ADITYA BIRLA

UltraTech

19th July, 2016

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai 400 001.
Tel.: 2272 1233/34
Fax: 022 2272 2039/3121
Scrip Code: 532538

The Manager
Listing Department
The National Stock Exchange of India Limited
"Exchange Plaza", Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051.
Tel.: 26598236
Fax: 2659 8237 / 38.
Scrip Code: ULTRACEMCO

Dear Sirs,

Attached is an investor's presentation on the performance of the Company for the quarter ended 30th June, 2016.

The same is for your information, please.

Thanking you.

Yours very truly,

S. K. Chatterjee
Company Secretary

Encl: A/a

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INDIA'S LARGEST CEMENT COMPANY

EARNINGS Q1:FY 2016/17

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

Contents

GLOSSARY

Mnt – Million Metric tons **Lmt** – Lakhs Metric tons **MTPA** – Million Tons Per Annum **Q1** – April-June **CY** – Current year period

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

Note: The financial figures for previous year are restated as per Ind AS.

The financial figures in this presentation have been rounded off to the nearest ₹1 cr ; 1 US$ = ₹ 67.53

Economy Update Q1

Macro Performance

- FY16: Highest GDP growth in last 4 years at 7.6%
- Brexit Impact on Currency & IRS markets
- WPI inflation 3.8% for Q1FY17

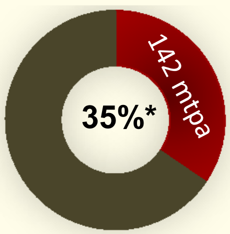
Industry Performance

- Subdued demand due to drought situation and severe heat conditions
- Capacity utlisation at Q4 level
- Cement prices – improved QoQ ; but lower YoY
- Operating costs – inching up

Industry (411 mtpa)
Regional Update

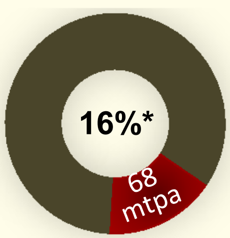
Zone / Region	Volume	Infra	Comm.	Housing	Rural
North (~ 81% cu)**	↑	+	−	+	+
East (~ 80% cu)**	↑	+	=	+	+

North (~ 81% cu)**



- Rural housing demand - Positive
- Infrastructure spending continued in UP and Punjab

East (~ 80% cu)**

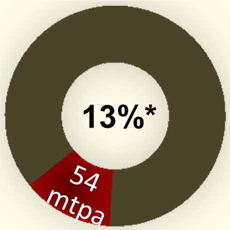


- Low cost housing demand – remained key growth driver
- Road & other infrastructure demand maintained – Odisha, Chhattisgarh & WB
- Suppressed urban demand – Bihar & Jharkhand

*Estimated Industry Capacity share **Company estimates on capacity utilization (cu) for Q1

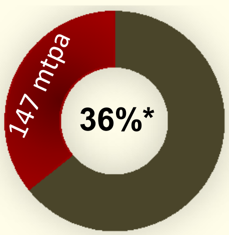
Industry (411 mtpa)
Regional Update

Zone / Region	Volume	Infra	Comm.	Housing	Rural
West (~ 70% cu)**	↑	=	–	–	+



- Maharashtra –Demand impacted due to drought situation
- Gujarat – Meaning full demand yet to come

Zone / Region	Volume	Infra	Comm.	Housing	Rural
South (~ 57% cu)**	↑	+	–	+	+



- Demand from AP (Amravathi)
- AP & Telangana – Demand for low cost housing and IHB in urban areas
- Karnataka – Some demand from infrastructure and housing segment
- Tamil Nadu and Kerala – Sluggish

- **Demand from road segment provided thrust for growth**
- **Speedy project clearances by Government**

*Estimated capacity mix of Industry   **Company estimates on capacity utilization (cu) for Q1




