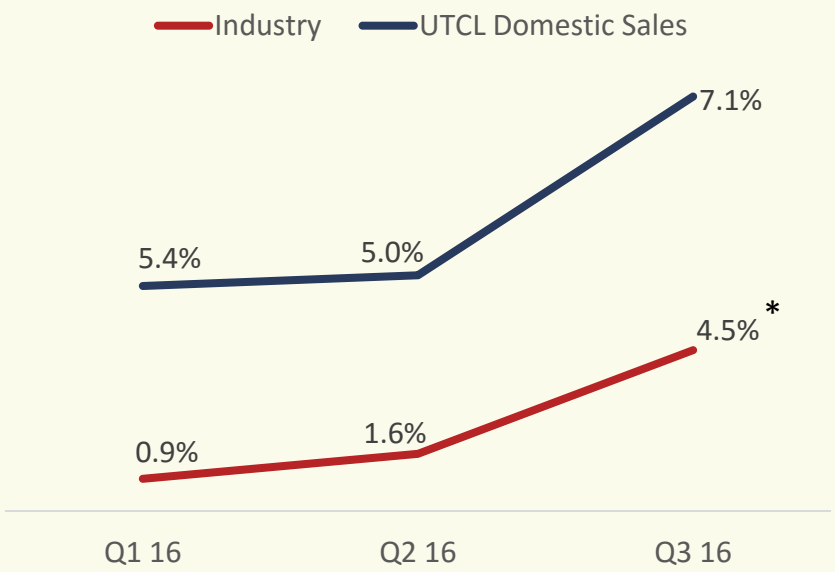
Operational and Financial Performance



Sales performance



Grey Cement Sales



UTCL Consolidated Performance

Particulars	CY	LY	▲%
Capacity (mtpa)	67.7	63.2	7
Cap utilisation	72%	72%	-
Grey Cement Sales (Mnt):			
Q3	12.4	11.8	5
9M	36.8	35.4	4
White Cement & Putty Sales (Lmt):			
Q3	3.4	3.2	7
9M	9.3	8.7	6

- **Sustained better performance than Industry**
- **Continued penetration in rural markets**

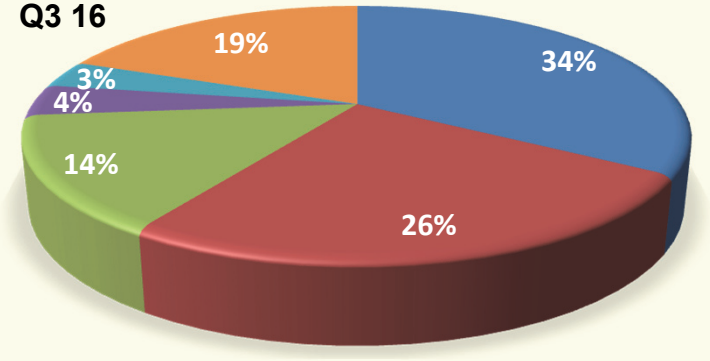
*Industry Growth : DIPP Data & *Company Estimates*

Operational Performance

Cost composition (Grey Cement)

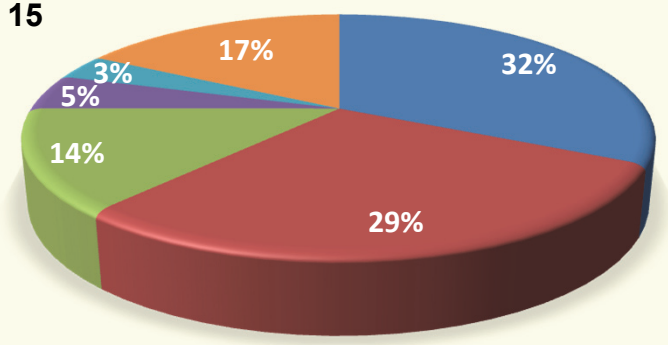


Q3 16



- Logistics Cost
- Energy Cost
- Raw Materials
- Packing
- Maintenance & Others
- Overheads

