

## HeidelbergCement India Limited (HCIL)

### Q4 and FY18 Investor Presentation

**May 2018**



Overland Belt Conveyor



Waste Heat Recovery System



Water Reservoir in Damoh

## ■ Cautionary Statement

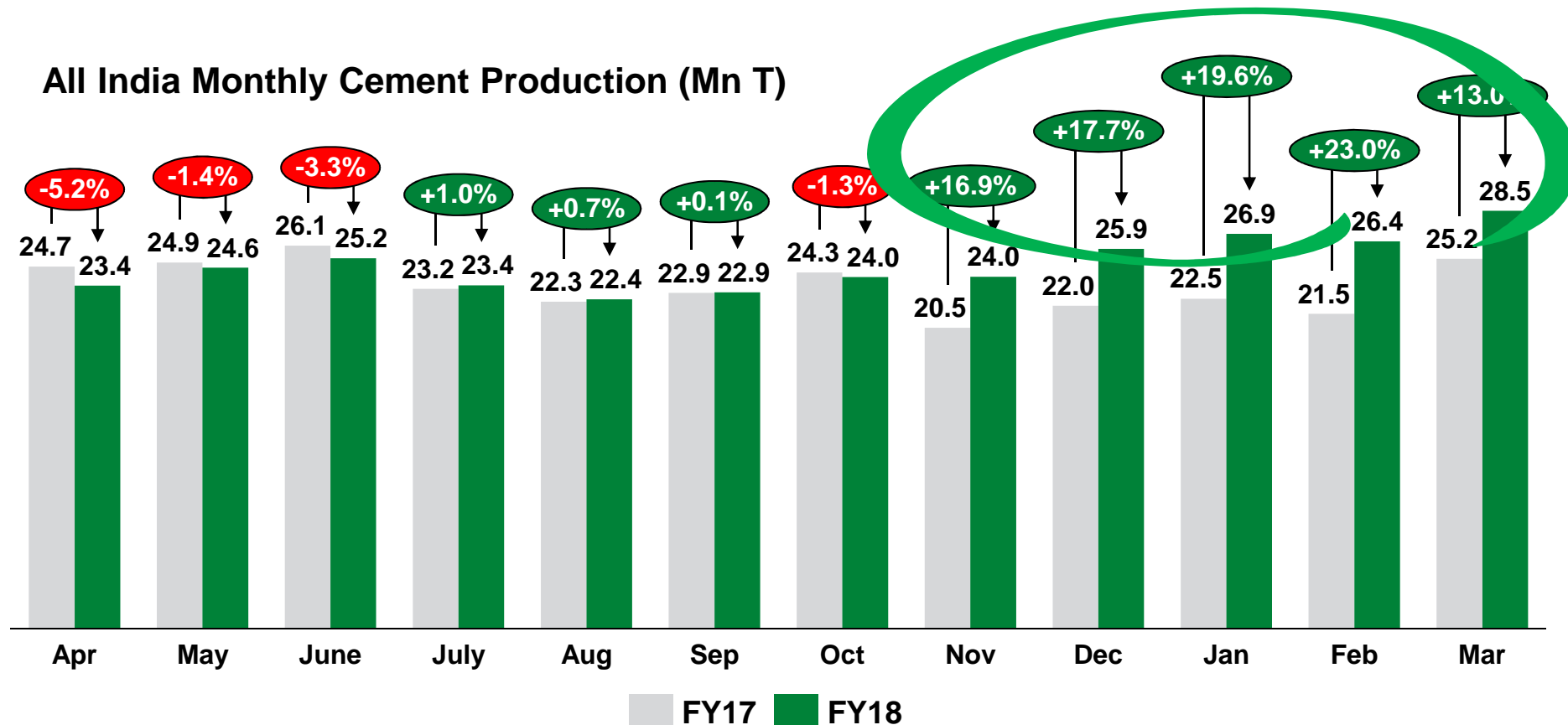
- Statements in this presentation, which describe the Company's objectives, projections, estimates, expectations or predictions, may be considered to be "forward-looking statements" within the meaning of applicable Securities Laws and Regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however materially differ from those expressed or implied.
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- The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events or otherwise.

