# 2015 Second Quarter Results

July 17,2015

# Agenda

## Government has moved the reform needle in the right direction

- **Growth inched up**, **inflation declined** & current account **deficit** in the **safe zone**
- Government has **limited ability** to drive growth in the **short run**
- **High fiscal deficit** , **high leverage** in corporate **balance sheet** & huge **bad assets** in the **banking sector** preventing private investment and growth
- Government made progress in **inflation control**, social **welfare schemes**, **speeding up decision making**, fast track **project clearance/reducing red-tape**, to raise India's growth potential
- Government pushing for implementation of the **Land acquisition Bill** for reforms on land acquisition & the **GST bill** , labour reforms
- The Successful completion of the above steps will enable to create conditions for India to **enjoy higher growth rate in the times to come**

## Cement industry – Q2 CY15

- **Demand** for cement muted mainly due to **weak** government **spending** and **lower** private **capex**
- Cement **demand** YoY remained **flat** in Q2CY15
- **Surplus capacity** continues to challenge cement sector; Industry capacity **utilization** at **~ 74 %**
- Cement **prices** remained **volatile** ; **weak** in the **North** and **West** & relatively **stable** in the **East and South** (sequentially)
- **Increased allocation** to infrastructure spend by government **from Q2CY15** expected to **boost demand** during the ensuing quarters
- **Demand** expected to **recover gradually** on the back of the government's **infrastructure focus** on development of 100 smart cities, housing for all by 2022 and expected commencement of several infrastructure projects post-monsoon

## Agenda

# Q2 – Key Highlights

| | |
|---|---|
| **Volume** | **Cement**<br>❑ **De-grown by ~2%** YoY due to muted demand<br>❑ **Growth of 6.5%** QoQ<br>**RMX**<br>❑ **Growth of 30%** YoY<br>❑ **Flat** QoQ |
| **Net Sales & Other Operating Income** | **Net Sales**<br>❑ **lower by ~2%** YoY<br>❑ **higher by ~3%** QoQ<br>**Other Operating Income**<br>❑ significantly **lower** QoQ due to accrual of **sales tax incentive** of Rs 139.74 in **Q1'15** |
| **Operating Costs** | ❑ Operating Costs **higher by 2.8%** YoY due to<br>✓ higher **cost of materials** consumed<br>✓ higher **freight & forwarding** expense<br>❑ Operating Costs **higher by 8.5%** QoQ due to<br>✓ **higher** cement sales **volume by 6%**<br>✓ higher other expenses because of **maintenance at plants** and higher **packing cost**<br>✓ higher **freight & forwarding** expense |
| **Profitability** | ❑ Op EBITDA at **Rs 335 Cr** , lower by 26% YoY ( Q2'14: Rs 452 Cr) |
| **Growth/ Projects** | ❑ Jamul clinkering project (2.79 MioT)scheduled to be **commissioned by the end of 2015**<br>❑ Cement grinding unit at Jamul (1.1 MioT)& Sindri(1.35 MioT) expected to be **commissioned in Q1'16** |

# Agenda

| | |
|---|---|
| 1 | Indian Economy & Cement Industry |
| 2 | Key Highlights |
| 3 | Financial Summary |
| 4 | Performance Analysis |

# Financial Results – Consolidated (1/2)

[Rs Cr]

| Q2 2014 | Particulars | Q1 2015 | Q2 2015 | Variance YoY | Variance QoQ |
|---|---|---|---|---|---|
| 3009 | Net Sales | 2885 | 2961 | -2% | 3% |
| 51 | Other Operating Income | 195 | 54 | 6% | -72% |
| -436 | Raw Materials | -464 | -457 | -5% | 1% |
| -194 | Employee Cost | -171 | -201 | -3% | -17% |
| -621 | Power & Fuel | -622 | -611 | 2% | 2% |
| -670 | Freight Outwards | -680 | -734 | -10% | -8% |
| -686 | Other Expenditure | -533 | -678 | 1% | -27% |
| -2608 | Operating Cost | -2471 | -2680 | -3% | -8% |
| **452** | **Operating EBITDA** | **609** | **335** | **-26%** | **-45%** |

# Financial Results – Consolidated (2/2)

[Rs Cr]

