

# INVESTOR PRESENTATION



## PRISM CEMENT LIMITED

*May, 2015*



# Integrated Building Materials' Company



Cement (Champion)

Cement (OPC)

Cement (Hi Tech)



Ready-mixed Concrete

Aggregates

Manufactured Sand



Tiles (Ceramic, Vitrified, Industrial)

Sanitaryware, Faucets, and Bath Fittings

Modular Kitchens

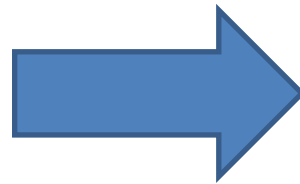
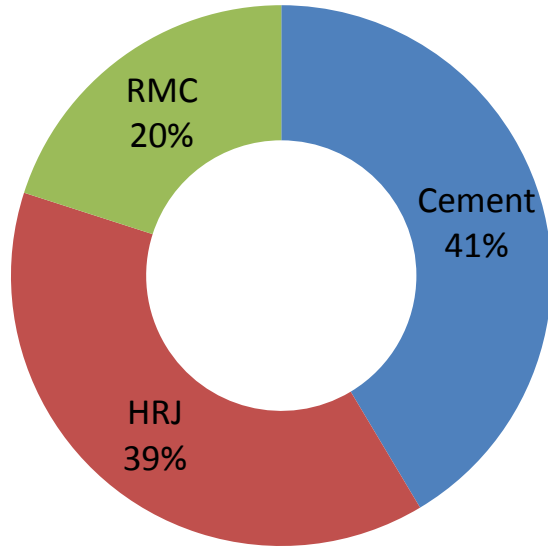
Construction Chemicals

# Business Environment

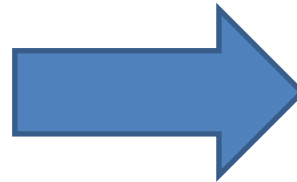
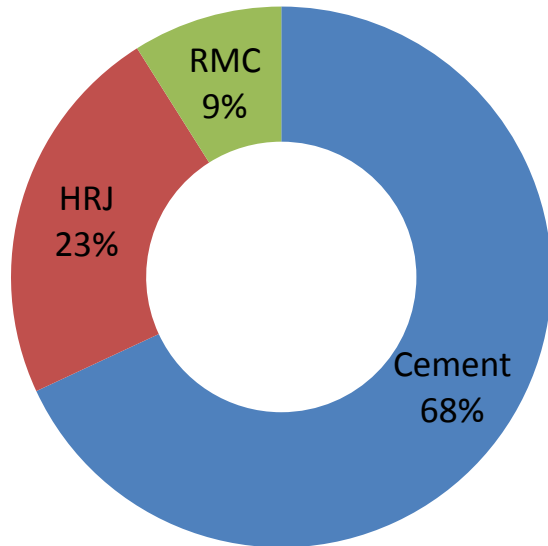
- The Company to benefit in medium term from strong tailwinds due to following key initiatives:

Initiative	Cement	RMC	TBK
Goods and Services Tax	✓	✓	✓
Make in India	✓	✓	✓
Swachch Bharat Abhiyaan	✓	✓	✓
100 Smart Cities	✓	✓	✓
Industrial Corridors	✓	✓	
Roads	✓	✓	

# Divisional Split: FY 2015



Total Sales: ₹ 6,117 crores  
(\$ 971 Mn)



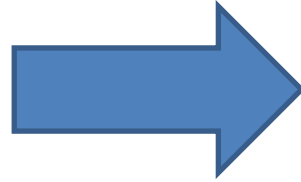
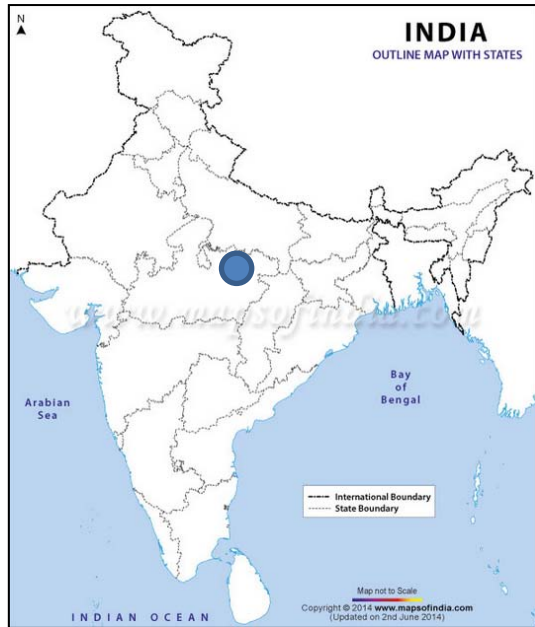
Total EBITDA: ₹ 335 crores  
(\$ 53 Mn)

