



India's largest cement company

Earnings, **Q1** FY20

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

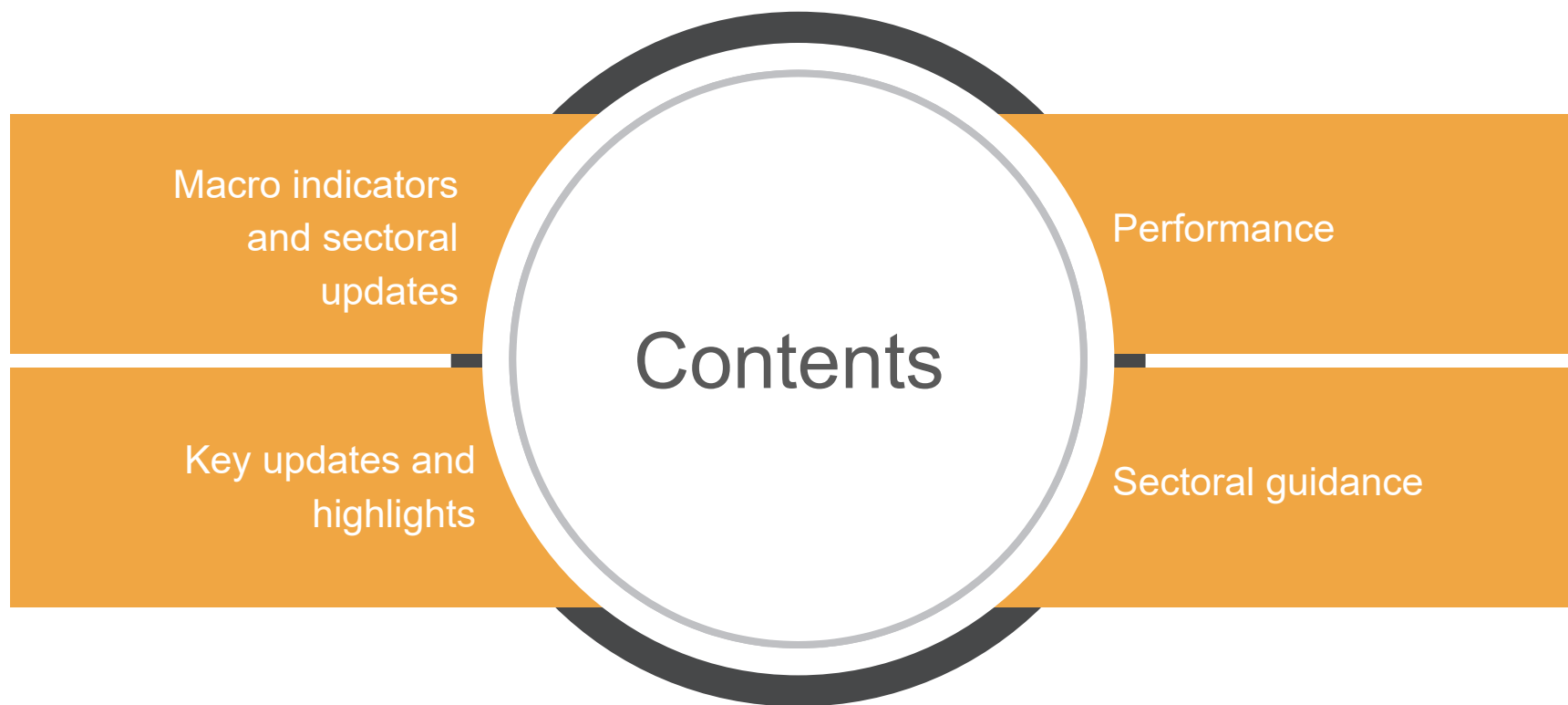


Shri B. K. Birla was a visionary who combined his business acumen underlined with a high ethical commitment and humility

He laid down the foundation of Aditya Birla Group's Cement Business

We dedicate ourselves to the values and ideals he epitomized

SHRI BASANT KUMAR BIRLA
(1921-2019)

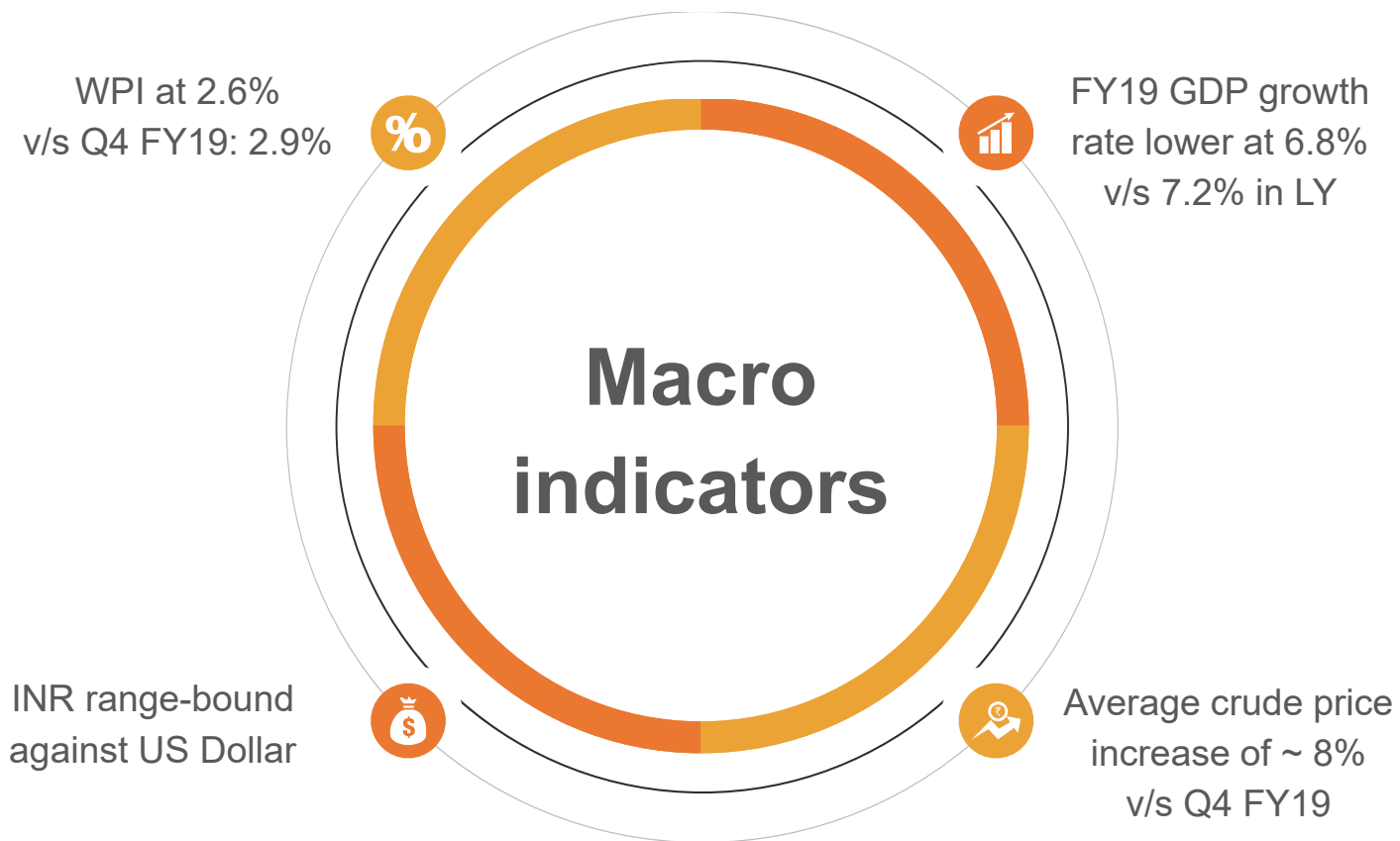


GLOSSARY

MNT – Million metric tons **LMT** – Lac metric tons **MTPA** – Million tons per annum **Q1** – April-June **Q2** – July-September

