# INDIA'S LARGEST CEMENT COMPANY

## Earnings: Q4 FY20

**20th May 2020**

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

# CONTENTS



## GLOSSARY

**MNT** – Million Metric Tons, **LMT** – Lakh Metric Tons, **MTPA** – Million Tons Per Annum, **MW** – Mega Watts, **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)

# Macro and Industry updates

General Economic Slowdown

Pandemic added to the Weakness

Consumer sentiment was affected; construction work halted

Cement offtake for the quarter shrunk due to COVID-19

## Key Environment Protection Initiatives …

| | Key Activities / Actions | Targets / Achievement |
|---|---|---|
| Zero carbon | • Increased share of blended products<br>• Increased use of alternative fuels<br>• Increased use of alternative raw materials | Target 25% reduction over FY06 |
| Project Jal (water positive) | • Implementation of two integrated watershed projects<br>• Potential assessment at six locations | >2.5x water positive |
| Energy Productivity (EP100) | • Implemented energy efficiency projects<br>• Adoption of automation and data analytics | Achieved 60% target of doubling energy productivity |
| Biodiversity | • BMP[1] implementation at one of the plant in Gujarat & Karnataka<br>• BMP[1] under process for 3 more plants in Rajasthan and Andhra Pradesh | BMP for all IUs[2] by 2024 |



[1]*BMP: Biodiversity Management Plan* [2]*IUs: Integrated Units*

# UltraTech and ESG

## Our achievements

FY19 Sustainability Report included among **Global Top 20 and recognised as the 'Most Engaging Report Worldwide'.**

**Received 'Green Pro Ecolabel' certification from CII-** Green Products & Services Council for major products

**Amongst the Top 10 Globally, in the Dow Jones Sustainability Index**

**Founding member of GCCA[1] India, Driving Sustainability & Innovation across Cement and Concrete value chain**



[1]*GCCA: Global Cement and Concrete Association*

## Project Jagruti: Sustainability awareness amongst employees

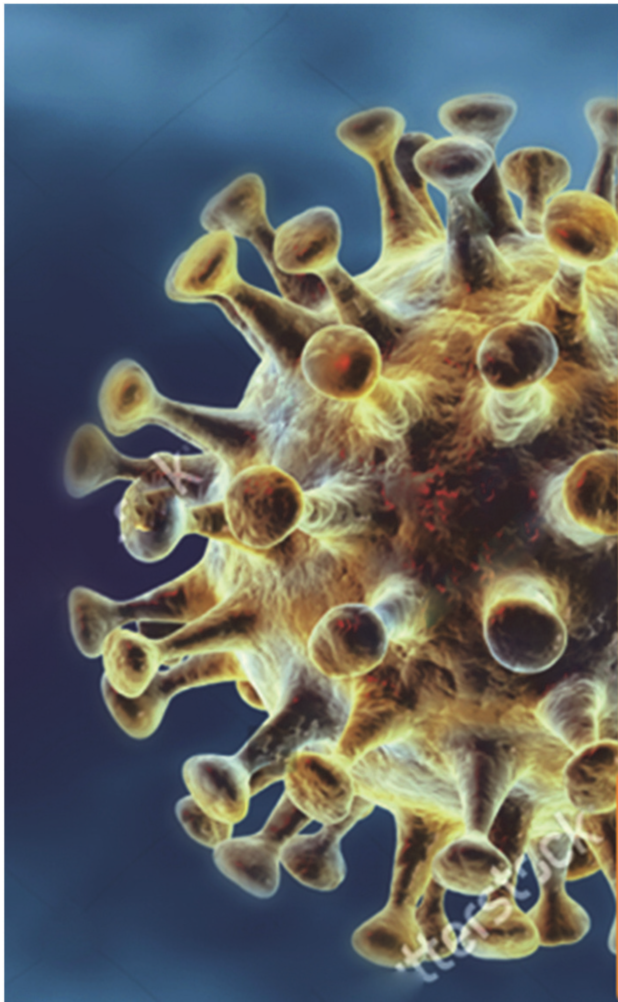

**650+**
Number of employees covered under the project

**23**
Number of plants covered under the project

**An initiative to embed sustainability culture amongst employees**

**Target to cover 50% employees under Project Jagruti over the next 3 years**

# UltraTech and ESG



## UltraTech's participation in fight against COVID-19

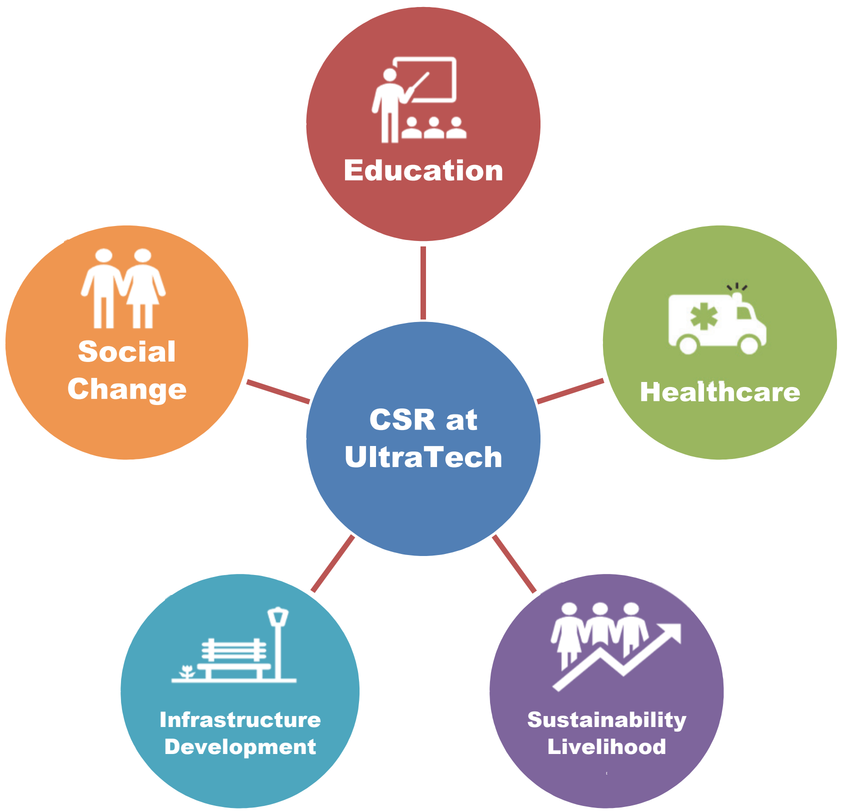
- Provided meals to 1.80 lakhs people
- Distributed grocery packets ~ 50000
- Supplied > 6.0 lakhs N95 masks & sanitizers
- Distributed ~ 1.00 lakh medical PPE
- Facilitated 2 quarantine centers in the State of Rajasthan and Madhya Pradesh
- Proactive awareness camps amongst local communities in our plant's vicinity

