Sagar Cements Limited

Investor / Analyst Presentation

Q3 & 9M FY15

Industry Overview

Demand growth continues to be muted

Fresh public funding in sectors like roads, irrigation and housing to be the key trigger to improve demand situation

Rising cost structures reflected in steady realizations

Optimistic of increase in government projects in the current year - the effective utilization rates are expected to bottom out and improve gradually

Industry Overview

Perspective on Cement Prices

West

- Cement prices increased by ₹ 80/bag in January 2015 vis-à-vis 270/bag in January 2014
- Prices in Mumbai & Pune stood at ₹ 350/-bag in the first week of January 2015
- Average prices in the region stood at ₹ 280-350/-bag in January 2015

South

- Average Prices in Seemandhra and Telangana increased by ₹ 85/bag & stood at ₹ 340/bag in January 2015 vis-a-vis ₹ 255/bag in January 2014
- Average prices in the Southern markets stood at ₹ 345-390/bag in January 2015 in comparison to ₹ 290-310 bag in January 2014

Sagar Cements - Perspectives

Highlights

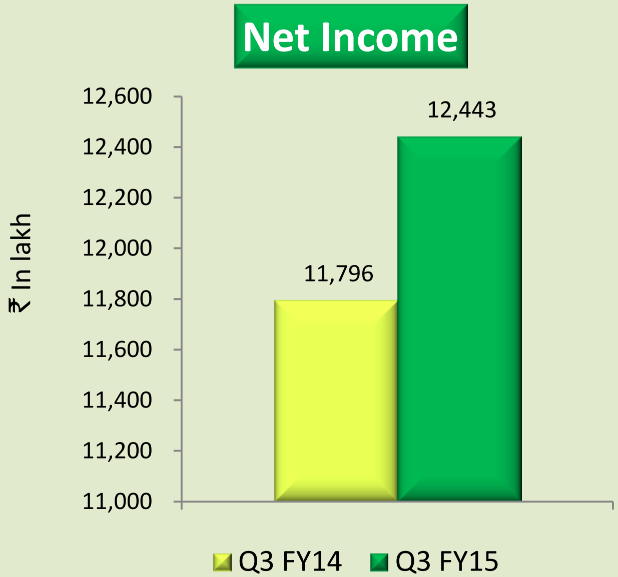
Performance Highlights (Q3 FY15)

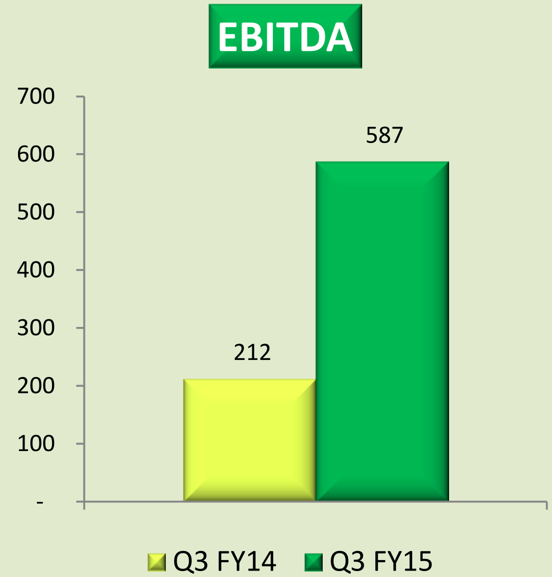
- Net sales higher by 5.5% to ₹ 12,442.5 lakh
- EBITDA improved from ₹ 212.3 lakh to ₹ 587.4 lakh
- PAT stood at ₹ 114.3 lakh
- Plant operated at around 49% capacity

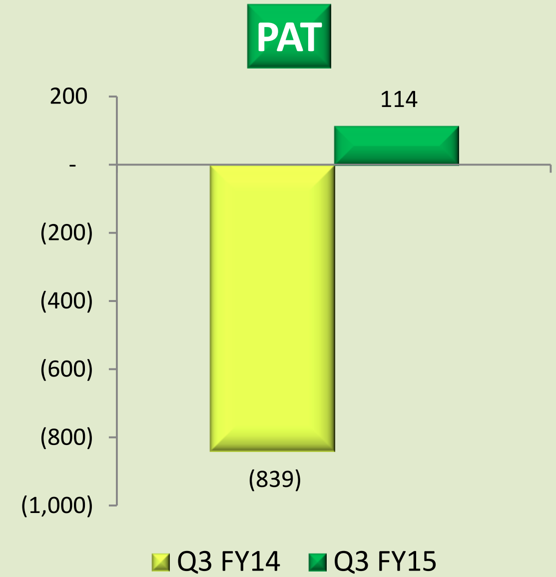
Performance Highlights (9M FY15)