All Conso numbers excluding RQBE

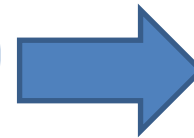
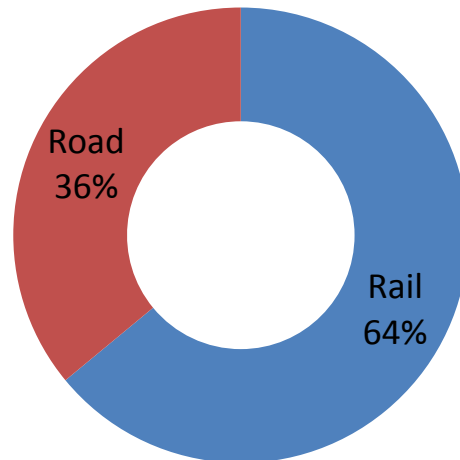
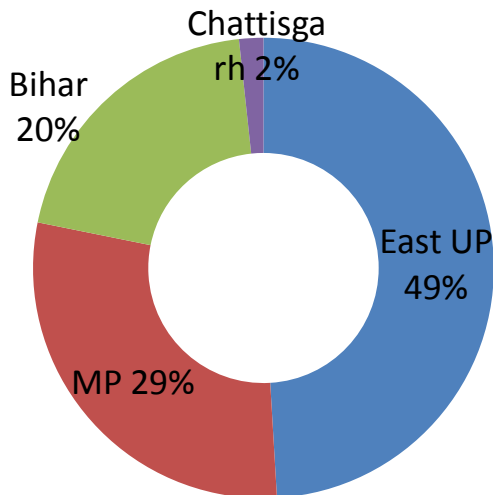
US\$ 1 = ₹ 63<sup>4</sup>



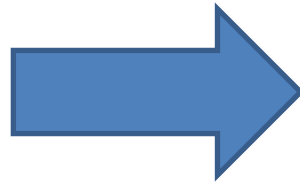
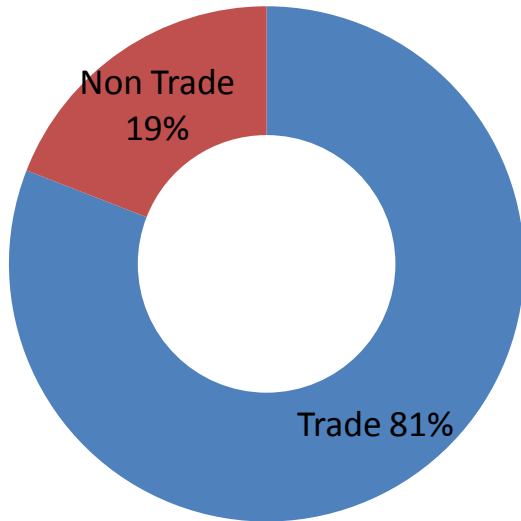
# Cement - Overview



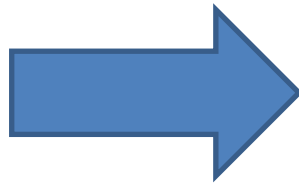
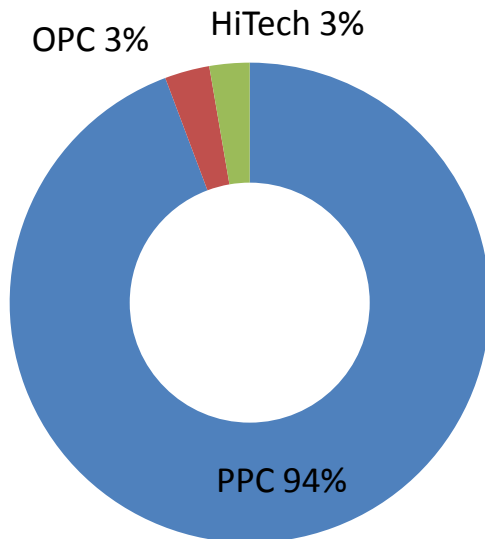
- 2 Modern Plants (set-up in 1997 and 2010) in Satna, MP, Central India
- Effective Capacity: 7 mn tons cement and clinker
- Superior Capital Employed: < US\$ 35 / Ton
  - Cluster demand growth > 1.5x national
  - No new capacities in progress in Cluster
  - Cement avg lead distance = 399 KMs
  - Superior Rail : Road mix



