



Sagar Cements Limited

**Q2 & H1 FY16 Results
Presentation**



Industry Overview



Demand growth continued to remain flat owing to monsoon, lower government spending and tepid rural demand

Benefit of lower input prices - moderation in prices of diesel, imported coal and pet coke prices negated by increased limestone royalty expense following govt. levying additional district mineral fund charge

Despite soft demand, cement prices remained relatively stable across all major markets barring North wherein prices rose sharply; while Maharashtra and Southern region saw marginal decline on Q-o-Q basis

Government's thrust on improving housing and infrastructure facilities coupled with stable input prices is expected to drive growth forward



West

- Prices were largely on downward trajectory across the region except in Gujarat
- Prices declined in Maharashtra, with Mumbai and Pune region being lower by Rs. 10-15/ bag in last 2 months

South

- Prices remained relatively stable during the quarter
- Demand remained soft across regions with South lagging behind others

Perspective on Cement Prices



Sagar Cements – Operational Results



Performance Highlights



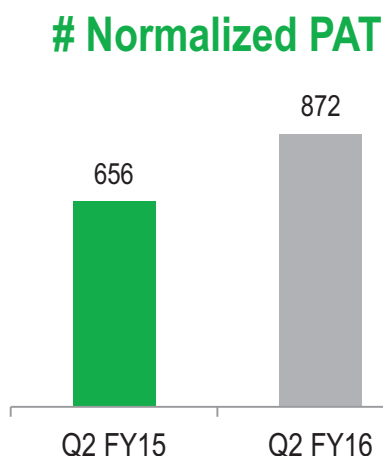
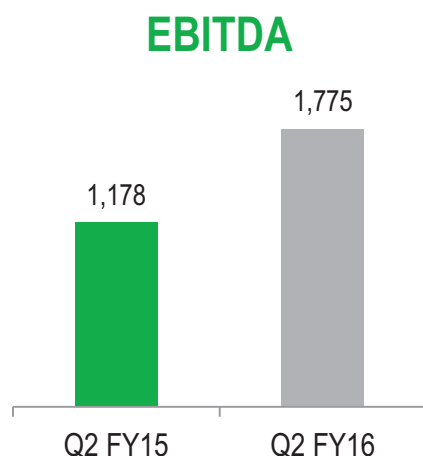
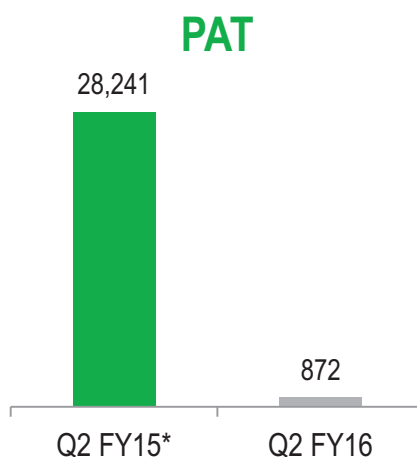
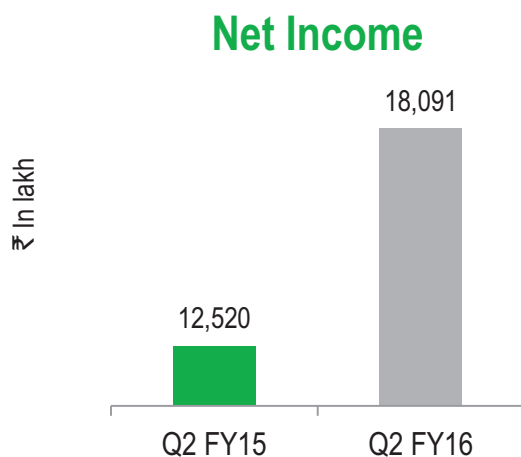
Q2 FY16

- Net sales at Rs. 18,091.27 lakh; up by 44%
- EBITDA up 50.65% at Rs. 1,775.05 lakh
- PAT improved to Rs. 872.44 lakh
- Plant operated at around 49% capacity

H1 FY16

- Net sales at Rs. 37,563.17 lakh; up by 44%
- EBITDA up 361.3% at Rs. 5,627.12 lakh
- PAT improved to Rs. 3,142.22 lakh
- Plant operated at around 57% capacity

