ADITYA BIRLA

UltraTech

INDIA'S LARGEST CEMENT COMPANY

EARNINGS Q2:FY 2015/16

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

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MACRO AND SECTOR UPDATE

KEY HIGHLIGHTS FOR THE QUARTER/

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Note 1: The financial figures in this presentation have been rounded off to the nearest ₹ 1 cr

GLOSSARY

Mnt – Million Metric tons **Lmt** – Lakhs Metric tons **MTPA** – Million Tons Per Annum **Q2** – July-September **Q1** – April-June **Q3** – October-December

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

Macro and Sector Update

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Macro Update

- Industrial performance – **No significant pick-up**
  - Industrial Production for first five months: 4.1% (3.0% in LY)
  - PMI of September – Lowest since last seven months

Sector Update - Muted

- Marginal growth in industry off-take ~ **1%**
- Sector capacity utilisation - **Below 65% (down from 70% in Q1)**
- Cement prices - **improved over Q1 but no growth YoY**
- **Positive impact of** softening of energy costs
  - But raw material cost impacted with DMF levy under MMDR Act

Sector- Regional Update

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

- Weak Rural Demand
- Ban on sand mining in Madhya Pradesh ….resulted into de-growth in that state

East	↑	+	+	+	+

- Growth in IHB segment in majority states of the eastern region
- Positive growth from infra with sustained spending on various government projects – **Odisha, Bihar and Chhattisgarh**
- Positive impact of “Biju Pucca Houses” scheme part of “Housing for all” project
- Benefits of pre-election spending in Bihar

Sector- Regional Update

Zone / Region	Volume	Infra	Const.	Housing	Rural
West	↑	=	–	–	–
South	↓	–	–	–	–

West

- Demand in Rural and Real Estate Segment continue to be damp
- Deficit in monsoon hampered overall construction work

South

- Low Housing demand
- Andhra Pradesh & Telangana – Development movement yet to pick-up
- Weak monsoon impacted growth

- **Q2 – another weak quarter for the industry**
- **Infrastructure growth, especially roads, likely to pick-up in near-term with the increasing pace of government actions**

Key Highlights for the Quarter

Key highlights Q2 2015-16

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- **Commissioned Cement Grinding Capacity at:**
  Jhajjar, Haryana – 1.6 MTPA (To service NCR Market)
  Dankuni, West Bengal – 1.6 MTPA (To service WB Market)
- Started Cement Packaging Terminal at Pune (2.0 MTPA)
- **Benefits to accrue from Q3 16**

Total Cement Capacity in India augmented to 64.7 MTPA

- Commissioned 5 MW Waste Heat Recovery Systems

Total Capacity 53 MW

- YoY domestic cement sales volume up 5%

Volume growth higher than likely Industry growth

- EBIDTA improved over previous year

Operating Margin ~ 18%

Operational and Financial Performance

Sales performance: Soft

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Q1	Particulars	Q2				H1		
FY16		CY	LY	▲%	Q1 %	CY	LY	▲%
63.2	Consolidated Capacity (MTPA)	67.7	61.8	10	7	67.7	61.8	10
	Sales Volume (Mnt):							
12.1	- India Operations	10.8	10.4	4	(11)	22.9	22.1	4
13.0	- Consolidated (Incl. Clinker)	11.5	11.2	3	(11)	24.5	23.6	4
2.7	White Cement & Putty (Lmt)	3.2	3.0	8	20	5.9	5.6	6

- **Achieved volume growth in spite of flat industry growth**
- **Higher penetration in rural market**

Operational Performance

Cost composition (Grey Cement)