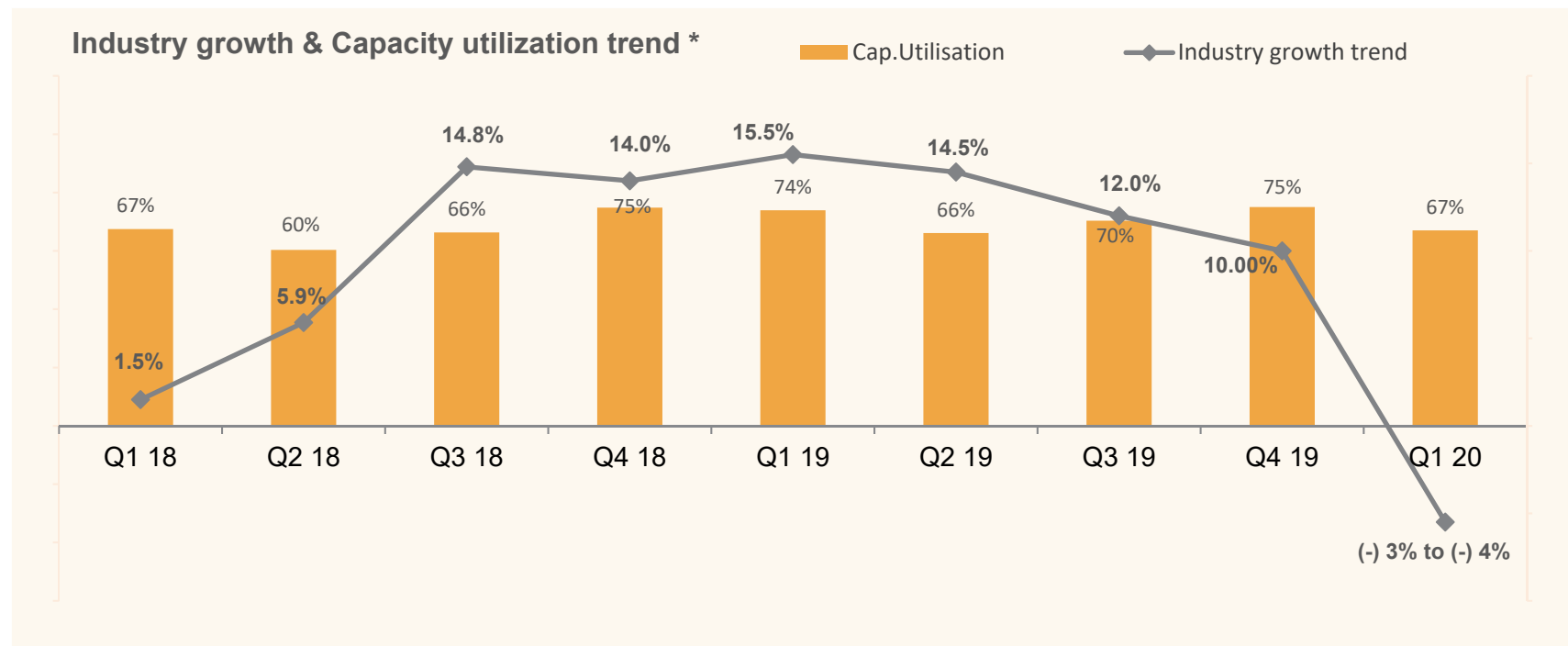
Q3 – October-December **Q4** – January-March **CY** – Current year period **LY** – Corresponding period last year

FY – Financial year (April-March)



Sectoral update

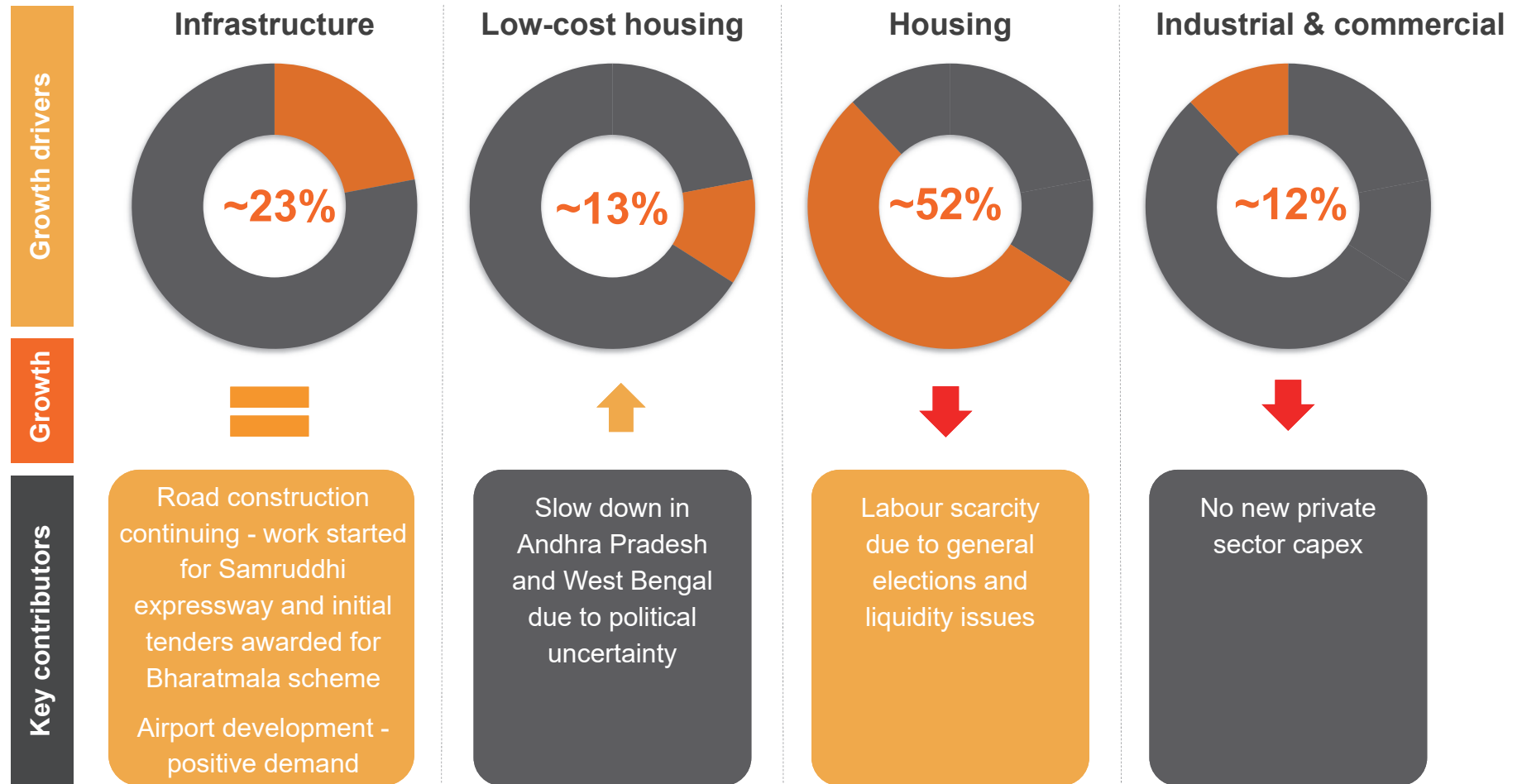
Industry Q1 volume muted following a 7-quarter rally



