

ADITYA BIRLA



UltraTech Cement Limited

India's largest cement company

Earnings **Q1** FY19

Stock code: BSE: **532538** | NSE: **ULTRACEMCO**

Reuters: **UTCL.NS** | Bloomberg: **UTCEM IS/UTCEM LX**

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GLOSSARY

MNT – Million metric tonnes, **LMT** – Lac metric tonnes, **MTPA** – Million tonnes per annum, **Q1** – April-June, **Q4** – January – March
CY – Current year period, **LY** – Corresponding period last year, **FY** – Financial year (April-March)
WHRS – Waste Heat Recovery Systems, **MW** – Mega Watts

Note: The financial figures in this presentation have been rounded off to the nearest Rs. 1 crore; 1 US\$ = Rs. 67.06

MACRO INDICATORS

Current
account
deficit
widened to
1.9% of GDP

Crude price
increased
>11%
vis-à-vis
Q4 18

Hardening
Interest
rates

INR
depreciation
against
US\$: ~4%

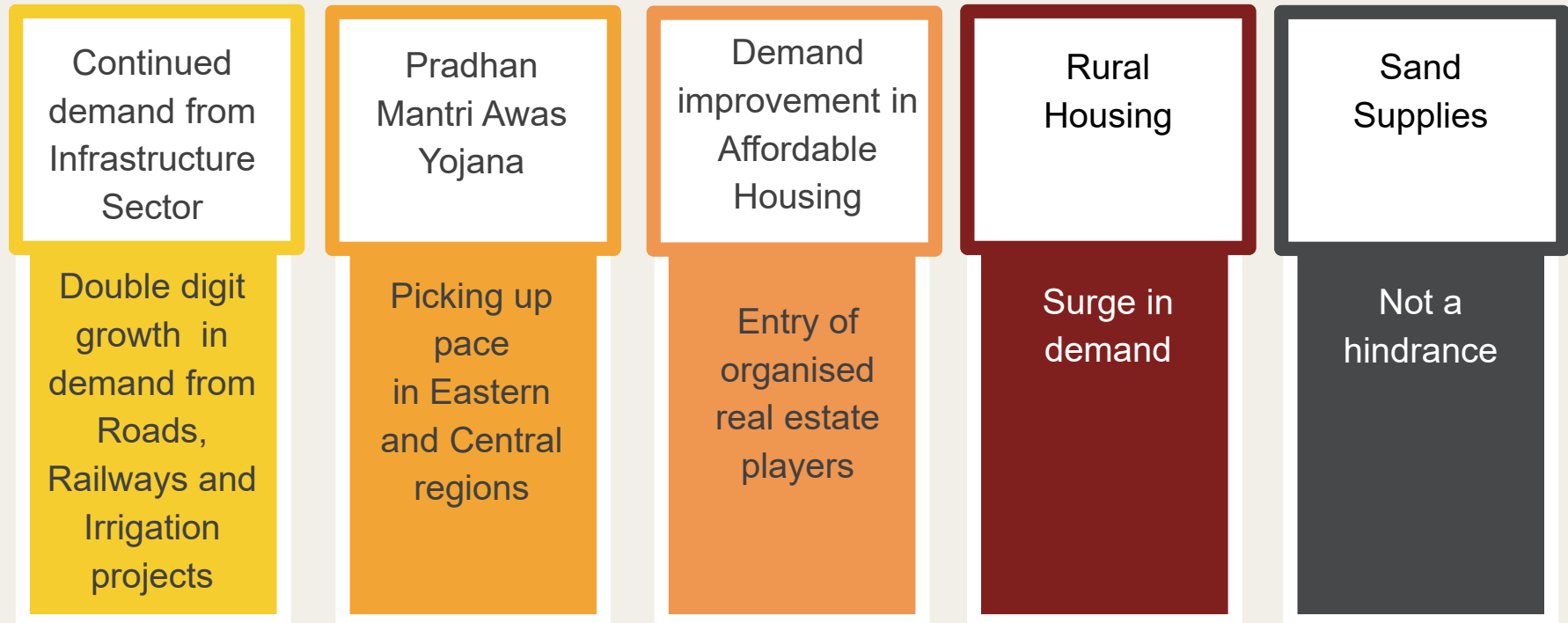
Wholesale
price index for
the quarter
stood at 4.6%
v/s 2.8% in
Q4 18

