# INVESTOR PRESENTATION


## PRISM CEMENT LIMITED

PRISM CEMENT

JOHNSON
REDEFINING LIFESTYLES, WORLDWIDE.

RMC
Mix with the Best

*May, 2014*

# Integrated Building Materials' Company

Cement (Champion)

Cement (OPC)

Cement (Hi Tech)

Ready-mixed Concrete

Aggregates

Manufactured Sand

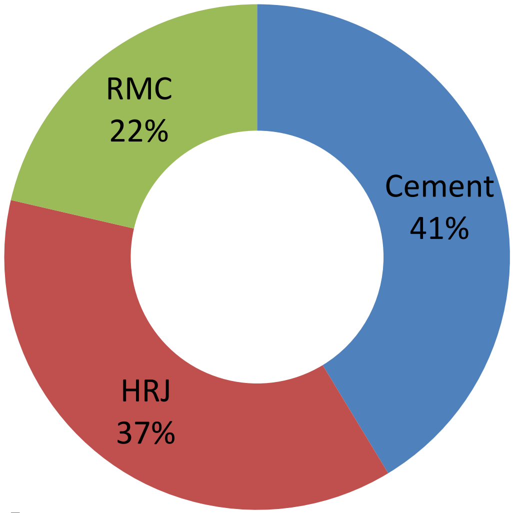
Tiles (Ceramic, Vitrified, Industrial)