- Net sales at ₹ 38,487.0 lakh; up by 12.5%
- EBITDA higher by 153.6% at ₹ 1,504.2 lakh
- PAT improved to ₹ 27,495.3 lakh
- Plant operated at around 53% capacity

Q3 FY15 Performance Review



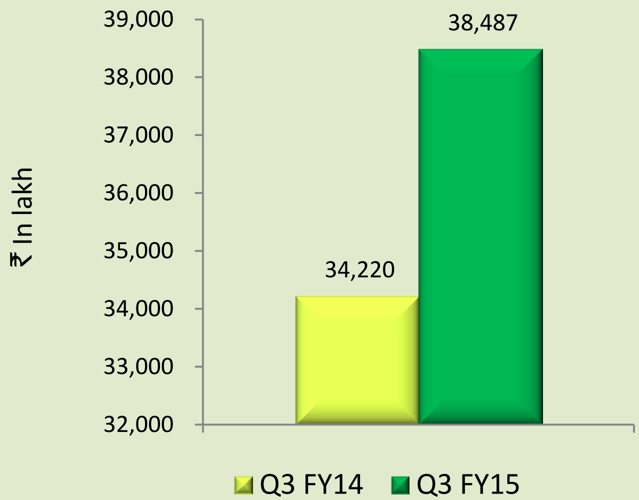




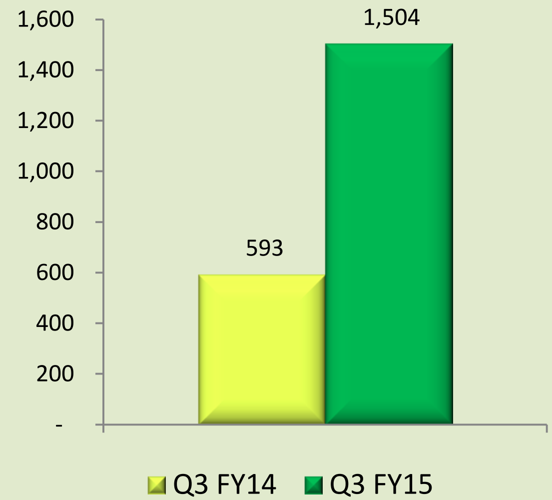
- Net Income from operations higher by 5.5% to ₹ 12,442.5 lakh from ₹ 11,795.7 lakh in Q3 FY14
- EBITDA stood at ₹ 587.4 lakh as compared to ₹ 212.3 lakh in Q3 FY14
  - EBITDA Margins improved from 1.80% in Q3 FY14 to 4.72%
- PAT stood at ₹ 114.3 lakh compared to a loss of ₹ (839.1) lakh in the corresponding quarter during the previous year
- Diluted EPS (not annualized) at ₹ 0.66 for Q3 FY15

9M FY15 Performance Review

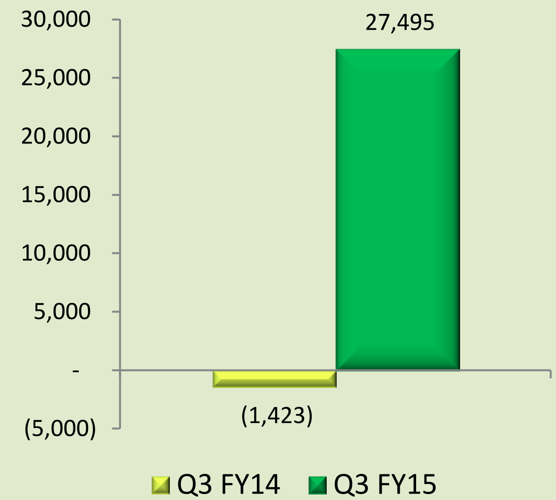
Net Income



EBITDA



PAT



- Net Income from operations stood at ₹ 38,487.0 lakhs as against ₹ 34,219.9 lakh in 9M FY14; up by 12.5%
- EBITDA increased to ₹ 1,504.2 lakh as compared to ₹ 593.2 lakh in 9M FY14
    - EBITDA Margins stood at 3.91% vis-à-vis 1.73% in 9M FY14
- PAT stood at ₹ 27,495.3 lakh compared to a loss of ₹ (1,422.6) lakh during the corresponding period in the last year
    - Other Income includes profit of ₹ 34,900.0 lakh realized from sale of stake held in the JV, VSCPL
- Diluted EPS (not annualized) at ₹ 158.13 for 9M FY15