Industry capacity utilization declined during the quarter to ~ 67%

**Data Source: Published results and internal estimates.*

Sectoral Update: Key growth drivers



Sectoral Update

State / Region wise performance

State/Region	Vol. Gr.	I	LCH	RH	UH	C	Key drivers
Haryana	↓	●	●	●	●	●	Slow release of Government funding
Delhi + NCR	↓	●	●	●	●	●	Labour scarcity
Punjab	↓	●	●	●	●	●	Labour scarcity and sand availability
Himachal Pradesh	↑	●	●	●	●	●	Rural Housing and LCH
Rajasthan	↓	●	●	●	●	●	Change in State Govt. and Labour scarcity
North	↓	●	●	●	●	●	
Madhya Pradesh	↓	●	●	●	●	●	Labour scarcity & Government funding
Uttar Pradesh	↑	●	●	●	●	●	Labour scarcity
Central	↓	●	●	●	●	●	
Maharashtra	↑	●	●	●	●	●	Infrastructure and Affordable Housing
Gujarat	↓	●	●	●	●	●	Labour and water scarcity
West	↓	●	●	●	●	●	

Overall economic slowdown

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

Sectoral Update

State / Region wise performance

State / Region	Vol. Gr.	I	LCH	RH	UH	C	Key Drivers
West Bengal	↓	●	●	●	●	●	Government uncertainty and Sand
Bihar	↓	●	●	●	●	●	Labour scarcity
Jharkhand	↓	●	●	●	●	●	Government funding issue
Odisha	↓	●	●	●	●	●	Labour scarcity and Cyclone <i>Fani</i>
Chhattisgarh	↑	●	●	●	●	●	Labour scarcity and shortage of funds
East	↓	●	●	●	●	●	
Andhra Pradesh	↓	●	●	●	●	●	Sand and State Government change
Telangana	↓	●	●	●	●	●	Severe heat wave and water scarcity
Karnataka	↑	●	●	●	●	●	Unstable State Government
Tamil Nadu	↓	●	●	●	●	●	Labour and water scarcity
Kerala	↑	●	●	●	●	●	Post floods rehabilitation work
South	↓	●	●	●	●	●	

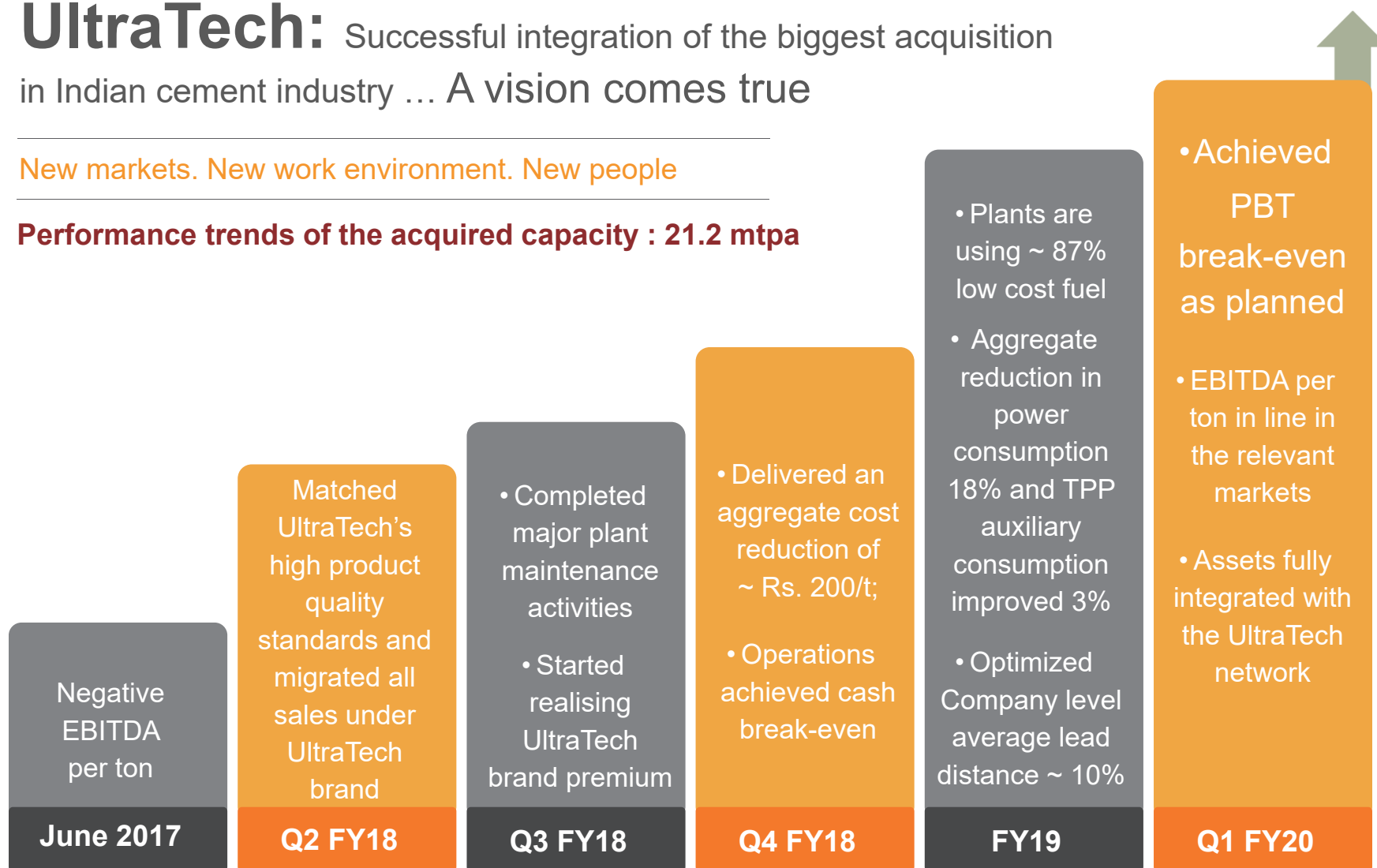
Overall economic slowdown

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

UltraTech: Successful integration of the biggest acquisition in Indian cement industry ... A vision comes true

New markets. New work environment. New people

Performance trends of the acquired capacity : 21.2 mtpa



Firm on our Commitment : PBT break-even achieved in 8 quarters

UltraTech: Successful integration of the biggest acquisition in Indian cement industry ... A vision comes true

Next focus areas

Commissioning and ramp-up of Bara grinding unit

(cement capacity: 4 mtpa)

