



Sagar Cements Limited

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**Investor / Analyst Presentation**

**Q2 & H1FY2012**

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**October 20, 2011**



# Highlights

## **Performance Highlights (Q2FY12)**

- Q2FY2012 Net sales increased by 93.58% to ₹ 1,673.20 million
- EBITDA increased by 357.71% to ₹ 245.94 million.
- Considerable improvement in EBITDA margins. Margins at 14.70%
- PAT at ₹ 59.05 million
- Plant operating at significantly higher capacity utilisations compared to corresponding period last year
- Sagar-Vicat JV is progressing on schedule

## **Performance Highlights (H1FY12)**

- H1FY2012 Net sales increased by 56.68% to Rs. 3,398.16million
- EBITDA increased by 237.54% to Rs. 653.12 million. Margins at 19.22%
- PAT at ₹ 240.85 million



# Industry Outlook

## Industry Outlook

- The cement industry continues to operate at capacities of ~75%. This trend is expected to continue over the next few quarters
- Operating environment in South India challenging due to subdued construction activities especially in Andhra Pradesh on the back of fluid political environment
- Higher realizations in South India to partially offset the impact of higher input (coal) costs
- However, likely new capacities expected in the Southern regions poses challenges

# Executive Director's Comment

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

*"Although the environment for Cement companies all across India remains challenging, we are delighted to announce a strong operating performance this quarter.*

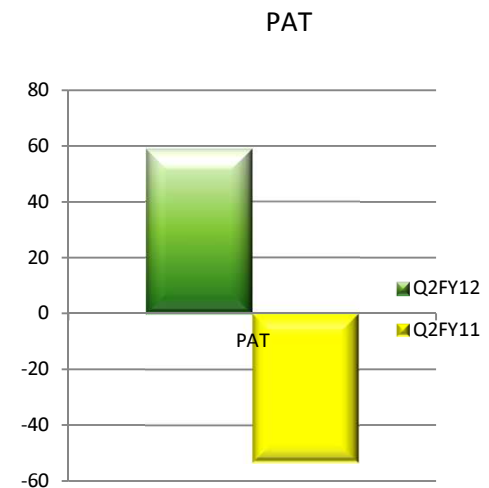
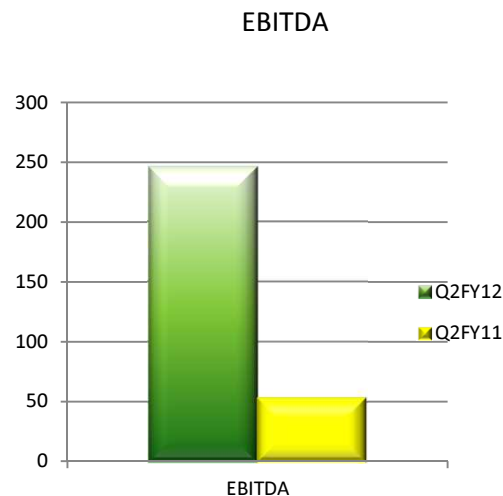
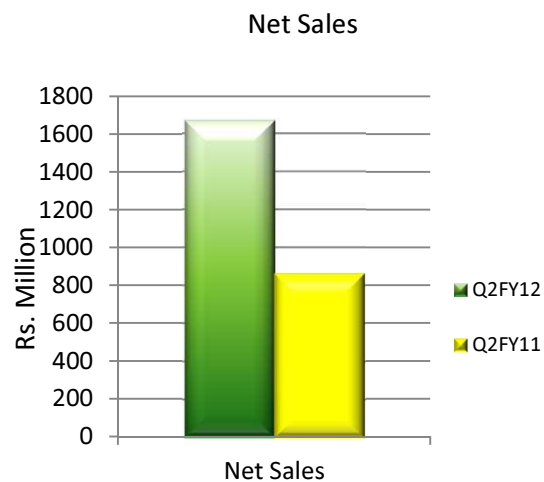
*Our plant at Matampally continues to operate well. We have strengthened our position in key markets outside our home state as well which mitigates the risk of oversupply situations in AP. The setting up of the Sagar Vicat facility is well on track and we expect it to be completed on schedule.*