Sanitaryware, Faucets, and Bath Fittings

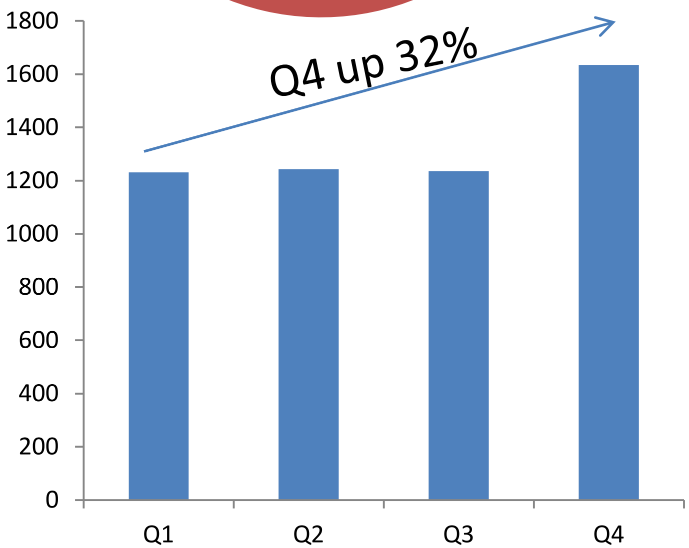
Modular Kitchens

Construction Chemicals

# Sales FY 2014



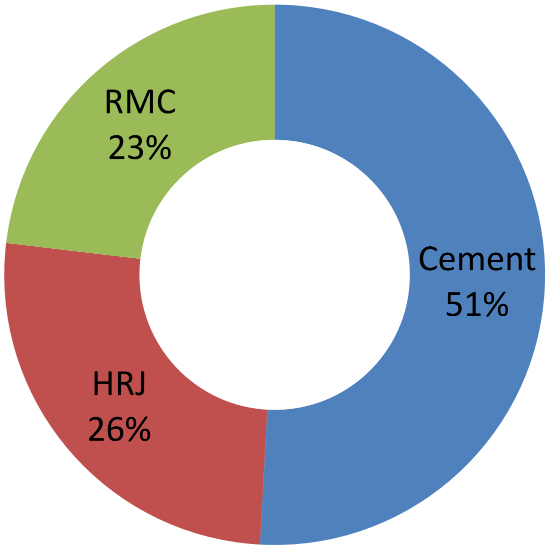

Total Sales: ₹ 5,428 crores



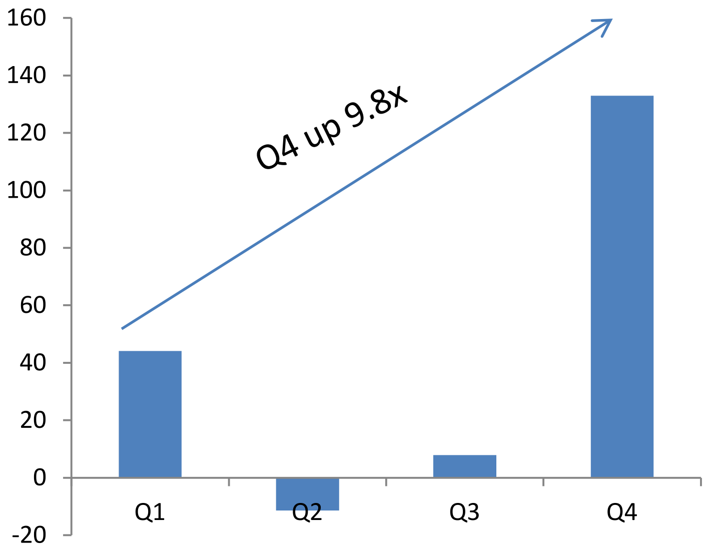

- Sales in Q4 increased by 32% as compared to quarterly average for first 9-months
  - Q4 generally is higher due to seasonality (Corresponding Q4 FY 13 growth was 22%)
  - However, this year's growth higher as key constraints on capacity utilization addressed

All Conso numbers excluding RQBE

# EBITDA FY 2014




Total EBITDA: ₹ 174 crores



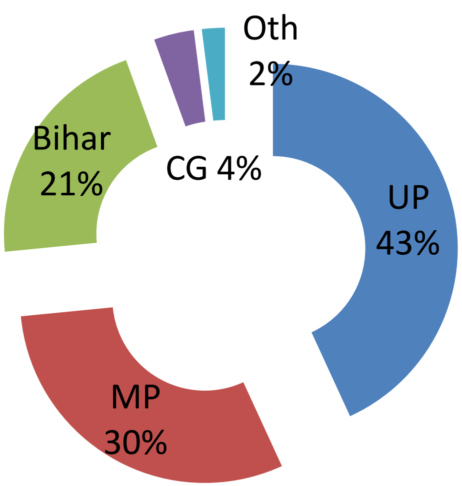

- Significantly improved profitability in Q4 with higher capacity utilization and cost saving initiatives
- Q4 EBITDA 9.8x of 9 months' quarterly average EBITDA

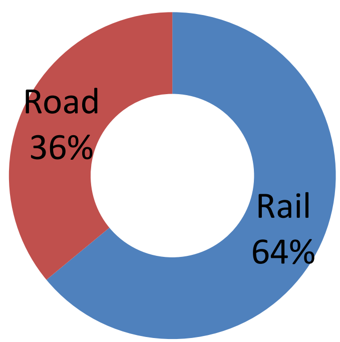
All Conso numbers excluding RQBE

PRISM
CEMENT

# Cement - Overview

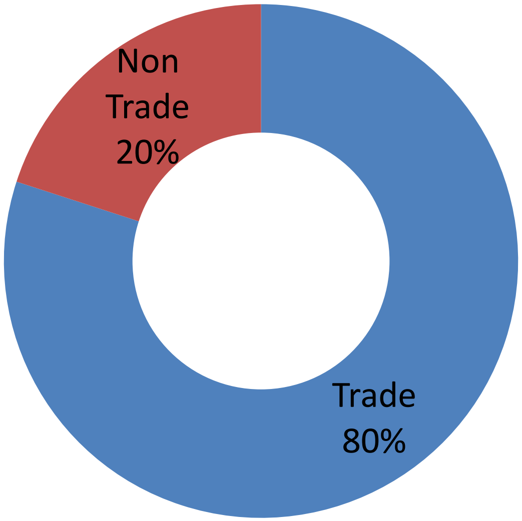

- 2 Modern Plants (set-up in 1997 and 2010) in Satna, Madhya Pradesh, Central India
- Rated Capacity:
  - Clinker:  4.4 mn tons
  - Cement:  5.6 mn tons
- Potential to sell:  7 mn tons cement and clinker