# Cement - Overview



- 81% Trade Sales. Primarily caters to rural and tier 2 & 3 city Housing
- Wide network of over 3,800 dealers & ~ 90 stocking points
  - Healthy receivables. FY 15 debtors: < 1 day

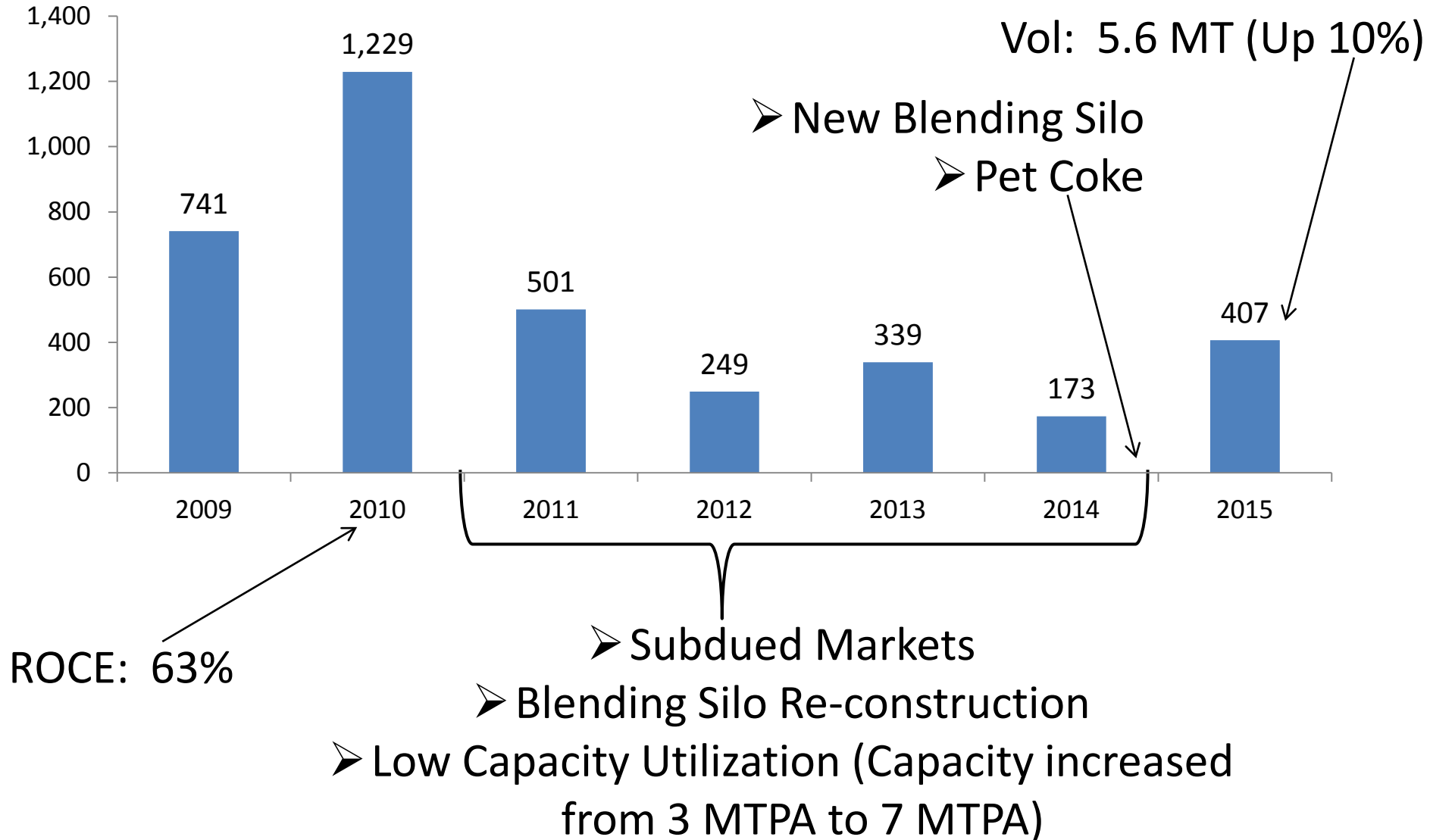


- Launched premium cement Hi-Tech in Bihar and recently in UP



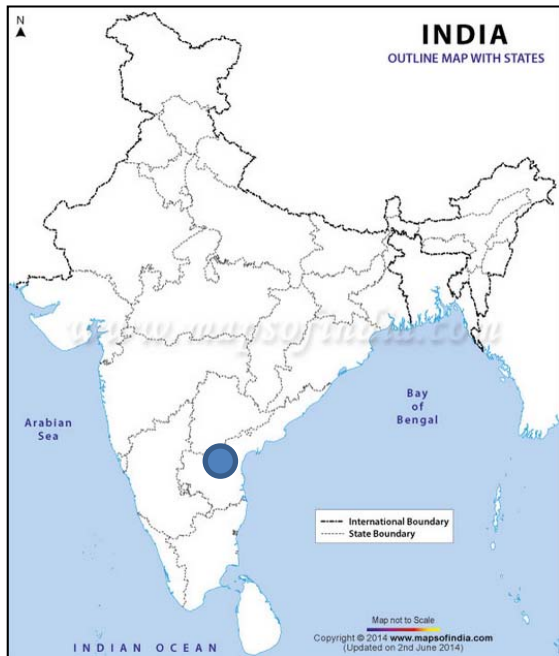
- Superior Product mix (94% PPC and 3% Hi-Tech)

# EBITDA / Ton trend





# Cement - Expansion



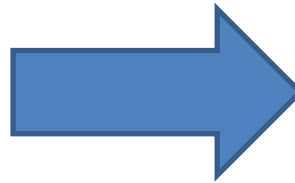
➤ Green-field plant to come up in Kurnool District, Andhra Pradesh:

- ❖ Cement Capacity: 4.8 MTPA