Environment Sustenance


BIG on…..
Sustainability Development

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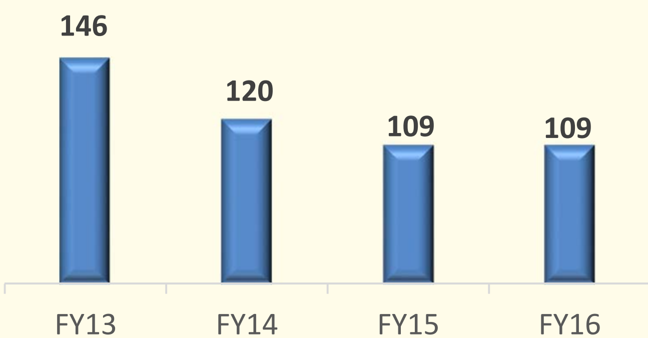
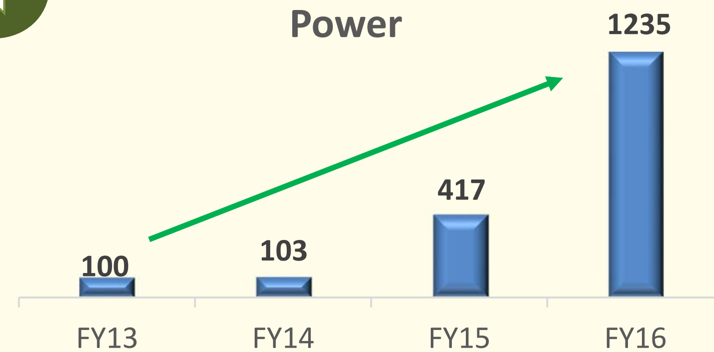
SO2 Emission (g/ton of clinker)



Increasing Quantum of Green Power



Note: Green power units Indexed from FY3

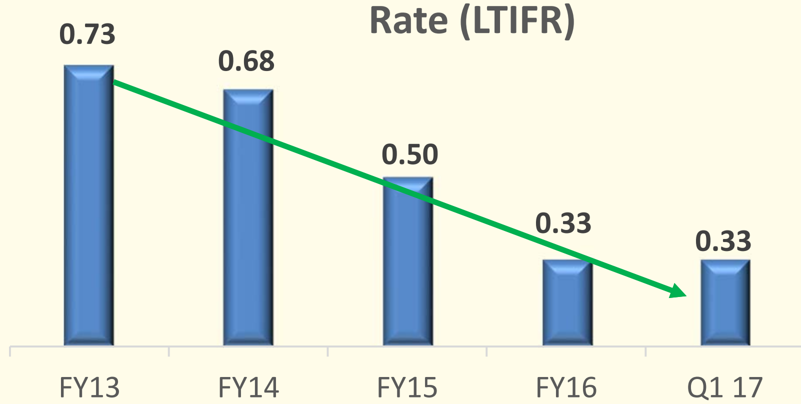
- Continuous online monitoring system available for all major emissions
- Introduced Low NOx Technology – Low NOx burner, Low NOx calciner etc.
- Capex investments towards environment
- Striving to become Water positive. 6 Integrated plants are using no/very less amount of ground water

- Invested in Waste Heat Recovery Systems during last 2 years …. Supported in reduction of usage of thermal energy
- Plan for second phase of WHRS capex underway
- Long-term tie up with external parties for supply of Green Power
- Increased Fly ash absorption 2%

Focussed on Environment Protection

BIG on Safety and Community Development

Declining Loss Time Injury Frequency Rate (LTIFR)



265 medical camps,

> 56000 patients treated in Company hospitals

250 Aganwadis

Scholarship

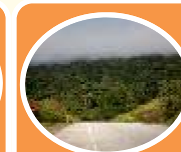
Special Coaching

Agri productivity programme > 3600 farmers

Water harvesting structures

Skill training for > 3000 people

Industrial Training for > 750 students



Building of approach roads,

Solar lights,

Community Halls & Public rest places

Committed to Society > 1.3 million beneficiaries

- Effective Risk Assessment – drive
- Structural stability – assessment and corrections across plants
- Weightage of Safety performance in annual performance review

- Out of 407 villages covered under the CSR programme, selected 54 to be transformed into model villages by 2017
- Partnership with district rural development authorities, local hospitals, District Panchayati Raj Institutions for various activities