*Top line and bottom line numbers are showing good traction and margins remain healthy. The housing sector remains a significant contributor to demand.*

*Though the market environment remains testing, Sagar is well prepared to counter any difficulty it faces which is a testament of its robust operations and also a strong balance sheet. The first half of this year has ended on a good note and we look forward to better performance for the year ahead."*

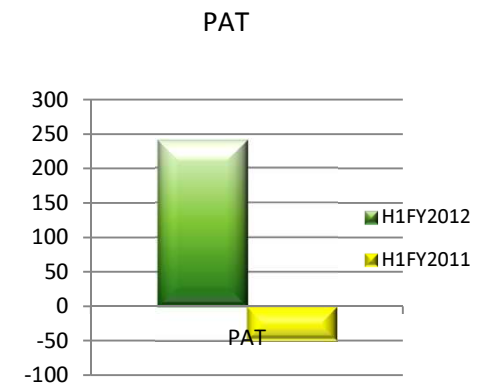
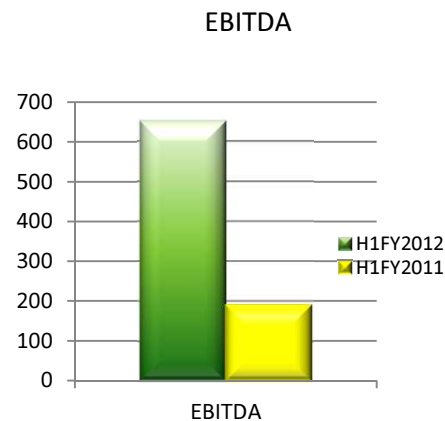
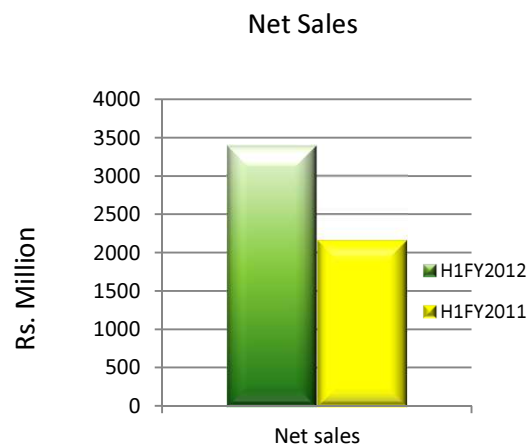


# Q2FY2012 Performance Review



- Net Sales grew 93.58% YoY to ₹ 1,673 million from ₹ 864 million compared to Q2FY11
- EBITDA grew 357.71% to ₹ 246 million from ₹ 54 million. Operating margins for the quarter at 14.70%
- Net Profit stood at ₹ 59 million compared to ₹ -53 million on a corresponding quarter basis
- EPS (not annualized) at ₹ 3.40 for Q2FY2012

# H1FY2012 Performance Review



- Net Sales increased 56.68% to ₹ 3,398 million in H1FY12 from ₹ 2,169 million in H1FY2011.
- EBITDA increased 237.54 % to ₹ 653 million from ₹ 193 million. Operating margins for H1FY2012 stand at 19.22%
- Net Profit stood at 241 million as compared to ₹ -48 million the previous fiscal year.