- ❖ ~ 3,000 acres of land acquired
- ❖ Large limestone reserves secured; Mine development activities in progress
- ❖ Bengaluru, Chennai, and Hyderabad within 300 KMs radius from the Site

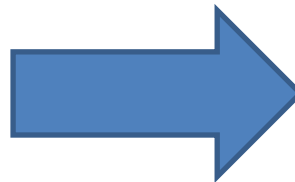
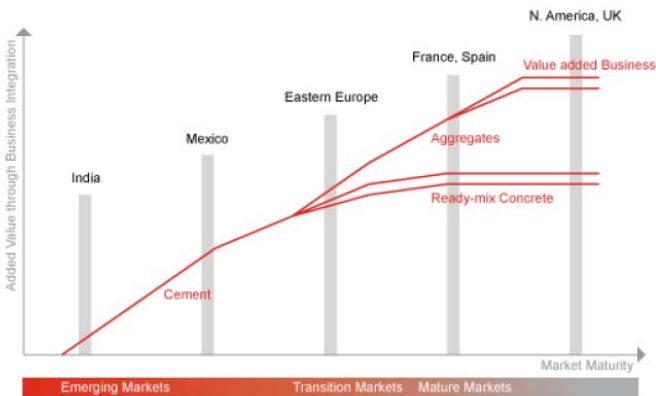


Mix with the Best

# Ready-mixed Concrete



- Ready-mixed concrete is strategic route to market for cement
- Modern channel of cement distribution



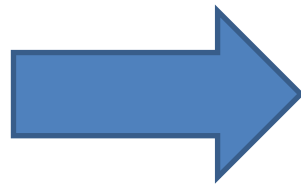
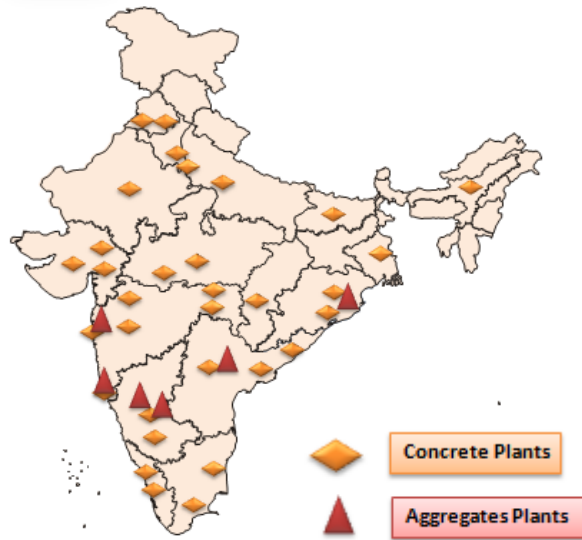
- As markets mature, higher value in Ready-mixed concrete business and aggregates as compared to cement