Key Highlights for the Quarter

Acquisition update

- Enterprise value : ₹ 16,189 Crs for 21.2 mtpa (USD 107/t)
- Access to new markets
- Financing tied up
- EPS dilutive for 8 quarters
- Application for CCI clearance has been filed
- Application to High Court – to be filed by next month
- Transaction expected to complete in next 9-10 months after getting all the regulatory and shareholders approval

Capacity to augment to 91.1 mtpa

UltraTech…BIG on Growth

(+) 6%*

- Sales Volume at 12.57 Mnt
  - ~ 46000 retailers; ~ 17000 dealers
  - ~ 1250 UBS Stores

(-) 7%*

- Total Cost at ₹ 3,643/t
  - Power Consumption (- 3%)
  - Clinker Cement Conversion ratio (+2%)

* YoY change

Q1 – Operating Performance

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		YoY Change
❑ Rural Market Penetration	40%	+ 1.5%
❑ Blended Sales	67%	+ 3%
❑ Average Realisation	₹ 4,683/t	(-) 2%*
❑ Sales through UBS	7%	+ 1.5%

** Increased 3% over Q4 16*

Q1 – Operating Performance

		YoY Change
❑ Petcoke in TPP+ Kiln	69%	+ 9%
❑ WHRS Power Share	6%	+ 3%
❑ Logistics Costs	₹ 1,170/t	(-) 6%

1/3rd of total cost saving on YoY basis achieved through efficiency measures

BIG on Financial Performance
(India)

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Operating margin at 23% …. + 400 bps

Turnover : ₹ 6182 Crs	+4%
EBIDTA : ₹ 1573 Crs	+ 24%
PAT : ₹ 775 Crs	+ 28%
Operating Profit: ₹ 1078/t	+ 16%

ROCE at 15.8% +3.5%

Other developments

- ❑ FII Investment limit increased to 30% from earlier 24%. **more value creation**

- ❑ Secured coal linkage under auction in Maharashtra - 82000 tons per annum
- ❑ **Meeting 10% of the coal requirement for Awarpur plant**

- ❑ **Zero Net Debt** company. Debt reduced by ₹ 1590 crs
- ❑ Debt of ₹ 2398 crs in UAE subsidiary **@ interest rate of < 2%**

- ❑ **Strengthening Corporate Governance** - New Directors Appointment
  - Ms. Alka Bharucha – as Independent Director
  - Mr. Atul Daga – as Executive Director & CFO

- ❑ Moved to new accounting standards ...Indian Accounting Standards (Ind AS)

Ind AS implementation

Implemented Ind AS Accounting w.e.f. 01.04.2016….. Key changes applicable for UTCL

- ❑ Sales revenue is net-off discounts and direct sales incentives
- ❑ ESOP charge based on the fair valuation
- ❑ Capitalisation of large stores & spares having life more than 1 year
- ❑ M-to-M on forward cover on foreign currency instruments

Operating EBIDTA Impact
+ ₹ 8 Crs

- ❑ Interest income on investments accrued as per fair valuation

Other Income
+ ₹ 103 Crs

- ❑ NPV interest charge for Interest free sales tax loans and mines liability
- ❑ Additional Depreciation charge for stores capitalized and mines restoration
- ❑ Assets creation for mines restoration cost
- ❑ M-to-M on foreign currency borrowings (considered cash flow hedge)