Operationalize Dalla Super clinker plant

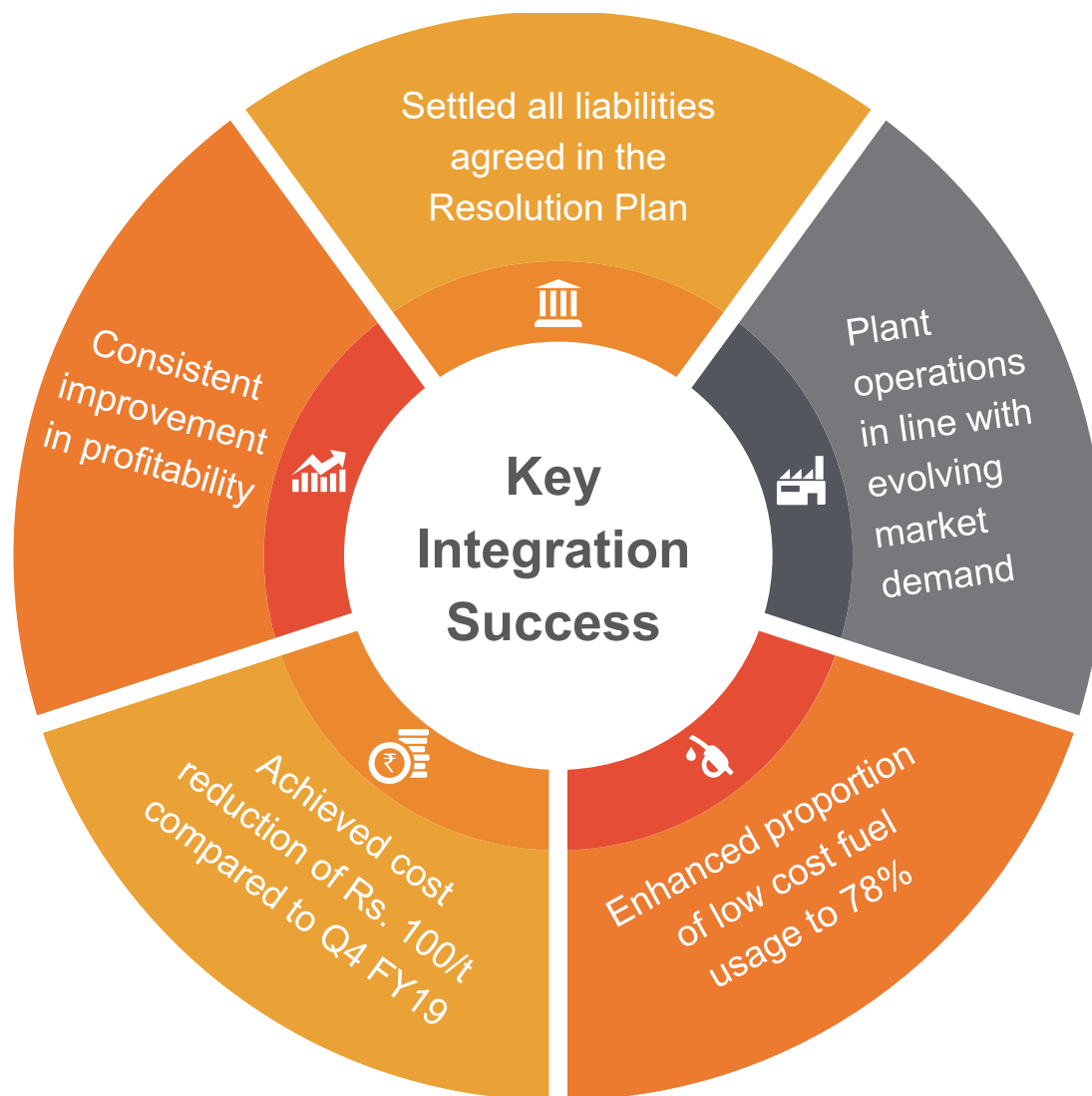
(clinker capacity: 2.3 mtpa)

Invest in waste heat recovery systems and other cost savings capex

Minimize the cost difference with UltraTech benchmark

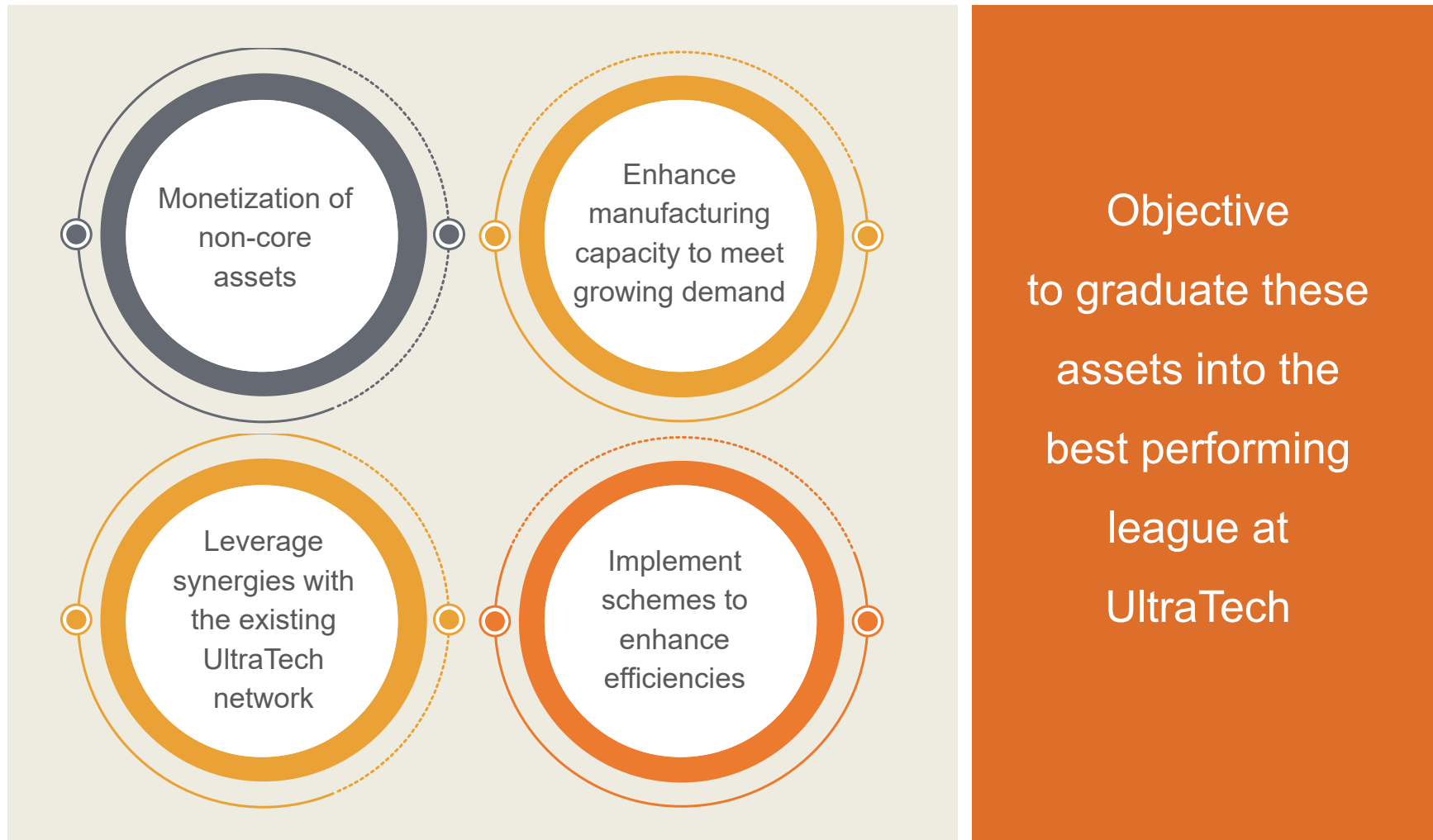
Retire debt

UltraTech Nathdwara**BEAT the BEST**



Achieved PBT
break-even
within two quarters
of acquisition -
An industry
benchmark

