



Sagar Cements Limited

**Q4 & FY15 Results
Presentation**





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



West

- Average price in Maharashtra rose by ~ Rs. 15/ bag on a Q-o-Q basis following steep hike of ~ Rs. 30/ bag in Pune
- Positive impact of improved pricing in Pune region was negated by lower price hike in Mumbai and rest of the state
- Prices in Gujarat remained even given weak prices in neighboring Northern region despite better demand

South

- Cement prices remained strong in the region although volume came under pressure due to low demand
- Prices during the quarter increased by ~ Rs. 90 /bag as compared with Q4 FY14

**Perspective on
Cement Prices**

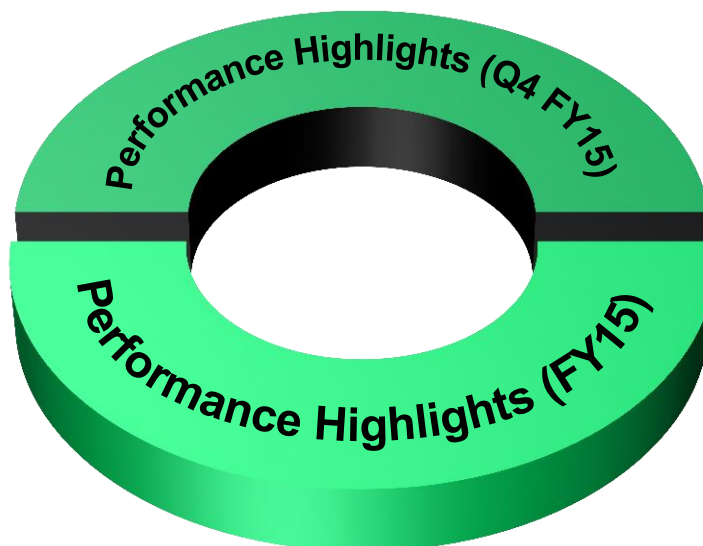


Sagar Cements - Perspectives





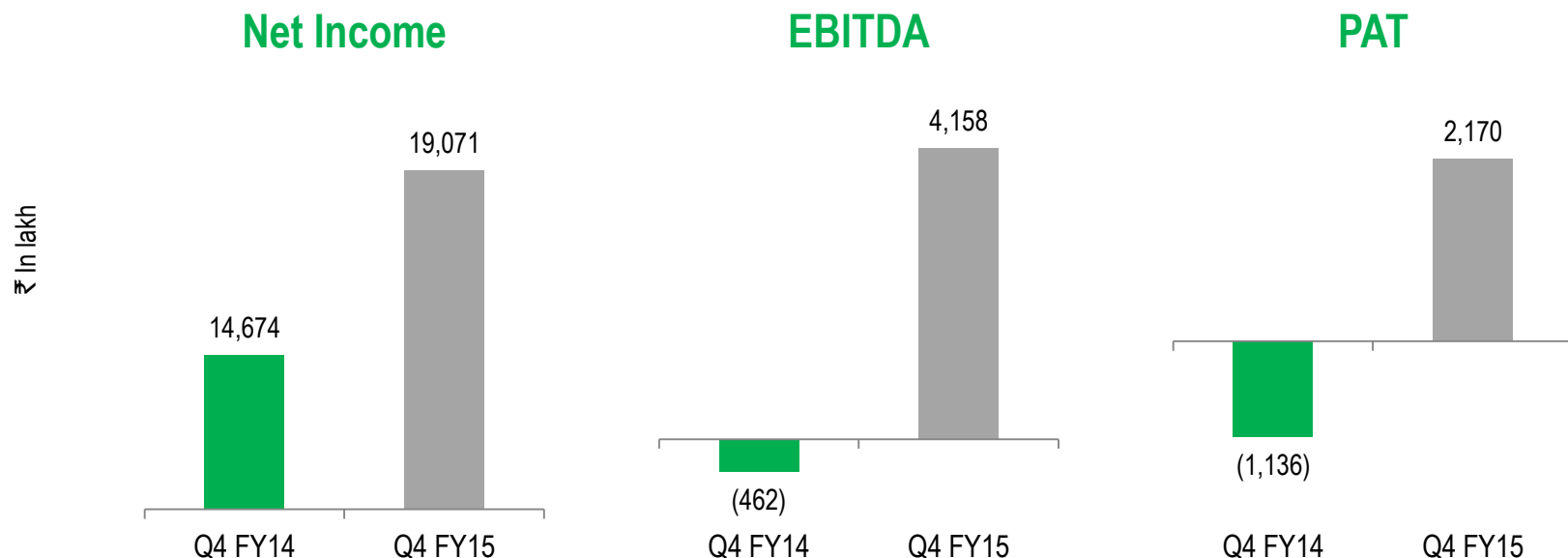
- Net sales higher by 29.9% to Rs. 19070.5 lakh
- EBITDA improved from Rs.(461.89) lakh to Rs. 4158.0 lakh
- PAT stood at Rs. 2169.9 lakh
- Plant operated at around 70.84% capacity