**> 0.5 mln**
Total population outreach

**> Rs. 20.0 crores**
Spent on various initiatives

**Pledged support of Rs. 75 crores**

## Sustainability at UltraTech




- People benefited: **1.6 million**
- Education for: **1 lakh children**
- Rural Health Camps for: **2 lakhs people**
- Villages Covered: **502**
- Program coverage: **16 States**

**Total spends during the year: Rs. 125 crores**

## Key Initiatives …

### Education

- Promoting digital education in government schools
- Covered 355 schools

### Health

- Focus on Mother and Child Health Care Covered > 9000 families
- Special camps on school health check-up for vision and dental (> 3500 children)

### Self Empowerment

- Promoting Self Help Groups for women
- Formed 824 such group covering > 12000 members

### Awards

- The Mother Teresa Corporate Citizenship Award by Loyola Institute of Business Administration – Chennai
- The Indian Chambers of Commerce – Kolkata for Education

# Integration update : Century Cement

Capacity utilization ~80% in Q4 despite COVID-19

Plant operating efficiency improvement program on track

Reduced power consumption ~ 8% over Q3

Pet coke usage up at 69%

Leveraging synergies (materials, movement and procurements)

One-time integration costs booked during the quarter: Rs. 40 Crores

**Achieved Variable Costs Reduction Rs. 200/t in Q4 over Q3**

# Integration update : Century Cement… contd

Brand transition completed for ~65% production

Increase in realization:
~ Rs. 160/t vs Q3

84% production to be transitioned to UltraTech brand by Q3 FY21

Logistics synergies in process

Completed people integration, strengthening the overall culture

Extended technical services for Birla Gold brand

**Overall integration to be completed by Q3 FY21**

# Integration update : UltraTech Nathdwara

## First full year of operation under "UltraTech" banner….

| | | |
|---|---|---|
| Generated average EBITDA in excess of Rs.1250/t (FY20) | Commenced work for installation of 11 MW WHRS…. EBITDA profile to improve further | Achieved 14% cost reduction through efficiency improvement in FY20 |
| Achieved logistics synergies | Generated cash profit of > Rs.300 Crores (FY20) | Non-core assets disposal delayed due to COVID-19 |

**Assets fully integrated with UltraTech**

# Other updates : Deferred Tax Reversal during Q4 FY20

Government of India introduced section 115BAA under Income Tax Act, providing option to corporates for a lower income tax rate @ 25.168% (34.944% earlier)

The Company has the benefit of existing tax breaks and incentives under the old tax regime therefore not opted for lower tax rate regime

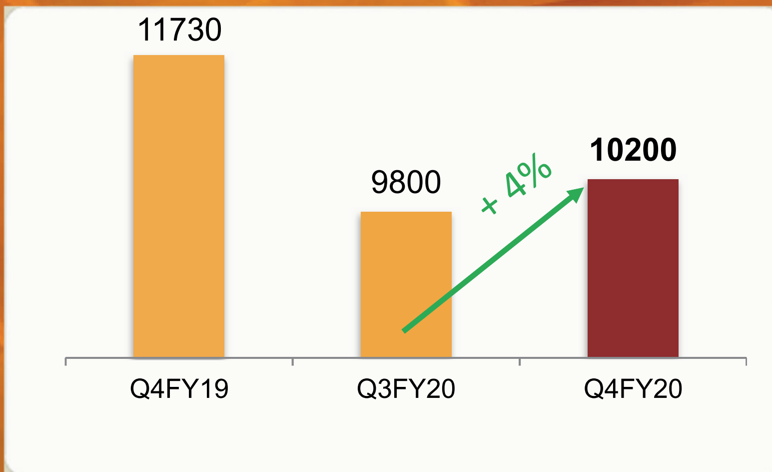
Deferred tax liability ('DTL') to be accounted for at the future income tax rates, hence the Company has reversed DTL of earlier years

W.E.F. FY20, DTL charge / reversal in P&L to be booked at reduced income tax rates

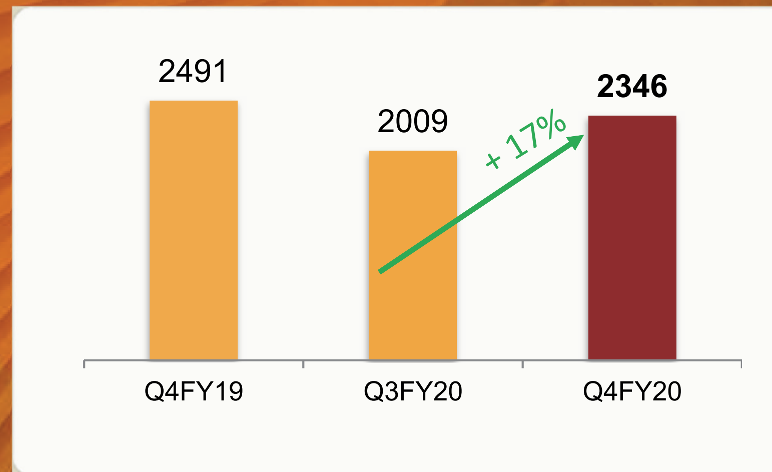
**Incremental Free Reserves: Rs. 2112 Crores in Consolidated Financials**