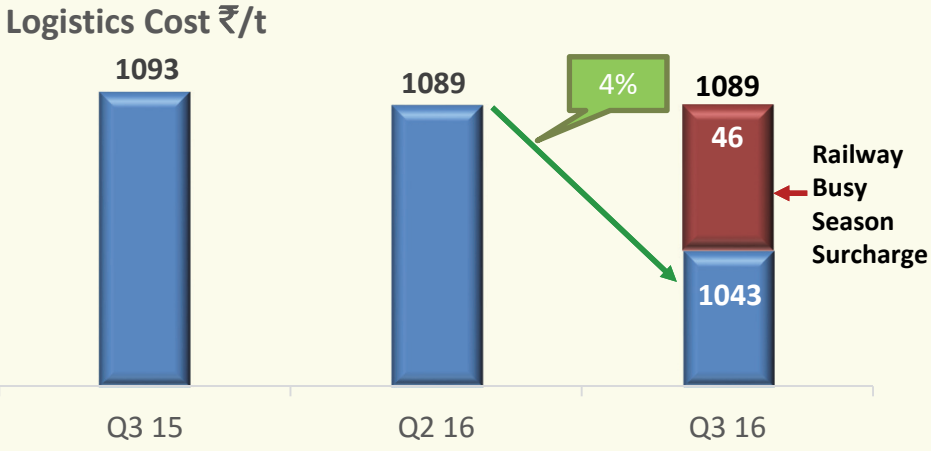
Q3 15



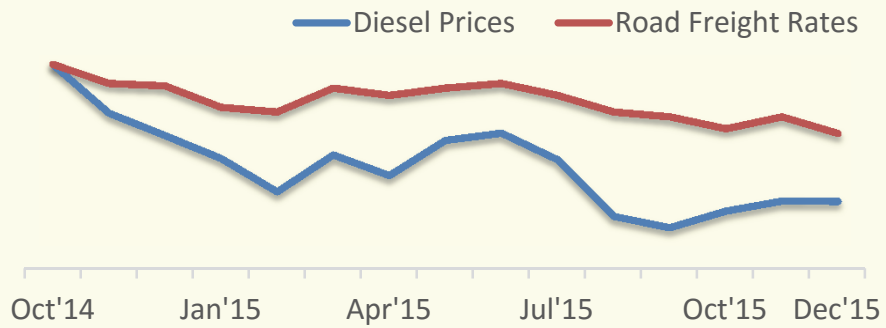
- **Logistics cost remained range bound: ₹ 1089/t**
  - ❑ **Benefits of softening oil prices partially arrested with increase in rail freight**
- **Consistent improvement in Energy cost: 17% at ₹ 824/t**
  - ❑ **Declining fuel prices and increasing trend of petcoke usage**
- **Raw material costs up : 2% at ₹ 466/t**
  - ❑ **MMDR Act impact (6%)**

Logistics cost trends
(Indian Operations)





Road freight rates v/s Diesel prices trend

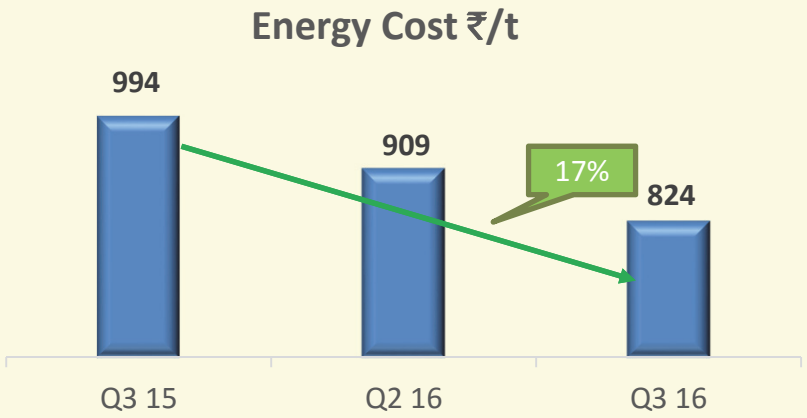


Note: Every 1% reduction in diesel price corresponds to 0.4% reduction in road freight