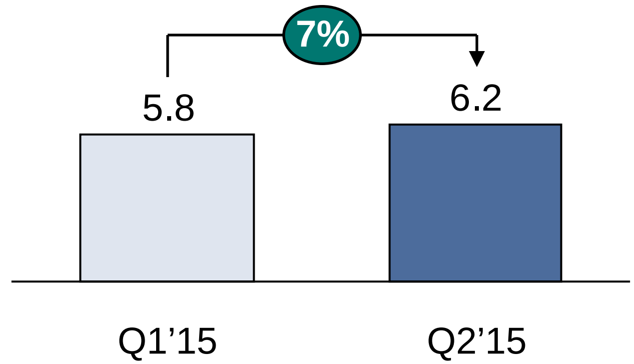
| Q2 2014 | Particulars | Q1 2015 | Q2 2015 | Variance YoY | Variance QoQ |
|---|---|---|---|---|---|
| **452** | **Operating EBITDA** | **609** | 335 | **-26%** | **-45%** |
| 43 | Other income | 60 | 22 | -50% | -64% |
| -140 | Depreciation | -172 | -168 | -20% | 2% |
| **355** | **PBIT** | **497** | **189** | **-47%** | **-62%** |
| -17 | Interest | -23 | -13 | 21% | 41% |
| **338** | **PBT before Exceptional item** | **475** | **175** | **-48%** | **-63%** |
| 0 | Exceptional item - Depreciation | -164 | 0 | - | - |
| **338** | **PBT** | **310** | **175** | **-48%** | **-43%** |
| *11%* | *PBT Margin* | *11%* | *6%* | - | - |
| -98 | Tax | -78 | -46 | 53% | 41% |
| **240** | **PAT** | **232** | **129** | **-46%** | **-44%** |
| *8%* | *PAT Margin* | *8%* | *4%* | - | - |
| 3 | Minority interest & Share of profit of associates | 5 | 5 | 46% | -1% |
| **243** | **PAT after minority interest & share of profit of associates** | **237** | **133** | **-45%** | **-44%** |
| **13** | **EPS (Rs per Share)** | **13** | **7** | **-** | **-** |

## Agenda

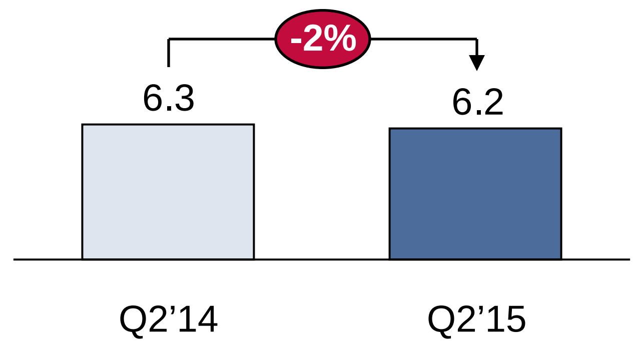
# Cement Sales Volume Summary

[MioT]