# Q4 FY20 : Performance Highlights

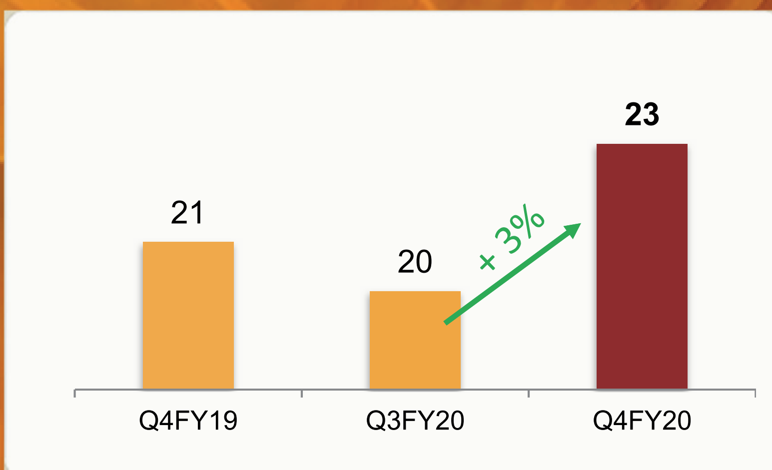
## Turnover *(Rs. crores)*



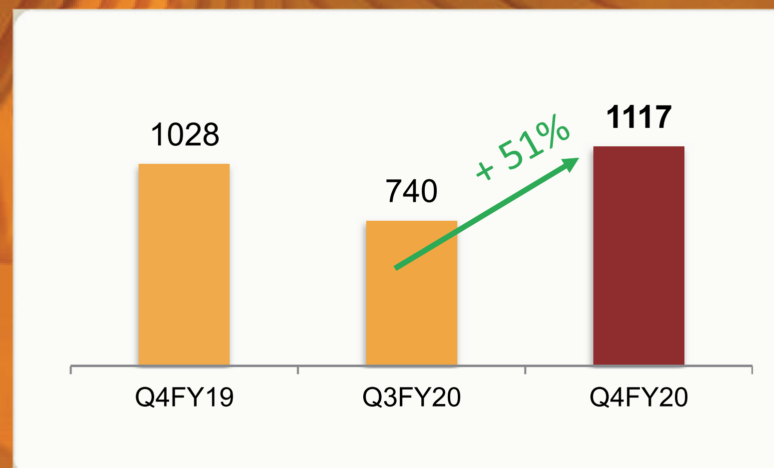

## Operating EBITDA *(Rs. crores)*




## *Operating Margin (%)*




## Normalised PAT *(Rs. crores)*



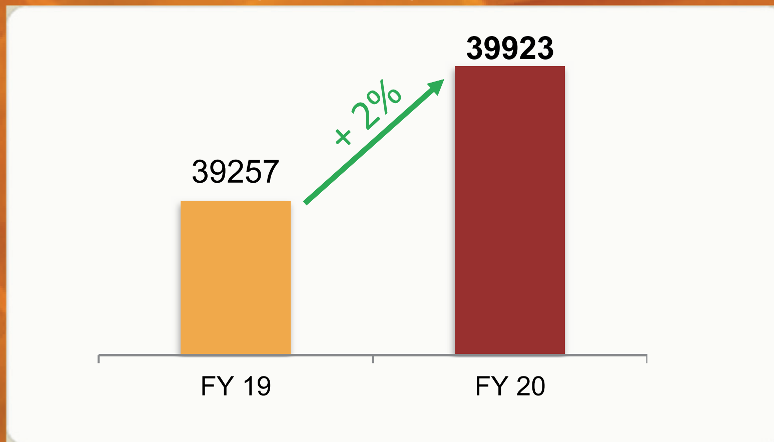

**Operating EBITDA improved 16% and PAT jumped 51% over Q3**



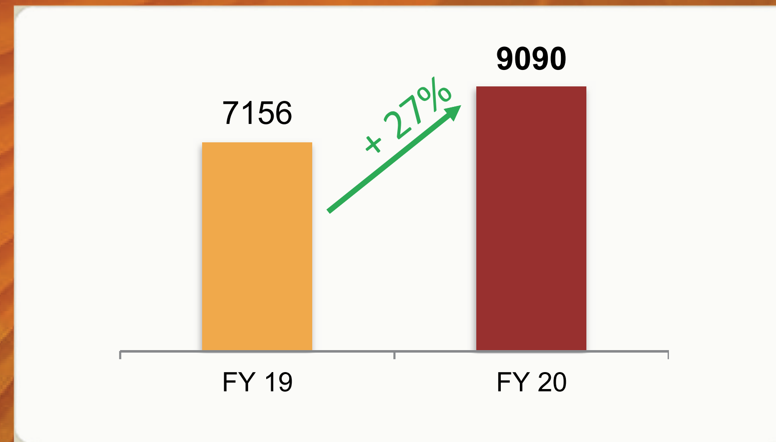
*Above nos. are inclusive of acquired Century Cement Capacities with restatement of previous period performance for India Operations*