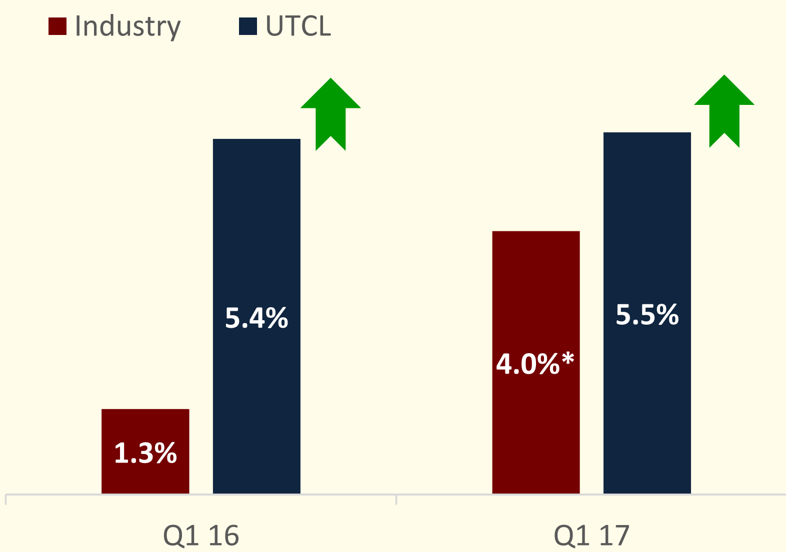
Total Impact at PBT + ₹ 106 Crs

Figures for LY have been restated to make them comparable

Operational and Financial Performance

BIG on Sales Performance

Domestic Growth Industry vs UTCL



UTCL – India Performance

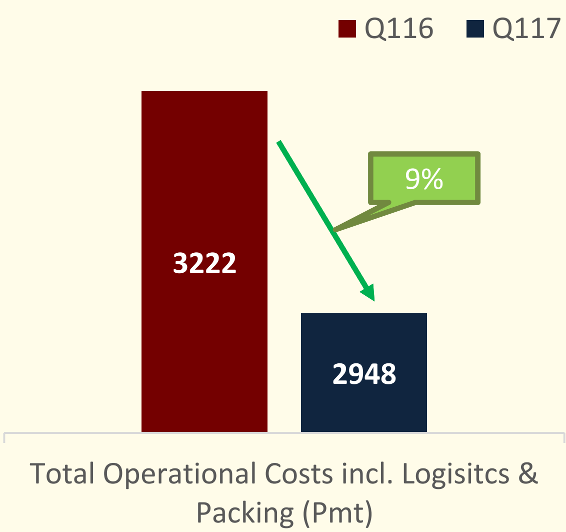
Particulars	CY	LY	▲%
Capacity (mtpa)	66.25	60.15	10
Cap Utilisation	77%	80%	(3)
Cement Sales (Mnt):			
Domestic Cement	12.57	11.91	6
Others	0.64	0.51	26
Total	**13.20**	**12.41**	**6**

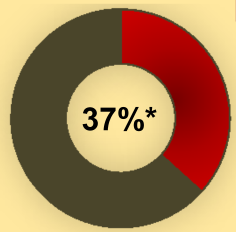
- **Capacity utilisation on existing plants @ 80%; New capacities in ramp-up mode**
- **Enhanced presence in the market place**

*Industry Growth : DIPP Data & *Company Estimates*

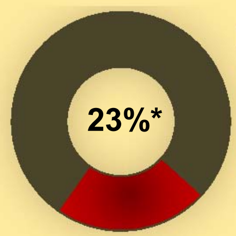
BIG on operational efficiency

Operational Costs (Grey Cement)

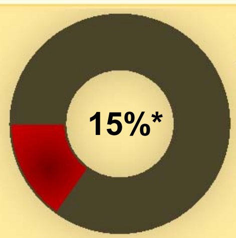




- **Logistics cost improved 4% YoY: ₹ 1081/t**
  - **Gain in rail freight due to withdrawal of busy season surcharge for May & Jun’16**
  - **Lead distance reduced**



- **Energy cost Lower 24% YoY**
  - **Higher usage of petcoke**
  - **Power and fuel consumption improved**



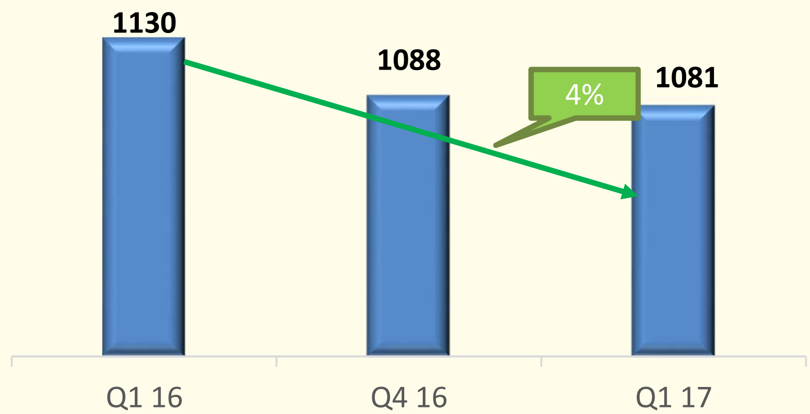
- **Raw materials cost - Range bound: ₹ 448/t**
  - **Improved clinker cement conversion ratio**
  - **Raw mix optimisation**