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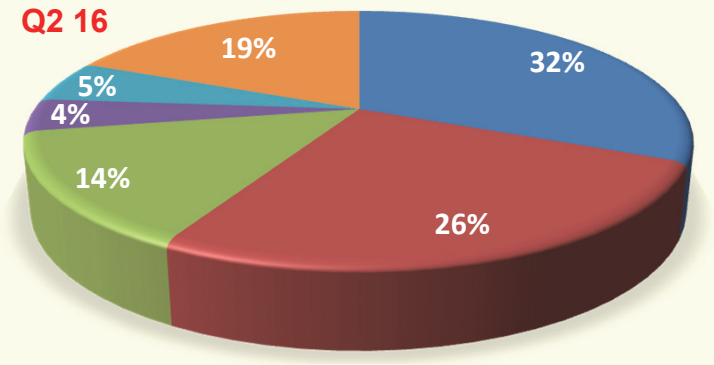
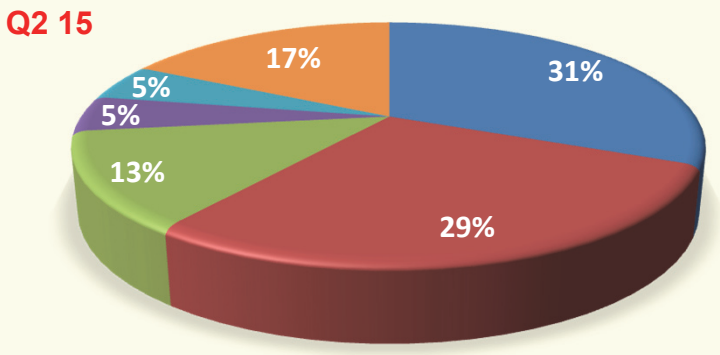


- Logistic Cost
- Energy Cost
- Raw Materials
- Packing
- Maintenance & Others
- Overheads



- **Logistic cost improved marginally - ₹ 1089/t**
  - **Benefits of softening fuel prices partially arrested with increase in rail freight**
- **Energy cost further improved - 11% at ₹ 909/t**
  - **Benefit of softening petcoke prices and higher usage of low cost fuel**
- **Raw material costs up - 10% at ₹ 493/t**
  - **Impact of DMF levy under MMDR Act (including prior period liability)**

Logistic cost trends
(Indian Operations)

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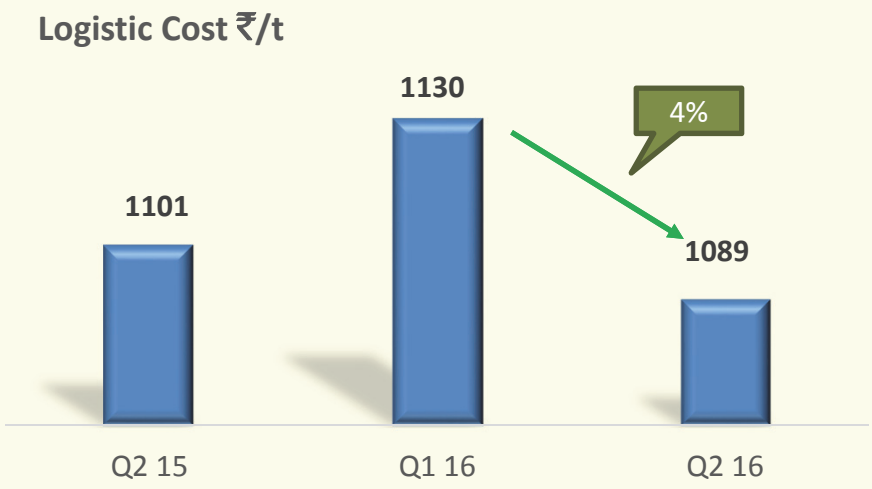

Mode Mix	Q2 15	Q1 16	Q2 16
Rail	30%	30%	29%
Road	67%	67%	69%
Sea	2%	3%	3%

- **Sequentially logistic cost declined - 4%**
  - **Exemption from busy season surcharge on rail freight during Q2**
  - **No improvement in rail availability**
- **Marginal Improvement on YoY basis**
  - **Reduction in diesel prices (₹ 25/t)**
  - **Rail freight hike 2.7% in April'15 (₹ 10/t)**
- **Benefits of new grinding units - yet to come**

Energy cost trends
(Indian Operations)