UltraTech Nathdwara... **Next priorities**



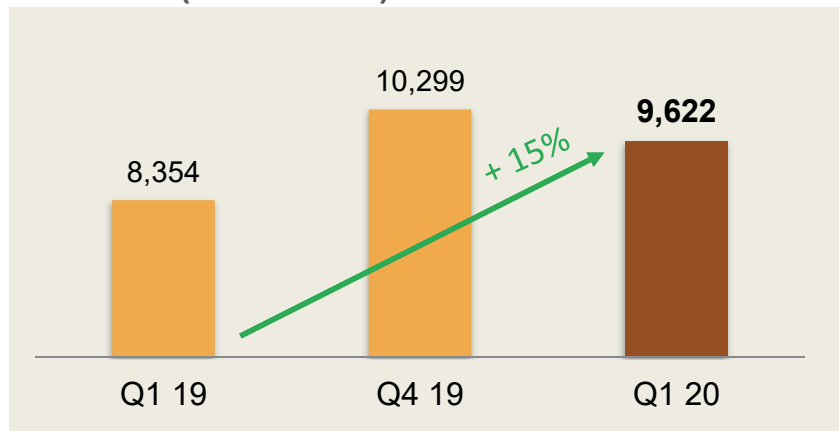
Century Cement Assets... Merger status



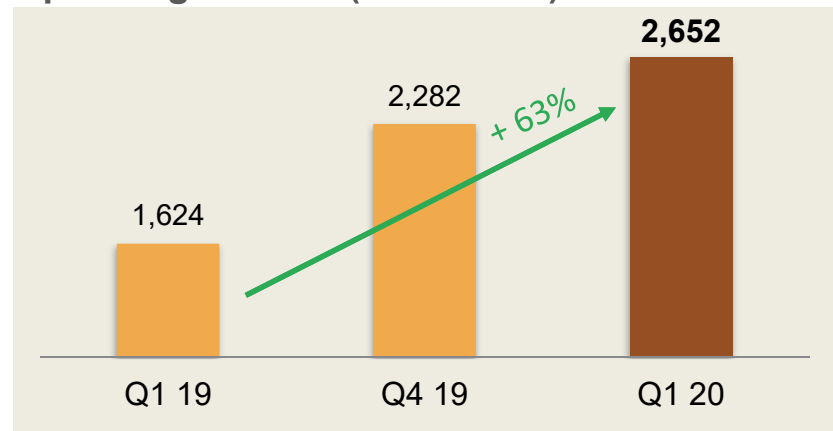
Initiated
ground work
for synergies
with UltraTech

UltraTech Q1 FY20 performance

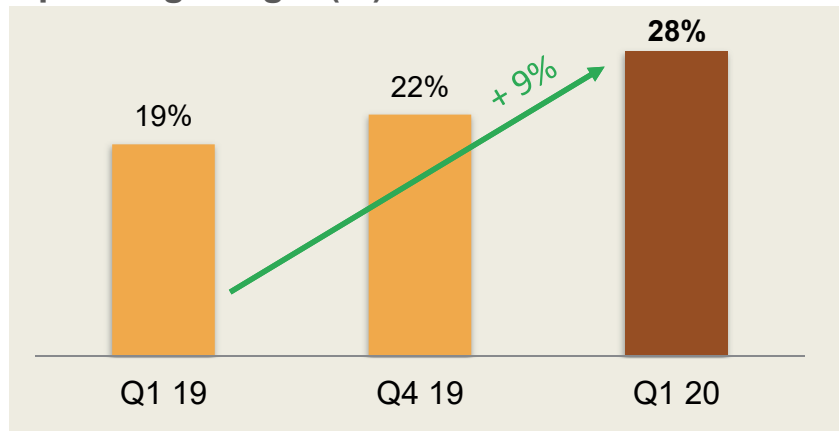
Turnover (Rs. Crores)



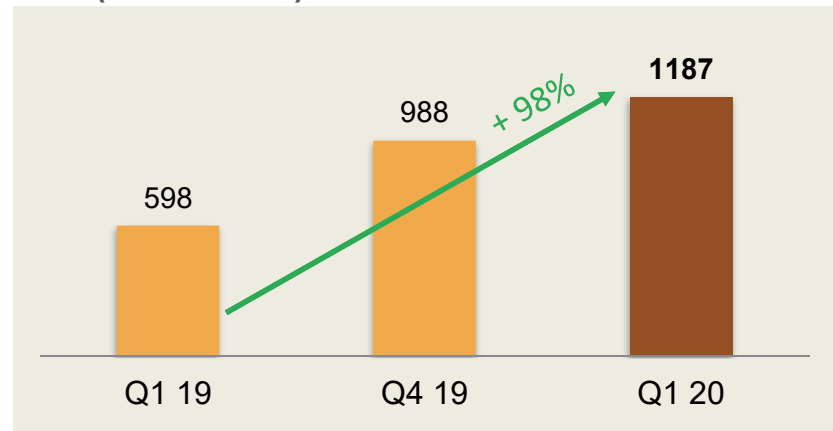
Operating EBITDA (Rs. Crores)



Operating Margin (%)



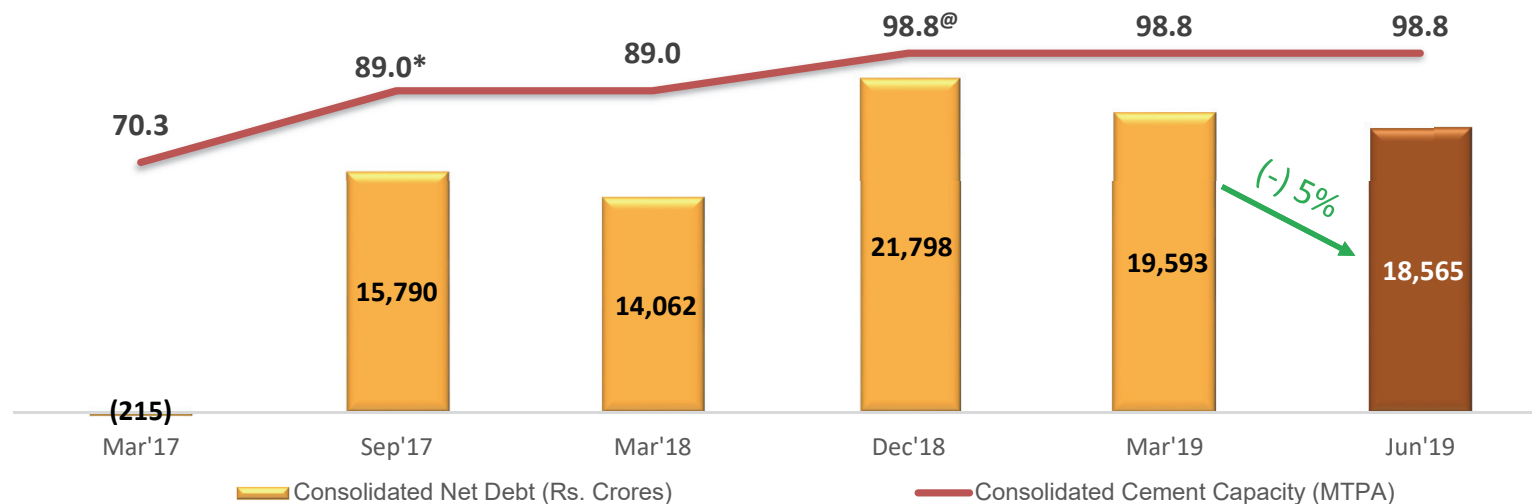
PAT (Rs. Crores)