Cost to increase going forward with upward movement in fuel prices

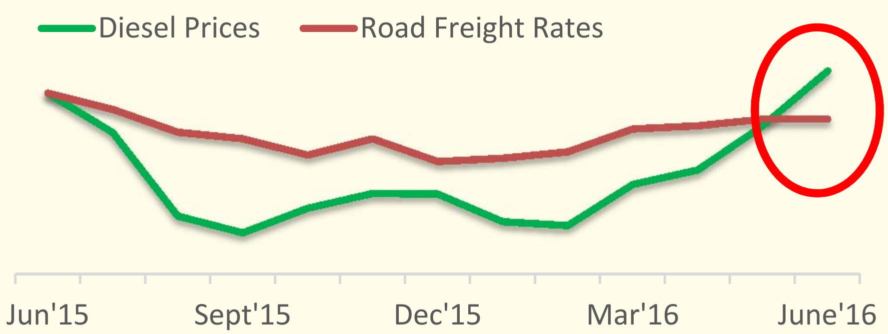
**% share in total operational costs including logistics.*

Logistics cost trends
(Grey Cement)

Logistics Cost ₹/t



Road freight rates v/s Diesel prices trend

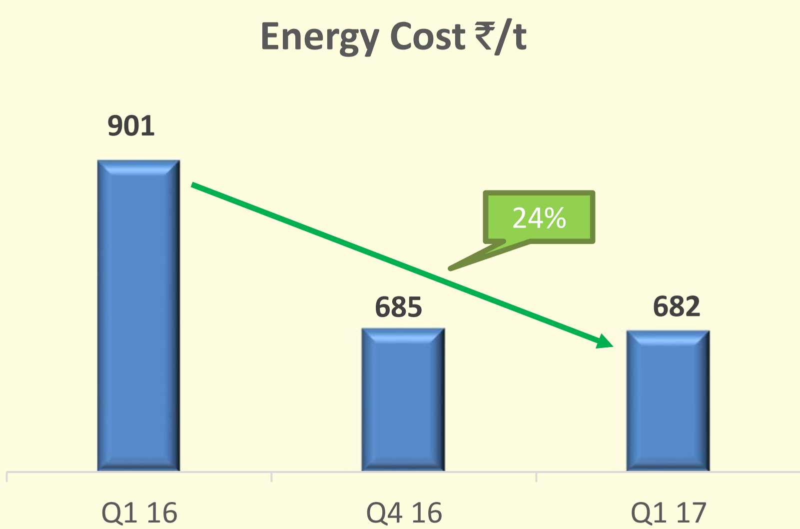


Note 1: Every 1% reduction in diesel price corresponds to 0.4% reduction in road freight

- **YoY cost – declined 4%**
  - **Withdrawal of 15% busy season surcharge on rail freight for 2 months (₹ 20/t)**
  - **Improved average lead distance: 3% (₹ 30/t)**
  - **Continuous decline in availability of wagons - Road share increased in overall distribution share to: 71% (LY - 67%)**
- **QoQ cost marginally improved**
  - **Rail freight gain partially offset with hike in diesel prices (~ 11%)**