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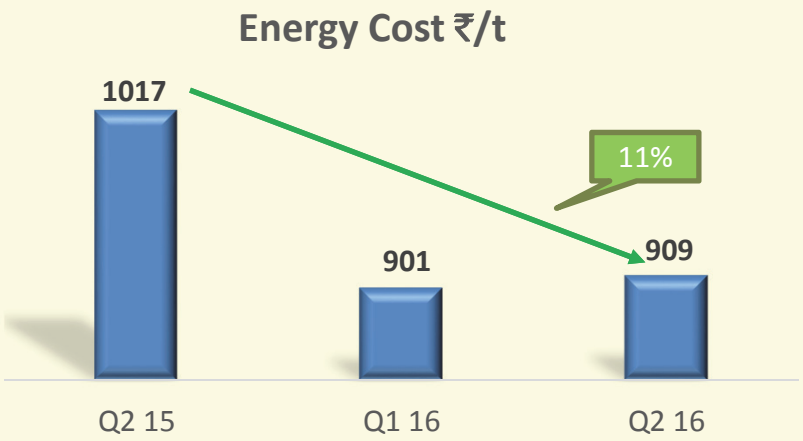
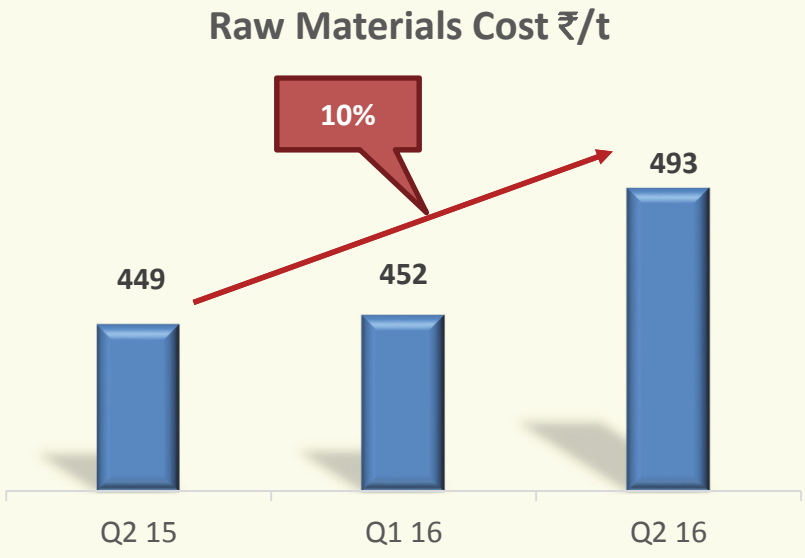


Power Mix %	Q2 15	Q1 16	Q2 16
TPP	81%	83%	82%
WHRS	1%	3%	4%

Kiln Fuel Mix %	Q2 15	Q1 16	Q2 16
Petcoke	50%	68%	65%
Imported Coal	28%	20%	23%
Indigenous Coal and Others	23%	12%	12%

- **Improved Energy Cost: 11% YoY**
- **Q2 being annual shutdown period - no benefit over Q1**
- **Saving in power costs:**
  - **Increase usage of WHRS power (₹ 15/t)**
  - **Lower fuel prices & increased petcoke usage in TPP**
- **Gain in fuel costs:**
  - **Softening fuel prices (Petcoke ~ 14%)**
  - **Higher usage of petcoke over LY**

Raw Materials cost trends
(Indian Operations)



- **Raw Materials Cost impacted YoY – 10%:**
  - **Government notified DMF levy under MMDR act @ 30% of Royalty on Limestone w.e.f. 12.01.15**
  - **Total impact for above liability including part prior period - ₹ 49/t**
  - **Full Impact of increase on Royalty on Limestone from ₹ 63/t to ₹ 80/t**

    Impact on Cost - ₹ 14/t
  - **Increase in cost offset with value engineering in sourcing and usage of materials**

Financial Performance Indicators
(Consolidated)

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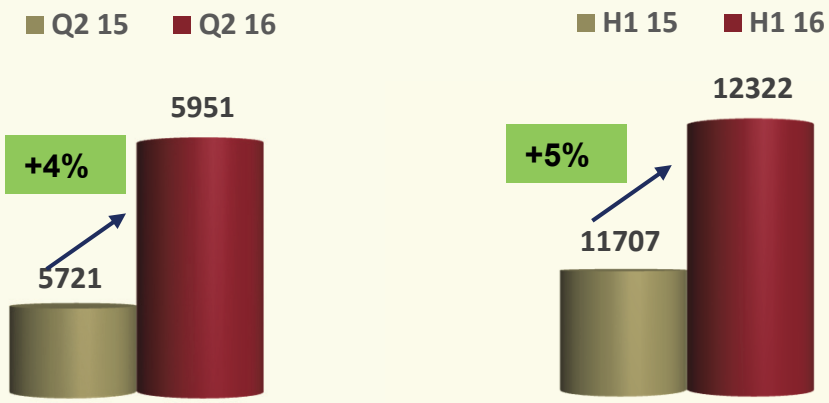
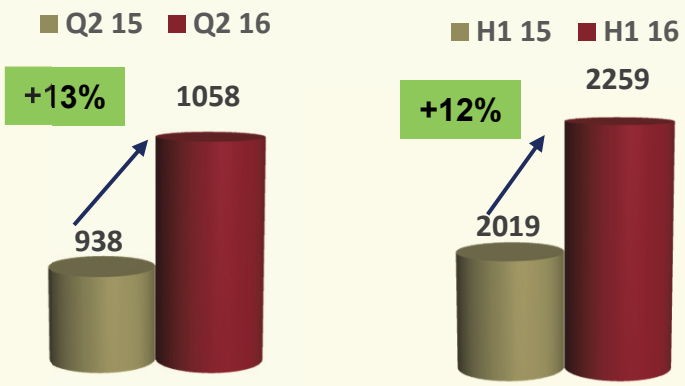
Net Sales (₹ crs)