SECTORAL UPDATE

Consistent Double-digit Volume Growth
Over The Past Three Quarters



Key demand drivers (~70% share in total demand) on growth trajectory



SECTORAL UPDATE

State-wise Performance



State/Region	Vol. Gr.	I	LCH	RH	UH	C	Key drivers
Haryana	↑	●	●	●	●	●	IHB segment
Delhi + NCR	↑	●	●	●	●	●	Infrastructure spends
Punjab	↑	●	●	●	●	●	Infrastructure spends
Himachal Pradesh	↑	●	●	●	●	●	Infrastructure and Institutional
Rajasthan	↑	●	●	●	●	●	Rural pick-up
North	↑	●	●	●	●	●	Infrastructure
Madhya Pradesh	↑	●	●	●	●	●	PMAY and Rural demand
Uttar Pradesh	↑	●	●	●	●	●	Rural Housing and Infrastructure
Central	↑	●	●	●	●	●	PMAY and Rural Housing
Maharashtra	↑	●	●	●	●	●	Infrastructure and Affordable Housing
Gujarat	↑	●	●	●	●	●	PMAY and IHB
West	↑	●	●	●	●	●	Infrastructure and PMAY

Demand momentum continuing on the back of Infrastructure spending and improvement in PMAY

I: Infrastructure, LCH: Low-cost housing, RH: Rural housing, UH: Urban housing, C: Commercial

PMAY: Pradhan Mantri Awas Yojana, IHB: Individual House Building

SECTORAL UPDATE

State-wise Performance



State / Region	Vol. Gr.	I	LCH	RH	UH	C	Key Drivers
West Bengal	↑	●	●	●	●	●	Poor rakes availability
Bihar	↑	●	●	●	●	●	Improved sand supplies
Jharkhand	↑	●	●	●	●	●	PMAY and PMGSY
Odisha	↑	●	●	●	●	●	PMAY and Infrastructure
Chhattisgarh	↑	●	●	●	●	●	Infrastructure
East	↑	●	●	●	●	●	Infrastructure and PMAY
Andhra Pradesh / Telangana	↑	●	●	●	●	●	Amravati Development, Infrastructure and IHB
Karnataka	↑	●	●	●	●	●	Housing and Commercial
Tamil Nadu	↑	●	●	●	●	●	Improving M sand usage
Kerala	↑	●	●	●	●	●	Rural Housing
South	↑	●	●	●	●	●	Infrastructure and Rural Housing

Demand from Rural Housing and Infrastructure development – Key growth drivers

I: Infrastructure, **LCH:** Low-cost housing, **RH:** Rural housing, **UH:** Urban housing, **C:** Commercial

PMAY: Pradhan Mantri Awas Yojana, **PMGSY:** Pradhan Mantri Gramin Sadak Yojana, **IHB:** Individual House Building

SECTORAL UPDATE



Continuing cost pressure:

- Pet coke at + US\$110 per tonne; Coal at + US\$105 per tonne
- INR depreciation against US\$
- Increase in diesel prices hurting logistics costs

Cement prices increasing to cover cost increases:

- FY18: Cement majors (> 70% capacity share) witnessed 5% increase in realisations.
Improvement in realisations covered cost increases
- Q1 19: Average realisations estimated to increase ~1-2% for the sector over Q4 18

Industry will witness improving trends in EBITDA per tonne on favorable demand growth