The Board has recommended a dividend @75% (Rs.7.50 per share) which includes the 'Interim Dividend' @50% (Rs. 5 per share) already paid by the Company

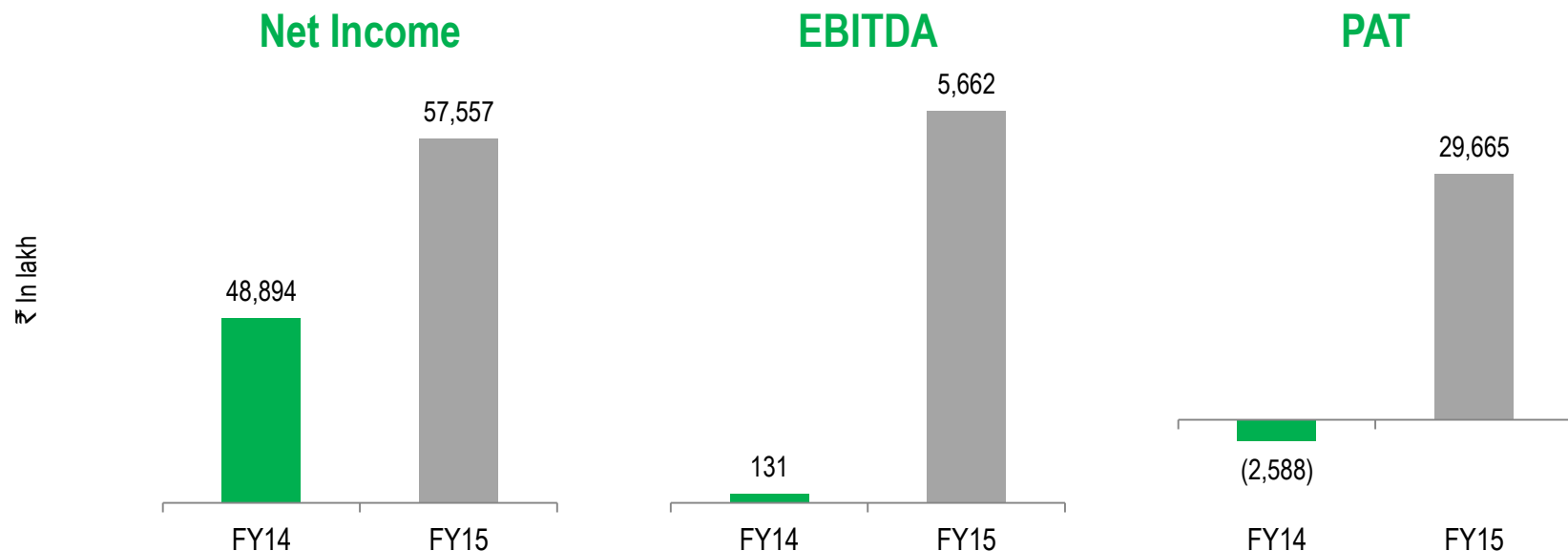
- Net sales at Rs. 57557.4 lakh; up by 17.72%
- EBITDA higher by 4211.9% at Rs. 5662.2 lakh
- PAT improved to Rs. 29,665.1 lakh (includes Rs. 28052 Lakhs on account of sale of investments)
- Plant operated at around 57.5% capacity