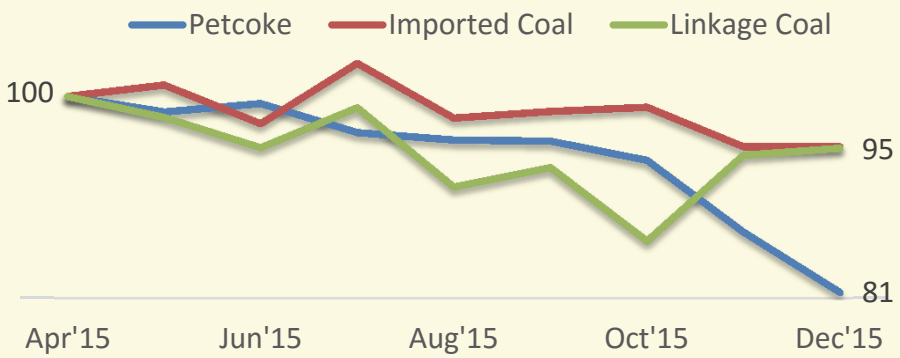
- **QoQ Like-for-like Logistics cost declined 4%**
  - ❑ **Lead distance improved (₹ 31/t)**
  - ❑ **Advantage of optimization of plant and market mix (₹ 15/t)**
- **YoY movements**
  - ❑ **Reduction in diesel prices (₹ 28/t)**
  - ❑ **Rail freight hike 2.7% in April'15 (₹ 10/t)**
  - ❑ **Share of road transport in overall logistics mix is 71% (LY: 70%)**

Energy cost trends
(Indian Operations)





Fuel Prices Trend (Landed Cost)



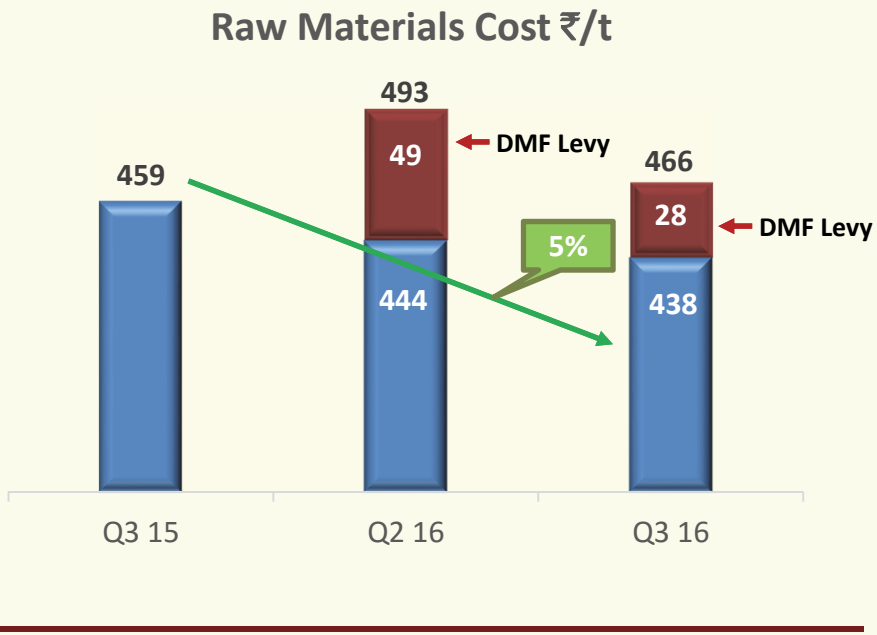
Note: Base price considered for Apr'15

- **Improved Energy Cost: 17% YoY and Sequentially: 9%**
- **Saving in power costs:**
  - ❑ **Increase usage of WHRS power to 5%**
  - ❑ **Saving in power consumption 2%**
  - ❑ **Increased petcoke usage in TPP and declined fuel prices**
- **Gain in fuel costs:**
  - ❑ **Softening fuel prices (Petcoke ~ 18%)**
  - ❑ **Higher usage of Petcoke over LY**

Kiln Fuel Mix %	Q3 15	Q2 16	Q3 16
Petcoke	51%	65%	74%
Imported Coal	29%	23%	18%
Indigenous Coal and Others	20%	12%	8%

Raw Materials cost trends
(Indian Operations)