Note 2: Above prices index trend is on base prices/rates of Jun'15

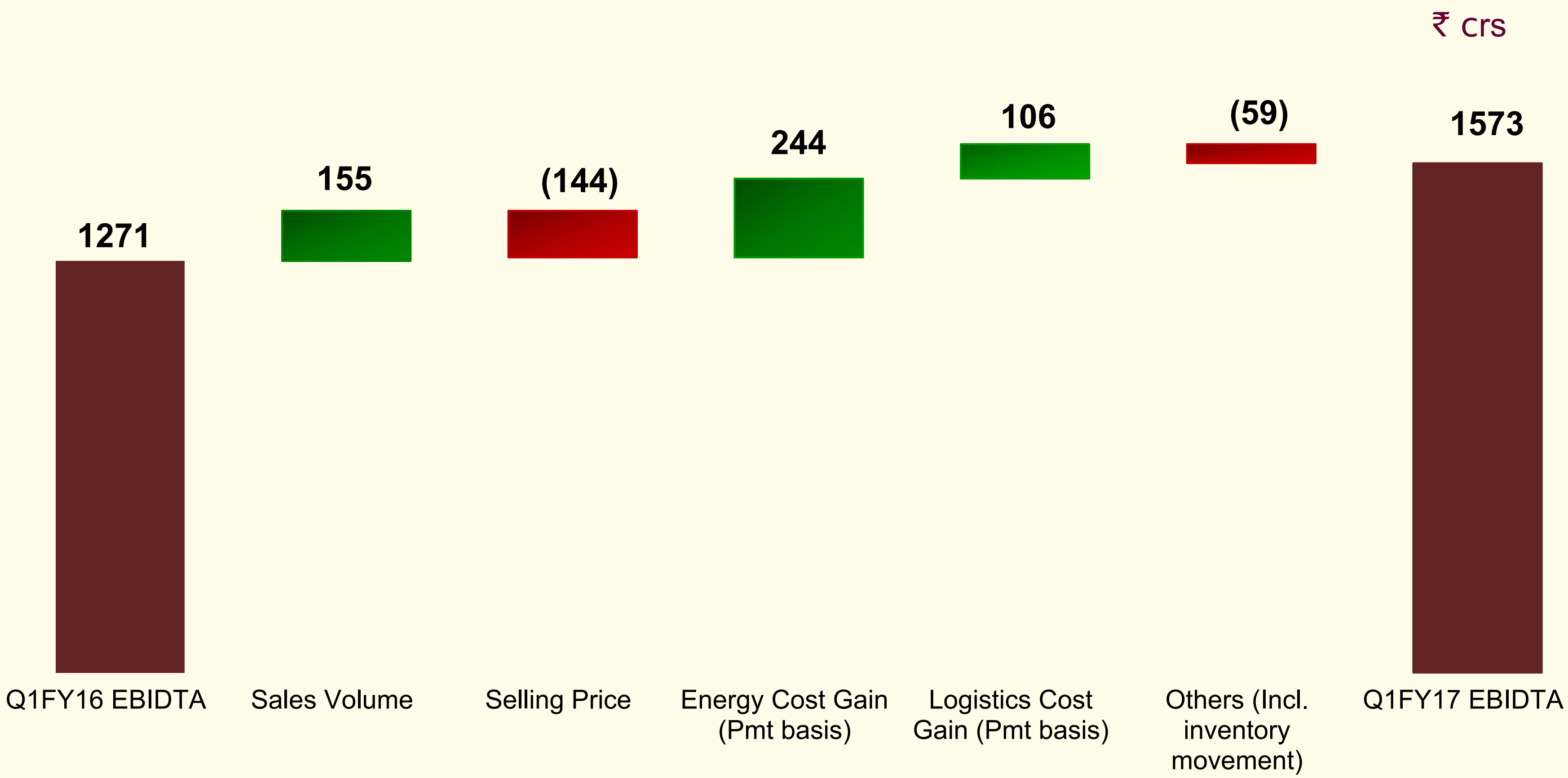
Energy cost trends
(Grey Cement)