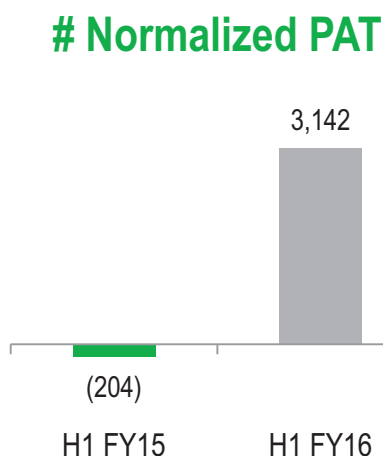
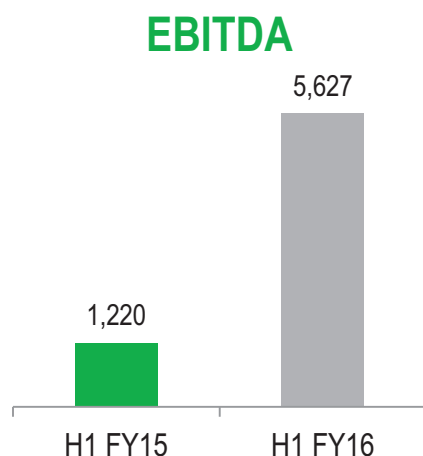
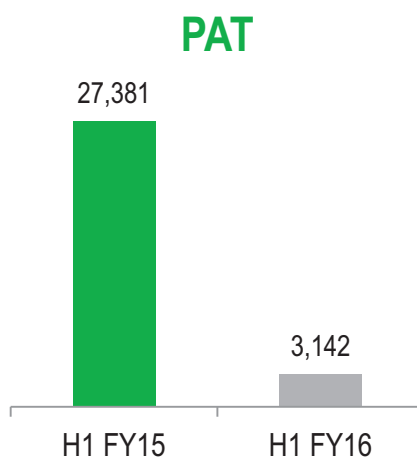
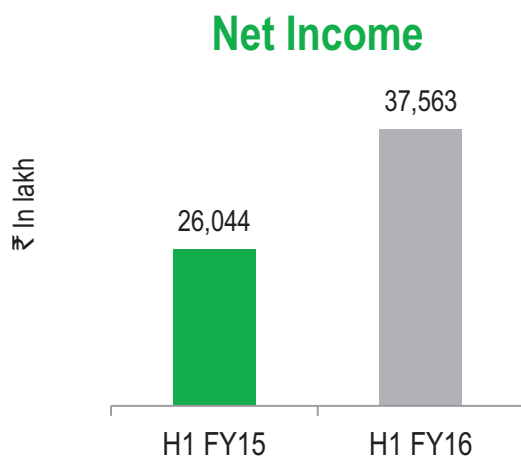
Q2 FY16 Performance Review



Excluding net gain from stake sale in JV

- Net Income from operations up by 44.5% to Rs. 18,091 lacs from Rs. 12,520 lakh in Q2 FY15
- EBITDA stood at Rs. 1,775.05 lacs as compared to Rs. 1,178.28 lacs in Q2 FY15
 - EBITDA Margins improved to 9.81% from 9.41%
- *PAT stood at Rs. 872.44 lacs compared to profit of Rs. 28,241 lacs which includes net gain of Rs. 27,585 lacs from stake sale in the JV, VSCPL in the corresponding quarter during the previous year
- Diluted EPS (not annualized) was at Rs. 5.02 for Q2 FY16

H1 FY16 Performance Review



Excluding net gain from stake sale in JV

- Net Income from operations up by 44.23% to Rs. 37,563 lacs from Rs. 26,044 lacs in H1 FY15
- EBITDA stood at Rs. 5,627.12 lacs as compared to Rs.1,219.83 lacs in H1 FY15
 - EBITDA Margins improved substantially to 14.98% from 4.68%
- *PAT stood at Rs. 3,142.22 lacs compared to a profit of Rs.2,7381 lacs which includes net gain of Rs. 27,585 lacs from stake sale in the JV, VSCPL in the corresponding period during the previous year
- Diluted EPS (not annualized) was at Rs. 18.07 for H1 FY16

Acquisition of BMM Cements



- During the Quarter under Review, Sagar Cements has acquired 100% stake in BMM Cements Limited, 10,38,12,925 equity shares of Rs. 10 each in BMM Cements limited, representing its 100% equity capital
- Awaiting State Government approval for execution of Mining Lease, after receipt of which Company would start utilizing captive Limestone
- BMM at present procures limestone from third party vendors
- BMM is selling its product under the brand name of “SAGAR CEMENT”

Executive Director's Comment



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

“Our performance for the quarter is reflective of the challenging environment persisting at present. Weak demand coupled with subdued realizations resulted in decelerating the revenue momentum generated during the first quarter. Further, the maintenance shutdown undertaken during the quarter resulted in impacting volume growth.