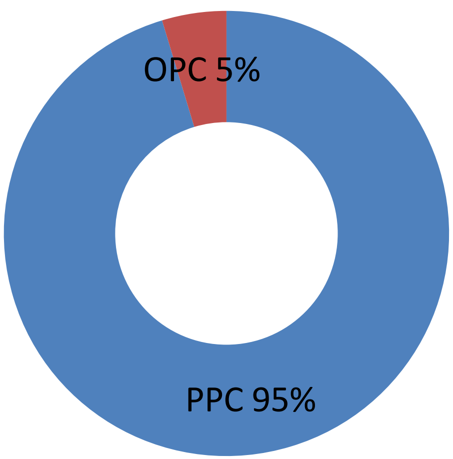




- Short lead distance.  Avg = 407 KMs
- Superior Rail : Road mix

# Cement - Overview

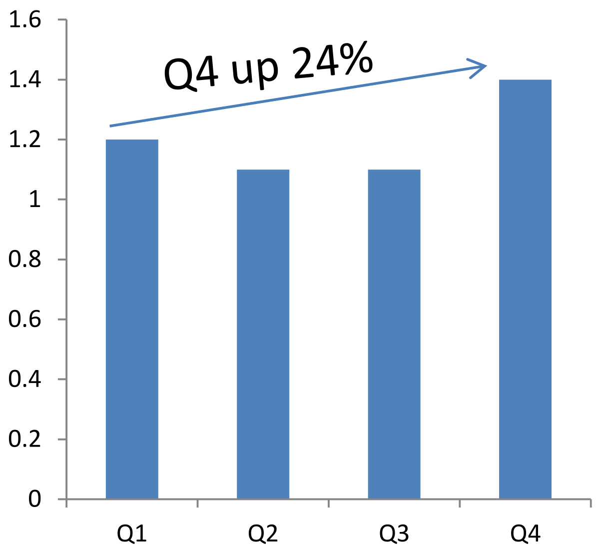



- 80% Trade Sales.  Primarily caters to rural and tier 2 & 3 city Housing
- Wide network of over 3,700 dealers and ~ 100 stocking points

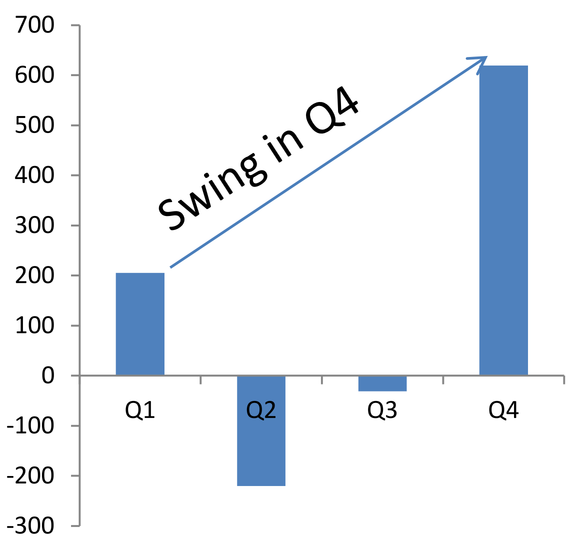



- Superior Product mix.  95% PPC (Fly-ash blended) Cement
- Recently launched premium cement Hi-Tech in Bihar

# Cement – Financials (FY 14)




- Volume: 4.8 mn tons cement; 0.3 mn tons clinker
- Value: ₹ 2,250 crores
- Q4 volume up 24% as compared on 9-m qtly average
  - Blending silo reconstruction complete