# FY20 : Performance Highlights

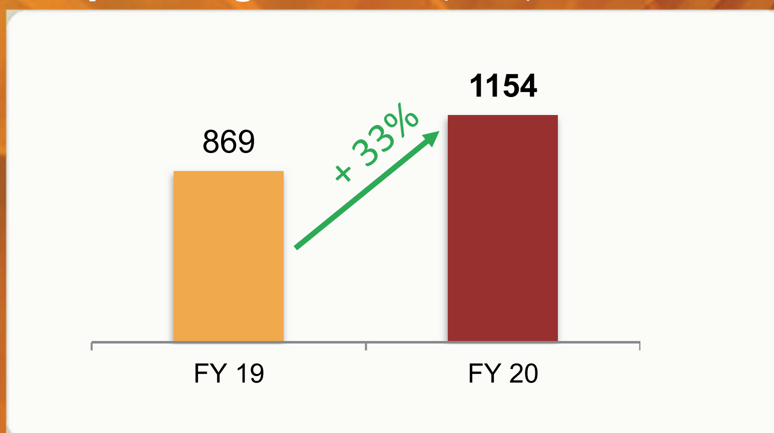
## Turnover *(Rs. crores)*



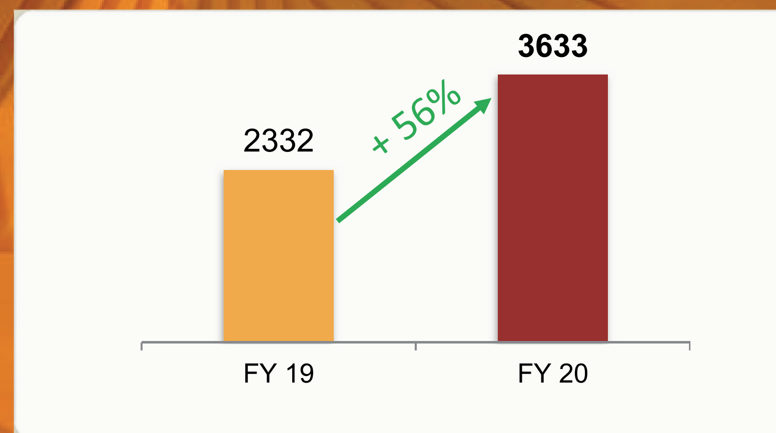

## Operating EBITDA *(Rs. crores)*




## *Operating EBITDA (Rs./t)*




## Normalised PAT *(Rs. crores)*




**Achieved highest ever EBITDA pmt since inception: Rs. 1154 /t**

**Normalised PAT jumped + 56%**



*Above nos. are inclusive of acquired Century Cement Capacities with restatement of previous period performance for India Operations*

# Key Achievements for FY 2019-20

Commissioned 2 MTPA cement capacity at Bara…
**Total consolidated capacity 114.8 MTPA**

Commissioned 33 MW WHRS capacity: **Total 118 MW**
Commenced operation for 32 MW Solar capacity: **Total 99 MW**

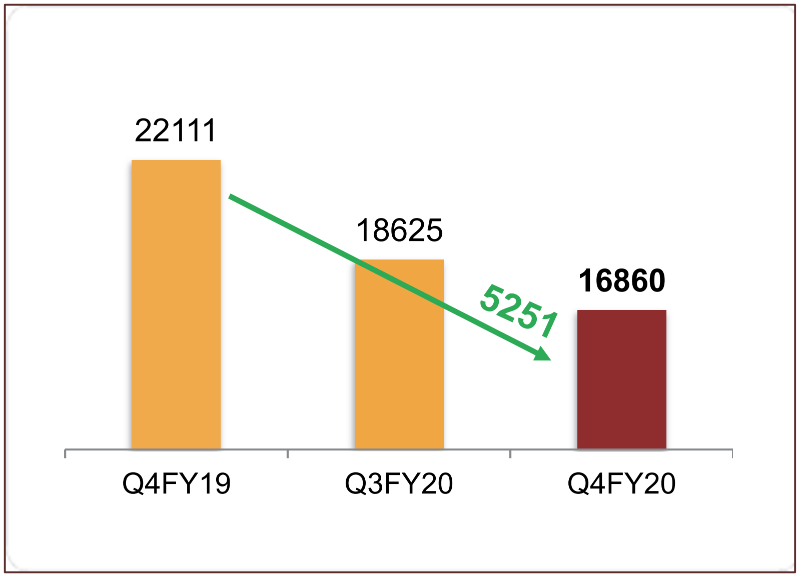
Completed integration of **UltraTech Nathdwara: 6.25 mtpa capacity**

**Highest Consolidated EBITDA in FY20: Rs. 9,930 crores**

**Overall Operating Free Cash flow generation > Rs. 5,700 Crores**

# Leverage Reduction Remained Key Focus for the Year

## Consolidated net debt (Rs. crores)




**Consistent improvement in working capital**
- Reduction during Q4: Rs. 404 crores

**Judicial Capex Spends**
- Capex spend for the year: Rs.1604 crores
- Target for FY21: Rs.1000 crores

- **Net debt reduction in Q4: Rs. 1765 crores**

**India Operations Net Debt / EBITDA as on March' 20: 1.55x**

# Sales Performance: Q4 FY20

*MnT*

| Particulars | Q4 | | | FY20 | | |
|---|---|---|---|---|---|---|
| | CY | LY | ▲ % | CY | LY | ▲ % |
| Annual Capacity India (MTPA) | 111.4 | 109.4 | 2 | 111.4 | 109.4 | 2 |
| Domestic sales | 19.92 | 23.73 | (16) | 76.40 | 79.34 | (4) |
| Exports and others | 0.60 | 0.84 | (29) | 2.36 | 3.02 | (22) |
| **Total India Operations** | **20.52** | **24.56** | **(16)** | **78.76** | **82.36** | **(4)** |
| **Consolidated Sales Volume** | **21.44** | **25.43** | **(16)** | **82.33** | **85.67** | **(4)** |

**COVID-19 impacted sales volume for the quarter**



*Above nos. are inclusive of acquired Century Cement Capacities with restatement of previous period data.*

# Key Performance Drivers : Q4 FY20

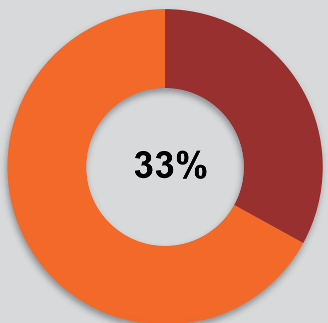
- Trade sales increased 2% YoY
- Maintained rural sales volume
- Blended sales at 68% up 2% YoY
- Premium products volume growth: ~ 19% YoY
- Number of UBS[1] outlets: ~2145 added 230 new stores during the year
- UBS[1] Contributed 7% of total sales
- Improved clinker to cement conversion ratio ~100 bps YoY
- YoY reduction in variable cost: ~6%