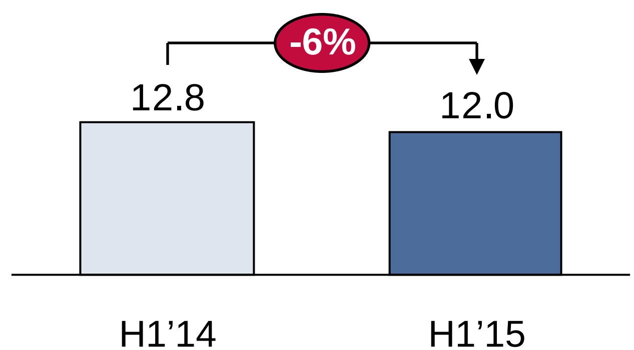
QoQ




YoY



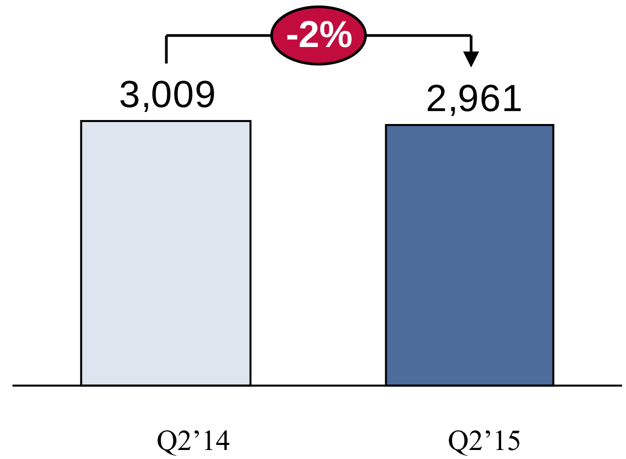

YoY



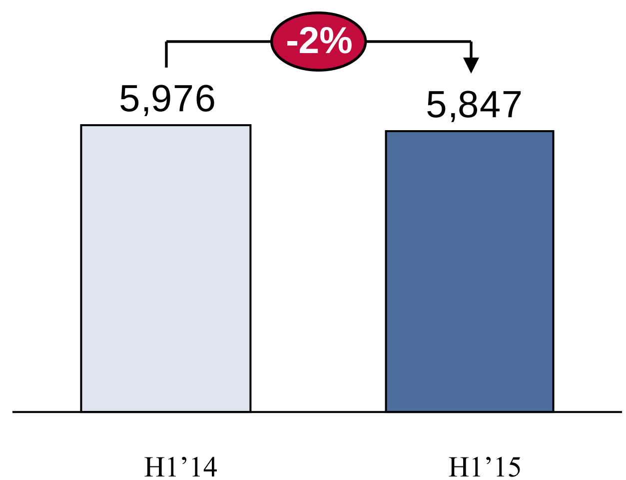
# Net Sales

[Rs Cr]

Q2



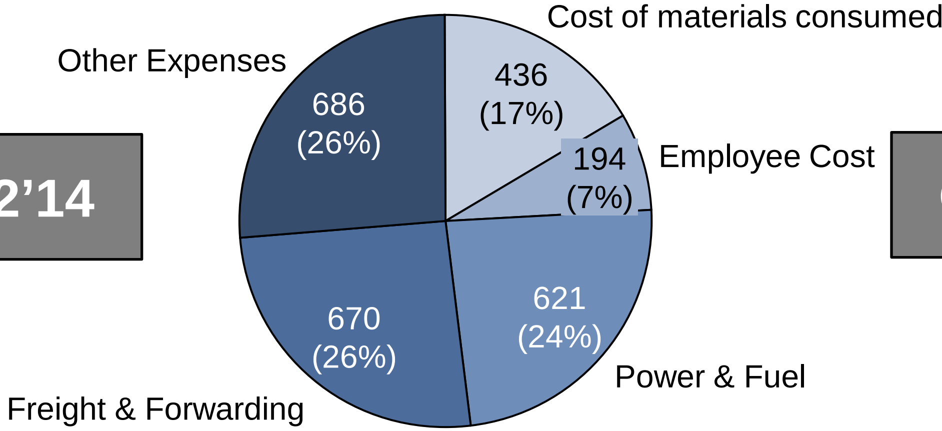

H1



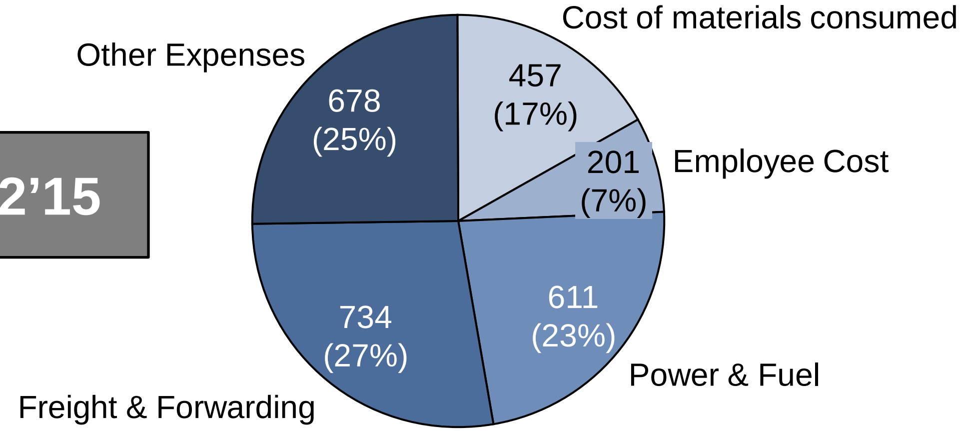
# Operating Costs by components

[Rs Cr]