Lower revenue generation also resulted in negating the benefit of higher efficiencies and lower input prices, in turn resulting in restrained operational profitability. However, we are hopeful that the completion of our railway siding, in addition to the completion of BMM acquisition will provide additional leg up to our efficiencies and profitability as the combination of the same will result in higher volume growth, better access and connectivity to certain markets and further lowering of our freight expenses.

Going ahead, we are hopeful that persistent actions on the part of government to kick start the investment cycle will be reciprocated by private sector as the same would result in improved demand and profitability for the business.”



Realization & Utilization



Matampally 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		
Overall Average	5,259	5,407		
TG	6,049	5,812		
OTG	5,105	5,320		

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		
Cement	65	50		

Coal Prices



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

Q1 FY16

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

Q2 FY16

- Domestic : International coal mix was 2:98

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		
Imported Coal Average		5,361	5,764		

Operations Overview



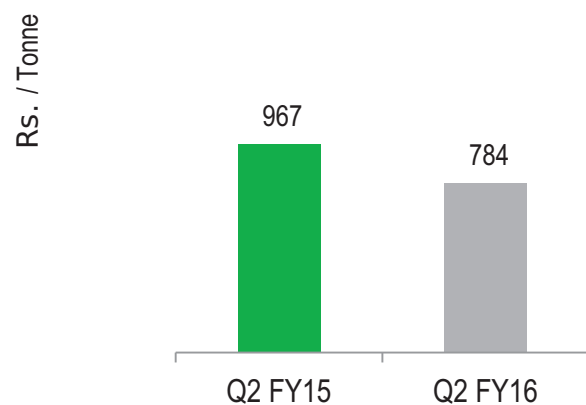
Production (MT)	July	August	September	Total
Clinker	1,06,015	1,22,330	62,870	2,91,215
Cement	1,20,155	1,14,600	98,007	3,32,672

Description	Cement Sales ('000'MT)	Value Rs. Lakh (net of excise & VAT)	Net Realization Rs./Mt
Q2 FY16	417	18,091	4,340
Q2 FY15	330	12,520	3,794
% Shift	26.2	44.5	14.47
H1 FY16	886	37,563	4,240
H1 FY15	737	26,044	3,534
% Shift	20.3	44.2	19.9