Achieved Operating EBITDA per ton of Rs. 1466/t v/s Q4 FY19 Rs. 1072/t

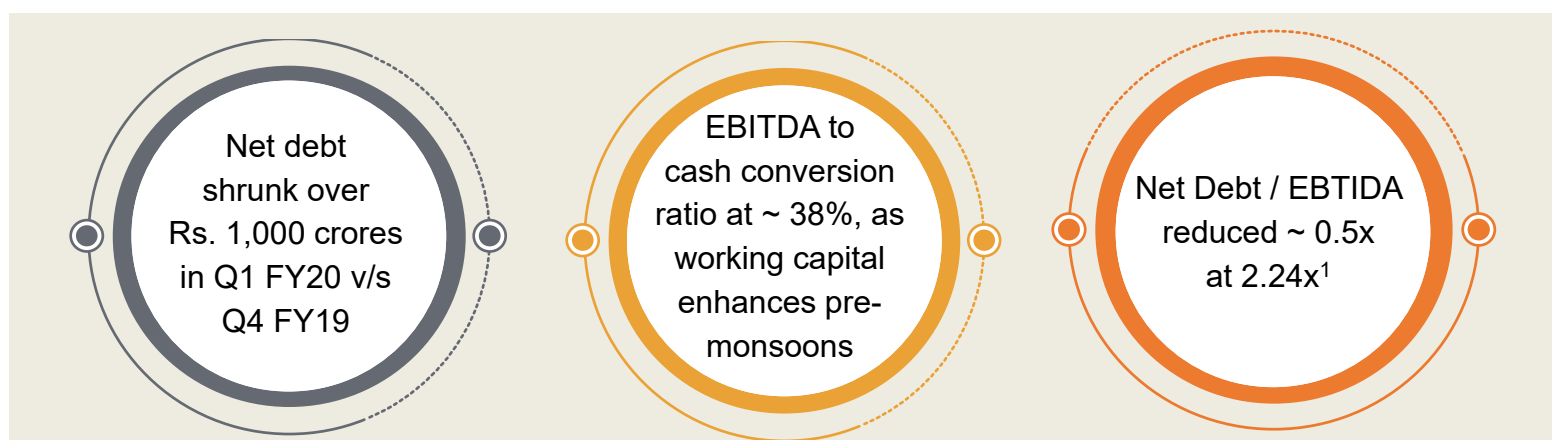
Focused approach to moderate debt and enhance liquidity

Debt Profile



* Acquisition of 21.2 mtpa capacity in Jun'17

@ Acquisition of 6.25 mtpa capacity in Nov'18



¹On the basis of trailing 12 months

UltraTech: Q1 FY20 performance drivers



Blended products

Improved sales –
1% v/s
Q4FY19



Premium products

Increase in sales volume
~ 28% v/s
Q1 FY19



Retail

Higher penetration in retail markets
+ 1% bps v/s
Q4FY19



UBS¹

Total outlets increased to ~ 1950,
+ 20% v/s
Q1 FY19

Share in trade sales
~ 11%



Cost management

Reduction in variable costs by 1% v/s
Q4 FY19

¹UBS = UltraTech Building Solutions

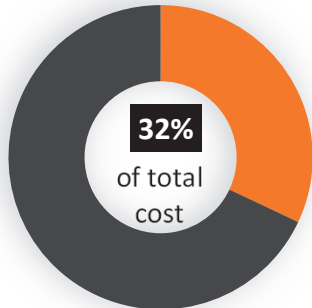
Sales performance ... Q1

MnT

Particulars	CY	LY	▲%
Domestic sales	17.26	16.83	3
Exports and others	0.60	0.65	(7)
Total	17.86	17.48	2

Temporary slowdown in line with the overall economy

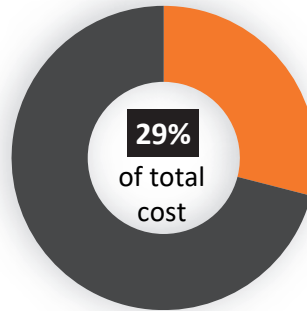
Operating costs



Logistics cost:

Declined YoY 5%
to Rs. 1140/t

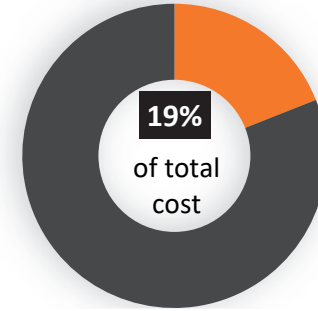
- Lower diesel prices
- Benefit of revised axle load norms



Energy cost:

Declined YoY 2%
to Rs. 1011/t

- Reduction in fuel prices
- Lower energy consumption



Raw materials cost:

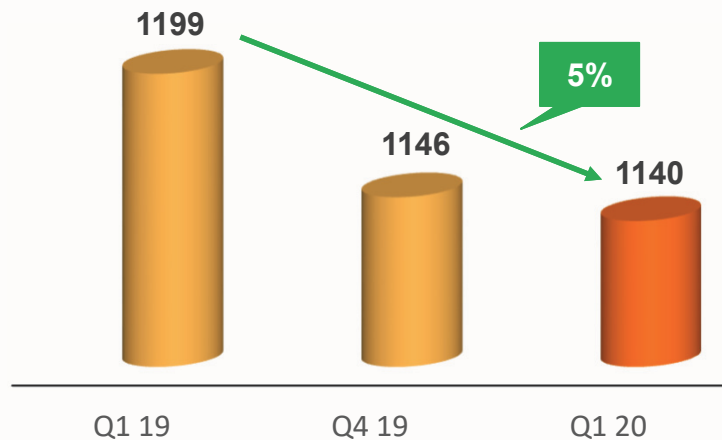
Declined YoY 2%
to Rs. 489/t

- Increase in production of composite cement
- Procurement source optimization

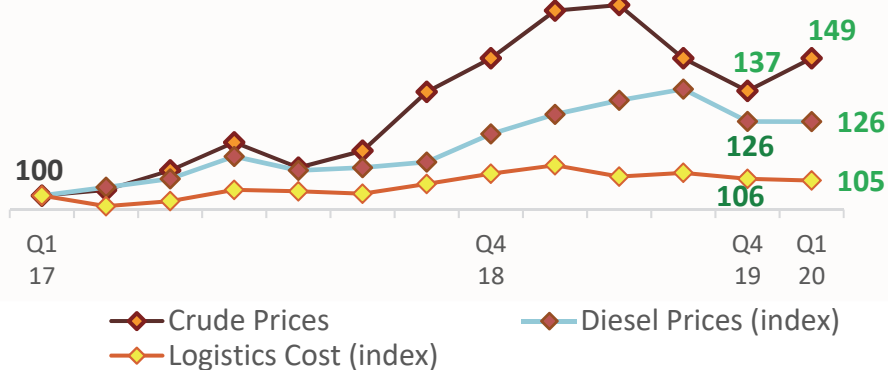
Consistent improvement in operational efficiencies

Logistics cost trends

Logistics Costs (Rs/t)



Logistics Costs v/s Diesel Prices



YoY cost reduced : 5%

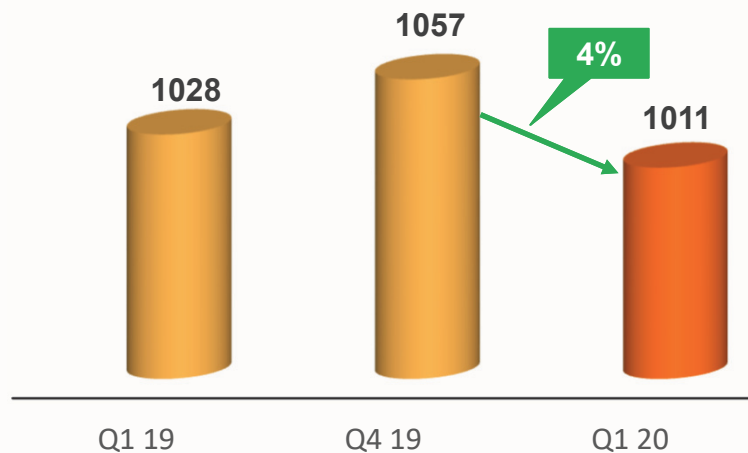
- Costs Benefit from axle load relaxation : 2%
- Reduction in diesel prices : 4%
- Improved lead distance : 6%
 - Synergies with acquired and newly commissioned capacities.
- Some cost benefit eroded following changed mode mix :
 - Lack in availability of railway wagons
 - Share of rail dispatches reduced to ~ 21%