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# ① FY18 – Indian Cement Industry

- All India installed cement capacity of ~465 Mn T as at 31-Mar-18.
- After a decline of c. 1% in H1FY18; Industry reported production volume growth of c. 14% in H2FY18.  
For FY18, cement production increased by c. 6% Y/y; growth was also driven by low base due to demonetization in FY17. During the same time, HCIL's sales volume increased by c. 4%.
- HCIL reported cement capacity utilization of c. 85% against industry average of c. 65%.



## ② FY18 – HCIL's major highlights

**Highest ever Sales volume, Revenue, EBITDA & EBITDA per tonne**

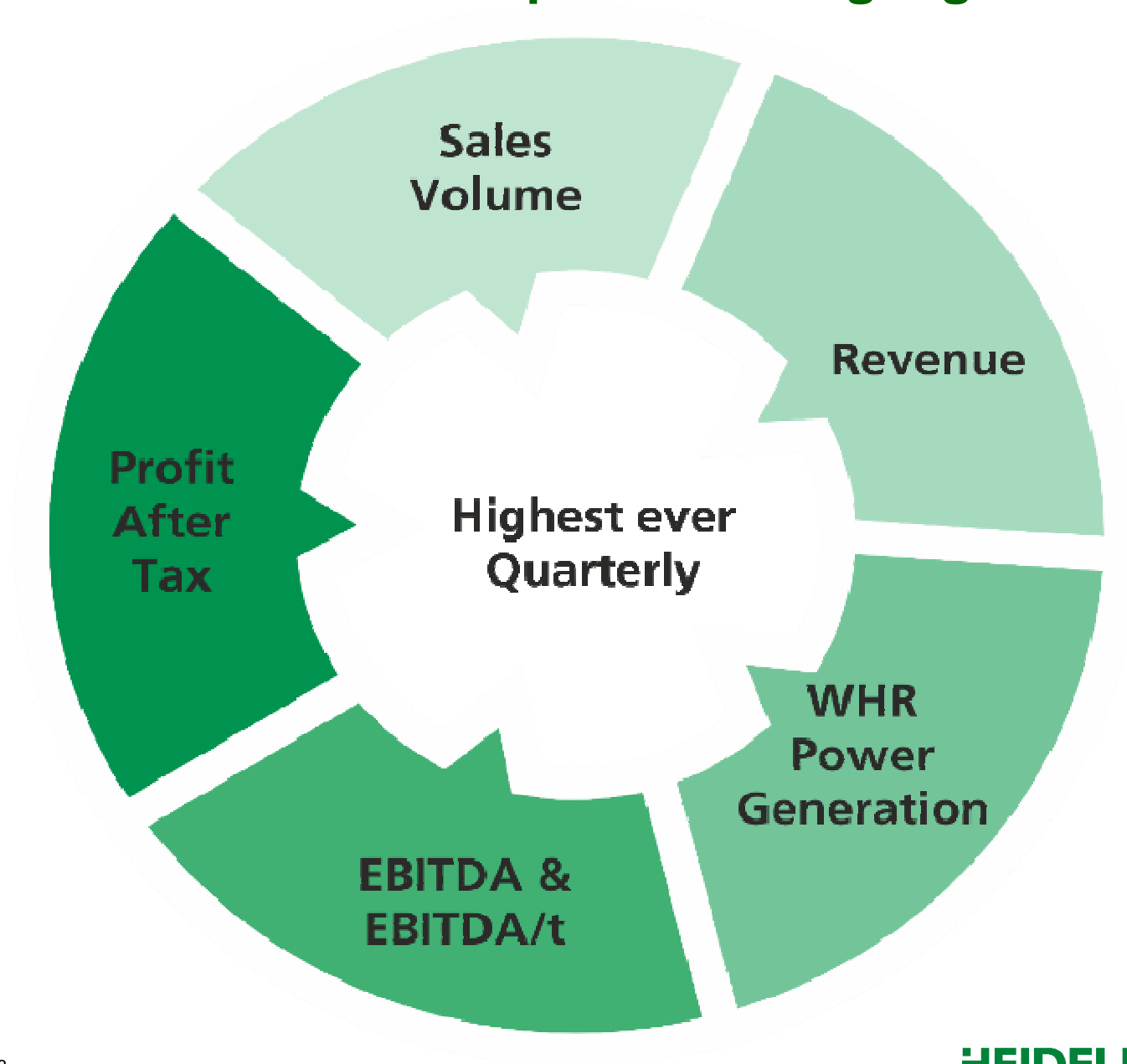
**Premium product volume increased to 2.5x of FY17, share of business increased to c. 9%; lead distance reduced to 355 Kms**