- EBTIDA: ₹ 89 Crores
- Significant swing in Q4 EBITDA / ton to > ₹ 600 / ton
  - Higher capacity utilization
  - Switch to Pet coke
- Recent peak: ₹ 1,325 / ton (Q4 FY 10)

# Cement – Cost

## Manufacturing Cost

- Manufacturing cost reduced by ~ ₹ 300 / ton (Cement) on account of:
  - Lower fuel cost
  - Switched ~50% of fuel to Pet Coke
    - Ability to increase fly ash blending from 22% to 32%
    - Ability to use lower grade of limestone
  - Power consumption reduced to < 70 units / ton etc

## Coal Block

- Coal Block in Chhindwara, MP
- 100% ownership
- GR estimated reserves of 15 mn tons
- Started coal production in March, 2014
- Once fully scaled-up, 0.3 mn tons / annum to be extracted

# Cement - Expansion

- Green-field plant to come up in Kurnool District, Andhra Pradesh:
  - Cement Capacity: 4.8 MTPA
  - ~ 3,000 acres of land acquired
  - Large limestone reserves secured; Mine development activities in progress
  - Project activities to be taken up in due course

RMC

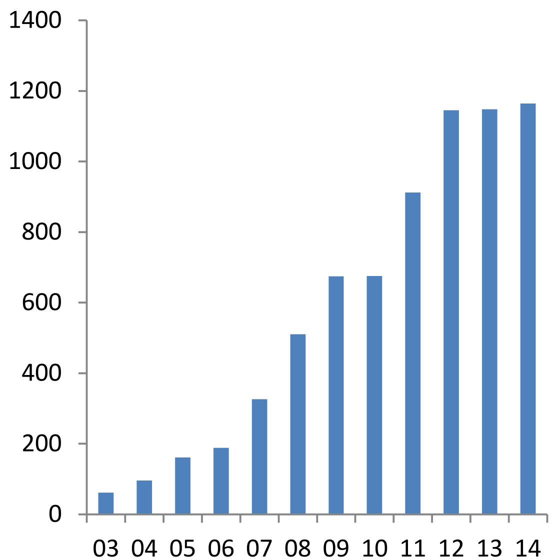
Mix with the Best

# Ready-mixed Concrete Industry

- Started in mid-90s; Penetration increasing
- ~ 10% of total cement used for concrete in India is sold through RMC Channel
  - Metros / tier 1 (~35%) and tier 2 (~20%)
  - In developed countries: 50% - 70%
- Several benefits such as assured quality, speed, saving of site space, reduced labor, reduced wastage, safety etc
- Industry volume: > 35 million $m^3$ per annum
- Steady-state Industry growth rate > 20% per annum due to:
  - Growth of cement consumption in India
  - Conversion from site-mix to ready-mix

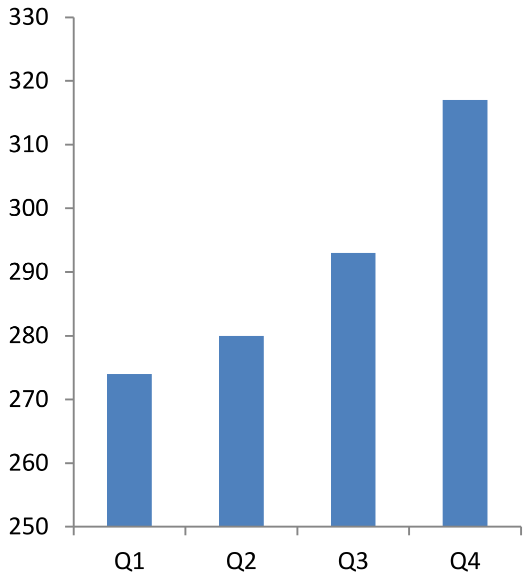
# RMC Readymix (India)

