Sagar Cements Limited

Q4 & FY16 Results Presentation

Industry Overview

1. Demand growth appeared elevated on the back of pick up in year end construction activities and low base

2. Average realisations remained weak for the quarter mirroring softness in demand; prices remained volatile especially in North, trended downward in South & East

3. Operational performance is expected to remain stable despite lower input prices and gradual pick up in volume as the benefit of same is expected to be negated by subdued realisations

4. Green shoots in certain sections of the economy, anticipated pick up in government spending towards infrastructure & hopes of normal monsoon to support demand

Industry Overview

Perspective on Cement Prices

West

- Prices for most part of the period remained under pressure owing to weak demand in Maharashtra
- Increased competitive pressure coupled with volume push by few players limited price recovery

South

- Prices in the region remained relatively stable, except in Andhra Pradesh which witnessed some pressure
- Demand remained under pressure owing to delay in pick-up of infrastructure projects

Sagar Cements – Operational Results

Performance Highlights

Standalone

Q4 FY16

- Net sales at Rs. 15,211 lakh; decreased by 16.04%
- EBITDA decreased by 37.90 %, at Rs. 2,578.14 lakh
- PAT decreased to Rs. 1,521.42 lakh from 2,169.93lakh
- Plant operated at around 68% capacity

FY16

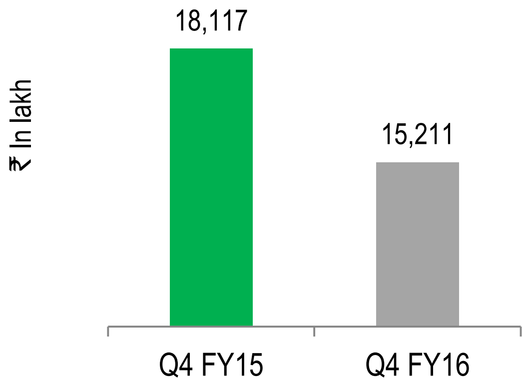
- Net sales at Rs. 61,827 lakh; up by 13.48%
- EBITDA up by 60.88%, at Rs. 9,603.49 lakh
- PAT improved to Rs. 4,975.79 lakh
- Plant operated at around 56% capacity

FY16 -Consolidated

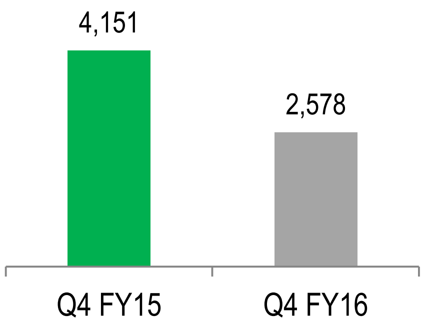
- Net sales at Rs. 75,101 lakh;
- EBITDA at Rs.12,401 lakh
- PAT stood at Rs. 4,610 lakh