Source: Espirito Santo Investment Bank Research

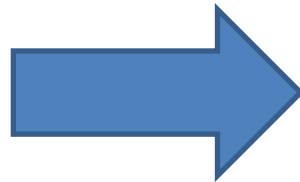
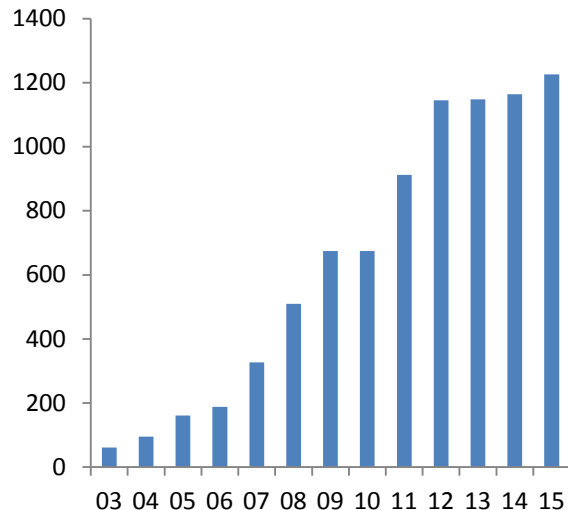
# Ready-mixed Concrete Industry

- Started in mid-90s; Penetration increasing
- ~ 10% of total cement used for concrete in India is sold through RMC Channel
  - Metros / tier 1 (~35%) and tier 2 (~20%)
  - In developed countries: 50% - 70%
- Several benefits such as assured quality, speed, saving of site space, reduced labor, reduced wastage, safety etc
- Industry volume: ~ 30 million m<sup>3</sup> per annum
  - Residential 45% ; Commercial 35% ; Infrastructure 20%
- Steady-state Industry growth rate > 20% per annum due to:
  - ❖ Growth of cement consumption in India
  - ❖ Conversion from site-mix to ready-mix