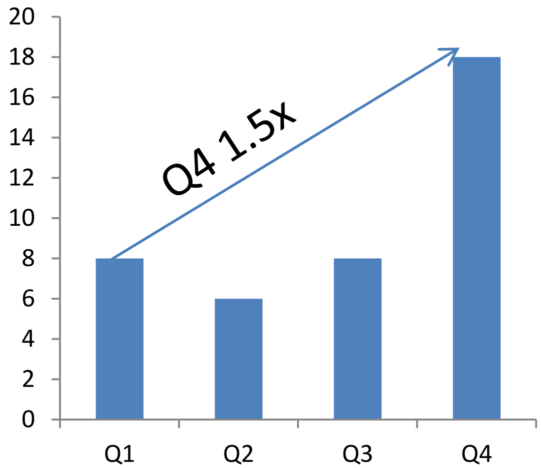
- 2nd largest player in India with national footprint
- 90 Plants in 37 cities / towns
  - 11 Plants certified by Quality Council of India (QCI); Others in progress
- Backward Integration: 8 Plants – Aggregates and Manufactured Sand




- '03 – '12 Sales CAGR: 39%
- Flattish for last 2 years, on account of subdued economy
- Demand drivers: Urbanisation and Infrastructure

# RMC: Financials

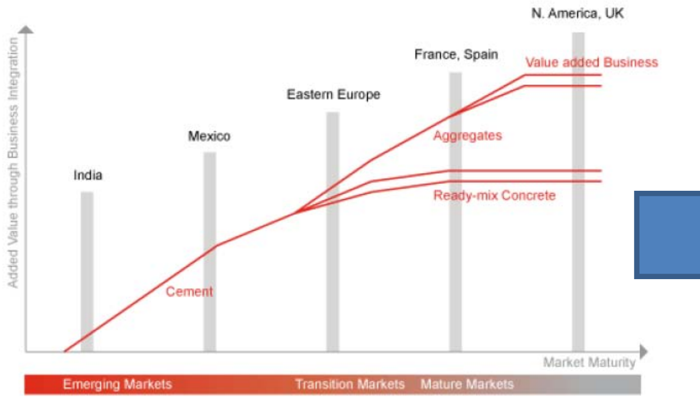



- FY 14 Sales: ₹ 1,164 crores
- Practical Capacity utilization: 60%
  - Subdued economy
  - Cautious on managing debtors in the current environment
- Capital Employed: ₹ 225 crores
  - High Asset turns: >5x

- FY 14 EBITDA: ₹ 40 crores (3.4%)
  - Peak in last 5 years: 6.1%
- Q4 1.5x of 9-m qtly avg:
  - Profitability highly sensitive to capacity utilization

# RMC Readymix (India)




Source: Espirito Santo Investment Bank Research

- As markets mature, higher value in Ready-mixed concrete business and aggregates as compared to cement

| | |
|---|---|
| Cement sold (mT) | 4.8 |
| RMC Volume sold (mm³) | 3.3 |
| Aggregate Volume Sold (mT) | 1.3 |

- Higher share of the Company’s total revenues from value-added segments (RMC and Aggregates)
- Superior mix as compared to Global majors

# RMC Growth Triggers

| | | |
|---|---|---|
| Aquaresistcrete | Coastcrete | Dyecrete |
| Easycrete | Elitecrete | Environprotectcrete |
| FRCcrete | Highdensecrete | Megacrete |
| Perviouscrete | Thermocrete | |

- Scale-up "RMC Specials"—bespoke concretes to suit individual project requirements
- Differentiator in the market
- Presently contribute 4% of RMC (India)'s sale

## Economy Improvement

- With higher growth rate of economy, higher urbanization and more infrastructure would be needed. That in turn would drive RMC growth in India

## GST Implementation

- 60% of the Industry is unorganized. That sector thrives of poor tax compliance
- GST implementation would significantly benefit organized sector

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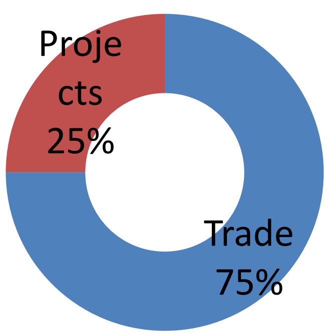
# H & R Johnson (India)


JOHNSON
REDEFINING LIFESTYLES, WORLDWIDE.