Q4 FY16 Performance Review - Standalone

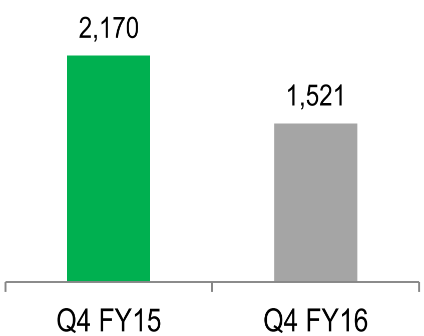
Net Income



EBITDA



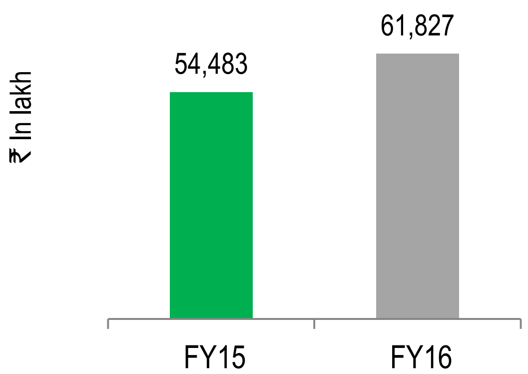
PAT



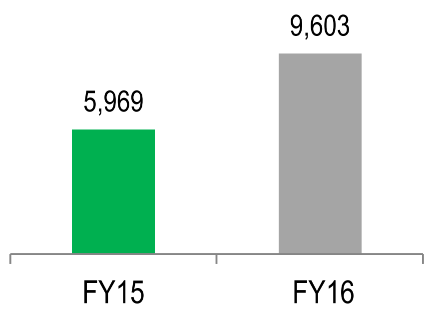
- Net Income from operations decrease by 16.04% to Rs. 15,211 lacs from Rs. 18,117 lakh in Q4 FY15
- EBITDA stood at Rs. 2,578 lacs as compared to Rs.4151 lacs in Q4 FY15
  - EBITDA Margins decreased to 16.81% from 22.89%
- PAT stood at Rs. 1,521 lacs compared to profit of Rs.2,170 lacs in Q4 FY15; lower by 29.91%
- Diluted EPS (not annualized) was at Rs. 8.75 for Q4 FY16

FY16 Performance Review - Standalone

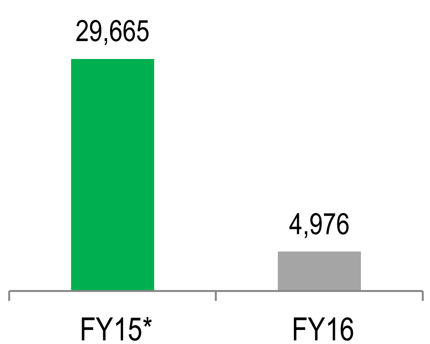
Net Income



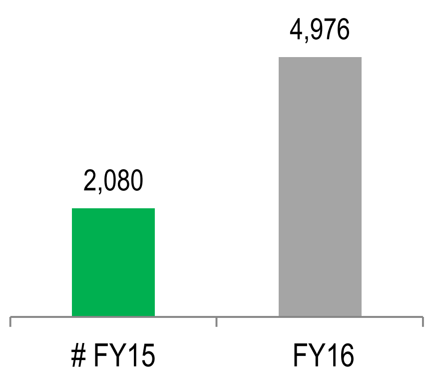
EBITDA



PAT



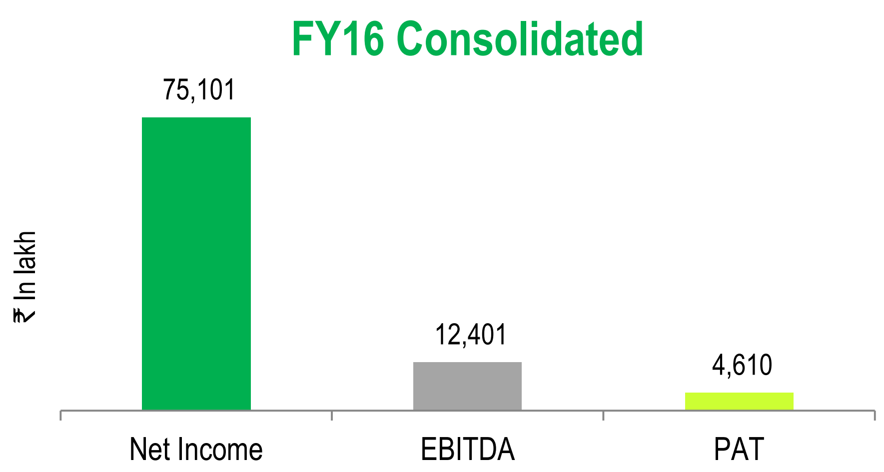
Normalized PAT



Excluding net gain from stake sale in JV of Rs. 27,585 lakhs

- Net Income from operations up by 13.48% to Rs. 61,827 lacs from Rs. 54,483 lacs during FY15
- EBITDA stood at Rs. 9,603 lacs when compared to Rs.5,969 lacs in FY15
  - EBITDA Margins improved to 15.45% from 10.89%
- FY16 PAT stood at Rs. 4,976 lacs compared to a profit of Rs.29,665 lacs, in FY15* which included net gain of Rs. 27,585 lacs realized from the stake sale in the erstwhile JV, VSCPL in the Q2 FY15.
- Diluted EPS was at Rs. 28.62 for FY16