[1]UBS: UltraTech Building Solution outlets

# Operating Cost : Q4 FY20

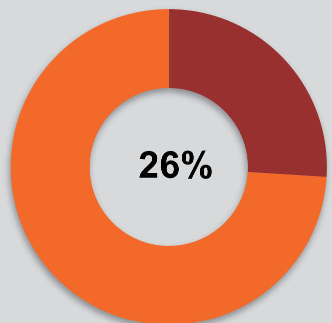
**LOGISTICS COST**




Declined YoY 3%
to Rs.1149/t

- Benefit due to exemption of railway busy season surcharge

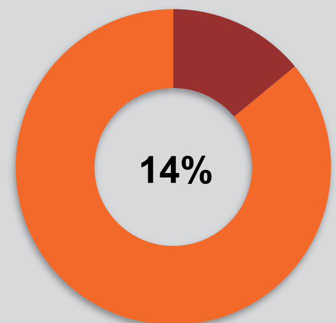
**ENERGY COST**




Declined YoY 13%
to Rs.914/t

- Benefit from lower fuel prices
- Increased pet coke usage

**RAW MATERIAL COST**




Increased YoY 5%
to Rs.497/t

- Higher fly ash and other additive prices
- Increased share of new products

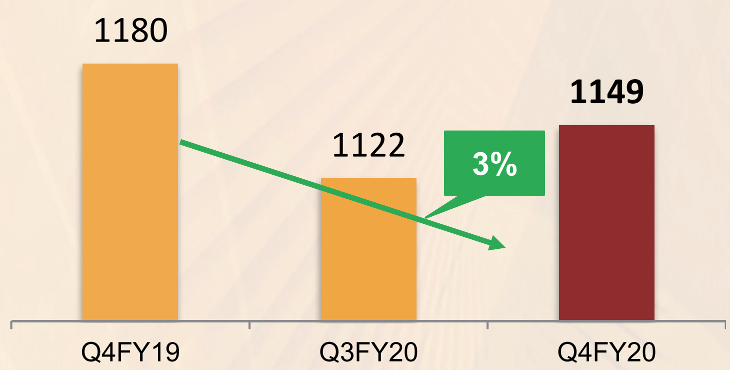
**Costs under control**

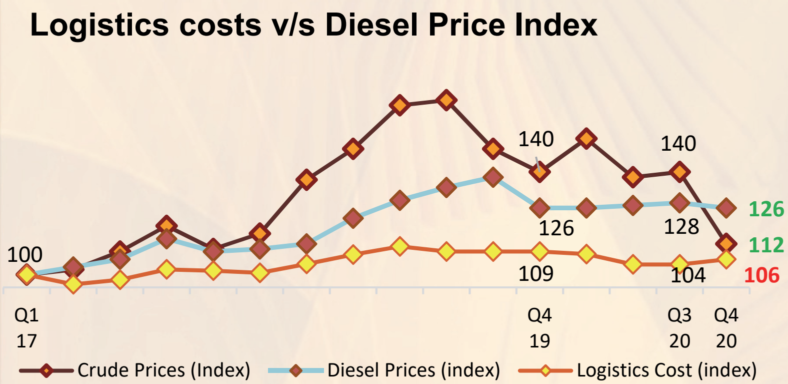


*Above nos. are for grey cement inclusive of acquired Century Cement Capacities with restatement of previous period data.*

# Logistics Cost Trends

## Logistics cost (Rs./t)




## YoY cost reduced: 3%

- Railways extended period for exemption of busy season surcharge: cost benefits ~ 3%
- Improved clinker to cement conversion ratio

## Cost increase vs Q3: (-) 2%

- Benefit from increased availability of railway wagons: 27% vs 23%
- Servicing long lead markets resulted in costs increase

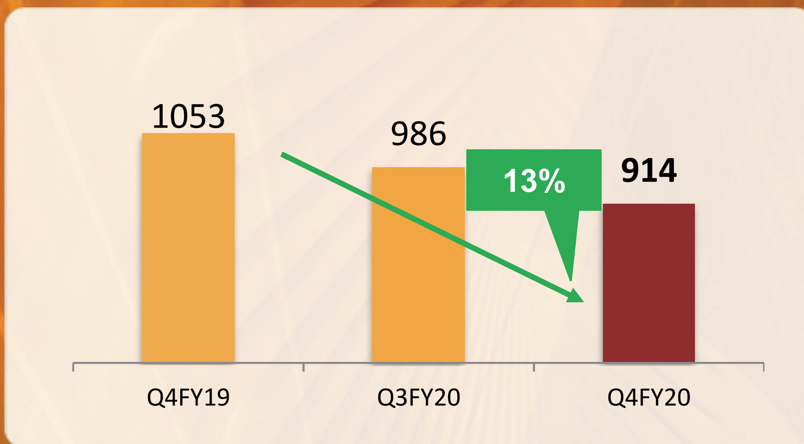
**Century Cement's integration in process**

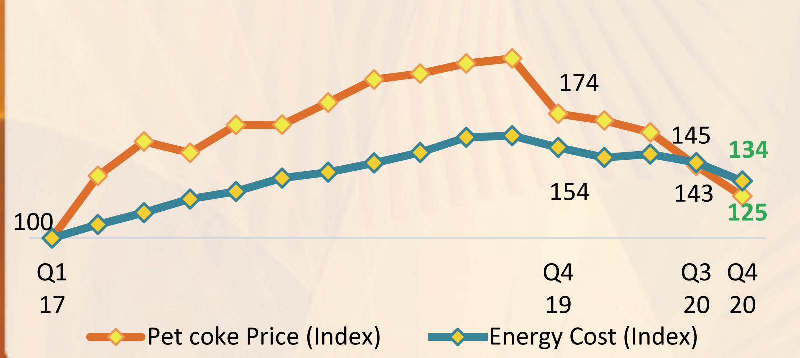


*Above nos. are inclusive of acquired Century Cement Capacities with restatement of previous period data.*

