



Mix with the Best



**AMONGST INDIA'S LEADING INTEGRATED BUILDING MATERIALS COMPANY**

# **Prism Cement Limited**

## **Investor Presentation**

**May'16**

# Our Brands



# Integrated Building Materials Company



## Prism Cement

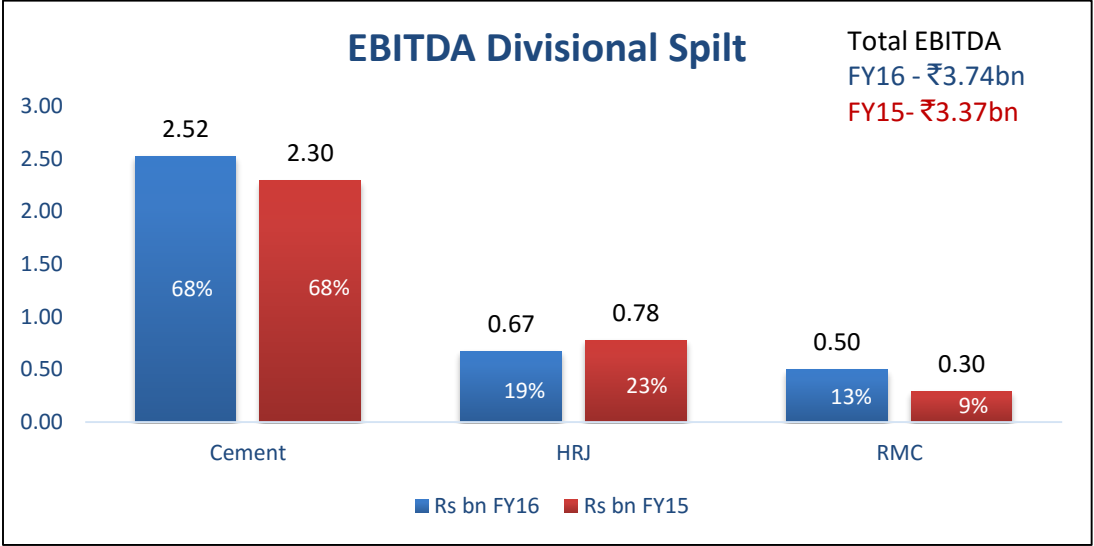
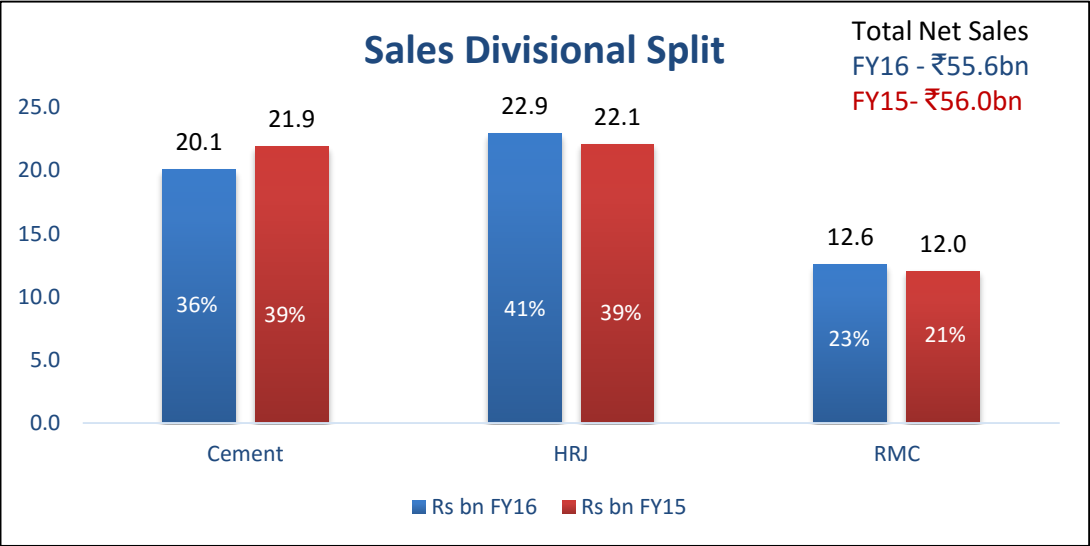
- PPC
  - Champion
  - Champion Plus
  - Hi-tech / Duratech
- OPC