FY16 Performance Review - Consolidated



Net Income from operations Rs. 75,101 lacs

EBITDA stood at Rs. 12,401 lacs FY16

PAT stood at Rs. 4,610 lacs

Diluted EPS was at Rs. 26.51 for FY16

Key Highlights

BMM Acquisition

- Completed BMM acquisition
- **Executed Mining Lease** - BMM obtained mining lease from Govt. of Andhra Pradesh
- Lease has been granted for a period of 20 years
- Execution of mining lease deed ensures an uninterrupted access to quality limestone reserves
- BMM unit is strategically located near the AP Karnataka border and primarily operates in the markets of Tamil Nadu, Karnataka and Andhra Pradesh
- **Freight Synergy** -While BMM will cater to Karnataka and Tamil Nadu markets; Sagar would focus on expanding its reach in Maharashtra & Orissa

Commissioning of railway siding

- Completed railway sidings project
- Became operations from March' 16
- Benefits – optimize freight cost, improve connectivity for longer distance market & lower dependency on road transport.

Executive Director's Comment

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

"We are pleased to have maintained the momentum during the year, despite weak demand and pricing environment. In addition to the improved financials, completion of key operational development helped us cap off a solid FY16.

Conclusion of BMM acquisition and of commissioning of railway sidings operations during the year lay the foundation for a strong growth in the future. While BMM will provide us the scale and synergetic benefits, commencement of railway sidings will help us optimize our freight cost by not only reducing our dependence on road transport, but also by helping us better serve longer distance market s.

Looking forward, sustained pick up in construction and infrastructure activities on the back of persistent efforts by Government, improved pricing environment and vibrant rural economy should result in a strong consistent demand."

Realization & Utilization

Mattampally Plant

Gross Realisations (Rs. / tonne)

	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**	**Q4 FY15**
Overall Average	4,302	4,866	4,771	*5,064*
AP	5,160	5,595	5,520	*5,988*
OAP	4,225	4,703	4,576	*4,901*
	Q1 FY16	**Q2 FY16**	**Q3 FY16**	**Q4 FY16**
Overall Average	5,259	5,409	4,927	***4,670***
TG	6,049	5,812	5,544	***5,078***
OTG	5,105	5,320	4,728	***4,528***

Utilisation (%)

	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Cement	53	42	49	67
	Q1 FY15	**Q2 FY15**	**Q3 FY15**	**Q4 FY15**
Cement	60	50	49	*71*
	Q1 FY16	**Q2 FY16**	**Q3 FY16**	**Q4 FY16**
Cement	65	49	44	***61***

BMM - Gudipadu Plant

Gross Realisations (Rs. / tonne)

	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
Overall Average	4,794	4,697	5,250	5,191
AP	4,528	4,890	6,347	5,760
OAP	4,865	4,669	5,033	5,050

Utilisation (%)

	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
Cement	18	52	51	***58***

Coal Prices

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

Q1 FY16

- Domestic : International coal mix was 14:86
- Singareni Coal: Nominal quantity sourced

Q2 FY16

- Domestic : International coal mix was 2:98

Q3 FY16

- Domestic : International coal mix was 20:80

Q4 FY16

- Domestic : International coal mix was 25:75

Coal Cost (Rs. / Tonne)