Executive Director's Comment

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

"We are pleased to report a stable performance during the quarter. While the demand environment continues to be sluggish, firm realizations combined with cost rationalization measures, despite difficult cost structures, have enabled us to post yet another quarter of healthy topline growth and positive EBITDA margins.

Our new railway line is expected to come on stream by the end of the financial year. We expect this project to contribute to improved efficiencies, as over 50% of the Cement dispatches are to outside the home state of AP.

Overall, we are optimistic about a gradual turnaround in the demand situation with new project announcements by the government. This combined with our strong balance sheet and efforts towards cost rationalization will hold us in good stead to better performance going forward. "

Realization & Utilization

Matampally Plant

Gross Realisations (₹/tonne)				
	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
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
	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Overall Average	4,429	4,655	4,623	4,195
AP	4,554	5,363	5,173	4,421
OAP	4,298	4,142	4,196	3,933
	Q1 FY15	Q2 FY15	Q3 FY15	
Overall Average	4,302	4,866	4,771	
TG	5,160	5,595	5,520	
OTG	4,225	4,703	4,576	

Utilisation (%)				
	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Cement	60	54	54	68
Clinker	59	65	60	67
	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Cement	53	42	49	67
Clinker	68	48	56	74
	Q1 FY15	Q2 FY15	Q3 FY15	
Cement	60	50	49	
Clinker	75	63	57	

Coal Prices

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

Q4 FY14

- Domestic : International coal mix was 75:25
- Singareni Coal: Reasonable quantity sourced

Q1 FY15

- Domestic : International coal mix was 38:62
- Domestic Coal: Limited quantity sourced due to price hikes considered by Singareni

Q2 FY15

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

Q3 FY15

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

Coal Cost (₹/Tonne)

	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Indian Average	3,849	3,908	4,613	4,558
Imported Coal Average	5,350	5,022	4,967	4,498
	Q1 FY14	***Q2 FY14***	***Q3 FY14***	***Q4 FY14***
Indian Average	4,618	4,582	4,551	4,442
Imported Coal Average	4,273	4,850	7,065	6,924
	Q1 FY15	**Q2 FY15**	***Q3 FY15***	
Indian Average	4,862	4,087	4,362	
Imported Coal Average	5,315	5,405	6,626	

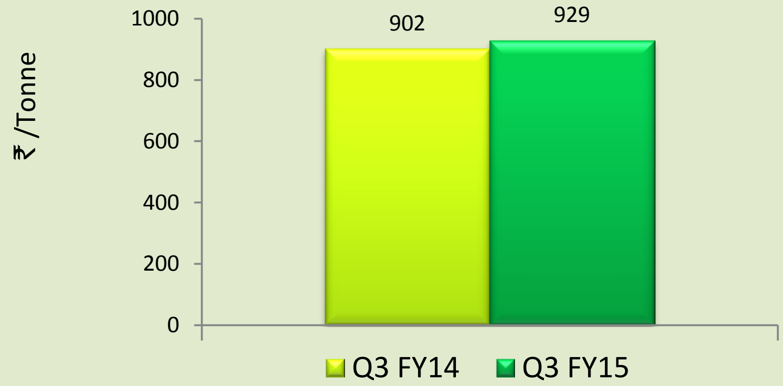
Operations Overview

Production (MT)	*October*	*November*	*December*	Total
Clinker	99,240	100,250	83,940	**283,430**
Cement	93,865	107,476	129,805	**331,146**

Description	Cement Sales ('000'MT)	Value ₹ Lakh (net of excise & VAT)	Net Realization ₹/Mt
Q3 FY15	**335**	**12,443**	**3,714**
Q3 FY14	327	11,796	3,596
% Shift	*2.5*	*5.5*	*3.2*
9M FY15	**1,072**	**38,487**	**3,590**
9M FY14	968	34,220	3,535
% Shift	*10.8*	*12.5*	*1.6*