JOHNSON MARBONITE
PREFERRED OVER ITALIAN MARBLE

JOHNSON ENDURA
INDUSTRIAL TILING SOLUTIONS




- Set-up in 1958; Pioneer of Ceramic tiles in India
- Wide range: Tiles, Sanitary ware, Bath fittings, Modular Kitchens, Construction Chemicals
- 11 Manufacturing Plants (Own & JVs) with largest capacity of 54 mn $m^2$ / annum

- Strong brand equity

- Large, national Trade network of ~12,000 retail points
- 75% sales from Trade channel

# HRJ:  Business Model


- “House of Johnson” chain of Retail Outlets
  - 25 across the country
  - Selling complete range of products
  - Contributes ~10% of Division’s total sales


- Manufacturing Joint Ventures
  - Asset Light business model
  - 5 Manufacturing JVs contributing to 65% of the capacity
    - Gujarat:  3
    - AP:  2

# HRJ: Business Model

- Built complimentary businesses to leverage Brand and Distribution

ARDEX ENDURA

Construction Chemicals

- 50% Stake in Ardex Endura—JV with Ardex, Germany
- Pioneer in tile fixing adhesives
- Added industrial flooring and waterproofing
- Plants in Begaluru and Vadodara; Pan India presence

JOHNSON BATHROOMS
FIND CLARITY

Bathrooms

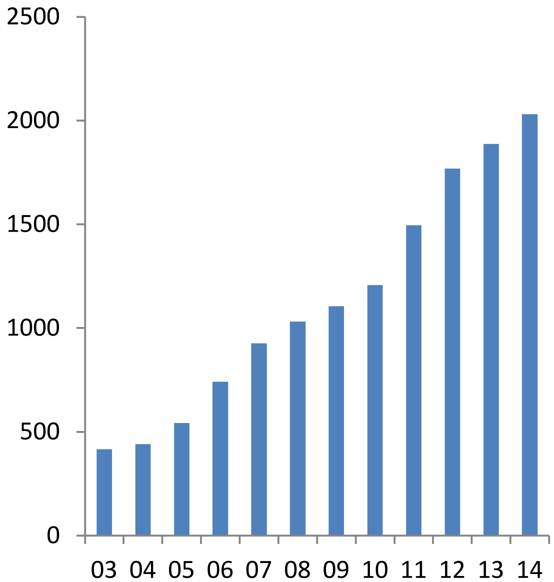
- Sanitaryware , Taps, Bath Fittings, wellness products
- 2 Manufacturing plants for Fittings—Baddi, HP & Samba, J&K
- Potential for scale-up at high rate

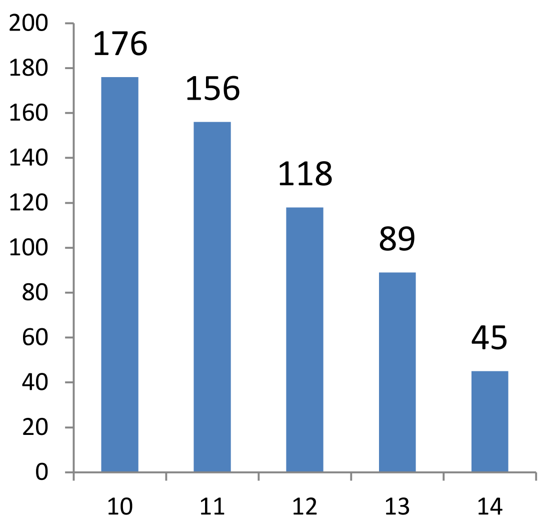
JOHNSON KITCHENS
KITCHENS TAKE CENTRESTAGE

Modular Kitchens

- Sunrise industry
- High growth potential
- Offers complete range of products including installation
- Tie-up with a German company for sourcing