ACQUIRED ASSETS UPDATE

Focus on EBITDA Improvement
Following Capacity Ramp-up



Capacity utilisation stood at ~ 70%

Reduced operating
costs gap with
existing plants by
~ 20% vis-à-vis
Q4 18

Pet coke usage
at 83% vis-à-vis
75% in Q4 18

More volumes in
retail markets:
~ 69% of total
sales

Targeted PBT break-even of acquired units by April-June 2019

OTHER UPDATES



Commissioned second cement grinding capacity at Dhar - 1.75 MTPA

Consolidated cement capacity augmented to 92.5 MTPA

Secured limestone block in Madhya Pradesh with reserves of ~54 Mnt

New WHRS capacities under erection : 62 MW
(post commissioning will meet ~ 15% power requirement)

Ready for industry upcycle with focus towards profitable growth

KEY PERFORMANCE HIGHLIGHTS Q1



Domestic sales volume (MnT)

+34 % growth

12.6

Q1FY18

16.8

Q1FY19



Turnover (Rs. crore)

+30 % growth

6533

Q1FY18

8476

Q1FY19



Operating EBITDA (Rs. crore)

+4 % growth

1560

Q1FY18

1624

Q1FY19



SALES PERFORMANCE Q1



Particulars	CY	LY	▲ %
Capacity (Mtpa)	88.5	85.0	4
Capacity utilisation (%)	77%	78%	(1)
Domestic sales	16.8	12.6	34
Exports and others	0.7	0.6	9
Total	17.5	13.2	33

UltraTech maintained high double-digit volume growth

KEY SALES INITIATIVES



Improved blended
cement sales
~ 3% over Q4 18

Increased retail
sales
~ 2% over Q4 18

Enhanced Rural
market sales
~ 1% over Q4 18

Enhanced connect with
end-consumers through
UBS ramp up

- Added ~ 40 stores during the quarter
- Achieved double digit volume growth

GRADUAL INCREASE IN SELLING PRICES TO MITIGATE IMPACT OF RISING COSTS



- Average sales realisations improved ~ 2% over Q4 18
 - 4-5% increase in Central and Western markets
 - Steady in Eastern markets
 - Marginal drop in Northern and Southern markets
 - Exit June'18 prices higher than Q1 19 average
- Increase in market presence with optimal retail / institutional play
- Increase in rural connect
- Commissioned new capacities at lower costs to generate higher returns

Operating EBITDA per tonne at Rs. 929/t vis-à-vis Rs. 922/t in Q4 18

OPERATING COSTS –

~ 65% Cost Drivers Continued To Face Pressure



Logistics costs as
a 34% share of
overall costs

Increased 9% YoY
to Rs. 1199/t

Diesel prices jumped
~20% YoY and
6% QoQ

Energy costs as a
30% share of
overall costs

Increased 18% YoY to
Rs. 1028/t

Pet coke prices
increased ~35%
Impact of weakening
INR against US\$

Raw material costs
as a 14 % share of
overall costs

Increased 8% YoY
to Rs. 501/t

Additional royalty on
limestone mines
transfer
Higher additive costs

Focused efforts for enhancing internal efficiencies

KEY FOCUS AREAS

For Cost Control

- Increase in usage of additives to improve consumption norms
- Improved operational efficiencies of thermal power plants and waste heat recovery systems
- Higher usage of industrial waste as fuel at ~ 4%
- Reduction in average lead distance ~ 6% over Q1 18