Q4 FY15 Performance Review



- Net Income from operations higher by 29.9% to Rs. 19070.5 lakh from Rs. 14674.0 lakh in Q4 FY14
- EBITDA stood at Rs. 4158.0 lakh as compared to Rs. (461.8) lakh in Q4 FY14
 - EBITDA Margins improved to 21.80%
- PAT stood at Rs. 2169.9 lakh compared to a loss of Rs. (1135.5) lakh in the corresponding quarter during the previous year
- Diluted EPS (not annualized) at Rs. 12.48 for Q4 FY15

FY15 Performance Review



- Net Income from operations stood at Rs. 57557.0 lakhs as against Rs. 48894.0 lakh in FY14; up by 17.7%
- EBITDA increased to Rs. 5662.2 lakh as compared to Rs. 131.3 lakh in FY14
 - EBITDA Margins stood at 9.8% vis-à-vis 0.3% in FY14
- PAT stood at Rs. 29665.1 lakh compared to a loss of Rs. (2558) lakh during the corresponding period in the last year
 - FY15, PAT includes Rs. 28052 Lakhs on account of sale of investments in the JV, VSCPL
- Diluted EPS at Rs. 170.6 for FY15

Acquisition of BMM Cements



- Share Purchase Agreement entered for acquisition of BMM Cements Limited at an enterprise value of Rs. 540 crore
- Acquisition to provide scale and locational advantage
- BMM owns 1 mn tpa cement unit along with Captive Power Plant of 25 Mw thermal based with a firm PPA of selling 15 Mw to AP Genco
- Located at Anantpur district in Andhra Pradesh, close to important markets of Karnataka, Tamil Nadu and south Maharashtra, BMM cements has limestone reserves of ~ 155 million tonnes
- Acquisition to enable Sagar Cements tap key regions of Tamil Nadu, Karnataka and some parts of Andhra
- Captive power plant to help lower energy expenses
- Sagar Cements Group' total cement capacity to go upto 3.75 million tpa from existing 2.75 million tpa
- Expecting the completion of acquisition by end of June 2015
- Presently Sagar buying Cement from BMM and selling as Traded Cement in the Markets.

Executive Director's Comment



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

“FY15 has ended on a strong note, with marked improvement across all key parameters. While improved pricing environment helped maintain revenue momentum, our strategic cost controlling initiatives in conjunction with lower coal and energy prices enabled us in delivering higher operating profitability.

Further, we are confident that the acquisition of BMM and the commissioning of our railway line will trigger the next growth phase for the Company. While BMM will provide us the scale and size, onset of railway siding will help in lowering freight cost and improving utilization level courtesy deepening of presence in longer distance markets.

Going forward, the government's thrust on developing and enhancing infrastructure facilities will help result in improving the demand and brightening the sector's growth visibility. This unison with our internal measures of scaling up the business and focusing on optimizing efficiencies should assist us in delivering improved performance and shoring up our financial position.”



Realization & Utilization



Matampally Plant

Gross Realisations (Rs. / tonne)				
	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Overall Average	4865	4678	4476	4230
AP	5097	4762	4685	4343
OAP	4619	4602	4261	4099
	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Overall Average	4429	4655	4623	4195
AP	4554	5363	5173	4421
OAP	4298	4142	4196	3933
	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15
Overall Average	4302	4866	4771	5064
TG	5160	5595	5520	5988
OTG	4225	4703	4576	4901

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	Q4 FY15
Cement	60	50	49	86
Clinker	75	63	57	71

Coal Prices



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

Q4 FY15

- Domestic : International coal mix was 34:66
- Singareni Coal: Reasonable quantity sourced

Coal Cost (Rs. / Tonne)					
		Q1	Q2	Q3	Q4
Indigenous Average	FY13	3849	3908	4613	4558
Imported Coal Average		5350	5022	4967	4498
Indigenous Average	FY14	4618	4582	4551	4442
Imported Coal Average		4273	4850	7065	6924
Indigenous Average	FY15	4862	4087	4362	4483
Imported Coal Average		5315	5405	6626	6014