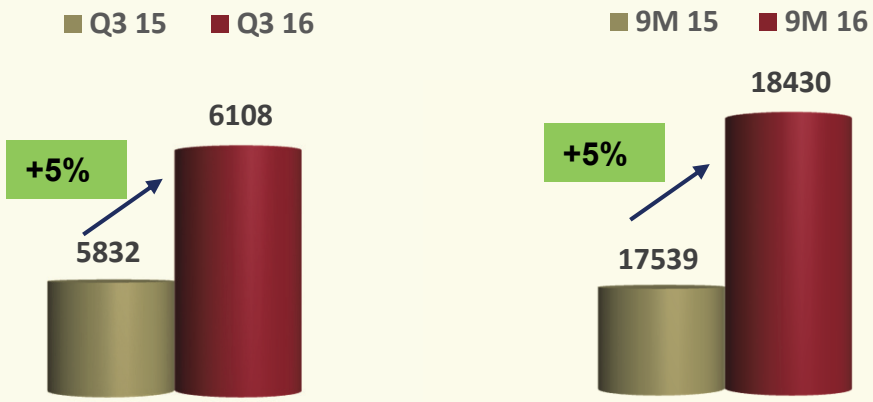
- **YoY: Like-for-like Raw Material costs improved 5%**
  - ❑ **Softening prices of additives and raw mix optimisation**
- **Sequentially cost improved 5%**
  - ❑ **Last quarter included prior period impact of DMF levy (~ ₹ 20/t)**

Financial Performance Indicators
(Consolidated)

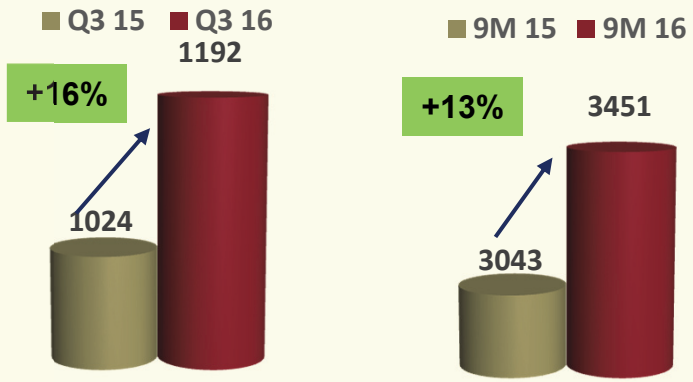


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Net Sales (₹ crs)



Operating EBIDTA* (₹ crs)



* Excluding Other Incomes

- **Indian operations capacity utilisation at 70% on a higher base**
- **UAE operations capacity utilisation at 100%**

Income statement

(Standalone)



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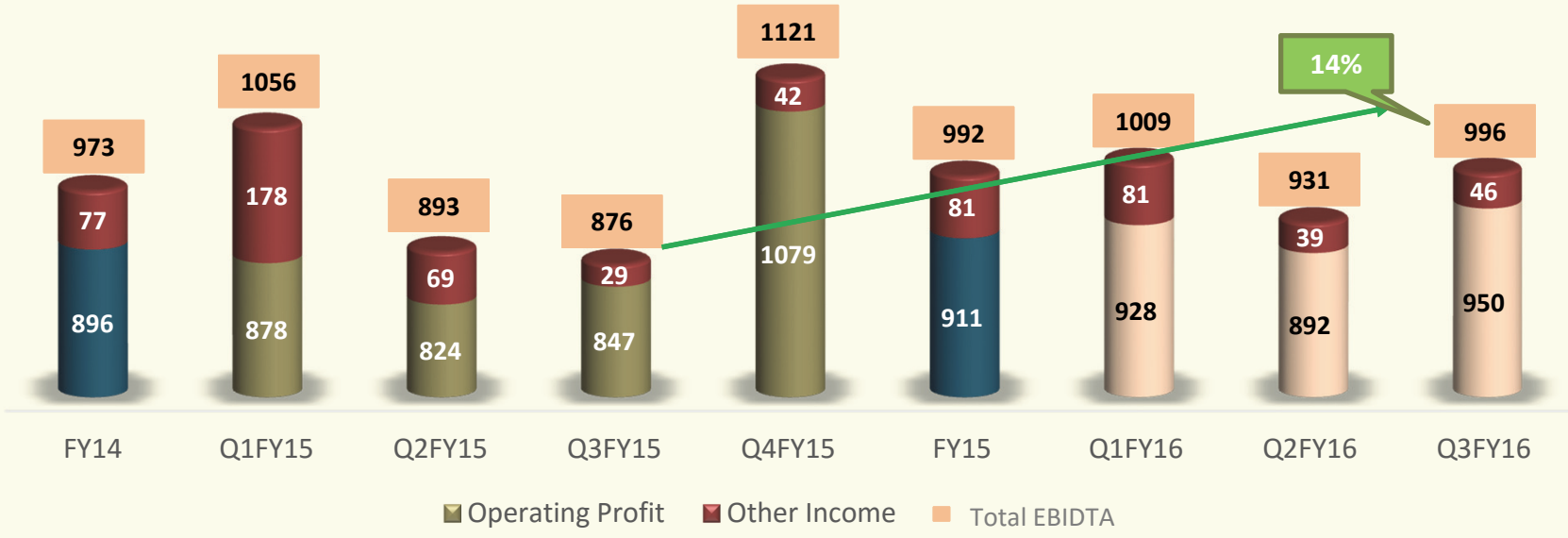
₹ crs