# RMC Readymix (India)

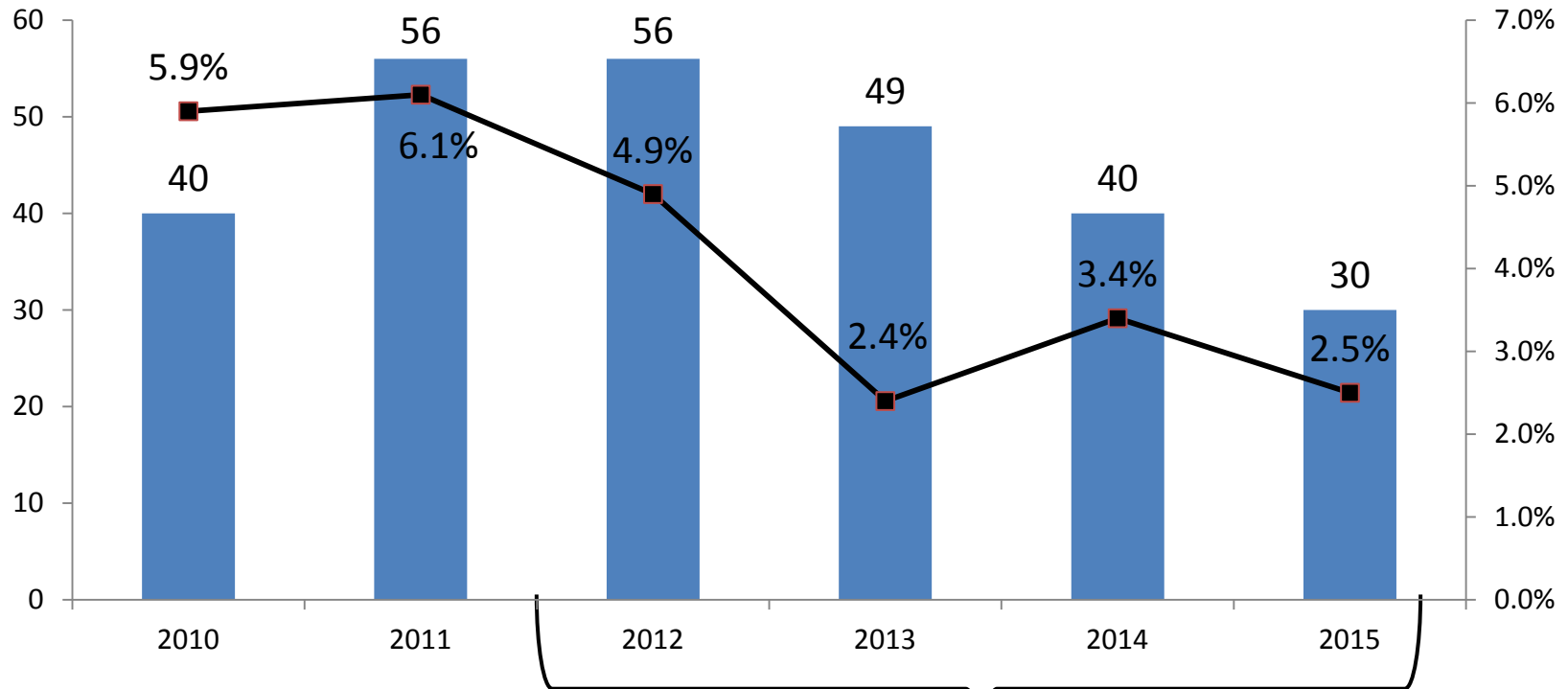


- 2<sup>nd</sup> largest player in India with national footprint
- 81 Plants in 35 cities / towns
- Backward Integration: 8 Plants – Aggregates and Manufactured Sand



- '03 – '12 Sales CAGR: 39%
- Flattish for last 3 years, on account of subdued economy
- Demand drivers: Urbanisation and Infrastructure

# RMC – Performance



- Subdued Economy
- Extra Cautious on Debtors Management
- Capacity Utilization dropped to 40%

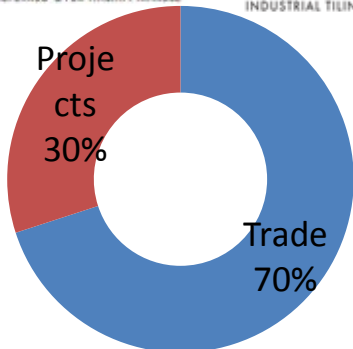
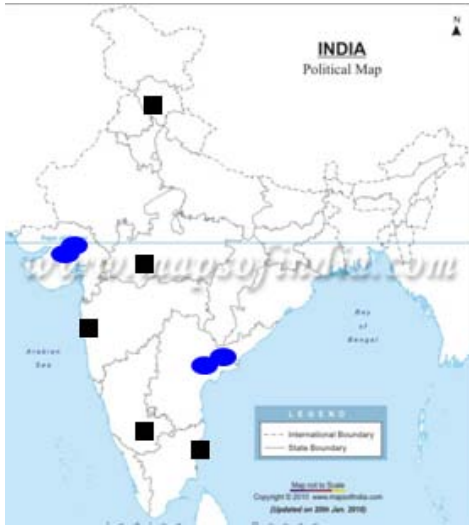
# RMC Dynamics

- EBITDA Margins: 3 – 7%
- Asset Turns: > 6x
  - Capital Employed: ₹ 198 crores (\$ 31 Mn)
  - Sales: ₹ 1,226 crores (@ 40% utilization) (\$ 195 Mn)
- Industry Structure
  - Barriers to Entry: Location and permission in cities
  - ~ 60% unorganized. GST implementation would shift the market towards organized sector
  - RMC's share of the market will likely grow from less than 10 percent of total cement demand today to as high as 25 percent by 2025 (*Source: Cement Vision 2025, a Report by Confederation of Indian Industry-AT Kearny, 2014*)



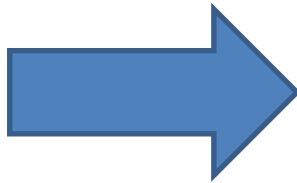


# H & R Johnson (India)



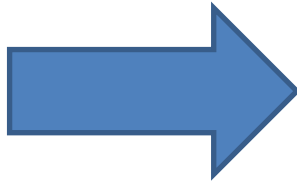
- Set-up in 1958; Pioneer of Ceramic tiles in India
- Wide range: Tiles, Sanitary ware, Bath fittings, Modular Kitchens, Construction Chemicals
- 11 Manufacturing Plants (Own & JVs) with largest capacity of over 54 mn m<sup>2</sup> / annum
- Strong brand equity
- Large, national Trade network of ~10,000 retail points
- 70% sales from Trade channel

# HRJ: Business Model



## ➤ “House of Johnson” chain of Retail Outlets

- 28 across the country
- Selling complete range of products
- Contributes ~10% of Division’s total sales