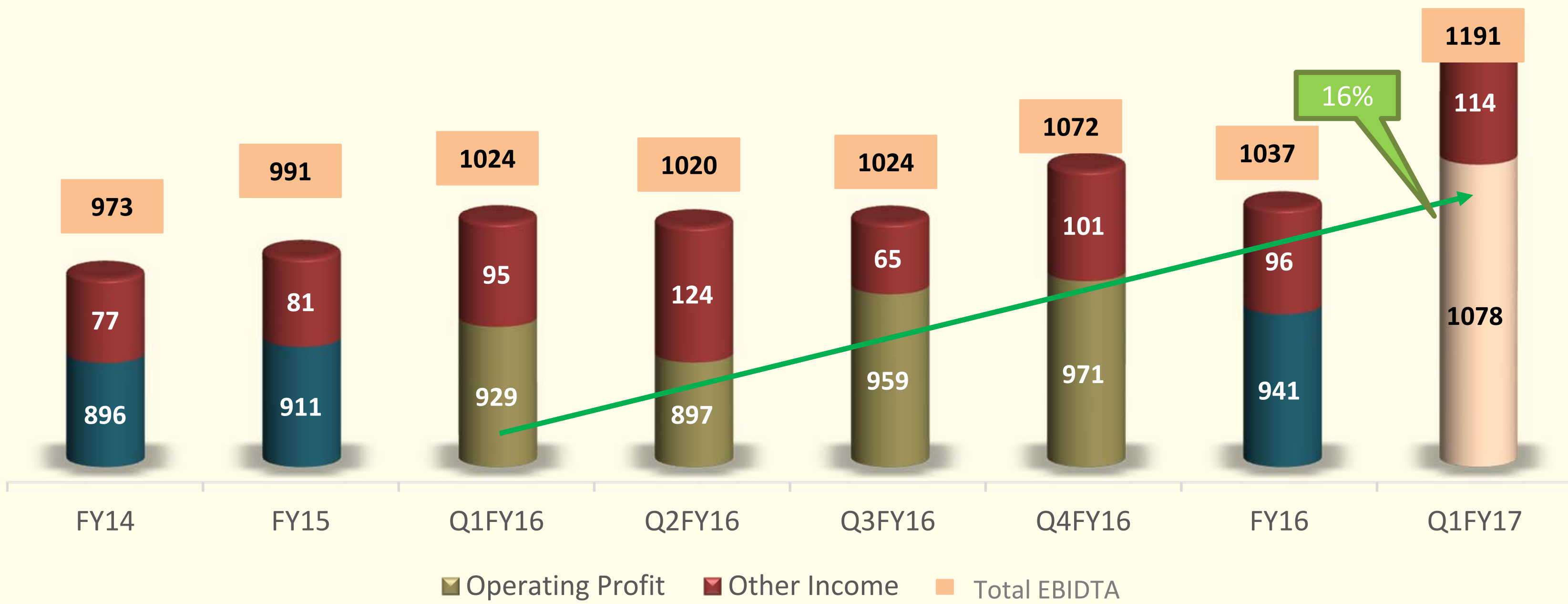
Kiln Fuel Mix %	Q1 16	Q4 16	Q1 17
Petcoke	68%	70%	74%
Imported Coal	20%	21%	18%
Indigenous Coal and Others	12%	9%	8%

- **YoY Energy cost declined 24% but no surge over Q4 despite increase in fuel prices**
  - **Increased petcoke consumption in Kiln (74%) as well as TPP (57%) - ₹ 15/t**
  - **YoY better efficiency norms for Fuel (1%) and Power Consumption (3%) - ₹ 15/t**
  - **WHRS share in total power 6% (LY- 3%)**
  - **Higher clinker conversion ratio and other efficiency gain - ₹ 20/t**
- **Fuel price increase impact:**
  - **Domestic petcoke price increase impact negated with low cost inventory**
  - **Imported fuel price rise – impact to reflect from Q2 onwards**

EBIDTA movement
(India)



EBIDTA ₹ pmt
(India)



EBIDTA per ton improved 11% QoQ

Income statement – Q1

₹ crs

Consolidated			Particulars	Standalone		
CY	LY	▲%		CY	LY	▲%
6538	6281	4	Revenue	6182	5948	4
151	100	52	**Other Income**	150	118	28
1626	**1302**	**25**	**EBIDTA***	**1573**	**1271**	**24**
25%	21%	4	***Margin (%)***	25%	21%	4
180	150	(20)	Finance Costs	152	140	(9)
323	304	(6)	Depreciation	303	285	(6)
1124	**848**	**33**	**PBT**	**1,118**	**846**	**32**
344	244	(41)	Tax Expenses	343	242	(42)
-0.28	-0.20	(40)	Minority Interest	-	-	-
780	**604**	**29**	**PAT**	**775**	**604**	**28**
28.4	**22.0**	**29**	**EPS (₹)**	**28.2**	**22.0**	**28**

