

SAGAR CEMENTS LIMITED



Investor / Analyst Presentation

Q3 FY14





Industry Overview

Slowdown in Housing and Infrastructure activities reflected in Q3 FY14 performance

Demand environment in India is expected to remain sluggish because of the absence of infrastructure projects & slow recovery in the private housing segment

Given the slow recovery and excess capacity in the industry, prices are consequently expected to remain soft in the first half of the calendar year

Optimism of increase in government projects in the current year

Given such a situation, the effective utilization rates are expected to bottom out and improve gradually





Industry Overview

Perspective on Cement Prices

West

- Cement prices increased by Rs. 5/bag in January 2014 from January 2013
- Prices in Mumbai & Pune stood at Rs. 270 per bag in the first week of January 2014
- Average prices in the region stood at Rs.270/bag in January 2014

South

- Prices in Hyderabad rose by Rs.20/bag and stood at Rs. 250/bag in January 2014 in comparison to Rs.230/bag in January 2013
- Average prices in the Southern markets stood at Rs. 260/bag in January 2014 in comparison to Rs.250/bag in January 2013





SAGAR CEMENTS - PERSPECTIVES



Performance Highlights (Q3 FY14)

- Net Income decreased by 3.3% to ₹ 11,795.7 lakh
- EBITDA decreased to ₹ 251.6 lakh
- Loss at ₹ 839.1 lakh
- Plant operating at around 49% capacity

Performance Highlights (9M FY14)

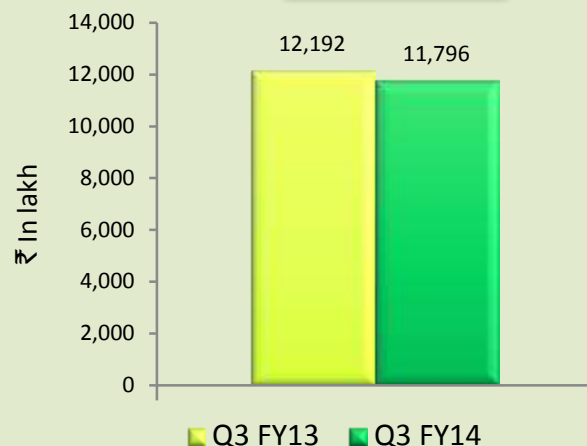
- Net Income from operations stood at ₹ 34,219.9 lakh; down by 16%
- EBITDA moderated to ₹ 2,119.9 lakh
- Loss at ₹ 1,422.6 lakh
- Plant operating at around 48% capacity