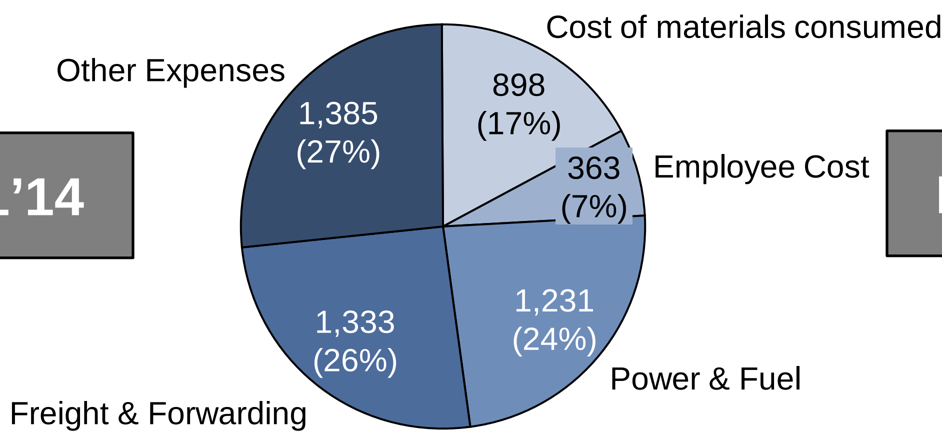
Q2’14



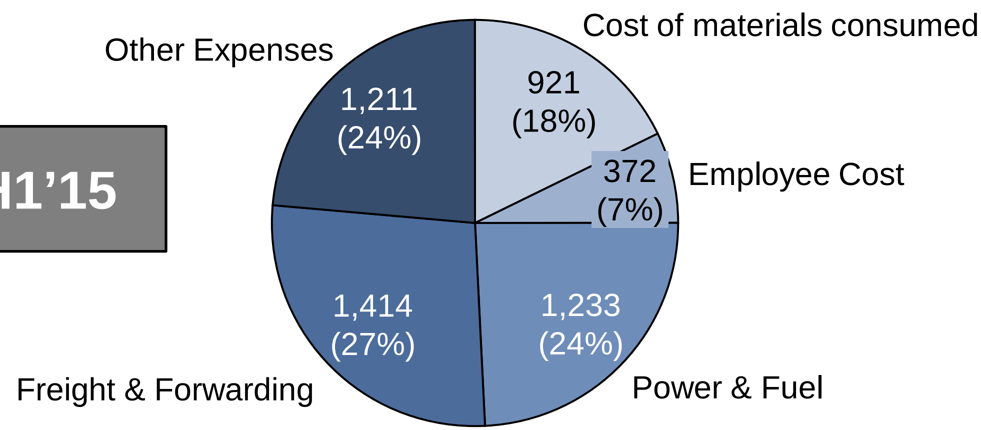

Q2’15




H1’14




H1’15



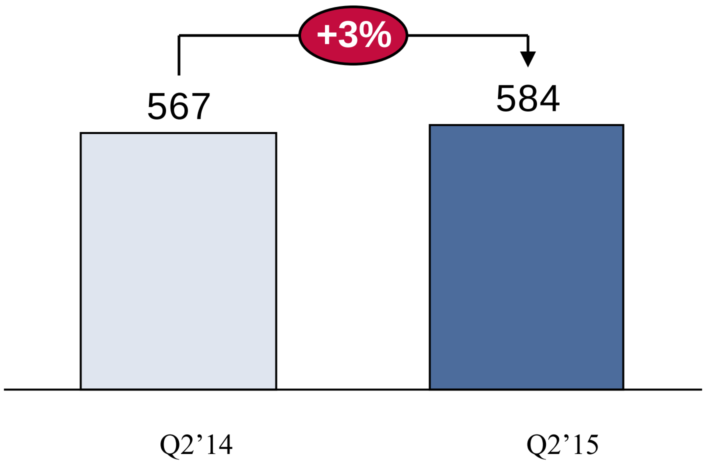

Cost of material consumed increased due to purchase of clinker on account of suspension of mining operation at Bargarh & Chaibasa

Freight & forwarding up due to increase in rail freight on cement and also on account of long lead movement of Clinker for Eastern Plants

# Raw Materials – Cement Business

[Rs/Ton]