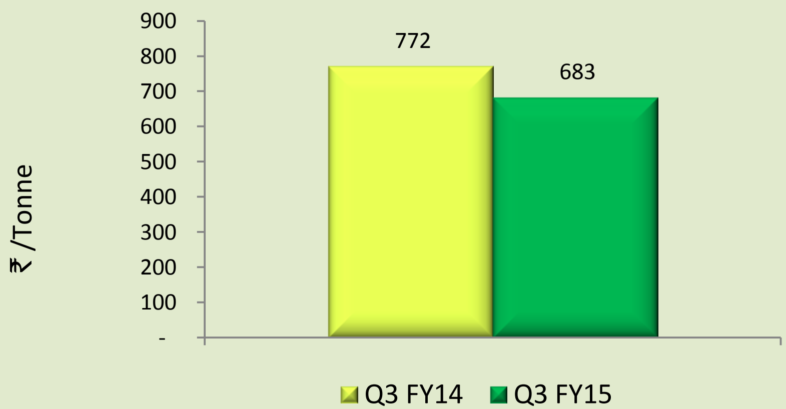
Cost Overview

Average Fuel Cost Per Tonne



- Increase in price of imported coal and change in coal mix

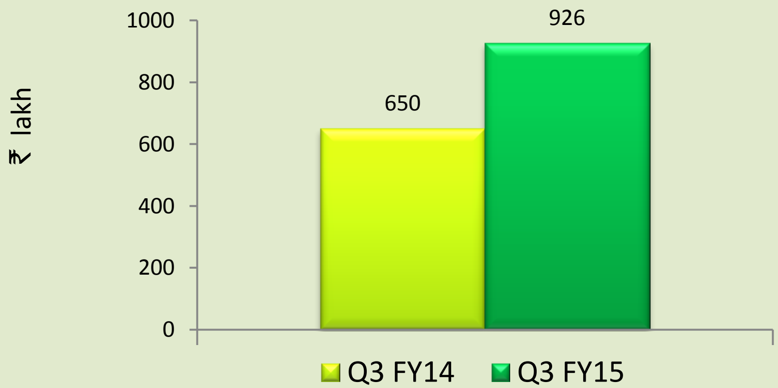
Freight Cost per Tonne



- Freight per ton decreased due to difference in lead distance and fuel price

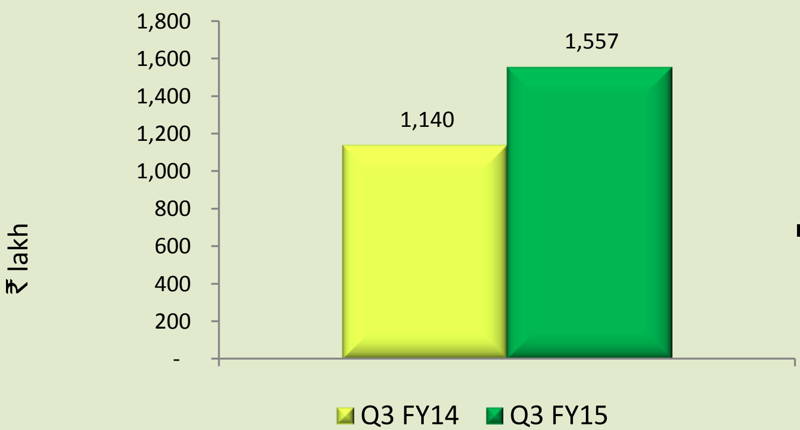
Cost Overview

Employee Cost



- Employee costs were higher due to salary increments

Raw Material Cost

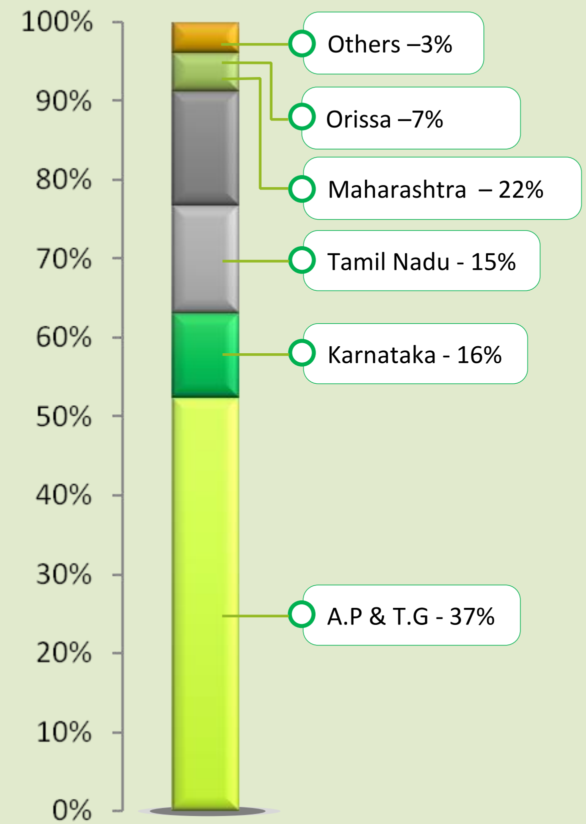


- Increased production resulted in higher raw material costs

Plant Highlights

- During Q3 FY15, the plant operated at reasonable utilization levels producing 283,430 tons of clinker and 331,146 tons of cement
- Utilization levels for clinker: 57%
- Approximately 63% of cement dispatches was to various markets outside Andhra Pradesh & Telangana

Sales (334,963)



Sales in Q3 FY15 vs. Q3 FY14

Markets	Q3 FY15		Q3 FY14	
	Quantity (in Tonnes)	% of Total Sales	Quantity (in Tonnes)	% of Total Sales
Andhra Pradesh & Telangana	124,510	37.2	142,540	43.5
Karnataka	53,371	15.9	44,898	13.7
Tamil Nadu	49,789	14.9	50,317	15.4
Maharashtra	72,267	21.6	52,538	16.0
Orissa	23,688	7.1	18,607	5.7
Others	11,338	3.4	18,851	5.8
Total	**334,963**	**100.00**	**327,751**	**100.00**

Sales in 9M FY15 vs. 9M FY14

	9M FY15		9M FY14	
Markets	Quantity (in Tonnes)	% of Total Sales	Quantity (in Tonnes)	% of Total Sales
Andhra Pradesh & Telangana	460,998	43.0	445,211	46.0
Karnataka	147,079	13.7	124,505	12.9
Tamil Nadu	155,228	14.5	147,605	15.3