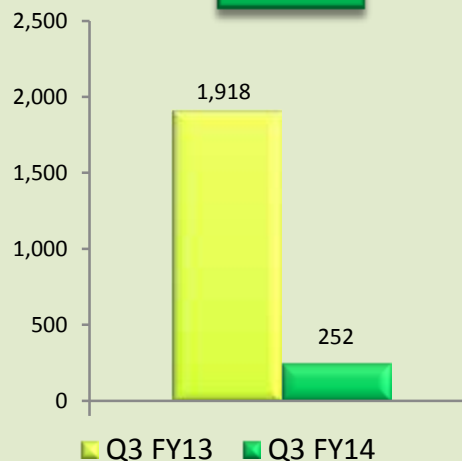


Q3 FY14 Performance Review

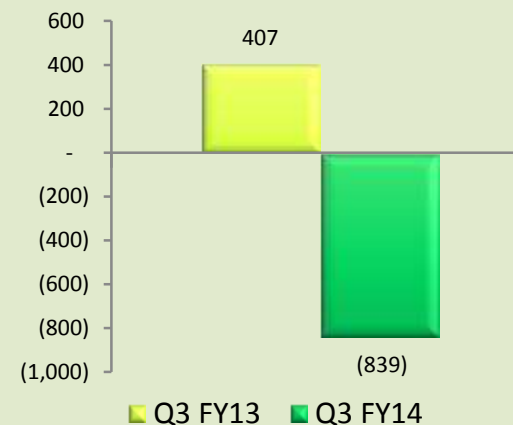
Net Income



EBITDA



PAT



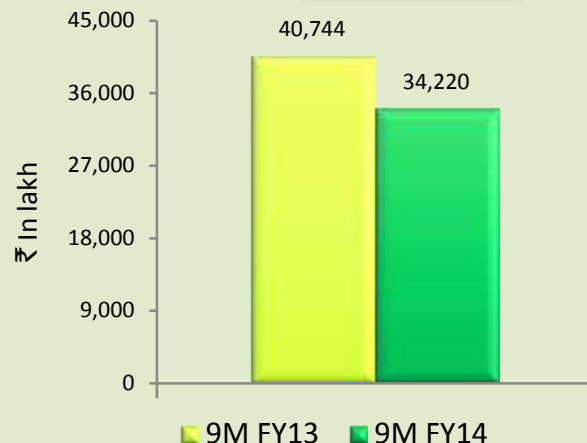
- Total Income from operations lower by 3.3% to ₹ 11,796 lakh from ₹ 12,192 lakh in Q3 FY13
- EBITDA decreased to ₹ 252 lakh from ₹ 1,918 lakh in Q3 FY13
 - Operating margins for the quarter at 2.13%
- Net Loss stood at ₹ 839 lakh compared to a profit of ₹ 407 lakh in a corresponding quarter last year
- Diluted EPS (not annualized) at ₹ (4.83) for Q3 FY14



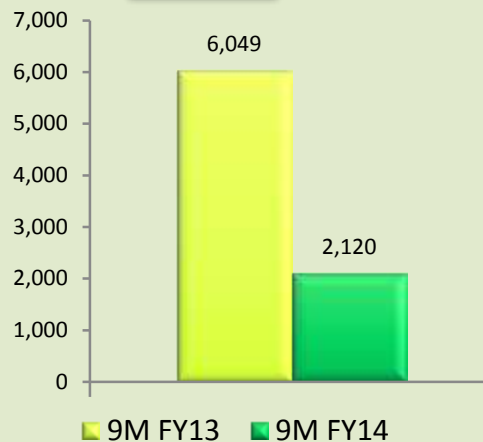


9M FY14 Performance Review

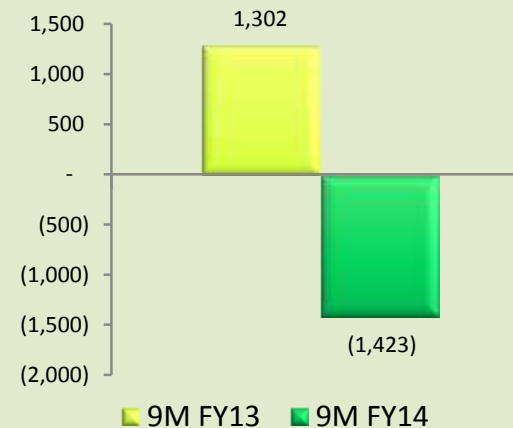
Net Income



EBITDA



PAT



- Total Income from operations stood at Rs. ₹ 34,220 lakh from ₹ 40,744 lakh in 9M FY13
- EBITDA lower at ₹ 2,120 lakh from ₹ 6,049 lakh in 9M FY13
 - Operating margins for the period at 5.93%
- Net Loss at ₹ 1,423 lakh compared to ₹ 1,302 lakh profit in the corresponding 9 months of last year
- Diluted EPS (not annualized) at ₹ (8.18) for 9M FY14





Executive Director's Comment

Commenting on the performance, Mr. Sreekanth Reddy, Executive Director of the Company said,

"The performance during the quarter is a reflection of the decreasing demand in the infrastructure and housing sectors. Consequently, utilization levels remained low due to an over supply situation.

The impact of lower topline has been partially offset by reducing our dependence on high priced international coal. During the quarter, we have been able to source more Singareni coal which is leading to an overall decrease in our coal costs as the mix is slowly shifting towards domestic coal.

While we do not expect to see a drastic change in the demand environment in the near term, we are optimistic that our strong balance sheet, dedicated work force and the various initiatives undertaken to rationalize costs will hold us in good stead."