Efficiency improvement is vital for ensuring success amidst external hurdles

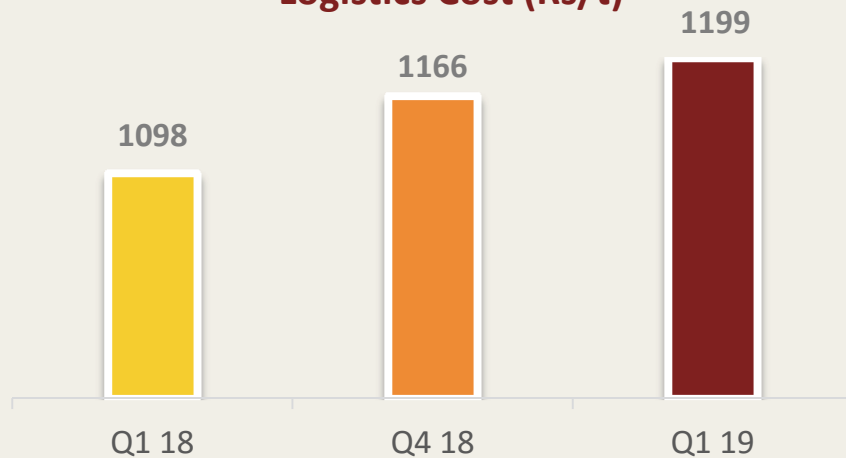


LOGISTICS COST TRENDS

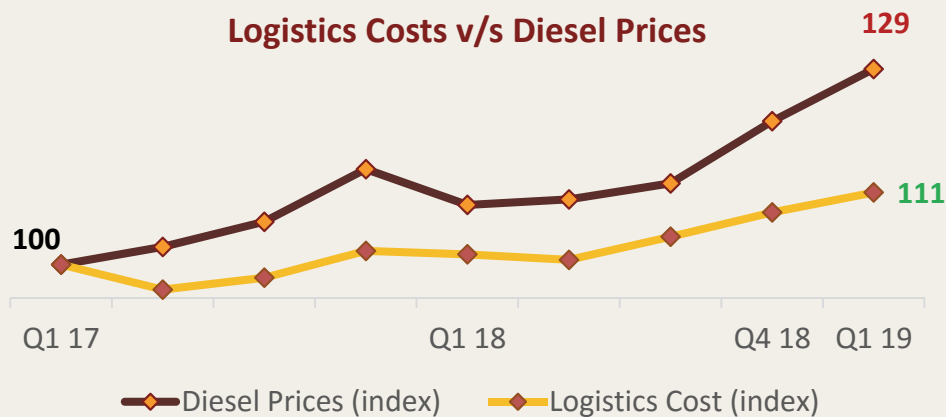
(Grey Cement)



Logistics Cost (Rs/t)



Logistics Costs v/s Diesel Prices



YoY costs increased ~ 9 %

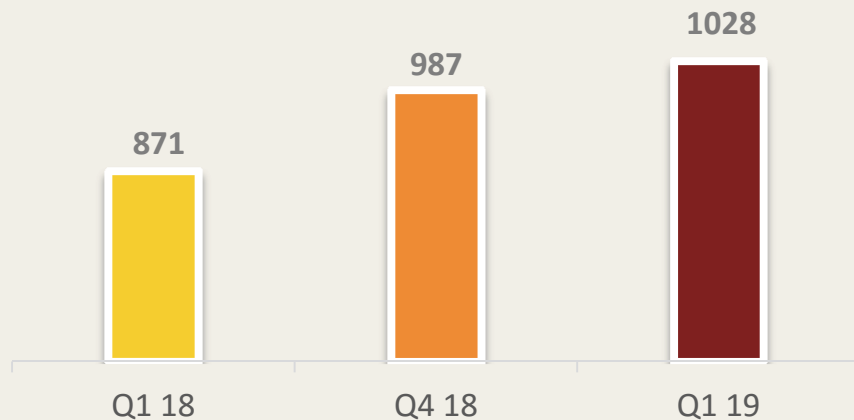
- Diesel price increase (20%):
Impact ~ Rs. 30/t
- Change in sales pattern to FOR:
Impact ~ Rs. 75/t
- Rake availability remained poor in eastern markets
- Cost increase restricted with lead reduction ~ 6%

ENERGY COST TRENDS

(Grey Cement)



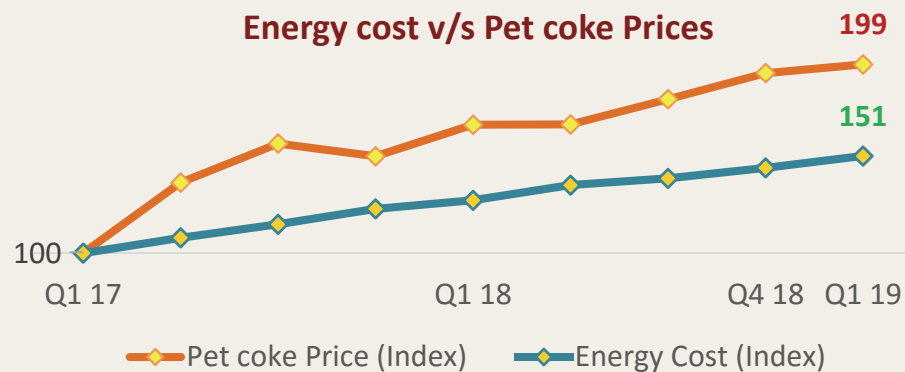
Energy Cost (Rs/t)