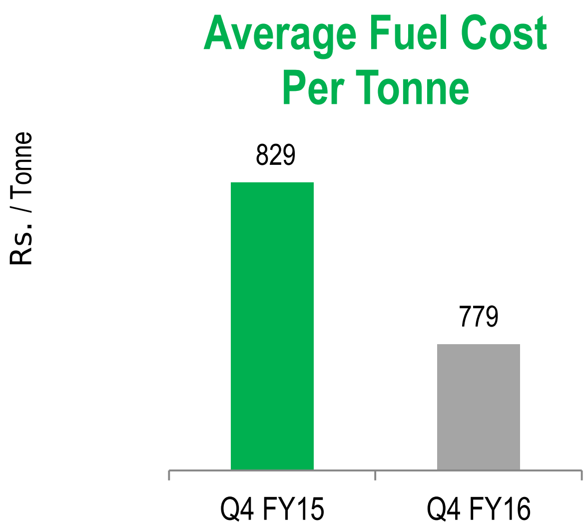
		Q1	Q2	Q3	Q4
Indigenous Average	*FY14*	4,618	4,582	4,551	4,442
Imported Coal Average		4,273	4,850	7,065	6,924
Indigenous Average	FY15	4,862	4,087	4,362	4,483
Imported Coal Average		5,315	5,405	6,626	6,014
Indigenous Average	FY16	4,964	3,678	4,533	4,227
Imported Coal Average		5,361	5,764	5,715	5,670

Operations Overview

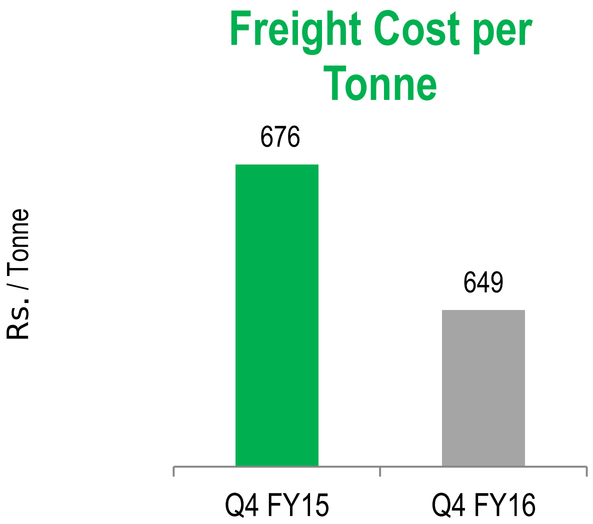
Production (MT)	January	February	March	Total
Clinker	1,30,820	1,43,650	1,56,340	**4,30,810**
Cement	1,13,805	1,43,750	2.00.000	**4,57,555**

Description	Cement Sales ('000'MT)	Value Rs. Lakh (net of excise & VAT)	Net Realization Rs./Mt
Q4 FY16	**455**	**15,211**	**3,343**
Q4 FY15	478	18,117	3,790
% Shift	***-5.05***	***-16.04***	***-11.79***
FY16	**1,653**	**61,827**	**3,740**
FY15	1,550	54,483	3,515
% Shift	***6.64***	***13.48***	***6.40***

Cost Overview



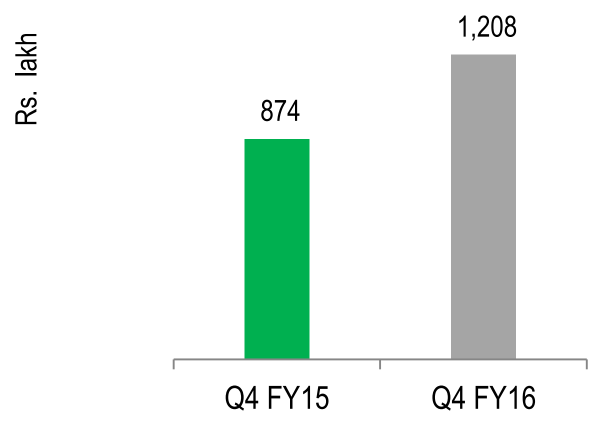
- Decrease in price of imported coal and change in coal mix resulted in a decrease in average fuel cost per tonne.