Sequentially cost remained stable

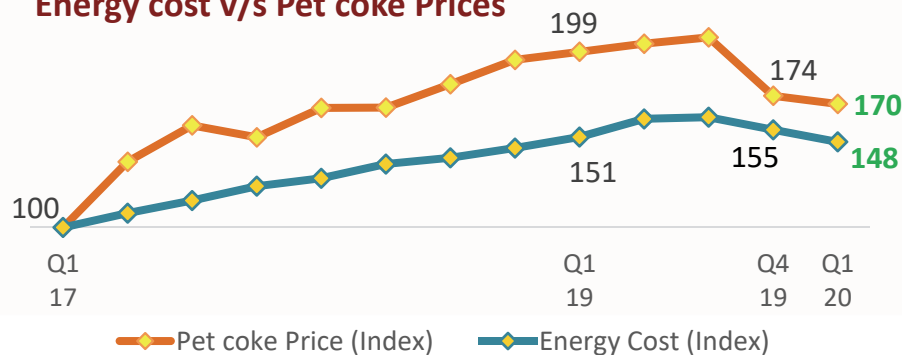
- Optimization of average lead distance : 2%

Energy cost trends

Energy Costs (Rs/t)



Energy cost v/s Pet coke Prices



YoY costs declined : 2%

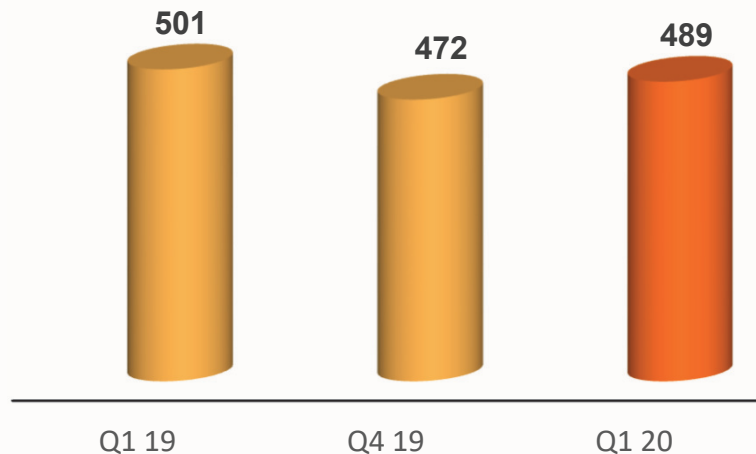
- Increase in usage of green power :
- Q1 FY20 ~ 9% v/s ~ 7% in Q1 FY19
- Reduction in power consumption : 2%
- Increase in power plant efficiency : 100 bps
- Increase in use of low cost fuel
(pet coke + high CV coal)

QoQ Costs lowered : 4%

- Benefit of reduction in pet coke prices : 3%
- Average pet coke consumption prices during the quarter : USD 95/t v/s Q4 USD 98/t
- Strengthening of Rupee against USD

Raw material costs

Raw Materials Costs (Rs/t)



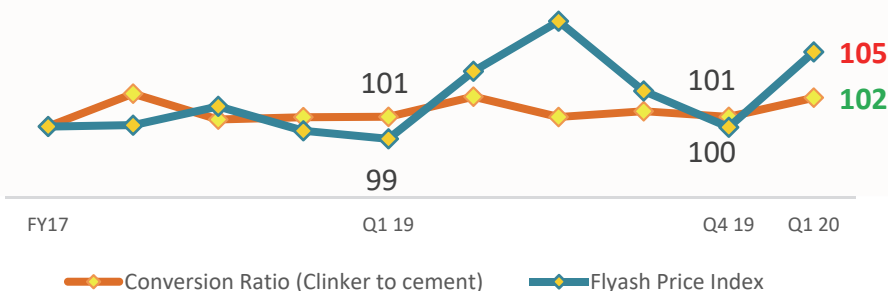
YoY cost declined : 2%

- Lower usage of slag with production of composite cement
- Optimized usage of high cost additives

QoQ cost up : 4%

- Increase in average cost of fly ash : +8%
- Long distance procurement
- Higher usage of fly ash

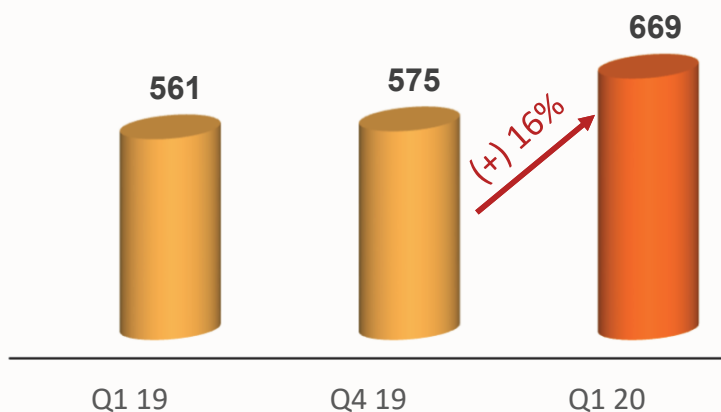
Conversion Ratio and Fly ash Prices Trends



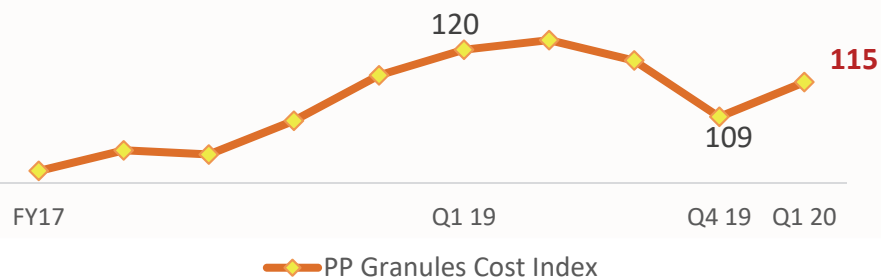
India operations performance (Grey Cement)

Other cost trends

Other Costs (Rs/t)



PP Granules Price Trend



QoQ cost up : 16%

- Preponed annual kiln shut down at some plants :
 - Shut downs-10 Kilns v/s 3 Kilns in Q4 LY
 - Cost impact : Rs. 45/t
- Impact of operating leverage due to lower sales volume (fixed overheads) : Rs. 45/t
- Increase in packing bag costs : Rs. 5/t

Ind AS 116 – Leases

Background and Applicability

Background

- The Ministry of Corporate Affairs notified Ind AS 116 – Applicable w.e.f. 1st April, 2019
- Ind AS 116 requires long term leases (> 12 months) and non-cancellable to be recognized as an assets (Right of Use – “RoU”) and corresponding lease liability in Balance Sheet
- In Profit and Loss Statement : change in accounting for rent and other related lease expenses above EBITDA with amortization of RoU and finance costs of lease liability

Applicability for UltraTech

- Arrangements in nature of lease having more than 12 months period and non-cancellable in nature
- Key arrangement covered: Ships, Factory Buildings, Offices, Guest Houses, Land and Plant & Machinery