YoY costs increased ~ 18 %

- Pet coke prices higher at \$ 114/t:
~ 35% increase
- Pet coke usage restricted in TPPs:
impacted cost
- Cost hike controlled through:
 - Efficiency improvement in TPPs
 - Higher usages of industrial waste in kiln : ~ 1%
 - Enhanced green power usage: ~ 1%

Energy cost v/s Pet coke Prices



INCOME STATEMENT Q1



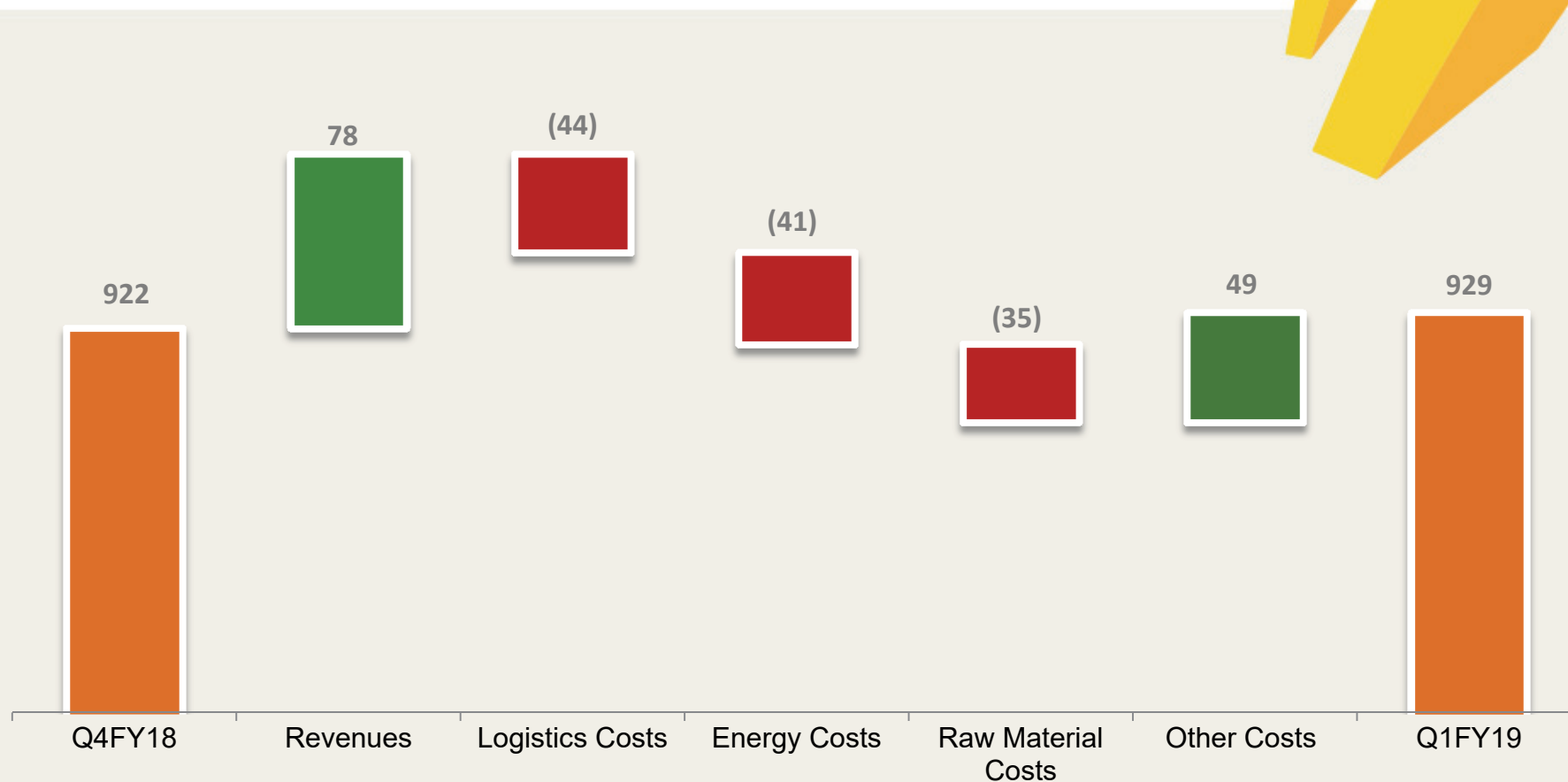
Rs. Crs

Consolidated			Particulars	Standalone		
CY	LY	▲%		CY	LY	▲%
8841	6938	27	Revenues (net of taxes)	8476	6533	30
73	166	(56)	Other Income	73	165	(56)
1763	1798	(2)	EBITDA	1697	1725	(2)
20%	26%	(6)	Margin (%)	20%	26%	(6)
349	141		Finance costs	336	128	
507	361	(40)	Depreciation	486	310	(57)
908	1296	(30)	PBT	875	1287	(32)
277	398	30	Tax expenses	277	396	30
(1)	1		Minority interest	-	-	-
632	897	(30)	PAT	598	891	(33)
23.0	32.7	(30)	EPS (Rs.)	21.8	32.4	(33)

Operating margins poised for growth

OPERATING EBITDA PMT BRIDGE

Q1 19 vis-à-vis Q4 18



EBITDA PMT improvement backed by higher realization

FINANCIAL POSITION



Rs Crs

Consolidated		Particulars	Standalone	
30.06.18	31.03.18		30.06.18	31.03.18
27090	26397	Shareholder's funds	26537	25923
19262	19480	Loans	17066	17420
3268	3173	Deferred tax liabilities	3269	3174
49620	49051	Sources of funds	46872	46517
42195	42296	Fixed assets	40628	40782
1082	1036	Goodwill	-	-
5303	5453	Investments	6018	6163
1041	265	Net working capital incl. derivative assets	226	(428)
49620	49051	Total application of funds	46872	46517
13995	14062	Net debt	11799	12007