Maharashtra	215,511	20.1	158,137	16.3
Orissa	67,030	6.3	51,885	5.4
Others	25,713	2.4	40,392	4.2
Total	**1,071,558**	**100.00**	**967,734**	**100.00**

Dispatches by Road & Rake

DISPATCH DETAILS					
TPT	**Q1 FY14**	**Q2 FY14**	**Q3 FY14**	**Q4 FY14**	**TOTAL**
BY ROAD	361,042	277,970	324,774	450,710	1,419,829
BY RAKE	-	2,688	2,645	-	5,333
TOTAL	**361,042**	**280,658**	**327,419**	**4,50,710**	**14,19,829**
TPT	**Q1 FY15**	**Q2 FY15**	***Q3 FY15***		
BY ROAD	4,05,886	3,31,912	3,34,103		
BY RAKE	**-**	**-**	**-**		
TOTAL	**4,05,886**	**3,31,912**	**3,34,103**		

Status of Railway Line

- Total Investment for new railway line – ₹ 123 crore
- Completion of the new railway line will lead to better efficiency 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 2014 stood at ₹ 21,615 lakh out of which ₹ 15,062 lakh is long term debt with the remaining constituting working capital
- The Net Worth of the Company as on 31st December 2014 was ₹ 50,448 lakh
- Cash & Bank Balances held by the Company at the Balance Sheet date was ₹ 21,749 lakh
- Investments stood at ₹ 2,503 lakhs
- Debt : Equity Ratio as on December 31, 2014 stood at 0.30 : 1

Sales Outside AP

Historical trend cement sales OAP

		Q3 FY15	Q2 FY15	Q1 FY15
OAP Sales		63%	64%	47%
	Q4 FY14	**Q3 FY14**	**Q2 FY14**	**Q1 FY14**
OAP Sales	46%	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%

Sales in regions other than AP & Telangana have remained stable over the last 2 years

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