Matampally Plant

Gross Realisations (₹/tonne)				
	Q1FY12	Q2FY12	Q3FY12	Q4FY12
Overall Average	4,668	4,560	4,628	4,665
AP	5,007	4,996	5,174	5,165
OAP	4,164	4,085	4,027	4,148
	Q1FY13	Q2FY13	Q3FY13	Q4FY13
Overall Average	4,865	4,678	4,476	4,230
AP	5,097	4,762	4,685	4,343
OAP	4,619	4,602	4,261	4,099
	Q1FY14	Q2FY14	Q3FY14	
Overall Average	4,429	4,655	4,623	
AP	4,554	5,363	5,173	
OAP	4,298	4,142	4,196	

Utilisation (%)				
	Q1FY12	Q2FY12	Q3FY12	Q4FY12
Cement	61	60	56	64
Clinker	59	68	89	48
	Q1FY13	Q2FY13	Q3FY13	Q4FY13
Cement	60	54	54	68
Clinker	59	65	60	67
	Q1FY14	Q2FY14	Q3FY14	
Cement	53	42	49	
Clinker	68	48	56	





Coal Prices

Q2 FY13

- Singareni coal: Significant amount sourced.
- Indonesian coal: 42% of coal used with high moisture content
- South African coal: 12% of coal was used

Q3 FY13

- Singareni coal: Large quantity sourced.
- Domestic : International coal mix was 45:55 compared to 34:66 in the corresponding quarter in the previous year

Q4 FY13

- Domestic : International coal mix was 55:45
- Singareni Coal: Reasonable quantity sourced

Q1 FY14

- Domestic : International coal mix was 60:40
- Singareni Coal: Reasonable quantity sourced

Q2 FY14

- Domestic : International coal mix was 70:30
- Singareni Coal: Reasonable quantity sourced

Q3 FY14

- Domestic : International coal mix was 78:22
- Singareni Coal: Reasonable quantity sourced

Coal Cost (₹/Tonne)				
	Q1FY12	Q2FY12	Q3FY12	Q4FY12
Indian Average	3,638	3,689	3,811	3,633
Imported Coal Average	3,851	4,359	5,067	5,496
	Q1FY13	Q2FY13	Q3FY13	Q4FY13
Indian Average	3,849	3,908	4,613	4,558
Imported Coal Average	5,350	5,022	4,967	4,498
	Q1FY14	Q2FY14	Q3FY14	
Indian Average	4,618	4,582	4,551	
Imported Coal Average	4,273	4,850	7,065	





Operations Overview

Production (MT)	October	November	December	Total
Clinker	126,720	78,310	72,520	277,550
Cement	101,272	108,773	122,015	332,060

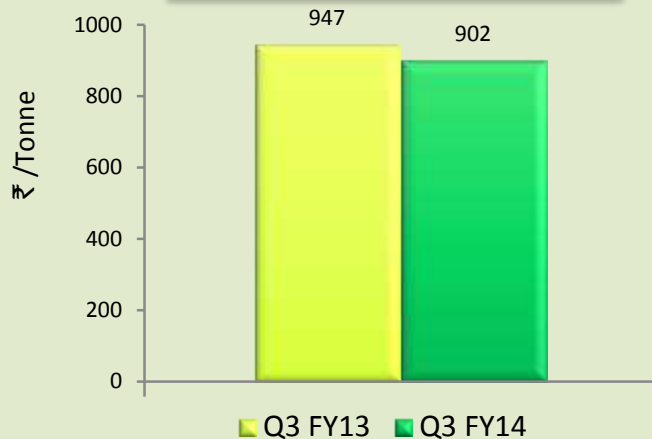
Description	Cement Sales ('000'MT)	Value ₹ Lakh (net of excise & VAT)	Net Realization ₹/Mt
Q3 FY14	328	11,796	3,596
Q3 FY13	352	12,192	3,464
% Shift	(6.8)	(3.2)	3.8
9M FY14	968	34,220	3,535
9M FY13	1,123	40,744	3,628
% Shift	(13.8)	(16.0)	(2.6)