**Entire ECB of MUSD 125 repaid; Net debt reduced to MINR 4,683; Net Debt to EBITDA at 1.29x; further improvement in working capital**

**Board recommended dividend of ₹ 2.50 per share (25%) as against ₹ 2.00 (20%) in FY17**

**Highest ever WHR net power generation of 69.5 million units  
Achieved 6.37x Net water positive for FY17**

### ③ Q4FY18 financial and operational highlights



### ③ Q4FY18 and FY18 – Income statement

MINR

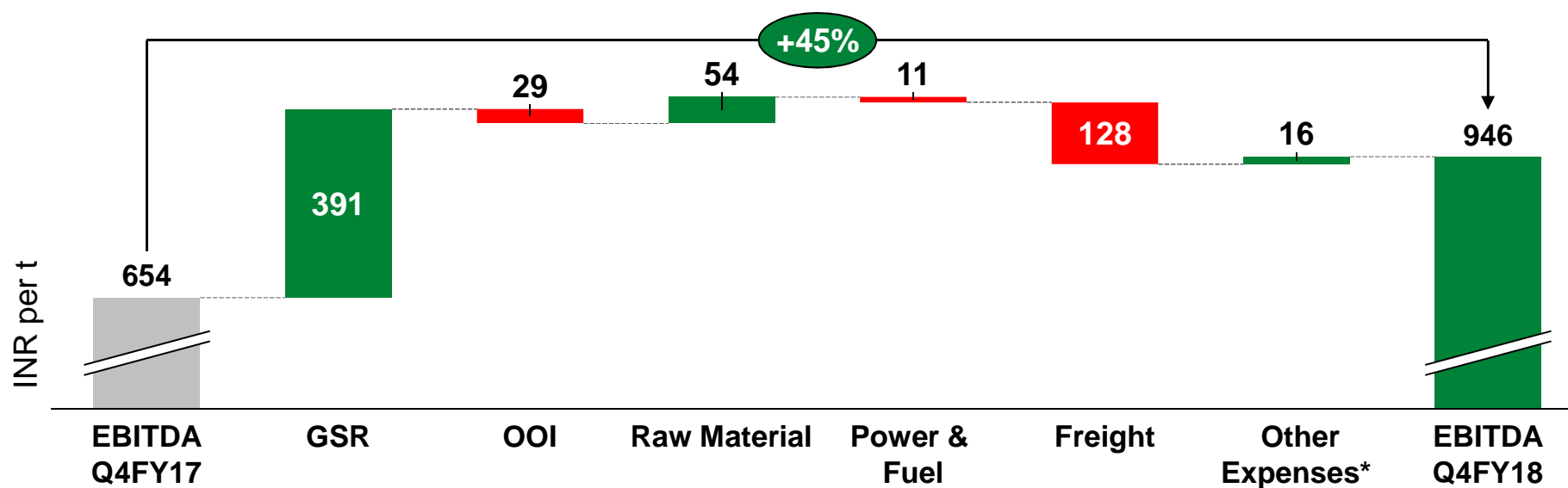
Particulars	Quarter ended		Change	Financial Year ended		Change
	Mar 2018	Mar 2017		Mar 2018	Mar 2017	
<b>Total Income (net of taxes)</b>	<b>5,313</b>	<b>4,629</b>	<b>15%</b>	<b>18,895</b>	<b>17,175</b>	<b>10%</b>
Operating expenses	4,112	3,836	7%	15,261	14,386	6%
<b>EBITDA</b>	<b>1,202</b>	<b>793</b>	<b>52%</b>	<b>3,634</b>	<b>2,789</b>	<b>30%</b>
Depreciation / amortization	254	249	2%	1,012	992	2%
Other Income	58	37	55%	199	237	-16%
<b>EBIT</b>	<b>1,005</b>	<b>581</b>	<b>73%</b>	<b>2,821</b>	<b>2,034</b>	<b>39%</b>
Financial expenses	172	195	-12%	745	898	-17%
Exceptional Items	-	151	-100%	-	-	n/a
<b>Profit Before Tax</b>	<b>833</b>	<b>536</b>	<b>55%</b>	<b>2,077</b>	<b>1,136</b>	<b>83%</b>
Tax Expenses	312	166	88%	745	374	99%
<b>Profit After Tax</b>	<b>521</b>	<b>370</b>	<b>41%</b>	<b>1,332</b>	<b>762</b>	<b>75%</b>