Operations Overview



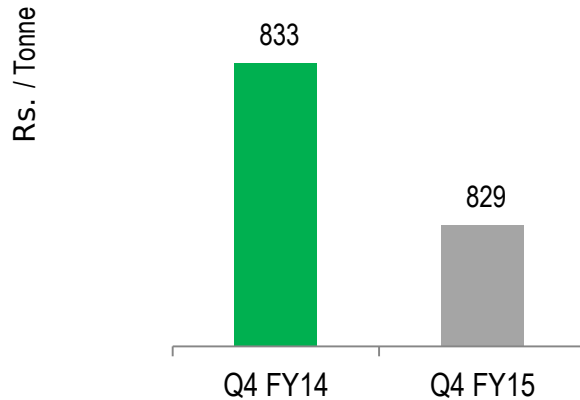
Production (MT)	January	February	March	Total
Clinker	154140	109070	164470	427680
Cement	144950	163470	169105	477525

Description	Cement Sales ('000'MT)	Value Rs. Lakh (net of excise & VAT)	Net Realization Rs./Mt
Q4 FY15	478	19071	3994
Q4 FY14	452	14674	3270
% Shift	5.75	29.96	22.14
FY15	1550	57557	3713
FY14	1420	48984	3443
% Shift	9.17	17.72	7.83