## RMC Readymix

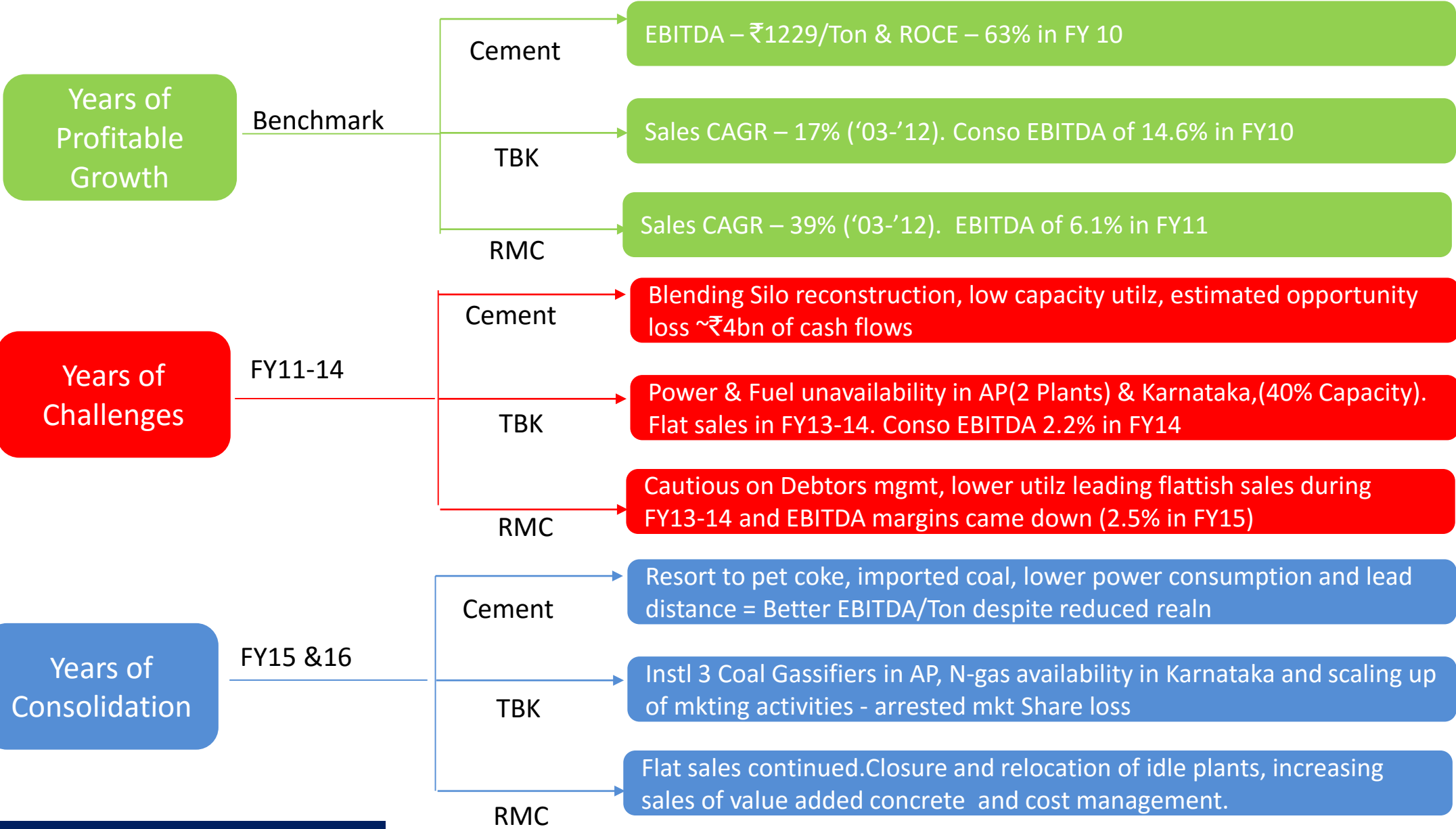
- Ready-mixed concrete
- Aggregates
- Manufactured Sand