#### KPIs

Sales Volume (KT)	1,270	1,212	4.8%	4,653	4,474	4.0%
Gross realization (INR/t)	4,136	3,745	10.5%	3,999	3,772	6.0%
Total cost (INR/t)	3,236	3,166	2.2%	3,280	3,215	2.0%
EBITDA (INR/t)	946	654	44.6%	781	623	25.3%
EBITDA% of revenue	22.9%	17.5%	540 bps	19.5%	16.5%	300 bps
PAT% of revenue	9.9%	8.2%	175 bps	7.2%	4.5%	264 bps

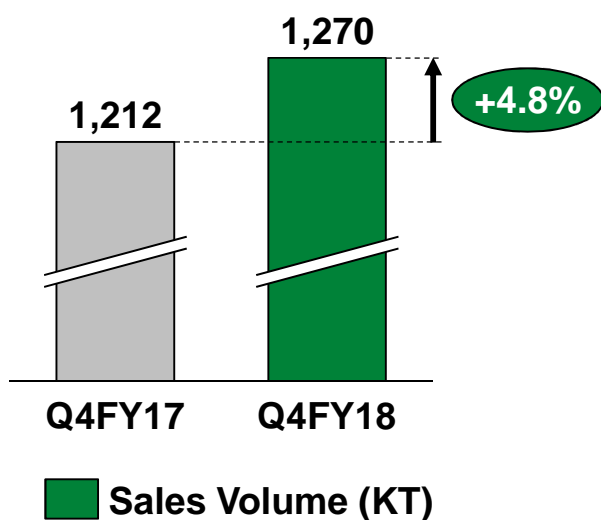
**Improvement across all key performance indicators**

### ③ EBITDA per tonne bridge: Q4FY17 to Q4FY18



Note: Change in inventory has been apportioned on Raw Material and Power & Fuel expenses.

\*Other expenses include employee cost and miscellaneous expenses.



- Increase in volume and realization driven primarily by recovery in Uttar Pradesh.
- Increase in realization and freight cost due to change in commercial terms post GST. Freight cost increase also driven by increase in road freight due to higher diesel cost.
- Hardening of Petcoke price was partially offset by higher power generation from WHR System.
- Lower Fly ash and Gypsum cost partially offset by increase in packing cost.
- Other operating income is lower due to reduction in tax incentive in Madhya Pradesh.