Cost Overview

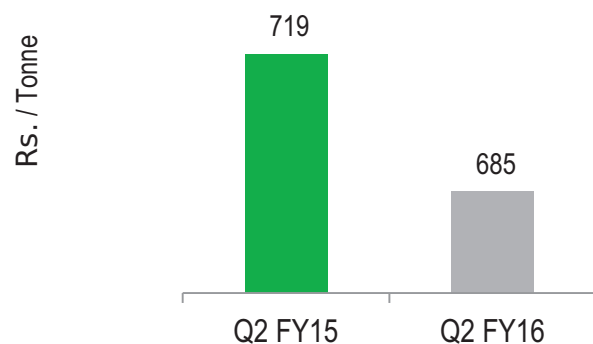


Average Fuel Cost Per Tonne



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

Freight Cost per Tonne

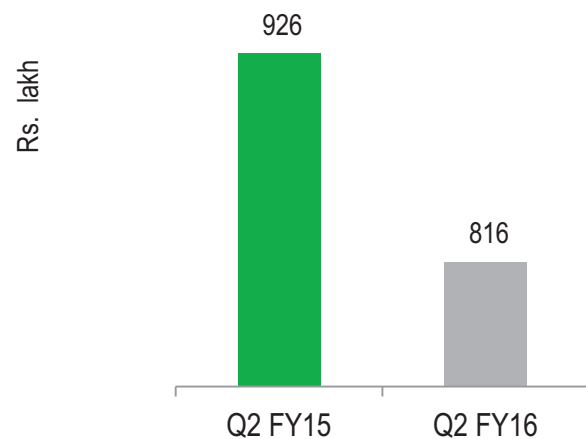


- Freight per ton decreased due to decrease in fuel price & Lead distance

Cost Overview

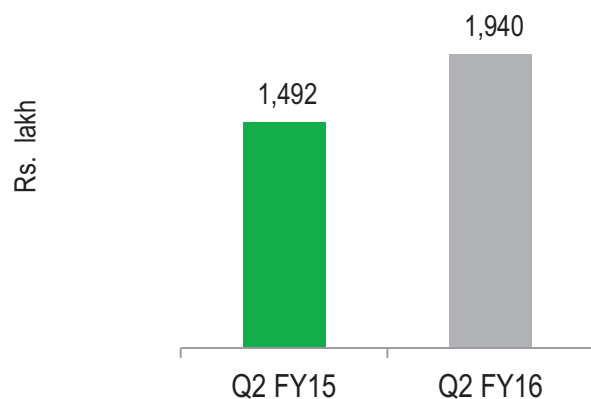


Employee Cost



- Employee costs were higher in Q2 FY 15 due to regular annual salary increments pertaining to FY 14-15, the same for FY 15-16 have been considered in Q1 FY 16

Raw Material Cost



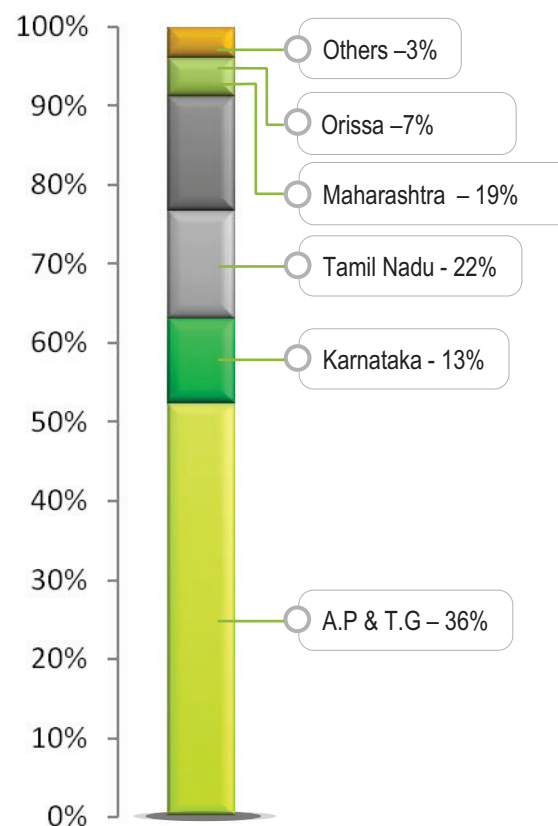
- Increased prices/volume resulted in higher raw material costs

Plant Highlights



- During Q2 FY16, the plant operated at reasonable utilization levels producing 2,91,215 tons of clinker and 3,32,762 tons of cement
- Approximately 64% of cement dispatches was to various markets outside Andhra Pradesh & Telangana

Sales (4,16,842)



Sales in Q2 FY16 vs. Q2 FY15



Markets	Q2 FY16		Q2 FY15	
	Quantity (in Tonnes)	% of Total Sales	Quantity (in Tonnes)	% of Total Sales
Andhra Pradesh & Telangana	1,51,931	36.45	119,929	36.32
Karnataka	54,147	12.99	49,950	15.13
Tamil Nadu	90,609	21.74	57,820	17.51
Maharashtra	80,451	19.30	75,846	22.97
Orissa	30,427	7.30	17,951	5.44
Others	9,277	2.22	8,710	2.64
Total	4,16,842	100.00	330,206	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	TOTAL
BY ROAD	478,345	424,880	903,225
BY RAKE	-	-	-
TOTAL	478,345	424,880	903,225

Status of Railway Line

- Commissioned Railway siding in September 2015
- Awaiting approval for commencing the operations

Key Balance Sheet Items



Gross debt as on 30th September 2015 stood at Rs. 22,783 lakh out of which Rs. 15,150 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. 679 lakh

Debt : Equity Ratio as on September 30, 2015 stood at 0.27 : 1

The Net Worth of the Company as on 30th September 2015 was Rs. 55,276 lakh

Investments stood at Rs. 7,821 lakhs



Historical trend cement sales OAP

	Q2 FY16		Q1 FY16	
OAP Sales	64%		67%	
	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%

Sales in regions other than AP & Telangana have remained stable over the last 3 years

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