## ➤ Manufacturing Joint Ventures

- Asset Light business model
- 5 Manufacturing JVs contributing to 65% of the capacity
  - Gujarat: 3
  - AP: 2

# HRJ: Business Model

- Built complimentary businesses to leverage Brand and Distribution



## Construction Chemicals

- 50% Stake in Ardex Endura—JV with Ardex, Germany
- R&D Driven
- Pioneer in tile fixing adhesives
- Added industrial flooring and waterproofing
- Plants in Begaluru and Vadodara; Pan India presence



## Bathrooms

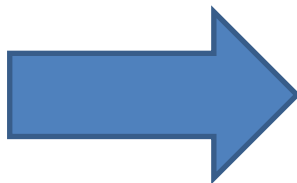
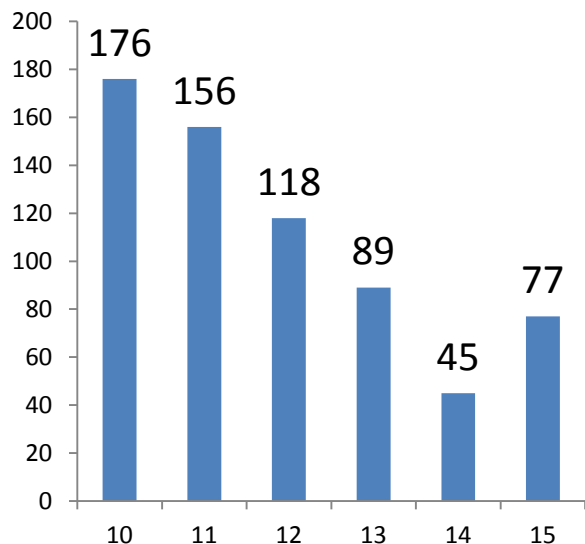
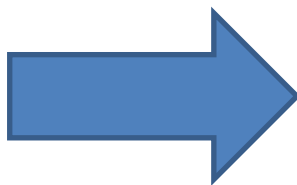
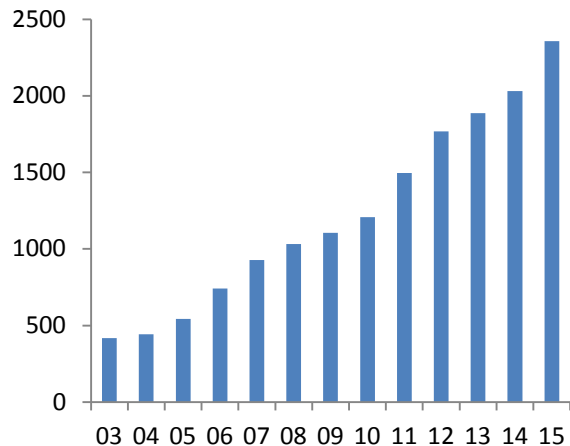
- Sanitaryware , Taps, Bath Fittings, wellness products
- Healthy industry structure; Brand and after sales service play key role
- 2 Manufacturing plants for Fittings—Baddi, HP & Samba, J&K



## Modular Kitchens

- Sunrise industry
- High growth potential
- Offers complete range of products including installation
- Tie-up with a German company for sourcing

# HRJ: Financial Trend



- '03 – '12 Sales CAGR: 17%
- Flattish in FY 13 and 14:
  - 40% of total capacity in AP & Karnataka which suffered on account of power and fuel unavailability
- EBITDA (Conso) declined till FY 14:
  - FY 10: ₹ 176 crores (14.6% of sales) (\$ 28 Mn)
  - FY 14: ₹ 45 crores (2.2% of sales) (\$ 7 Mn)
- In FY 15, Sales and EBITDA recovery started:
  - Sales up 16%
  - EBITDA up 73%

# HRJ: Key Initiatives

- Addressed Power and Fuel issues in South by:
  - Installing 3 Coal Gassifiers in 2 Plants in AP
  - Winning bids for onshore micro Gas wells in AP
  - Natural Gas pipeline connectivity completed for Karnataka plant
  - Started purchasing Traded power
- Further strengthening Brand leadership
  - Scaling-up marketing activities
  - Signed Ms. Katrina Kaif as brand ambassador and started TV advertising