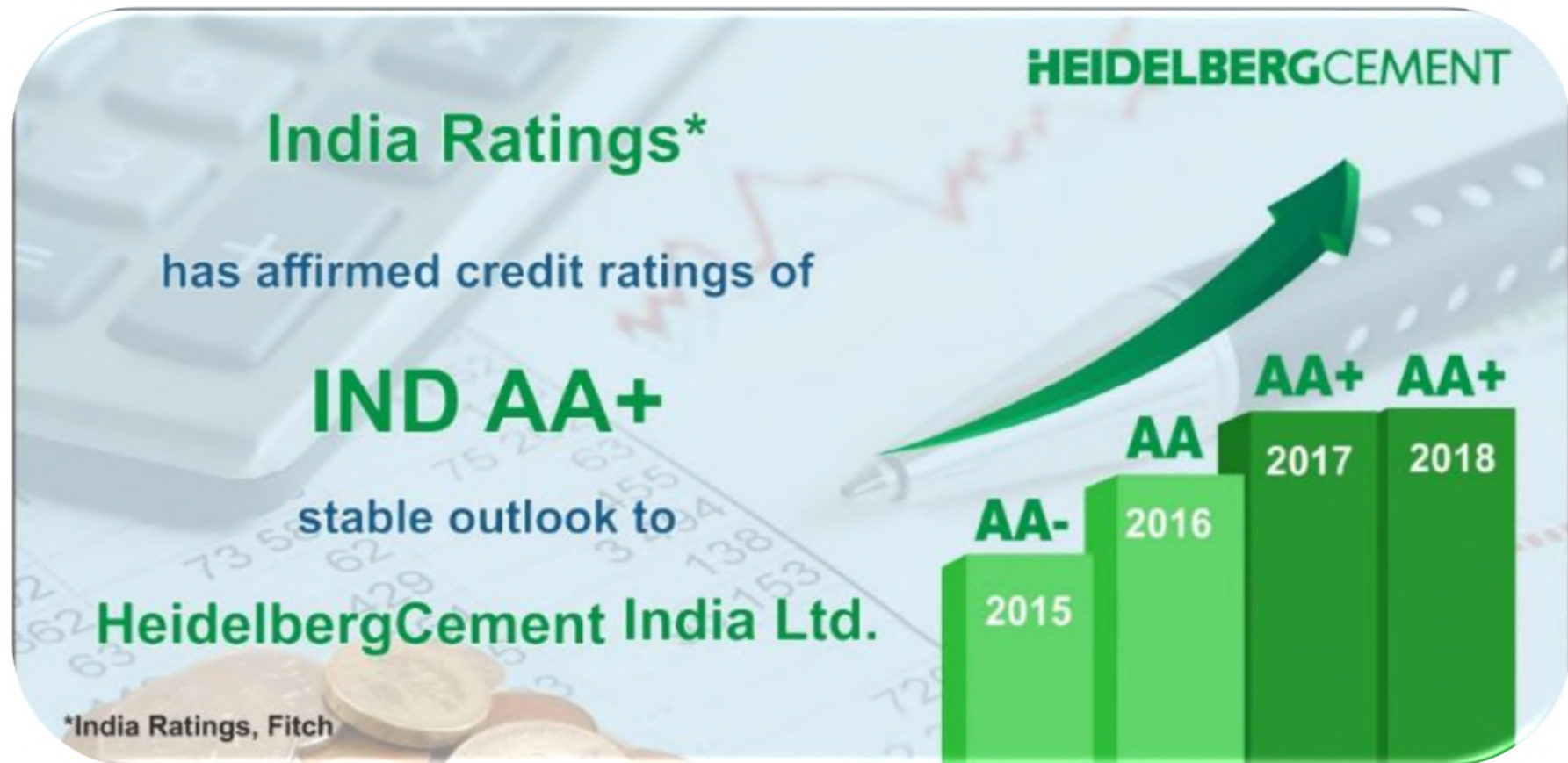
## 4 Balance sheet

Particulars	31 March 2018 MINR	31 March 2017 MINR
<b>Equity and liabilities</b>		
<b>Equity</b>		
Equity share capital	2,266.2	2,266.2
Other equity	8,197.8	7,403.3
	<b>10,464.0</b>	<b>9,669.5</b>
<b>Non-current liabilities</b>		
Financial liabilities		
Borrowings	4,692.3	5,751.9
Other financial liabilities	53.8	62.0
Provisions	196.0	217.1
Government grants	511.8	328.1
Deferred tax liabilities (net)	835.0	530.0
	<b>6,288.9</b>	<b>6,889.1</b>
<b>Current liabilities</b>		
Financial liabilities		
Trade payables	2,266.3	1,914.1
Other current financial liabilities	3,121.6	2,820.0
Other current liabilities	896.0	562.8
Government grants	102.8	59.8
Provisions	2,188.6	2,161.1
	<b>8,575.3</b>	<b>7,517.8</b>
<b>Total liabilities</b>	<b>14,864.2</b>	<b>14,406.9</b>
<b>Total equity and liabilities</b>	<b>25,328.2</b>	<b>24,076.4</b>