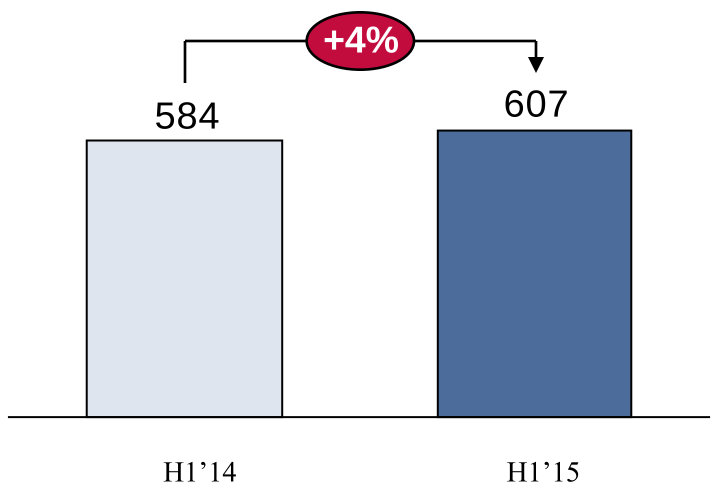
**Q2**




## Q2'15 YoY :

- Suspension of mining operation in Bargarh & Chaibasa resulted into clinker purchase by Rs 22 Cr
- Increase in landed cost of Gypsum adversely impacted cost by Rs 8 Cr
- Lower slag cost (cost saving Rs 18 Cr)

**H1**



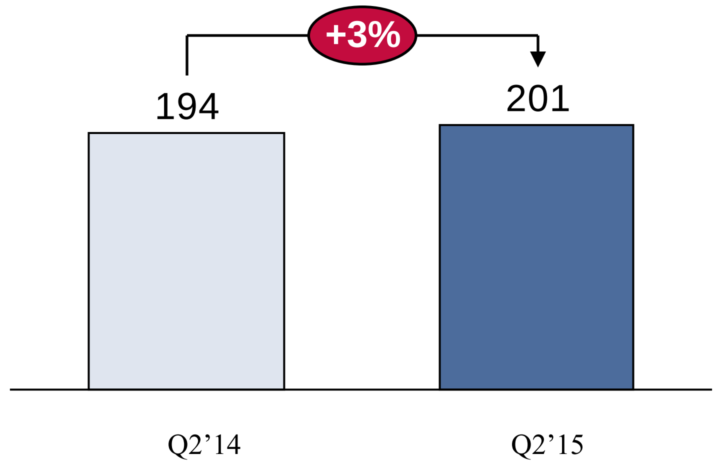

## H1'15 YoY :

- Suspension of mining operation in Bargarh & Chaibasa resulted into clinker purchase (Impact Rs 60 Cr)
- Increase in landed cost of Gypsum
  (Impact Rs 10 Cr)
- Lower slag cost (cost saving Rs 40 Cr)

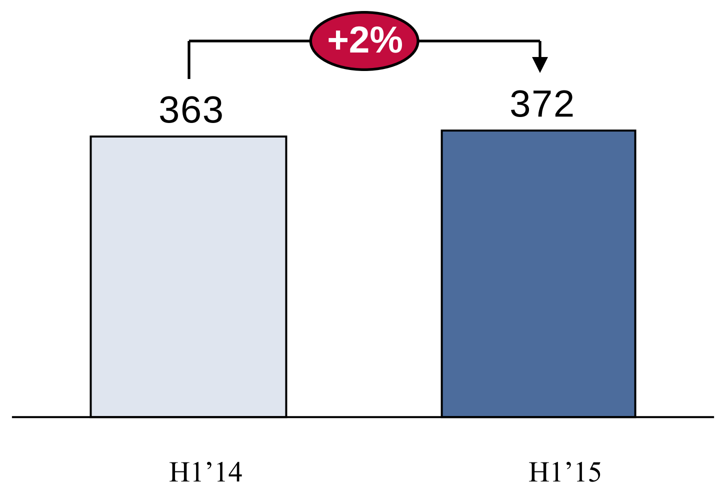
# Employee Cost

[Rs Cr]

Q2



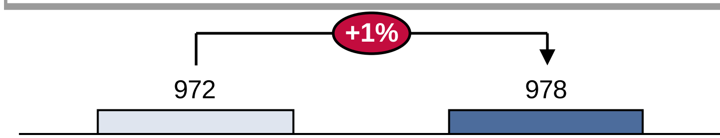

H1



# Power & Fuel Cost - Cement Business

[Rs/Ton]