Ind AS 116 – Leases

UltraTech: Impact in Q1 FY20 Income Statement

Rs. Crores

Consolidated	Particulars	India Operations	Remarks
+ 43	EBITDA	+ 35	- Reduction in freight & forwarding expenses and Power & fuel expenses on chartered ships - Reduction in other expenditure related to rent expenses for land, offices, guest houses, plant & machinery etc.
+ 15	Finance costs	+ 12	Interest on lease liabilities
+ 31	Depreciation	+ 24	Amortization of Right of Use assets
(-) 2	PBT	(-) 1	

Impact on Net profit and Earnings per share is not material

Q1FY20 : Income Statement

Rs. Crores

Particulars	Standalone			India Operations*		
	CY	LY	▲%	CY	LY	▲%
Revenues (Net of Taxes)	9648	8354	15	9622	8354	15
Operating Income	146	179	(18)	149	179	(17)
Other Income	154	73	110	131	73	80
Total Income	9948	8607	16	9902	8607	15
Expenses :						
<i>Raw Materials Consumed</i>	1182	1173	(1)	1205	1173	(3)
<i>Purchase of Traded Goods</i>	630	297	(112)	305	297	(3)
<i>Changes in Inventory</i>	(110)	(106)	(4)	(112)	(106)	(6)
<i>Employee Costs</i>	488	468	(4)	501	468	(7)
<i>Power and Fuel</i>	1798	1868	4	1917	1868	(3)
<i>Logistics Cost</i>	2103	2229	6	2110	2229	5
<i>Other Expenses</i>	1155	980	(18)	1194	980	(22)
EBITDA	2704	1697	59	2783	1697	64

* After Elimination of Inter-company transactions between UTCL & UNCL

Q1 : India operations operating margin at 28%

Q1FY20 : Income statement

Rs. Crores

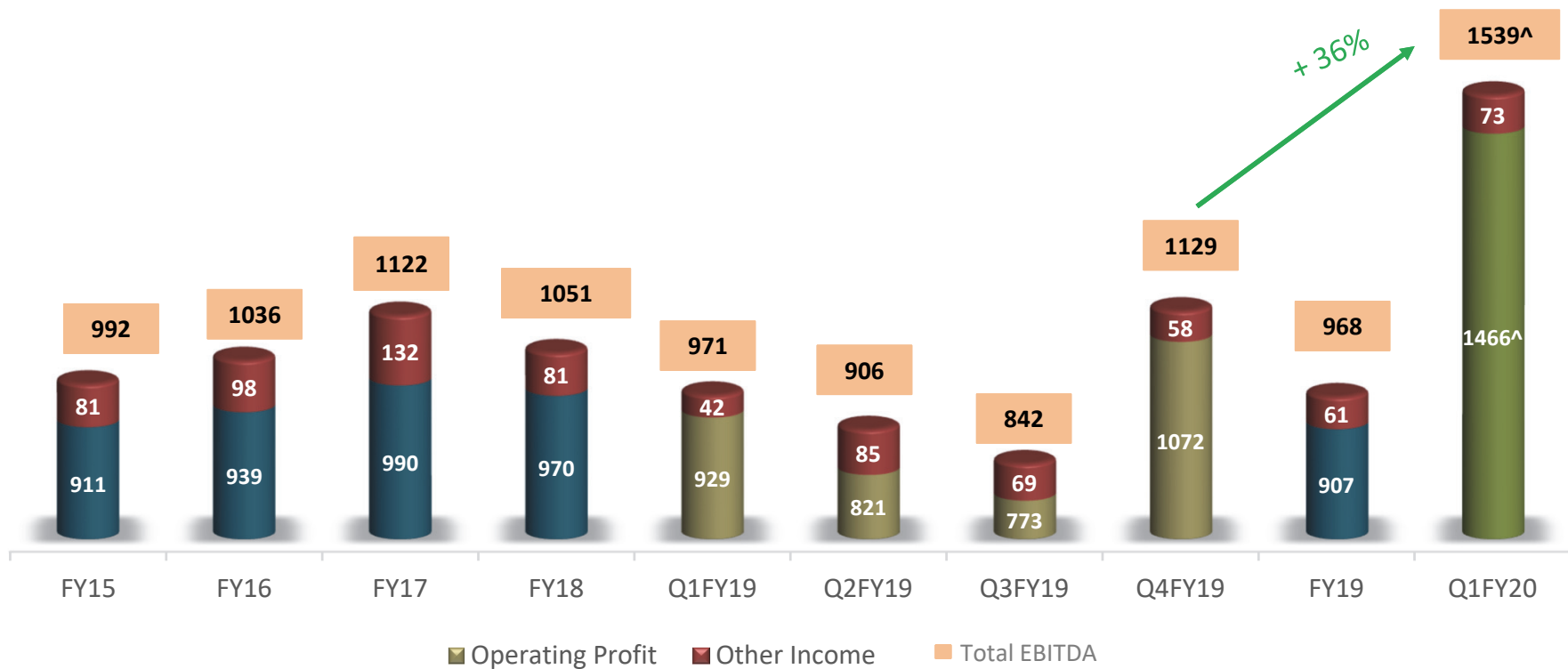
Consolidated			Particulars	Standalone		
CY	LY	▲%		CY	LY	▲%
10027	8720	15	Revenues (net of taxes)	9648	8354	15
131	73	80	Other Income	154	73	110
2840	1763	61	EBITDA	2704	1697	59
28%	20%	8	Margin (%)	28%	20%	8
441	349	(27)	Finance costs*	370	336	(10)
599	507	(18)	Depreciation*	537	486	(10)
1799	908	98	PBT	1796	875	105
591	277	(114)	Tax expenses	598	277	(116)
0.2	(0.8)		Minority interest	-	-	
1208	632	91	PAT	1199	598	100
44.0	23.0	91	EPS (Rs.)	43.7	21.8	100

* Finance costs and Depreciation higher due to - (a) UltraTech Nathdwara consolidation and (b) Ind AS 116 impact

Strong financial performance

EBITDA Trends

Rs. PMT



[^] Excl. impact of Ind AS 116 (Lease Accounting)

QoQ EBITDA per ton improved 36%

Financial position

Rs. Crores

Consolidated		Particulars	Standalone	
30.06.19	31.03.19		30.06.19	31.03.19
29542	28401	Shareholders' funds	29122	27948
22697	22818	Loans	17999	18118
1154	-	Lease liability (Ind AS 116)	894	-
3722	3542	Deferred tax liabilities	3730	3544
57115	54761	Sources of funds	51745	49610
47039	46243	Fixed assets	40764	40193
2846	2847	Goodwill	-	-
4175	3269	Investments	10115	9212
548	548	Assets held for Sale	-	-
2507	1854	Net working capital & loans	867	205
57115	54761	Total application of funds	51745	49610
18565	19593	Net debt	13872	14894

Free Cash Flow

Rs. Crores

Consolidated	Particulars	Standalone
2189	Operating Cash Profit (Net of Tax)	2152
(901)*	Change in Working Capital	(852)*
1288	Cash Flow from Operations (I)	1300
(295)	Capex (II)	(280)
992	Cash Surplus (I+II)	1021

* Planned increase in pre-monsoon inventories

Focus on deleverage the balance sheet at fast pace

Sectoral outlook

Demand expected to grow in line with national GDP growth rate

Demand drivers

- Government's pro-growth stance
- Thrust on infrastructure development
- Increased plan outlay for social housing program in Phase 2
- Pick-up in rural housing demand
- Likely reduction in the benchmark interest rate

Key factors to watch out for

- Monsoons
- Urban demand improvement
- Liquidity improvement
- Overall economic scenario



“We deliver
what we promise”



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