Standalone Net Debt / EBITDA level improved at 1.74x over Mar'18 of 1.85x

FREE CASH FLOW



Rs. Crs

Consolidated	Particulars	Standalone
1689	Operating Cash Profit (Net of Tax)	1627
(792)	Change in Working Capital	(752)
897	Cash Flow from Operations (I)	875
(338)	Capex (II)	(333)
560	Cash Surplus (I+II)	542

SUSTAINABILITY LEADERSHIP –

Water Positive



UltraTech certified '2.18' times water positive by DNV – GL* for FY 17

- Continuous focus on water management and conservation measures to ensure long term business sustainability

Key interventions which helped us to achieve water positive status

Rainwater harvesting:
Mines pit & rooftop

Water reuse and recycle

Ground water recharge inside and outside plant boundary

Water collected in check dams

Increasing water availability through pond desiltation

* A global quality assurance and risk management company

SECTORAL OUTLOOK – IN ITS UP-CYCLE

Demand Expected to Move Above GDP



Demand drivers

Higher
budgetary
allocation for
infrastructure
and rural
development

PMAY schemes
in rural and
urban areas
gaining
momentum

Rural housing
demand to
accelerate
further with the
recent increase
in MSPs for
kharif crops

General
election due in
2019
likely to support
demand

SECTORAL OUTLOOK –

In It's Up-cycle



Key concerns

Rising cost pressures

Likely increase in interest rates

Sluggish demand in the Tier-II and III urban housing and commercial segment

UltraTech

One step ahead... >



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