Particulars	31 March 2018 MINR	31 March 2017 MINR
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	18,043.8	18,744.2
Capital work-in-progress	80.7	62.9
Intangible assets	16.5	26.5
Financial assets		
Security deposits	284.9	273.0
Derivative instruments	-	-
Other non-current assets	294.1	311.0
	<b>18,720.0</b>	<b>19,417.6</b>
<b>Current assets</b>		
Inventories	1,268.9	1,396.4
Financial assets		
Security deposits	106.9	101.6
Derivative instruments	-	186.5
Trade receivables	188.0	125.6
Cash and bank balances	2,124.1	142.0
Other financial assets	19.1	7.7
Other current assets	2,901.2	2,699.0
	<b>6,608.2</b>	<b>4,658.8</b>
<b>Total assets</b>	<b>25,328.2</b>	<b>24,076.4</b>

Entire ECB of MUS\$ 125 repaid during FY18; As at Mar'18, Net debt reduced to MINR 4,683, Net Debt to EBITDA at 1.29x and cash conversion cycle improved to 1.1 days

## ⑤ Credit rating



## ⑥ Premium product – mycem power



During FY18, mycem power volume increased to 2.5x of FY17 and mycem power's share of business increased to c. 9% of trade sales

HCIL sells 100% blended cement

## ⑦ Safety – our foremost priority



**Safety stars, meets and themes across all plants**



## ⑧ Sustainability – Greenery development, flora and fauna



**Greenery development : +38% green area in Damoh plants**

## ⑨ HCIL certified as 6.37x net water positive by TÜV SÜD



**During FY17, HCIL plants withdrew 10.9 lakh kilo litres of water and harvested 69.6 lakh kilo litres**




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## 10 Awards and accolades




Patharia LS Mines -  
certificate in  
recognition for  
'Swachh Bharat  
Mission 2018' from  
Indian Bureau of  
Mines




Jhansi Plant received  
the 'Energy Efficient  
Unit' award in the  
cement sector from  
CII



Patharia LS Mines  
accredited with 5  
Star Rating from the  
Ministry of Mines



Ammasandra Plant -  
Utthama Suraksha  
Puraskara for safety  
performance from  
Karnataka Chapter of  
National Safety Council



Yerekatte LS Mines – 1<sup>st</sup>  
Prize in 'Mineral  
Beneficiation' and  
'Environmental Monitoring'  
and 2<sup>nd</sup> Prize for 'Overall  
Performance' from Indian  
Bureau of Mines

## 11 Outlook

### Positives:



- ❑ **Cement demand** is likely grow ~7% in FY19; with availability of sand and aggregates, demand expected to grow in rural and urban housing.
- ❑ **Boost in government spending** (reiterated in Budget FY19) on infrastructure to drive growth: Affordable housing and Infrastructure development – concrete roads, railways, irrigation, mega Industrial and freight corridors etc.
- ❑ **Upcoming state elections** in major states like Madhya Pradesh, Rajasthan and Chhattisgarh.
- ❑ **Monsoon:** India Meteorological Department forecasts normal and early onset of monsoon this year – 97% of long period average.

### Concerns:



- ❑ **Increase in crude prices:** negative for the economy and Cement Industry – imported fuel prices, diesel cost, bags costs etc.
- ❑ **Depreciation** of Indian Rupee against US Dollar.
- ❑ Assessment of **Ban on Petcoke usage** by the Govt.; import of Petcoke may also not be permitted.
- ❑ **Hardening of compliance norms:** GST, E-way Bill, Real Estate (Regulation and Development) Act, SOx and NOx.





# HEIDELBERGCEMENT

for better building

**Safety is our foremost priority**

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