Operating EBIDTA* (₹ crs)



* Excluding Other Incomes

- **Net Sales up 4%**
- **Operating EBDITA improved 13%**

Income statement
(Standalone)

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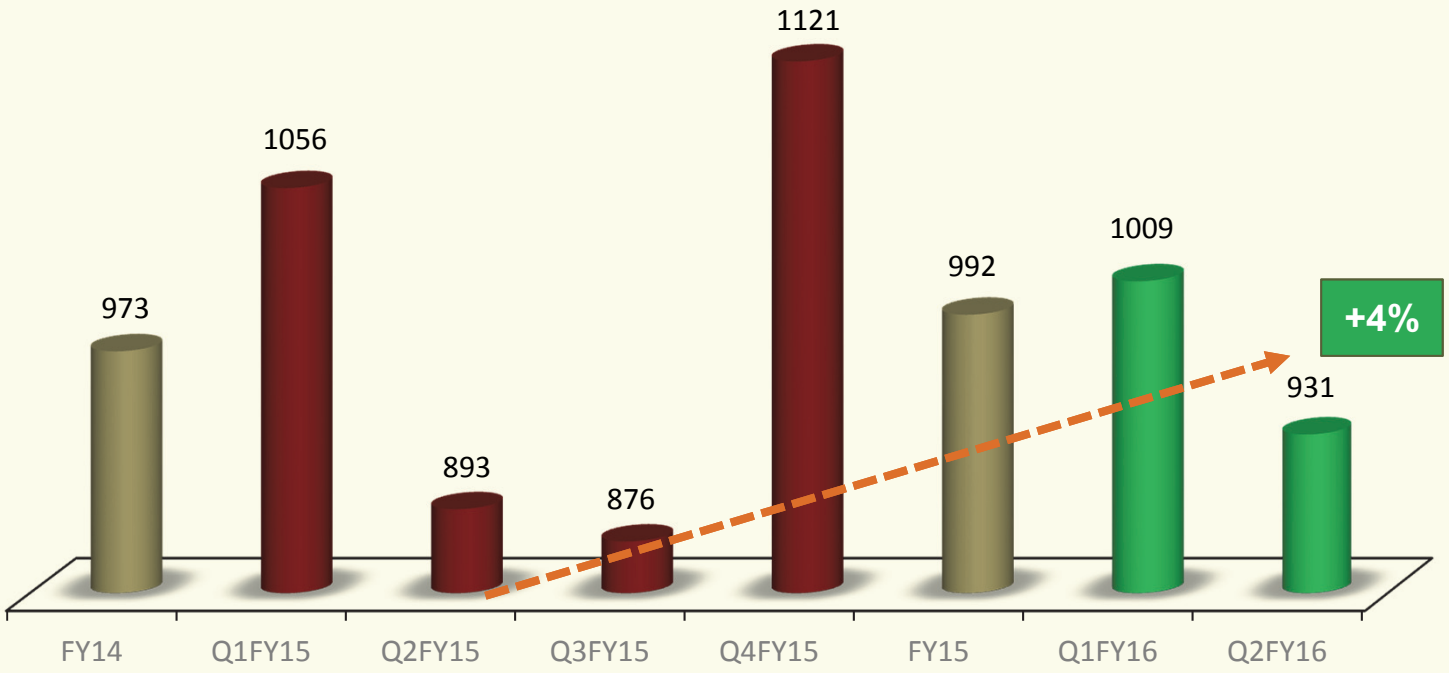
₹ crs