# HRJ: Financial Trend




- ’03 – ‘12 Sales CAGR: 17%
- Flattish for last 2 years
  - 70% capacity utilization
  - 40% of total capacity in AP & Karnataka
    - Power and fuel unavailability
    - LPG costlier than LNG by ₹ 15 / $m^3$ to ₹ 35 / $m^3$
- EBITDA declined:
  - FY 10: ₹ 176 crores (14.6% of sales)
  - FY 14: ₹ 45 crores (2.2% of sales)

# HRJ: Key Initiatives

- Addressed Power and Fuel issues in South by:
  - Installing 3 Coal Gassifiers in 2 Plants in AP
  - Winning bids for onshore micro Gas wells in AP
  - Natural Gas pipeline connectivity completed for Karnataka plant
  - Started purchasing Traded power

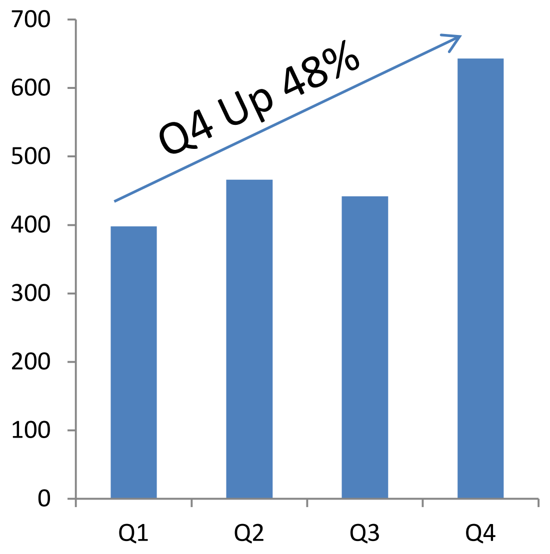
- Further strengthening Brand leadership
  - Scaling-up marketing activities
  - Signed Ms. Katrina Kaif as brand ambassador and started TV advertising


https://www.youtube.com/watch?v=ErUmWPCwbCE

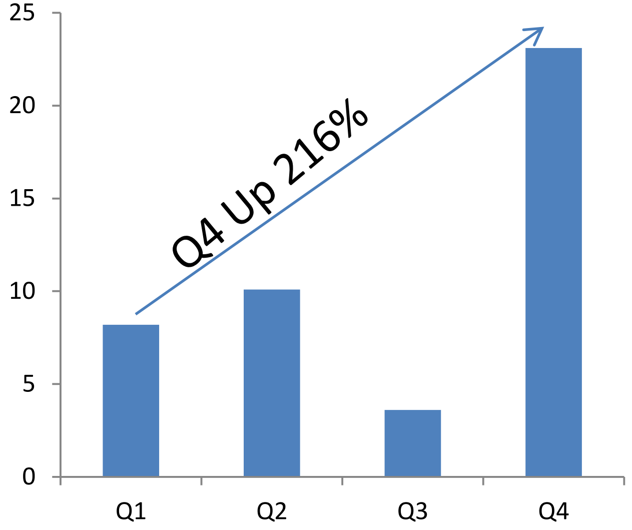
http://www.youtube.com/watch?v=mp-Q1SzR40E

https://www.youtube.com/watch?v=61wl_dfxAPg&index=11&list=PLNZUPjSTVFV3lcCXg-HUXcjLu0VJJXjzv

# HRJ: Financials (FY 14)




- Sales: FY 2014 ₹ 2,031 crores
- With key initiatives mentioned earlier, Q4 Sales was 48% higher than the 9-m quarterly average




- EBITDA: FY 2014 ₹ 45 crores
- With key initiatives mentioned earlier, Q4 EBITDA was 216% higher than the 9-m quarterly average