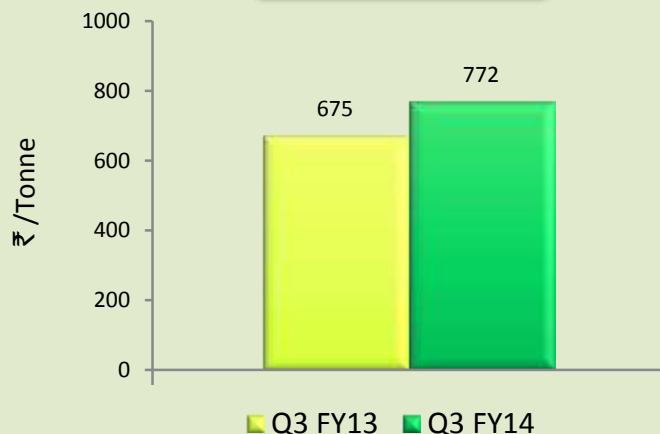
Cost Overview

Average Fuel Cost Per Tonne



- More domestic coal used during the quarter
- Average fuel cost per tonne of clinker production during the quarter at ₹ 902 as compared to ₹ 947 per tonne in the corresponding quarter in previous year

Total Freight Cost



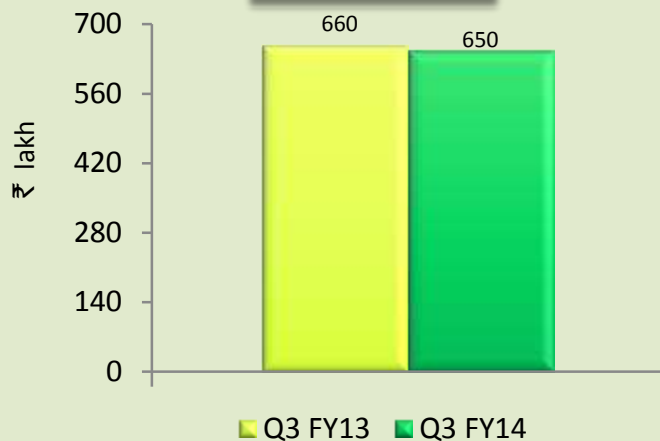
- Higher diesel prices prevailing during the quarter and OAP Sales
- Total freight cost per tonne of cement for the quarter stood at ₹ 772 as compared to ₹ 675 in the corresponding quarter last year





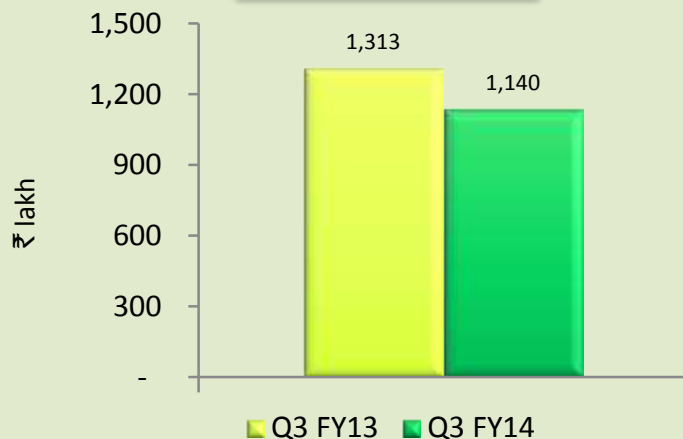
Cost Overview

Employee Cost



- Employee costs declined due to reduction in managerial remuneration on account of reduced profits