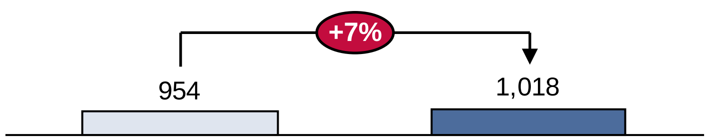
## Q2




| **Power Mix** | Q2'14 | Q2'15 |
|---|---|---|
| CPP | 77% | 81% |

| **Kiln Fuel Mix** | | |
|---|---|---|
| Linkage Coal | 56% | 57% |
| E-Auction Coal | 13% | 5% |
| Petcoke | 12% | 9% |
| Imported Coal | 17% | 25% |
| Alternative Fuels | 2% | 4% |

## H1




| **Power Mix** | H1'14 | H1'15 |
|---|---|---|
| CPP | 75% | 79% |

| **Kiln Fuel Mix** | | |
|---|---|---|
| Linkage Coal | 60% | 58% |
| E-Auction Coal | 7% | 4% |
| Petcoke | 12% | 9% |
| Imported Coal | 18% | 27% |
| Alternative Fuels | 3% | 2% |

## Q2'15 YoY :

- Reduction in Electrical energy consumption ~1Kwh/t Cem to 83.3 Kwh/t Cem
- Higher usage of Alternative Fuels
  (Impact Rs 5 Cr)
- Cost benefit due to higher power generation from Waste Heat Recovery System (Impact Rs 3 Cr)
- Higher consumption of e-auction and imported coal in CPP due to limited availability of linkage coal impacted cost adversely by Rs 13 Cr

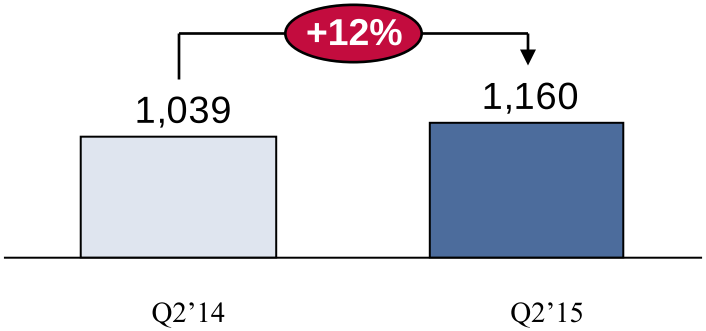
## H1'15 YoY :

- Reduction in Thermal energy consumption by ~ 24 Mi/t Clinker to 3035 Mj/t Clinker
- Reduction in Electrical energy consumption by ~1Kwh/t Cem to 83.5 Kwh/t Cem
- Higher usage of Alternative Fuels
- Cost benefit due to higher power generation from Waste Heat Recovery System (Impact Rs 6 Cr)
- Higher consumption of e-auction and imported coal in CPP impacted cost unfavorably by Rs 28 Cr

# Freight Cost – Cement Business

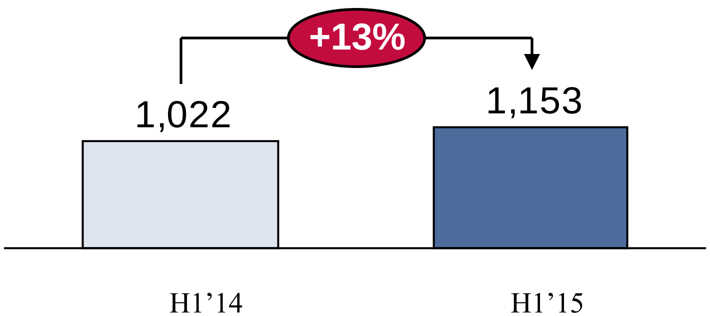
[Rs/ton]

**Q2**




| Mode of Transport Mix | | |
|---|---|---|
| Rail | 44% | 45% |
| Road | 56% | 55% |

**H1**




| Mode of Transport Mix | | |
|---|---|---|
| Rail | 45% | 45% |
| Road | 55% | 55% |

## Q2’15 YoY :

- Increase in Rail Freight by 9.2%
- Long lead stock transfer of clinker for Eastern Plants