Q2			Particulars	H1		
CY	LY	▲%		CY	LY	▲%
5621	5379	4	Revenue	11658	11027	6
44	74	(40)	**Other Income**	144	287	(50)
1033	**951**	**9**	**EBIDTA**	**2285**	**2215**	**3**
18%	18%	-	***Margin (%)***	20%	20%	-
130	143	9	Finance Costs	269	244	(10)
333	302	(10)	Depreciation	616	567	(9)
570	**505**	**13**	**PBT**	**1,401**	**1,404**	**-**
176	95	(84)	Tax Expenses	416	369	(13)
394	**410**	**(4)**	**PAT**	**985**	**1,036**	**(5)**
14.4	**15.0**	**(4)**	**EPS (₹)**	**35.9**	**37.8**	**(5)**

- **CY depreciation includes ₹ 24 Crs additional charge for componentisation as per Co. Act, 2013**
- **LY tax was lower by ₹ 70 Crs due to benefit on exempted treasury income; adjusted PAT growth would be: 16%**

EBIDTA Pmt
(Indian Operations)



YoY EBDITA Pmt improved; but lower sequentially due to plant maintenance cost in Q2

Income statement
(Consolidated)

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₹ crs

Q2			Particulars	H1		
CY	LY	▲%		CY	LY	▲%
5951	**5721**	**4**	Revenue	**12322**	**11707**	**5**
45	**49**	**(8)**	**Other Income**	**127**	**264**	**(52)**
1103	**987**	**12**	**EBIDTA**	**2386**	**2283**	**5**
19%	17%	1	***Margin (%)***	19%	20%	-
146	153	5	Finance Costs	294	263	(12)
352	319	(10)	Depreciation	653	601	(9)
606	**515**	**18**	**PBT**	**1439**	**1419**	**1**
179	99	(80)	Tax Expenses	421	375	(12)
0.2	2	-	Minority Interest	-	3	-
427	**414**	**3**	**PAT**	**1018**	**1041**	**(2)**
15.6	**15.1**	**3**	**EPS (₹)**	**37.1**	**38.0**	**(2)**

- **CY depreciation includes ₹ 24 Crs additional charge for componentisation as per Co. Act, 2013**
- **LY tax was lower by ₹ 70 Crs due to benefit on exempted treasury income; adjusted PAT growth would be: 24%**

Financial Position

₹ crs

Standalone		Particulars	Consolidated	
30.09.15	31.03.15		30.09.15	31.03.15
19843	18858	Shareholders Funds	20079	19041
-	-	Minority Interest	13	18
6899	7414	Loans (Incl. Current Maturities)	9317	9829
2981	2792	Deferred Tax Liabilities	2974	2786
29723	**29064**	**Sources of Fund**	**32384**	**31674**
24237	23632	Net Block (Incl. Capital Advances)	25841	25186
-	-	Goodwill on Consolidation	1097	1053
		Investments:		
3967	4479	Liquid Investments	3983	4634
731	730	Long-term Investments	21	21
788	223	Net Working Capital	1441	780
29723	**29064**	**Total Application of Funds**	**32384**	**31674**
2932	**2935**	**Net Debt**	**5334**	**5195**

Financial Indicators

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Indicators	Standalone		Consolidated	
	30.09.15	31.03.15	30.09.15	31.03.15
Shareholders fund (₹ crs)	19843	18858	20079	19041
Borrowings (₹ crs)	6899	7414	9317	9829
Cash Equivalents (₹ crs)	3967	4479	3983	4634
Financial Indicators				
Net Debt: Equity	0.15	0.16	0.27	0.27
Net Debt / EBIDTA	0.64	0.64	1.12	1.09
Interest Cover (PBIT/Gross Interest)	6.1	5.8	5.8	5.7
ROCE	11.4%	12.0%	10.8%	11.5%
Book Value (₹/Share)	723	687	732	694

Sector Guidance

Sector guidance:
Cautiously Optimistic

- **Concern:**
  - Erratic Monsoon – likely to impact rural housing demand
  - Delay in execution of government projects
  - Surplus inventory in urban housing
- **Expectation:**
  - Government thrust for infrastructure development, attracting investments through various reforms
  - Demand picking-up in road segment
  - Housing for all programme and development of smart cities
  - Development of Telangana and New Andhra state will drive growth in south
  - Softening of interest rates

Cement demand expected to pick-up in H2 FY16

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