# Energy Cost Trends

## Energy cost (Rs./t)




## YoY cost reduced: 13%

- Average fuel prices dropped :~ 15%
- 'Green power' consumption increased to 11.6% (LY: 7.9%)
- Pet coke usage at 77% (LY: 67%)
- Average power consumption improved : 100 bps

## Cost reduced 7% over Q3 FY20

- Average pet coke consumption price during the quarter $ 70/t (Q3: $ 80/t)
- Decline in power consumption: ~3%

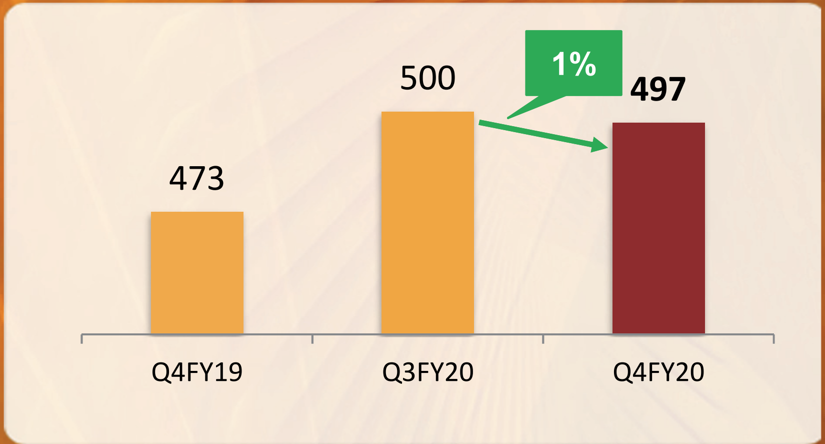
**Century plant integration will improve energy cost index**



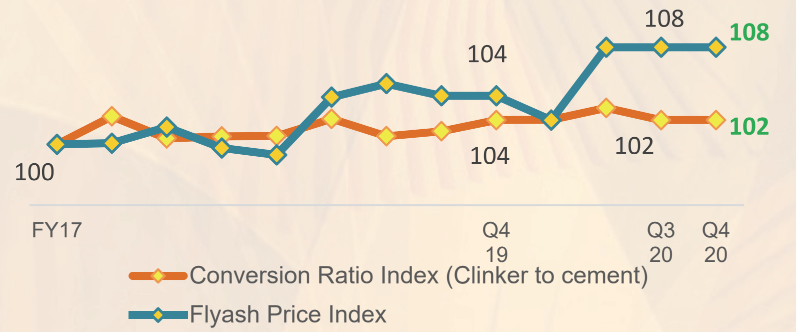
*Above nos. are for grey cement inclusive of acquired Century Cement Capacities with restatement of previous period data.*

# Raw Materials Cost

## Raw Materials Cost (Rs./t)




### Conversion ratio and Fly ash Prices (Index) Trends




## QoQ cost reduced marginally: 1%

- Increased usage of low-cost additives

## YoY costs up: 5%

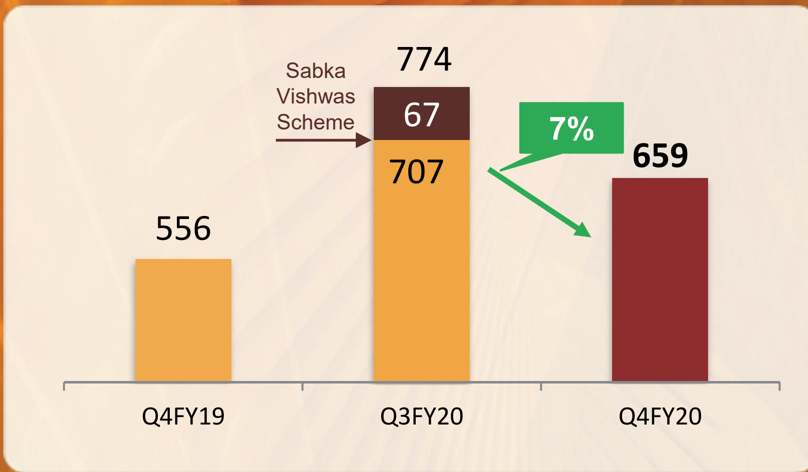
- Fly ash prices increased ~ 4%
- Increased use of additives due to higher blended cement sales

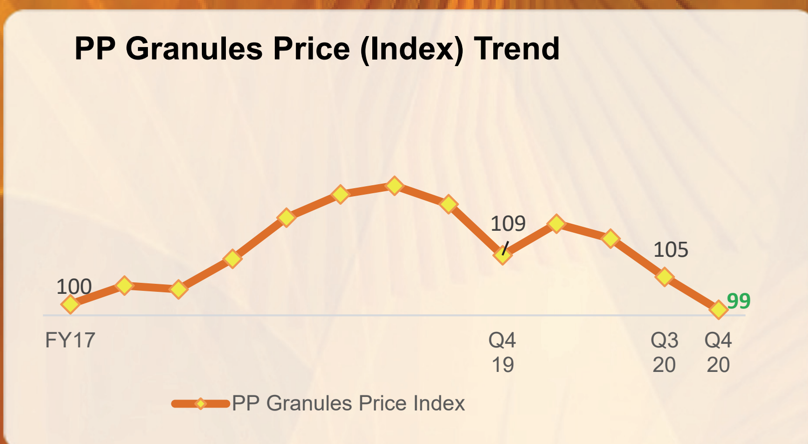


*Above nos. are for grey cement inclusive of acquired Century Cement Capacities with restatement of previous period data.*