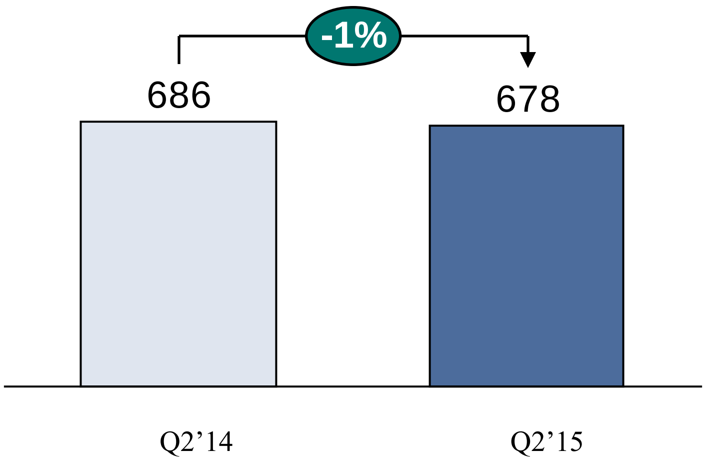
## H1’15 YoY:

- Increase in Rail Freight by 9.2%
- Long lead stock transfer of clinker for Eastern Plants

# Other Expenses

[Rs Cr]

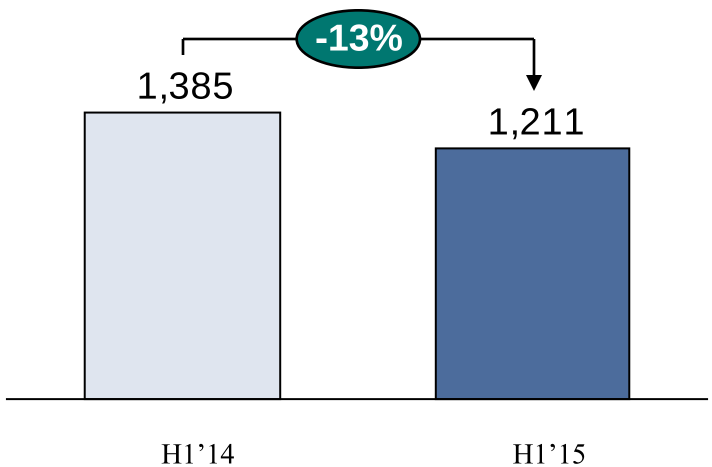
**Q2**




## Q2'15 YoY :

- Reduction in packing material cost by Rs 17/t (Impact Rs10 Cr)
- Increase in rate of royalty on Limestone effective from September 2014 Rs 63/t to Rs 80 /t (Impact Rs 9 Cr)
- Reduction in purchase of traded Cement

**H1**

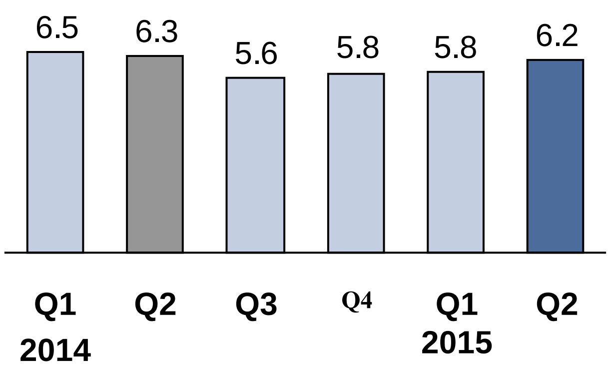



## H1'15 YoY:

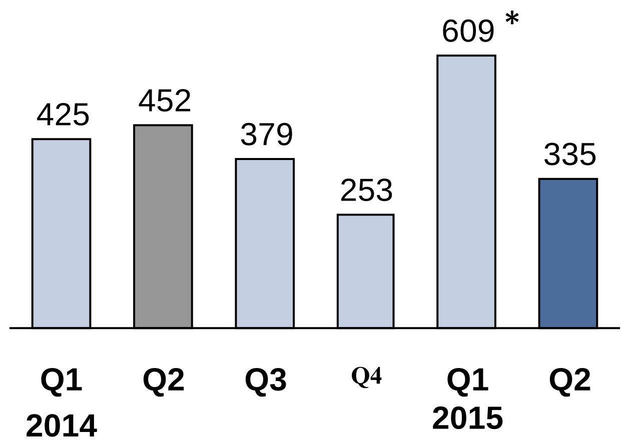
- Reduction in packing material cost by Rs 15/t (Impact Rs 18 Cr)
- Increase in rate of royalty on Limestone effective from September 2014 Rs 63 /t to Rs 80 /t (Impact Rs 19 Cr)
- Significant reduction in purchase of traded cement (impact Rs 22 Cr)