## H&R Johnson (India)

- Tiles (Ceramic, Vitrified, Industrial)
- Sanitaryware & Faucets (Bath Fittings)
- Modular Kitchens
- Construction Chemicals
- Engg. Marbles & Quartz



# Prism Cement- Efforts towards re-creating history



# Business Environment – expect better demand environment



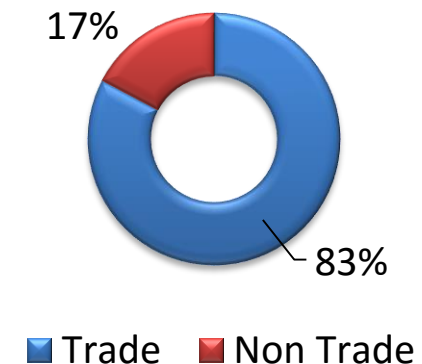
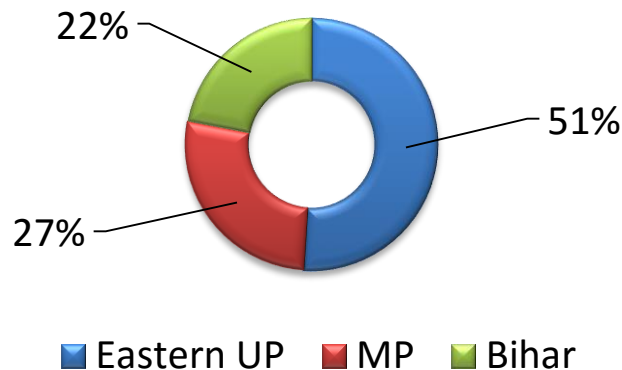
- Infrastructure activities likely to pick up – especially road construction (concretization), railways incl dedicated freight corridors, ports and power
- Focus on Housing for all Program. Rural housing likely to see demand growth subject to normal monsoons
- Passage of Real Estate Bill might lead to better demand over longer period
- Government initiatives on Smart Cities, Swacch Bharat Abhiyan and Make in India
- Softening interest rate and benign commodity / fuel prices, although fuel prices seem to be bottoming out
- GST likely to benefit overall economy, especially sectors with significant unorganized presence, e.g Tiles and Ready mixed concrete.



# Cement Overview



- 2 Modern Plants in Satna, MP(Central India) with effective capacity of 7mn ton
- Superior Capital Employed < ~US\$ 38mn/ton
- No significant capacities planned in Cluster. Consolidation happening in the cluster
- Wide network of ~3790 dealers and ~ 155 stocking points
- Launched Premium Cement Duratech and Champion Plus in UP, MP & Bihar
- Superior Product Mix – Hi-tech, Duratech and Champion Plus contributed ~6% of total volume in FY16 v/s 3% in FY15
- Growth plans – Greenfield expansion in Kurnool District, AP. ~3000 acres of land in possession, limestone reserves secured and environment clearance in place