- **EBIDTA registered growth of 24% on account of higher sales volume and lower cost**
- **PAT up 28% for Indian Operations and 29% including overseas**

** Includes Ind AS impact: Q1FY17: ₹111 Crs, Q1FY16: ₹19 Crs (restated nos as per Ind AS)*

Financial Position

₹ crs

Consolidated		Particulars	Standalone	
30.06.16	**31.03.16**		**30.06.16**	**31.03.16**
22723	21943	Shareholders Funds	22388	21627
15	15	Minority Interest	-	-
9669	10616	Loans (Incl. Current Maturities)	7271	8250
2531	2430	Deferred Tax Liabilities	2536	2433
34939	**35004**	**Sources of Fund**	**32195**	**32309**
26151	26134	Net Block (Incl. Capital Advances)	24475	24506
1124	1106	Goodwill on Consolidation	-	-
		Investments:		
7699	7093	Liquid Investments	7679	7069
14	14	Long-term Investments	725	725
433	589	Derivative Assets (Net)	432	589
(482)	67	Net Working Capital	(1117)	(579)
34939	**35004**	**Total Application of Funds**	**32195**	**32309**
1969	**3523**	**Net Debt**	**(408)**	**1181**

Financial Indicators

Consolidated		Indicators	Standalone	
30.06.16	**31.03.16**		**30.06.16**	**31.03.16**
0.09	0.16	Net Debt: Equity	(0.02)	0.05
0.30	0.69	Net Debt / EBIDTA	(0.06)	0.23
7.7	6.5	Interest Cover	8.3	7.2
14.9%	11.2%	ROCE	15.8%	12.3%
8.9%	7.1%	ROIC	9.6%	7.3%
201	195	EV (USD/ ton)		
828	800	Book Value (₹/Share)	816	788

Sector Guidance

Sector guidance:
Cautiously optimistic

Expectations

- Continuing Government infrastructure spending
- Pick-up in rural housing on back of normal monsoon and 7th pay commission disbursement
- Development activities in UP, Punjab, AP & Telangana
- Steady Cement Prices

Concerns

- Delay in execution of Government projects
- Slowdown in urban real estate
- Increased fuel prices

Cement demand expected to grow ~7% for FY17




Annexures


Income statement – Q1

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US$ Mn

Consolidated			Particulars	Standalone		
CY	LY	▲%		CY	LY	▲%
968	**930**	4	Revenue	915	881	4
22	**15**	52	**Other Income**	22	17	28
241	**193**	**25**	**EBIDTA**	**233**	**188**	**24**
25%	21%	4	***Margin (%)***	25%	21%	4
27	22	(20)	Finance Costs	23	21	(9)
48	45	(6)	Depreciation	45	42	(6)
166	**126**	**33**	**PBT**	**166**	**125**	**32**
51	36	(41)	Tax Expenses	51	36	(42)
-0.04	-0.03		Minority Interest	-	-	-
116	**89**	**29**	**PAT**	**115**	**89**	**28**
0.4	**0.3**	**29**	**EPS (₹)**	**0.4**	**0.3**	**28**

- **EBIDTA registered growth of 24% on account of higher sales volume and lower cost**
- **PAT up 28% for Indian Operations and 29% including overseas**

Financial Position

US$ Mn

Consolidated		Particulars	Standalone	
30.06.16	31.03.16		30.06.16	31.03.16
3365	3249	Shareholders Funds	3315	3203
2	2	Minority Interest	-	-
1432	1572	Loans (Incl. Current Maturities)	1077	1222
375	360	Deferred Tax Liabilities	376	360
5174	**5183**	**Sources of Fund**	**4767**	**4784**
3872	3870	Net Block (Incl. Capital Advances)	3624	3629
166	164	Goodwill on Consolidation	-	-
64	87	Derivative Assets (Net)	64	87
		Investments:		
1140	1050	Liquid Investments	1137	1047
2	2	Long-term Investments	107	107
-71	10	Net Working Capital	-165	-86
5174	**5183**	**Total Application of Funds**	**4767**	**4784**
292	**522**	**Net Debt**	**(60)**	**175**


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BIG ON PROFITABLE GROWTH

Disclaimer

Statements in this "Presentation" describing the Company's objectives, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.

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