Cost Overview

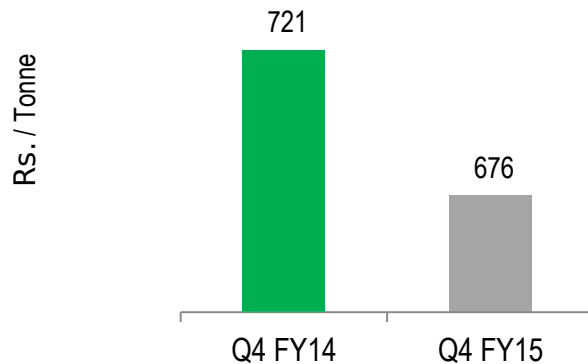


Average Fuel Cost Per Tonne



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

Freight Cost per Tonne

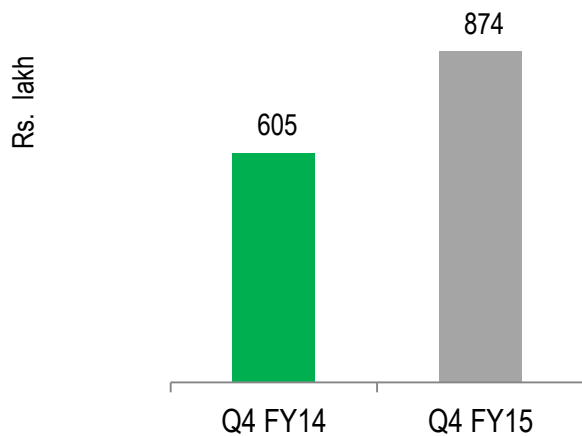


- Freight per ton decreased due to decrease in fuel price

Cost Overview

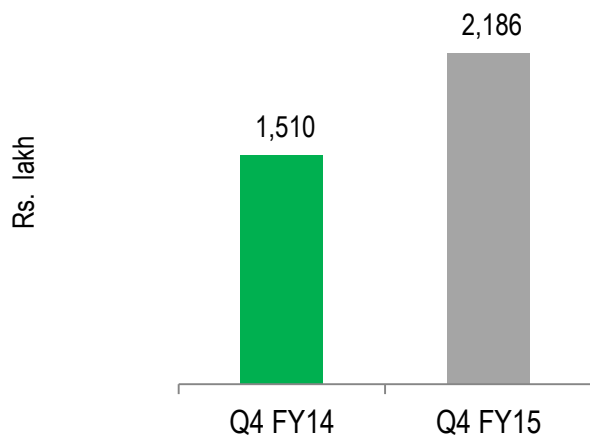


Employee Cost



- Employee costs were higher due to regular salary increments

Raw Material Cost

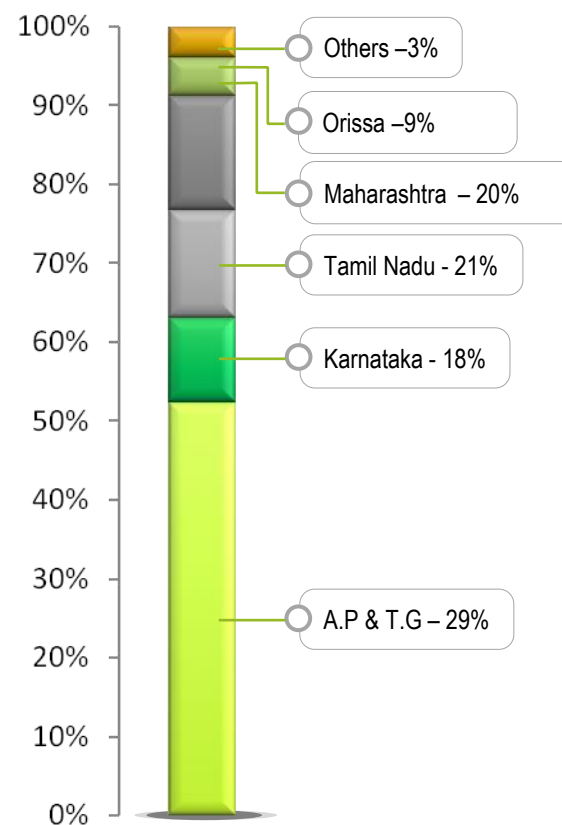


- Increased production resulted in higher raw material costs



- During Q4 FY15, the plant operated at reasonable utilization levels producing 427680 tons of clinker and 477525 tons of cement
- Approximately 71% of cement dispatches was to various markets outside Andhra Pradesh & Telangana

Sales (478518)



Sales in Q4 FY15 vs. Q4 FY14



Markets	Q4 FY15		Q4 FY14	
	Quantity (in Tonnes)	% of Total Sales	Quantity (in Tonnes)	% of Total Sales
Andhra Pradesh & Telangana	137835	28.84	241040	53.31
Karnataka	87026	18.21	51681	11.43
Tamil Nadu	98607	20.63	47116	10.42
Maharashtra	94976	19.87	70296	15.55
Orissa	42456	8.88	25209	5.58
Others	17616	3.56	16781	3.71
Total	478518	100.0	452123	100.0

Sales in FY15 vs. FY14



Markets	FY15		FY14	
	Quantity (in Tonnes)	% of Total Sales	Quantity (in Tonnes)	% of Total Sales
Andhra Pradesh & Telangana	601668	38.82	686251	48.33
Karnataka	234105	15.10	176186	12.41
Tamil Nadu	249831	16.12	194721	13.71
Maharashtra	310487	20.03	228433	16.09
Orissa	109487	7.06	77094	5.43
Others	44449	2.87	57172	4.03
Total	1550076	100.00	1419857	100.00

Dispatches by Road & Rake



Dispatch Details					
TPT	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	TOTAL
BY ROAD	361042	277970	324774	450710	1414496
BY RAKE	-	2688	2645	-	5333
TOTAL	361042	280658	327419	450710	1419829

TPT	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	TOTAL
BY ROAD	405886	331912	334103	471057	1542958
BY RAKE	-	-	-	2656	2656
TOTAL	405886	331912	334103	473713	1545614

Status of Railway Line

- Total Investment for new railway line – Rs. 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%
- Over Head Electrification work is under progress
- Project Completion – Q2 FY16

Key Balance Sheet Items



Gross debt as on 31st March 2015 stood at Rs. 21574 lakh out of which Rs. 14456 lakh is long term debt with the remaining constituting working capital

Cash & Bank Balances held by the Company at the Balance Sheet date was Rs. 19578 lakh

Debt : Equity Ratio as on March 31, 2015 stood at 0.27: 1

The Net Worth of the Company as on 31st March 2015 was Rs. 52656 lakh

Investments stood at Rs. 2.65 lakhs



Historical trend cement sales OAP

	Q4 FY15	Q3 FY15	Q2 FY15	Q1 FY15
OAP Sales	71%	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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