# Other Cost Trends

## Other costs (Rs./t)




## QoQ cost decreased: 7%

- Lower maintenance cost: Rs. 25/t

## YoY cost increase: 18%

- Sales volume lower: (-) 16%
- Packing costs reduced 7%



*Above nos. are at blended level inclusive of acquired Century Cement Capacities with restatement of previous period data.*

# Q4 FY20 Performance - P&L

*Rs. crores*

| Particulars | UTCL Standalone Published | | | India Operations | | |
|---|---|---|---|---|---|---|
| | CY | LY | ▲% | CY | LY | ▲% |
| Revenues (Net of Taxes) | 10237 | 11765 | (13) | 10200^ | *11730^* | (13) |
| Operating Income | 123 | 218 | (43) | 167 | *220* | (24) |
| Other Income | 224 | 145 | 55 | 212 | *128* | 65 |
| **Total Income** | **10584** | **12128** | **(13)** | **10578** | ***12078*** | **(12)** |
| ***Expenses :*** | | | | | | |
| *Raw Materials Consumed* | *1356* | *1435* | *5* | *1373* | *1471* | *7* |
| *Purchase of Traded Goods* | *502* | *638* | *21* | *228* | *328* | *30* |
| *Changes in Inventory* | *(228)* | *343* | | *(229)* | *340* | |
| *Employee Costs* | *612* | *523* | *(17)* | *629* | *536* | *(17)* |
| *Power and Fuel* | *1932* | *2364* | *18* | *2018* | *2479* | *19* |
| *Logistics Cost* | *2611* | *2938* | *11* | *2615* | *2939* | *11* |
| *Other Expenses* | *1312* | *1320* | *1* | *1352* | *1366* | *1* |
| **EBITDA** | **2486** | **2566** | **(3)** | **2592** | **2619** | **(1)** |

*^After elimination of inter company clinker sales*

**EBITDA at par with LY despite COVID-19**



*Above nos. are inclusive of acquired Century Cement Capacities with restatement of previous period performance.*

# Income Statement : Q4 FY20

*Rs. crores*

| Consolidated | | | Particulars | India Operations | | |
|---|---|---|---|---|---|---|
| CY | LY | ▲% | | CY | LY | ▲% |
| 10579 | 12170 | (13) | Revenues (net of taxes) | 10200 | 11730 | (13) |
| **2639** | **2672** | **(1)** | **EBITDA** | **2592** | **2619** | **(1)** |
| *25%* | *22%* | 3 | **Margin (%)** | 25% | 22% | 3 |
| 505 | 505 | - | Finance costs | 485 | 496 | 2 |
| 672 | 641 | (5) | Depreciation & Amortization | 646 | 620 | (4) |
| **1462** | **1526** | **(4)** | **PBT** | **1460** | **1503** | **(3)** |
| 334 ^ | 461 | | Tax expenses | 344^ | 476 | |
| (3) | 1 | | Minority interest | - | - | |
| **1131^** | **1064** | **6** | **Normalised PAT** | **1117^** | **1028** | **9** |
| **3243** | **1064** | | **Reported PAT** | **3228** | **1028** | |
| **39.2^** | **37.2** | **5** | **Normalised EPS (Rs.)** | **38.7^** | **35.9** | **8** |

^ *Excluding gain of opening Deferred tax liabilities (DTL) reversal of Rs. 2112 Crs due to change in income tax rates (34.944% to 25.168%)*

**EBITDA Margin: 25%**

**Consolidated Normalised PAT increased: 6%**



*Above nos. are inclusive of acquired Century Cement Capacities with restatement of previous period performance.*

# FY20 Performance - P&L

*Rs. crores*

| Particulars | UTCL Standalone Published | | | India Operations | | |
|---|---|---|---|---|---|---|
| | CY | LY | ▲% | CY | LY | ▲% |
| Revenues (Net of Taxes) | 40033 | 39234 | 2 | 39923^ | 39257^ | 2 |
| Operating Income | 616 | 765 | (19) | 697 | 766 | (9) |
| Other Income | 727 | 497 | 46 | 645 | 468 | 38 |
| **Total Income** | **41376** | **40495** | **2** | **41264** | **40490** | **2** |
| ***Expenses :*** | | | | | | |
| *Raw Materials Consumed* | *4961* | *5039* | *2* | *5059* | *5090* | *1* |
| *Purchase of Traded Goods* | *2263* | *1582* | *(43)* | *1046* | *1225* | *15* |
| *Changes in Inventory* | *(363)* | *63* | | *(356)* | *51* | |
| *Employee Costs* | *2336* | *2158* | *(8)* | *2395* | *2176* | *(10)* |
| *Power and Fuel* | *7703* | *8828* | *13* | *8103* | *8992* | *10* |
| *Logistics Cost* | *9632* | *10316* | *7* | *9669* | *10330* | *6* |
| *Other Expenses* | *5465* | *4933* | *(11)* | *5623* | *5004* | *(12)* |
| **EBITDA** | **9379** | **7576** | **24** | **9724** | **7623** | **28** |

*^After elimination of inter company clinker sales*



*Above nos. are inclusive of acquired Century Cement Capacities with restatement of previous period performance.*

# Income Statement : FY20

*Rs. crores*

| Consolidated | | | Particulars | India Operations | | |
|---|---|---|---|---|---|---|
| CY | LY | ▲% | | CY | LY | ▲% |
| 41476 | 40904 | 1 | Revenues (net of taxes) | 39923 | 39257 | 2 |
| **9930** | **7811** | **27** | **EBITDA** | **9724** | **7623** | **28** |
| *24%* | *19%* | *5* | **Margin (%)** | 24% | 19% | 5 |
| 1986 | 1778 | (12) | Finance costs | 1926 | 1733 | (11) |
| 2702 | 2451 | (10) | Depreciation & Amortization | 2595 | 2364 | (10) |
| - | (114) | | Stamp duty on assets transfer | - | (114) | |
| **5242** | **3468** | **51** | **PBT** | **5203** | **3412** | **52** |
| 1543^ | 1068 | | Tax expenses | 1570^ | 1080 | (45) |
| (4) | (3) | | Minority interest | - | - | |
| **3703^** | **2404** | **54** | **Normalised PAT** | **3633^** | **2332** | **56** |
| **5815** | **2404** | | **Reported PAT** | **5745** | **2332** | |
| **128.4^** | **84.0** | **53** | **Normalised EPS (Rs.)** | **126.0^** | **81.5** | **55** |