Raw Material Cost



- Lower raw material costs consequent to lower production

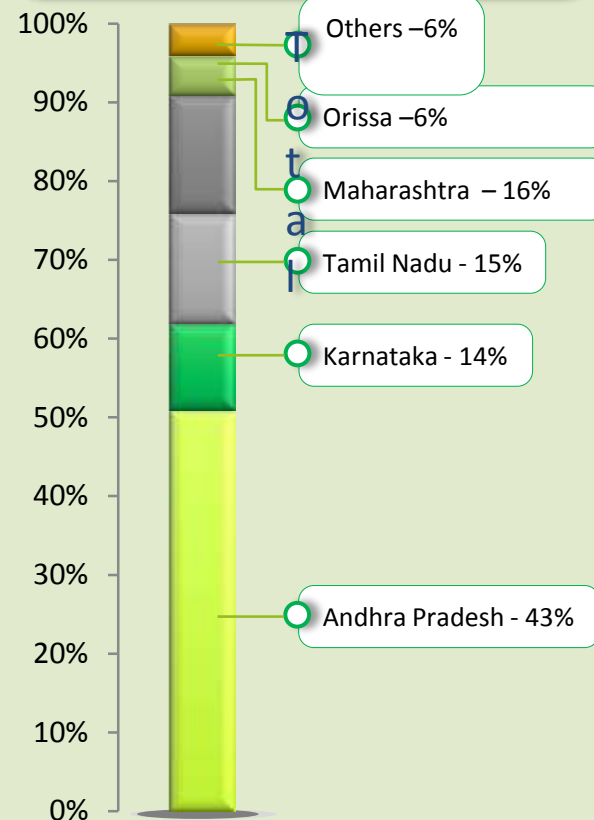




Plant Highlights

- During Q3 FY14, the plant operated at reasonable utilization levels producing 2,77,550 tons of clinker and 3,32,060 tons of cement
- Utilization levels for clinker : 56%
- Approximately 57% of cement dispatches was to various markets outside the home state (Andhra Pradesh)

Sales (3,27,751 MT)





Dispatches in Q3 FY14 vs. Q3 FY13

	Q3 FY14		Q3 FY13	
Markets	Quantity	% of Total Sales	Quantity	% of Total Sales
	(in Tonnes)		(in Tonnes)	
Andhra Pradesh	142,540	43.49	178,172	50.60
Karnataka	44,898	13.70	45,320	12.87
Tamil Nadu	50,317	15.35	47,665	13.54
Maharashtra	52,538	16.03	54,139	15.37
Orissa	18,607	5.68	14,256	4.04
Others	18,851	5.75	12,594	3.58
Total	327,751	100.00	352,146	100.00





Dispatches in 9M FY14 vs. 9M FY13

	9M FY14		9M FY13	
Markets	Quantity	% of Total Sales	Quantity	% of Total Sales
	(in Tonnes)		(in Tonnes)	
Andhra Pradesh	445,211	46.00	5,60,572	49.90
Karnataka	124,505	12.87	1,67,961	14.95
Tamil Nadu	147,605	15.25	1,58,911	14.15
Maharashtra	158,158	16.34	1,51,391	13.48
Orissa	51,885	5.36	41,596	3.70
Others	40,391	4.18	42,952	3.82
Total	967,755	100.00	1,123,383	100.00





Dispatches by Road & Rake

DISPATCH DETAILS					
TPT	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	TOTAL
BY ROAD	391,173	366,627	350,200	441,557	1,549,557
BY RAKE	13,226	5,050	2,669	18,504	39,449
TOTAL	404,399	371,677	352,869	460,061	1,589,006
TPT	Q1 FY14	Q2 FY14	Q3 FY14		
BY ROAD	360,863	277,970	324,774		
BY RAKE	-	2,688	2,645		
TOTAL	360,863	280,658	327,419		

New Railway Line

- Total Investment for new railway line – ₹ 120 crore
- Completion of the new railway line will lead to better efficiencies and savings in costs
- Dispatches by rail expected to go up by 20%
- Project Completion - FY15





Key Balance Sheet Items



Gross debt as on 31st December, 2013 stood at ₹ 19,357 lakh out of which ₹ 11,291 lakh is long term debt with the remaining constituting working capital



The Net Worth of the Company as on 31st December, 2013 was ₹ 25,222 lakh



Cash & Bank Balances held by the Company at the Balance Sheet date was ₹ 407 lakh



Investments stood at ₹ 8,603 lakhs



Debt : Equity Ratio as on December 31, 2013 stood at 0.45 : 1





Sales Outside AP

Historical trend cement sales OAP

		Q3 FY14	Q2 FY14	Q1 FY14
OAP Sales		57%	58%	49%
	Q4 FY13	Q3 FY13	Q2 FY13	Q1 FY13
OAP Sales	46%	49%	52%	48%
	Q4 FY12	Q3 FY12	Q2 FY12	Q1 FY12
OAP Sales	49%	48%	48%	40%
	Q4 FY11	Q3 FY11	Q2 FY11	Q1 FY11
OAP Sales	34%	30%	20%	23%

Sales in regions OAP have increased over the last 2 years





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