# Quarterly Trend

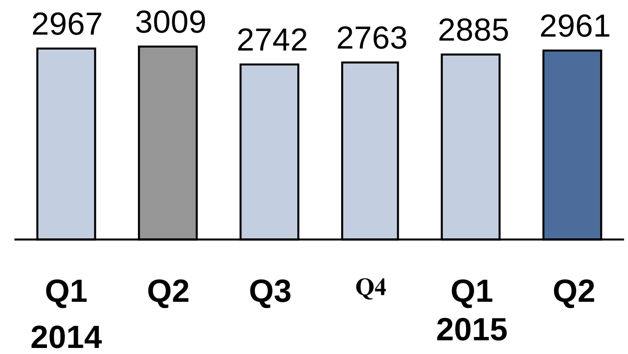
Cement Volume ['MT]



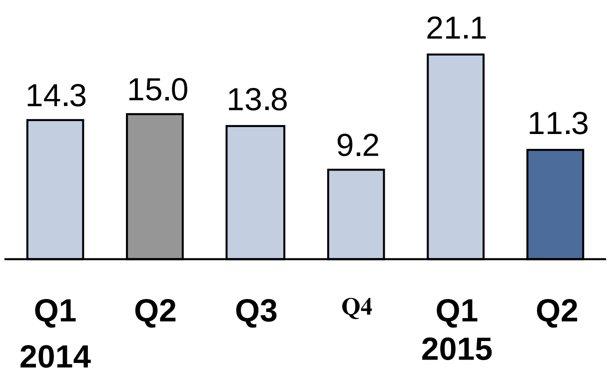

EBITDA [Rs Cr]



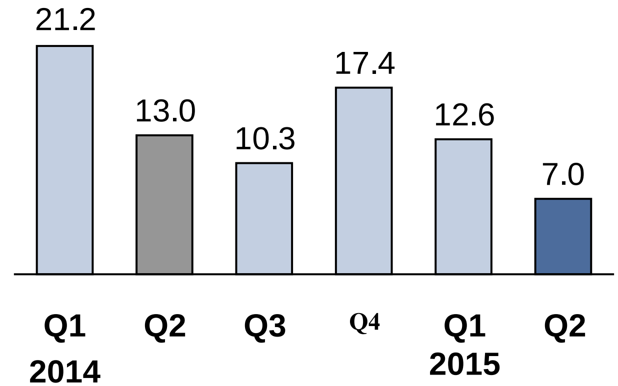

Net Sales [Rs. Cr]




EBITDA Margin [%]




EPS




* Includes Sales Tax incentive accrual of Rs 140 Cr

# Balance Sheet - Consolidated

[Rs Cr]

| Particulars | As at 30 Jun 2015 | As at 31 Dec 2014 |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| **Shareholders' funds** | | |
| Share capital | 188 | 188 |
| Reserves and surplus | 8,402 | 8,033 |
| **Non-current liabilities** | | |
| Deferred tax liabilities (Net) | 511 | 541 |
| Long-term provisions | 120 | 116 |
| **Current liabilities** | | |
| Trade payables | 788 | 752 |
| Other current liabilities | 2,109 | 2,115 |
| Short-term provisions | 528 | 937 |
| **TOTAL** | **12,647** | **12,682** |
| **ASSETS** | | |
| **Non-current assets** | | |
| Fixed Assets: | 7,653 | 7,622 |
| Non-current investments | 86 | 84 |
| Long-term loans and advances | 873 | 937 |
| Other non-current assets | 485 | 361 |
| **Current assets** | | |
| Current investments | 921 | 1,301 |
| Inventories | 1,491 | 1,256 |
| Trade receivables | 564 | 411 |
| Cash and bank balances | 219 | 310 |
| Short-term loans and advances | 342 | 386 |
| Other current assets | 13 | 15 |
| **TOTAL** | **12,647** | **12,682** |

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