^ *Excluding gain of opening Deferred tax liabilities (DTL) reversal of Rs. 2112 Crs due to change in income tax rates (34.944% to 25.168%)*

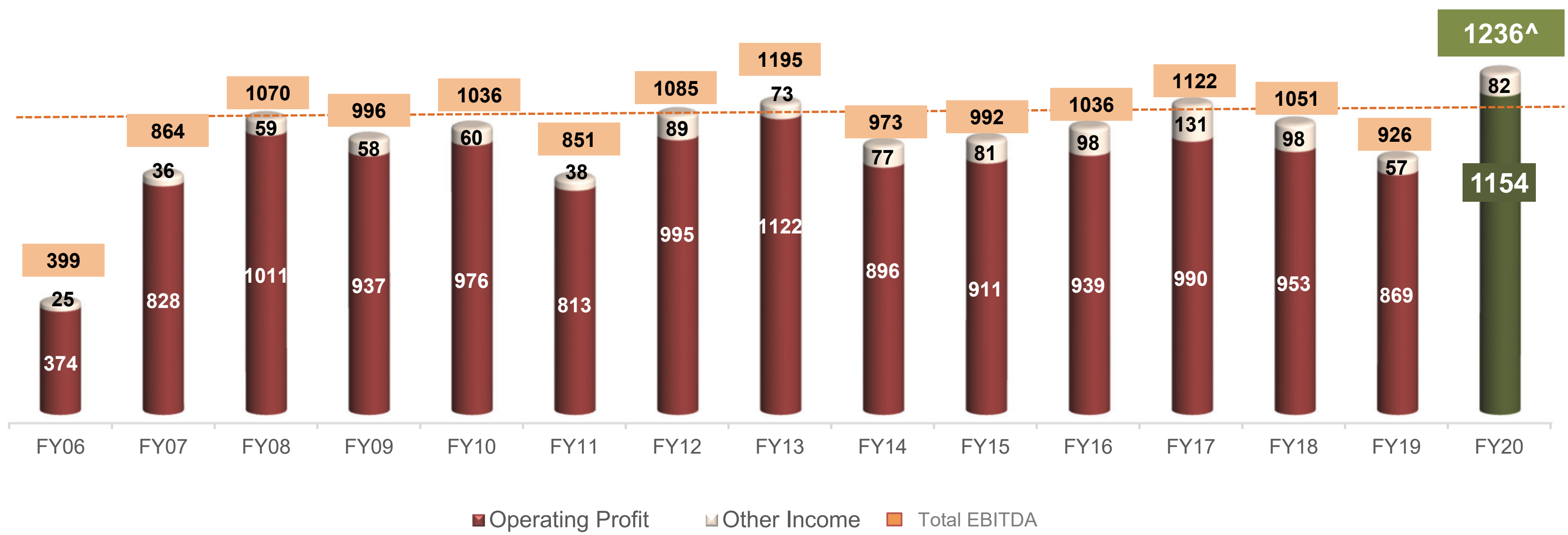
**Achieved highest ever EBITDA for the year**

**Consolidated Normalised PAT increased: 54%**



*Above nos. are inclusive of acquired Century Cement Capacities with restatement of previous period performance.*

# EBITDA PMT Trends




*^ Excluding impact of Lease Accounting Standard and before provision for disputed liabilities offered under Sabka Vishwas Scheme*

**Highest Annual EBTIDA PMT so far**



*Above nos. are inclusive of acquired Century Cement Capacities with restatement of previous period performance from FY19 onwards.*

# Financial Position

*Rs. crores*

| Consolidated | | Particulars | India Operations | |
|---|---|---|---|---|
| **31.03.2020** | **31.03.2019** | | **31.03.2020** | **31.03.2019** |
| 53553 | 53440 | Net Fixed Assets incl. CWIP | 51646 | 51778 |
| 563 | 967 | Net Operating Working Capital | 83 | 368 |
| 1085 | 1051 | Other Current Assets | 1251 | 1152 |
| 39123 | 33763 | Shareholders Fund | 38533 | 33220 |
| 22898 | 25337 | Total Debt | 20978 | 23336 |
| 4906 | 6399 | Deferred Tax Liability | 4910 | 6408 |
| **68086** | **65499** | **Capital Employed** | **65316** | **62964** |
| **11.2%** | **8.9%** | **ROCE** | **11.5%** | **9.1%** |
| **10.2%** | **7.3%** | **ROE** | **10.1%** | **7.2%** |
| **16860** | **22111** | **Net debt** | **15096** | **20112** |

**ROE improved 10% vs 7% of LY**



*Above nos. are inclusive of acquired Century Cement Capacities with restatement of previous period performance.*

# Cash Flow

*Rs. crores*

| Consolidated | Particulars | India Operations |
|---|---|---|
| 7112 | Operating Cash Profit (Net of Tax) | 6895 |
| 225 | Change in Working Capital | 167 |
| **7337** | **Cash Flow from Operations** | **7061** |
| (1604) | Capex | (1582) |
| **5733** | **Free Cash Flow** | **5479** |

**Free Cash flows will rise further after acquisitions achieve maturity**

# STAY SAFE

# 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 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 governmental 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, due to any subsequent development, information or events, or otherwise.


**UltraTech Cement Limited**

Regd. Office: Ahura Centre, Mahakali Caves Road, Andheri (E), Mumbai – 400 093

*[Corporate Identity Number L26940MH2000PLC128420]*

www.ultratechcement.com or www.adityabirla.com

investorrelations.utcl@adityabirla.com