# Strategic Investment



- 74% stake in Raheja QBE General Insurance
- JV with QBE Group of Australia
- Focus on Speciality products like Liability insurance, Marine liability and Trade Credit
- Prism's investment: ₹ 153 crores (\$ 24 Mn)
- FY 15 financials:
  - Gross written premium: ₹ 29 crores (\$ 5 Mn)
  - Profit before tax: ₹ 17 crores (\$ 3 Mn)

# Management Profile



# Management Profile



➤ Mr. Vijay Aggarwal, 46 years, Managing Director

- ❖ B. Tech (Elec.) from IIT, Delhi and PGDM from IIM, Ahmedabad
- ❖ Tenure in Company: 21 years
- ❖ Past experience includes SBI Capital Markets
- ❖ On the Board of various companies including Exide Industries, Aptech, Asianet Satellite Communications, and Ardex Endura (India)

# Management Profile



- Mr. Ganesh Kaskar, 55 years, Executive Director – HRJ
  - ❖ M. Tech (Civil) from IIT, Mumbai
  - ❖ Tenure in Company: 18 years
  - ❖ Past experience includes ACC and Tata Consulting Engineers



- Mr. Venugopal M Panicker, 50 years, Executive Director – RMC
  - ❖ Chartered Accountant, Company Secretary and a Member of the Institute of Company Secretaries & Administrators, UK (AICSA-UK)
  - ❖ Tenure in Company: 18 years
  - ❖ Past experience includes Walchandnagar, Tatas and Williamson Magor

# Other Information

Borrowings

Shareholding

# Borrowings

## ➤ Borrowings

### ➤ Status (As on 31.03.2015)

➤ Consolidated: ₹ 2,236 crores (\$ 355 Mn)

➤ Stand-alone: ₹ 1,895 crores (\$ 301 Mn)

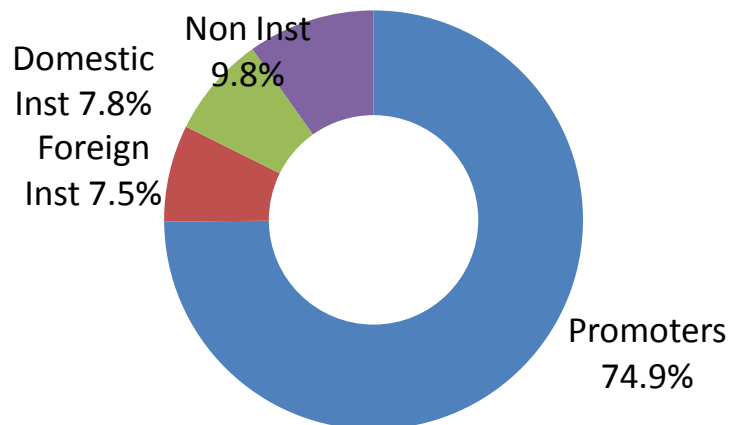
### ➤ Average cost of Debt: 11 %

➤ Replacing expensive bank borrowings with NCDs in a phased manner

➤ Short-term rating enhanced from A2 to A1 and for Term Loan / NCD from A- (Negative outlook) to A- (Stable Outlook) by ICRA

# Shareholding

- Market Cap (As on 13.05.2015): ₹ 5,099 crores (\$ 809 Mn)
- Shareholding Pattern (As on 31.03.2015)



- Public category holding over 1% of total shares

Shareholder	%
HDFC Trustee Company Ltd - HDFC Equity Fund	2.7
Goldman Sachs India Fund Ltd	1.7
ICICI Prudential Discovery Fund	1.4
Morgan Stanley Asia (Singapore) PTE	1.4
National Westminster Bank Plc as Trustee of the Jupiter India Fund	1.2

# THANK YOU

For further information, please contact:

Aditya Bob Mahendru / Munzal Shah

[investorrelations@prismcement.com](mailto:investorrelations@prismcement.com)

+91 22 6675 4142-46

## Disclaimer

Cautionary statement regarding forward – looking statements

This presentation may contain certain forward – looking statements relating to the future business, development and economic performance.

Such statements may be subject to a number of risks, uncertainties and other important factors, such as but not limited to (1) competitive pressures; (2) legislative and regulatory developments; (3) global, macroeconomic and political trends; (4) fluctuations in currency exchange rates and general financial market conditions; (5) delay or inability in obtaining approvals from authorities; (6) technical developments; (7) litigations; (8) adverse publicity and news coverage, which could cause actual development and results to differ materially from the statements made in this presentation. Prism Cement Limited assumes no obligation to update or alter forward – looking statements whether as a result of new information, future events or otherwise.