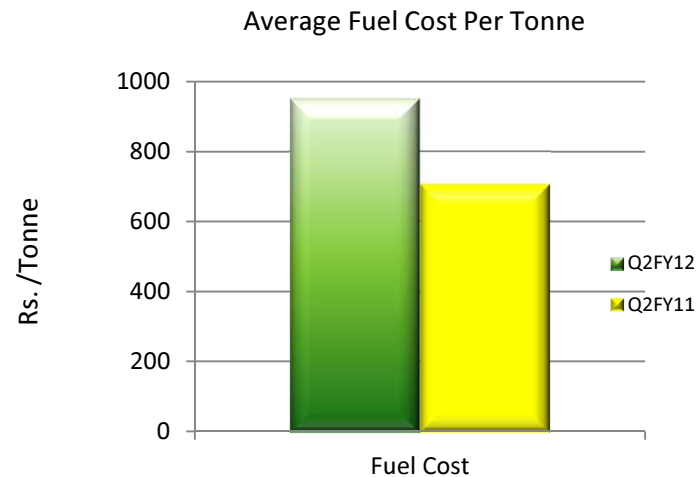
# Operations Overview

| Production (MT) | July    | August  | September | Total   |
|-----------------|---------|---------|-----------|---------|
| Clinker         | 129,270 | 107,120 | 103,620   | 340,010 |
| Cement          | 146,584 | 127,114 | 130,920   | 404,618 |

| Description | Sales ('000'MT) |     | Value Rs. Millions | Realization Rs. Mt |
|-------------|-----------------|-----|--------------------|--------------------|
| Q2 FY2012   | Clinker         | -   | -                  | -                  |
|             | Cement          | 406 | 1,850              | 4562               |
| Q2 FY2011   | Clinker         | 49  | 93                 | 1,914              |
|             | Cement          | 309 | 872                | 2,826              |
| % Shift     | Clinker         | -   | -                  | -                  |
|             | Cement          | 31  | 112                | 61                 |
| H1FY12      | Clinker         | -   | -                  | -                  |
|             | Cement          | 816 | 3,765              | 4,613              |
| H1FY11      | Clinker         | 118 | 285                | 2,421              |
|             | Cement          | 695 | 2,127              | 3,062              |
| % Shift     | Clinker         | -   | -                  | -                  |
|             | Cement          | 17  | 77                 | 51                 |



# Cost Overview

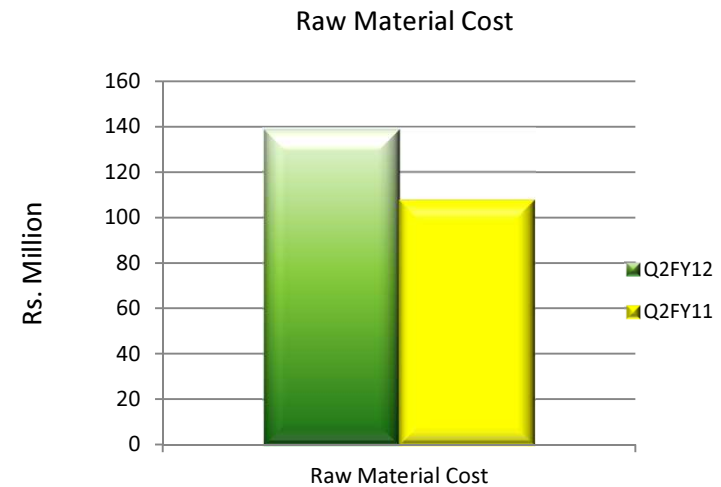


## Cost Overview

- Average fuel cost per tonne of clinker production during the year was at ₹ 951 as compared to ₹ 707 per tonne in the previous corresponding quarter. This increase is mainly accounted as majority of coal used this quarter was imported from South Africa and Indonesia
- Freight cost per ton of cement for the quarter stood at ₹ 689 as compared to ₹ 442 in the previous corresponding quarter, an increase of 56%. Along with increasing prices of petrol and diesel, dispatches outside AP stood at around 48% this quarter leading to the increase