- Freight per ton decreased due to decrease in fuel price & Lead distance.

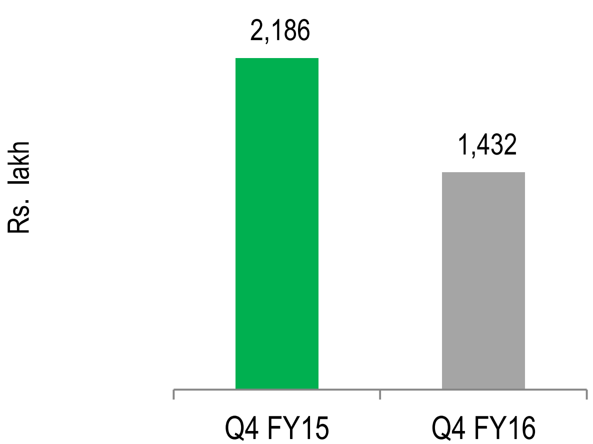
Cost Overview

Employee Cost



- Employee costs in Q4 FY 16 is Rs. 1,208 lakhs when compared to Rs. 874 lakhs during Q4.The increase is mainly on account of year end provisions relating to employees & managerial commission.

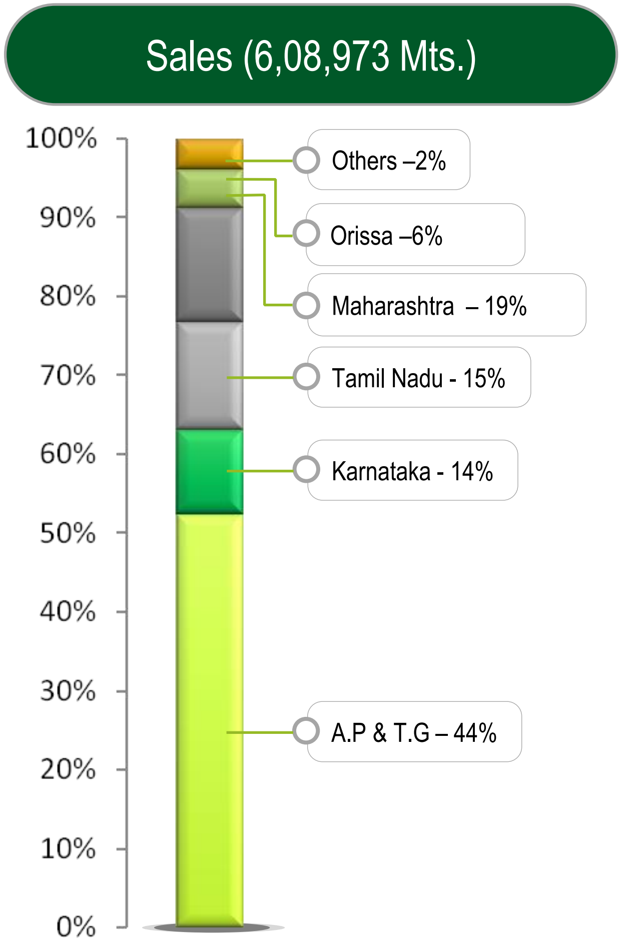
Raw Material Cost



- Reversal of provision made for additional royalty as per new Mining Act,2015 to the tune of Rs.447 lakhs which was no longer required, and to some extent lower volume of production also resulted in lower raw material costs.