Q3			Particulars	9M		
CY	LY	▲%		CY	LY	▲%
11.26	10.51	7	Domestic Cement Sales Volume	33.73	31.87	6
5747	5488	5	Revenue	17405	16514	5
53	33	62	**Other Income**	197	320	(38)
1176	**990**	**19**	**EBIDTA**	**3461**	**3205**	**8**
20%	***18%***	***2***	***Margin (%)***	**20%**	**19%**	**-**
126	154	18	Finance Costs	394	398	1
324	278	(16)	Depreciation	940	845	(11)
726	**558**	**30**	**PBT**	**2,127**	**1,962**	**8**
218	193	(13)	Tax Expenses	634	562	(13)
509	**364**	**40**	**PAT**	**1,493**	**1,400**	**7**
18.5	**13.3**	**40**	**EPS (₹)**	**54.4**	**51.0**	**7**

- **Like-for Like EBIDTA (adjusting impact of bonus & DMF levy) improved 25% over LY**
- **Depreciation includes impact of componentization: ₹ 21 Crs in Q3 and ₹ 45 crs in 9 months**
- **Like-for-like PAT growth 55%**

Operating and Total EBIDTA ₹ pmt
(Indian Operations)





YoY Total EBIDTA pmt improved 14% ; Sequentially 7%

Income statement
(Consolidated)



₹ crs

Q3			Particulars	9M		
CY	LY	▲%		CY	LY	▲%
6108	5832	5	Revenue	18430	17539	5
53	34	57	Other Income	180	298	(40)
1245	**1058**	**18**	**EBIDTA**	**3631**	**3341**	**9**
20%	18%	2	***Margin (%)***	20%	19%	1
139	164	**15**	Finance Costs	433	427	(1)
339	296	(14)	Depreciation	992	897	(11)
767	**598**	**28**	**PBT**	**2206**	**2017**	**9**
220	196	(12)	Tax Expenses	641	572	(12)
1	1		Minority Interest	1	4	
546	**400**	**36**	**PAT**	**1564**	**1441**	**9**
19.9	**14.6**	**36**	**EPS (₹)**	**57.0**	**52.5**	**9**

- **Like-for Like EBIDTA (adjusting impact of bonus & DMF levy) improved 24% over LY**
- **Depreciation includes impact of componentization: ₹ 21 Crs in Q3 and ₹ 45 crs in 9 months**
- **Like-for-like PAT growth 50%**

Financial Position



₹ Crs

Standalone		Particulars	Consolidated	
31.12.15	31.03.15		31.12.15	31.03.15
20364	18858	Shareholders Funds	20642	19041
-	-	Minority Interest	15	18
6110	7414	Loans (Incl. Current Maturities)	8526	9829
3140	2792	Deferred Tax Liabilities	3133	2786
29614	**29064**	**Sources of Fund**	**32316**	**31674**
24315	23632	Net Block (Incl. Capital Advances)	25938	25186
-	-	Goodwill on Consolidation	1106	1053
		Investments:		
4272	4479	Liquid Investments	4272	4634
731	730	Long-term Investments	21	21
296	223	Net Working Capital	980	780
29614	**29064**	**Total Application of Funds**	**32316**	**31674**
1838	**2935**	**Net Debt**	**4254**	**5195**