# Cost Overview



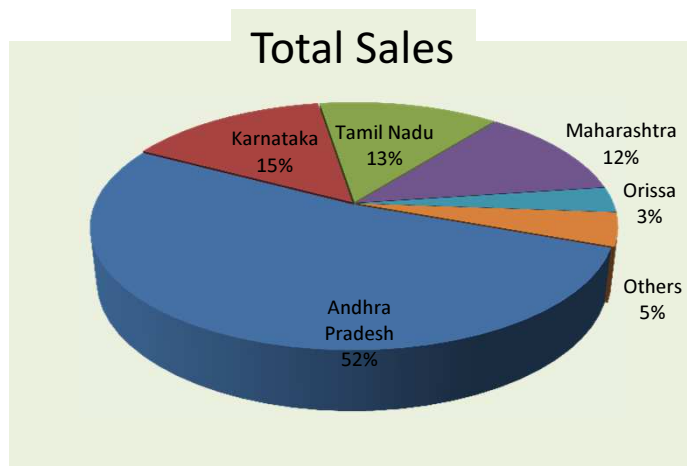
## Cost Overview

- Raw material costs increase by 28% is mainly driven by increase in volumes in the business
- Employee costs increased by 35% over the corresponding quarter last year, mainly on account of salary increments to employees



# Andhra Pradesh Plant Highlights

- During the quarter, the plant operated at reasonable utilization levels, producing 340,010 tons of clinker and 404,618 tons of cement.
- Volumes of cement production in Q2FY2012 were higher by about 54% as compared to the corresponding quarter in the previous year.
- The company continues to have a presence in the established markets of Orissa, Karnataka, Tamil Nadu and Maharashtra as well as Andhra Pradesh. In Q2FY12 approximately 48% of cement dispatches were to various markets outside the home state.



# Dispatches in Q2FY12 vs Q2FY11

|                | Q2 FY 2012  |                  | Q2 FY 2011  |                  |
|----------------|-------------|------------------|-------------|------------------|
| Markets        | Quantity    | % of Total Sales | Quantity    | % of Total Sales |
|                | (in Tonnes) |                  | (in Tonnes) |                  |
| Andhra Pradesh | 211,794     | 52.22            | 245,660     | 79.7             |
| Karnataka      | 59,581      | 14.69            | 11,984      | 3.89             |
| Tamil Nadu     | 53,653      | 13.23            | 7,887       | 2.56             |
| Maharashtra    | 49,305      | 12.16            | 26,200      | 8.5              |
| Orissa         | 13,412      | 3.31             | 9,207       | 2.99             |
| Others         | 17,829      | 4.39             | 7,268       | 2.36             |
| Total          | 405,574     | 100.00           | 308,206     | 100              |

# Dispatches in H1FY12 vs H1FY11

|                | H1 FY 2012  |                  | H1 FY 2011  |                  |
|----------------|-------------|------------------|-------------|------------------|
| Markets        | Quantity    | % of Total Sales | Quantity    | % of Total Sales |
|                | (in Tonnes) |                  | (in Tonnes) |                  |
| Andhra Pradesh | 457,513     | 56.05            | 542,956     | 78.15            |
| Karnataka      | 108,714     | 13.32            | 32,464      | 4.67             |
| Tamil Nadu     | 91,213      | 11.17            | 18,187      | 2.62             |
| Maharashtra    | 88,085      | 10.79            | 58,700      | 8.45             |
| Orissa         | 31,695      | 3.88             | 19,336      | 2.78             |
| Others         | 39,054      | 4.79             | 23,083      | 3.33             |
| Total          | 816,274     | 100.00           | 694,726     | 100.00           |

## Key Balance Sheet Items

- Gross debt as on 30<sup>th</sup> September 2011 stood at ₹ 2,175 million out of which ₹ 1,387 million is long term debt and the remaining constitutes working capital of the company.
- The Net Worth of the Company as on 30<sup>th</sup> September, 2011 is at ₹ 2,457 million.
- Cash & Bank Balances held by the company at the Balance sheet date was ₹ 84 million.
- Investments stood at ₹ 860 million
- Debt Equity as on September 30, 2011 stood at 0.56 : 1.

# Progress on Vicat-Sagar

- Progress on the Vicat-Sagar facility is on course and in line with the planned schedule.
- The facility is expected to be completed and operational in mid-2012 and will conform to International environmental standards.



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