Plant Highlights - Consolidated

- During Q4 FY16, the plant operated at reasonable utilization levels producing 5,52,550 tons of clinker and 6,01,180 tons of cement
- Approximately 56% of cement dispatches was to various markets outside Andhra Pradesh & Telangana



Sales in Q4 FY16 vs. Q4 FY15 - Standalone

	Q4 FY16		Q4 FY15	
Markets	**Quantity (in Tonnes)**	**% of Total Sales**	**Quantity (in Tonnes)**	**% of Total Sales**
Andhra Pradesh & Telangana	238,227	52.39	138,463	28.93
Karnataka	27,117	5.96	87,026	18.19
Tamil Nadu	52,488	11.54	98,607	20.61
Maharashtra	90,627	19.93	94,976	19.85
Orissa	37,230	8.19	42,456	8.87
Others	9,012	1.98	17,012	3.55
Total	**454,701**	**100.00**	**478,540**	**100.00**

Sales in Q4 FY16

	Standalone		Consolidated	
Markets	**Quantity (in Tonnes)**	**% of Total Sales**	**Quantity (in Tonnes)**	**% of Total Sales**
Andhra Pradesh & Telangana	238,227	52.39	268,827	44.14
Karnataka	27,117	5.96	82,421	13.53
Tamil Nadu	52,488	11.54	94,486	15.52
Maharashtra	90,627	19.93	116,499	19.13
Orissa	37,230	8.19	37,230	6.11
Others	9,012	1.98	9,510	1.57
Total	**454,701**	**100.00**	**608,973**	**100.00**

Sales in FY16 vs. FY15

Markets	FY16 Quantity (in Tonnes)	FY16 % of Total Sales	FY15 Quantity (in Tonnes)	FY15 % of Total Sales
Andhra Pradesh & Telangana	689,575	41.70	601,690	38.82
Karnataka	174,055	10.53	234,105	15.10
Tamil Nadu	277,465	16.78	249,831	16.12
Maharashtra	313,962	18.99	310,487	20.03
Orissa	144,230	8.72	109,487	7.06
Others	54,215	3.28	44,449	2.87
Total	**1653,502**	**100.00**	**1550,076**	**100.00**

Dispatches by Road & Rake

Dispatch Details

TPT	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	TOTAL
BY ROAD	405,886	331,912	334,103	**471,057**	**1,542,958**
BY RAKE	-	-	-	**2,656**	**2,656**
TOTAL	**405,886**	**331,912**	**334,103**	**473,713**	**1,545,614**

TPT	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	TOTAL
BY ROAD	478,345	424,880	301,840	**450,946**	**1656,011**
BY RAKE	-	-	-	**2,742**	**2,742**
TOTAL	**478,345**	**424,880**	**301,840**	**453,688**	**1658,753**

Key Balance Sheet Items - Standalone

Gross debt as on 31st March 2016 stood at Rs. 19,320 lakh out of which Rs. 12,408 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. 367 lakh

Debt : Equity Ratio as on March 31, 2016 stood at 0.22:1

The Net Worth of the Company as on 31st March 2016 was Rs. 55,328lakh

Investments stood at Rs. 7,821 lakhs

Key Balance Sheet Items- Consolidated

Gross debt as on 31st March 2016 stood at Rs. 43,235 lakh out of which Rs. 34,537 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. 647 lakh

Debt : Equity Ratio as on March 31, 2016 stood at 0.63:1

The Net Worth of the Company as on 31st March 2016 was Rs. 54,962 lakh

Sales Outside AP & TG

Historical trend cement sales OAP & TG

	Q4 FY16	Q3 FY16	Q2 FY16	Q1 FY16
OAP & TG Sales	**48%**	55%	64%	67%

	Q4 FY15	Q3 FY15	Q2 FY15	Q1 FY15
OAP & TG Sales	71%	63%	64%	47%

	Q4 FY14	Q3 FY14	Q2 FY14	Q1 FY14
OAP & TG Sales	46%	57%	58%	49%

	Q4 FY13	Q3 FY13	Q2 FY13	Q1 FY13
OAP & TG Sales	46%	49%	52%	48%

Sales in regions other than AP & Telangana have seen a gradual growth over last 3 years, from around 50% in FY 13 to around 60 % in FY 16, of total sales in respective years..

Contacts

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