Financial Indicators



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Indicators	Standalone		Consolidated	
	31.12.15	31.03.15	31.12.15	31.03.15
Shareholders fund (₹ crs)	20364	18858	20642	19041
Borrowings (₹ crs)	6110	7414	8526	9829
Cash Equivalents (₹ crs)	4272	4479	4272	4634
Financial Indicators				
Net Debt: Equity	0.09	0.16	0.21	0.27
Net Debt / EBIDTA	0.40	0.64	0.88	1.09
Interest Cover (PBIT/Gross Interest)	6.2	5.8	6.0	5.7
ROCE	11.5%	12.0%	11.0%	11.5%
Book Value (₹/Share)	742	687	752	694



Sector Guidance



Sector guidance:
Cautiously Optimistic



- **Concerns:**
  - Suppressed rural incomes
  - Slow execution of Government projects
  - Andhra Pradesh development – yet to kick-off
  - Delay in Government reforms agenda
- **Expectations:**
  - FY17 GDP growth forecast: 7.8% *(source: World Bank)*
  - Government thrust on infrastructure development
  - Elections in several states
  - Gradual revival in housing demand linked to stable housing prices and 7th pay commission

Cement demand expected to pick-up in near-term


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CEMENT
The Engineer's Choice
Build beautiful



Annexures


ADITYA BIRLA GROUP
UltraTech
CEMENT
The Engineer's Choice
50 KG

Income statement
(Standalone)



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US$ Mn

Q3			Particulars	9M		
CY	LY	▲%		CY	LY	▲%
871	831	5	Revenue	2637	2502	5
8	5	62	**Other Income**	30	48	(38)
178	**150**	**19**	**EBIDTA**	**524**	**486**	**8**
20%	*18%*	*2*	***Margin (%)***	*20%*	*19%*	-
19	23	**18**	Finance Costs	60	60	**1**
49	42	**(16)**	Depreciation	142	128	**(11)**
110	**85**	**30**	**PBT**	**322**	**297**	**8**
33	29	(13)	Tax Expenses	96	85	(13)
77	**55**	**40**	**PAT**	**226**	**212**	**7**
0.3	**0.2**	**40**	**EPS (US$)**	**0.8**	**0.8**	**7**

- **Like-for Like EBIDTA (adjusting impact of bonus & DMF levy) improved 25% over LY**
- **Like-for-like PAT growth 55%**

Income statement
(Consolidated)



US$ Mn

Q3			Particulars	9M		
CY	LY	▲%		CY	LY	▲%
926	884	5	Revenue	2792	2657	5
8	5	57	Other Income	27	45	(40)
189	**160**	**18**	**EBIDTA**	**550**	**506**	**9**
20%	*18%*	*2*	***Margin (%)***	*20%*	*19%*	*1*
21	25	15	Finance Costs	66	65	(1)
51	45	(14)	Depreciation	150	136	(11)
116	**91**	**28**	**PBT**	**334**	**306**	**9**
33	30	(12)	Tax Expenses	97	87	(12)
0	0		Minority Interest	0	1	
83	**61**	**36**	**PAT**	**237**	**218**	**9**
0.3	**0.2**	**36**	**EPS (US$)**	**0.9**	**0.8**	**9**

- **Like-for Like EBIDTA (adjusting impact of bonus & DMF levy) improved 24% over LY**
- **Like-for-like PAT growth 50%**

Financial Position



US$ Mn

Standalone		Particulars	Consolidated	
31.12.15	31.03.15		31.12.15	31.03.15
3085	2857	Shareholders Funds	3128	2885
0	0	Minority Interest	2	3
926	1123	Loans (Incl. Current Maturities)	1292	1489
476	423	Deferred Tax Liabilities	475	422
4487	**4404**	**Sources of Fund**	**4896**	**4799**
3684	3581	Net Block (Incl. Capital Advances)	3930	3816
		Goodwill on Consolidation	168	160
		Investments:		
647	679	Liquid Investments	647	702
111	111	Long-term Investments	3	3
45	34	Net Working Capital	148	118
4487	**4404**	**Total Application of Funds**	**4896**	**4799**
278	**445**	**Net Debt**	**645**	**787**

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