# Strategic Investments

# Strategic Investments

RAHEJA QBE

**Raheja QBE General Insurance**

- 74% stake in Raheja QBE General Insurance
- JV with QBE Group of Australia
- Focus on Speciality products like Liability insurance, Marine liability and Trade Credit
- Prism's investment: ₹ 153 crores
- FY 14 financials:
  - Gross written premium: ₹ 32 crores
  - Profit before tax: ₹ 6 crores

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**Treasury Stock**

- 1.2 crore shares of Prism Cement Limited held through Prism Trust
- 2.45% of the Company's equity capital
- M-T-M Value (May 14): ~₹ 70 crores

# Management Profile

# Management Profile

- Mr. Vijay Aggarwal, 45 years, Managing Director
  - B. Tech (Elec.) from IIT, Delhi and PGDM from IIM, Ahmedabad.
  - Joined Hathway Investments in 1993
  - Past experience includes SBI Capital Markets
  - On the Board of various companies including Exide Industries, ING Vysya Life Insurance, Aptech, Asianet Satellite Communications, and Ardex Endura (India)

# Management Profile

- Mr. Ganesh Kaskar, 55 years, Executive Director – HRJ
  - M. Tech (Civil) from IIT, Mumbai
  - Joined erstwhile RMC Readymix (India) Pvt. Limited in 1996
  - Past experience includes ACC and Tata Consulting Engineers

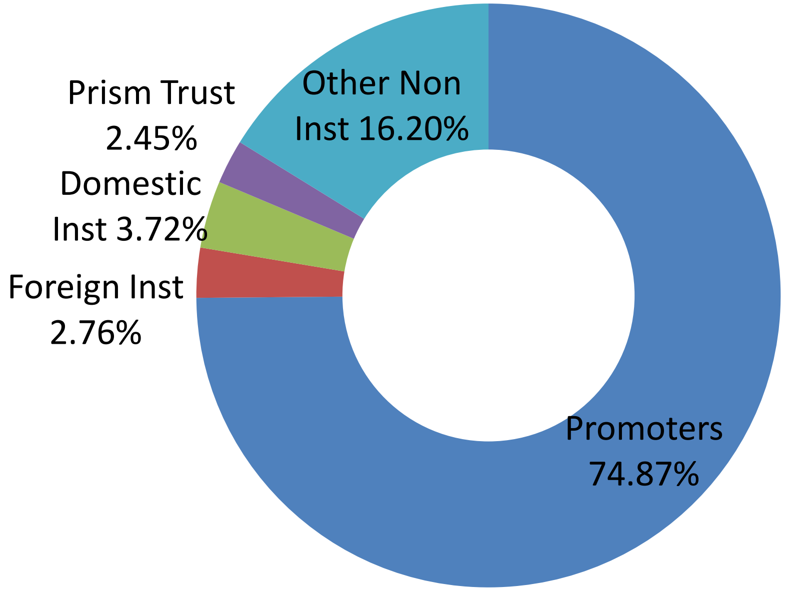
- Mr. S Ramnath, 58 years, Executive Director – Cement
  - Chartered Accountant and Cost Accountant. Also, holds a Diploma in Human Resource Management.
  - Joined the Company in 1998
  - Past experience includes Larsen & Toubro

- Mr. Venugopal M Panicker, 49 years, Executive Director – RMC
  - Chartered Accountant, Company Secretary and a Member of the Institute of Company Secretaries & Administrators, UK (AICSA-UK)
  - Joined erstwhile RMC Readymix (India) Pvt. Limited in 1996
  - Past experience includes Walchandnagar, Tatas and Williamson Magor

# Other Information

# Other Information

- Market Cap (As on 26.05.2014): ₹ 2,716 crores
- Borrowings (As on 31.03.2014)
  - Consolidated: ₹ 2,105 crores
  - Stand-alone: ₹ 1,833 crores
- Shareholding Pattern (As on 31.03.2014)



# THANK YOU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