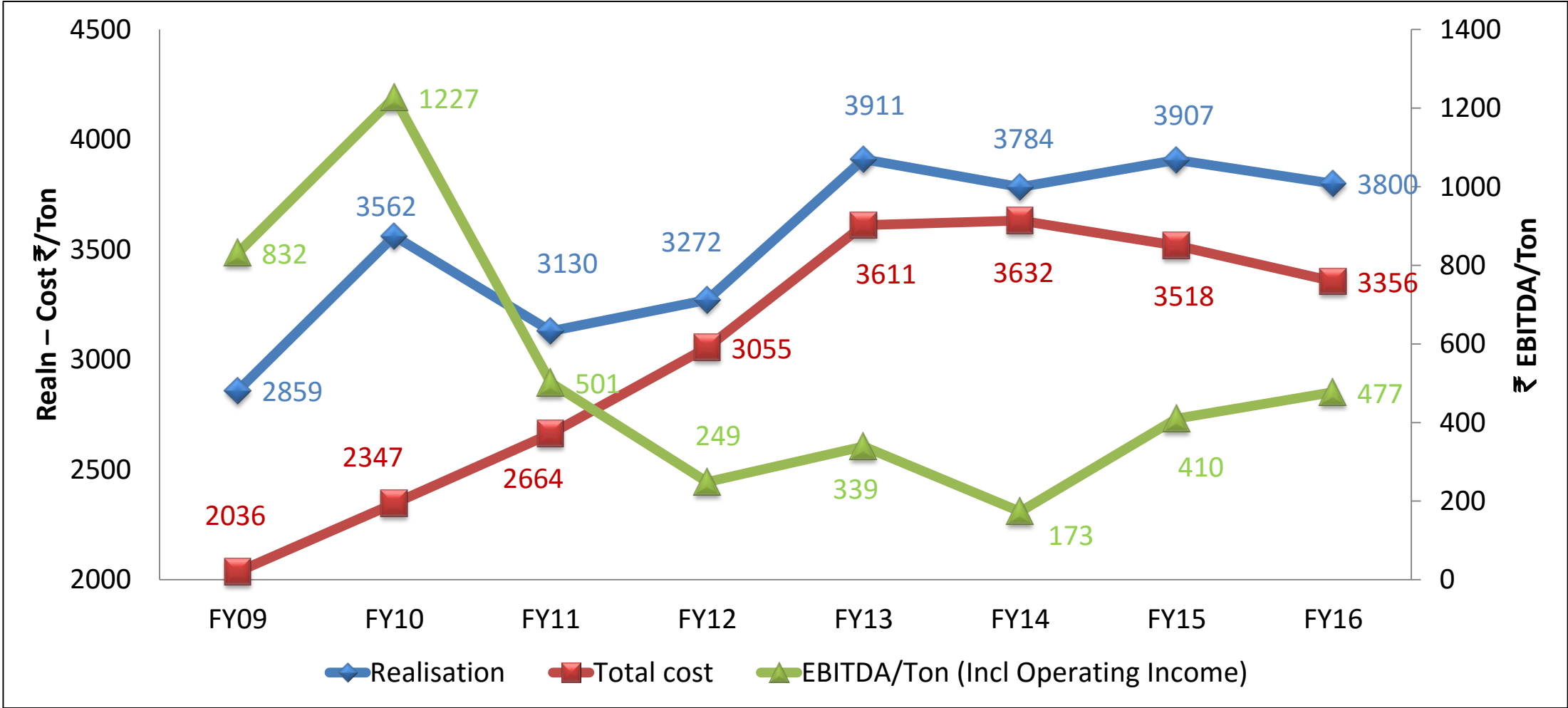
# Cement – Financial & Operational Highlights



Particulars	Unit	FY16	FY15	FY10
Cement & clinker sales volume	Mn Ton	5.29	5.60	2.86
Net Sales	Rs in bn	20.1	21.9	10.2
Net realization incl clinker	Rs/Ton	3800	3907	3562
Total cost	Rs in bn	17.7	19.7	6.7
Total cost	Rs/Ton	3356	3518	2347
EBITDA incl operating income	Rs/Ton	477	410	1229
Freight & forwarding	Unit	FY16	FY15	FY10
Lead Distance	Kms	405	399	377
Mode Mix				
Railway	%	63	64	73
Road	%	37	36	27
Power and fuel	Unit	FY16	FY15	FY10
Power consumption per ton of cement	Kwh	71	73	72
Fuel Mix				
Pet-Coke	%	59	61	0
Coal	%	41	38	100
AFR	%	0	2	0
Note: Fuel Mix is on Calorific Value				



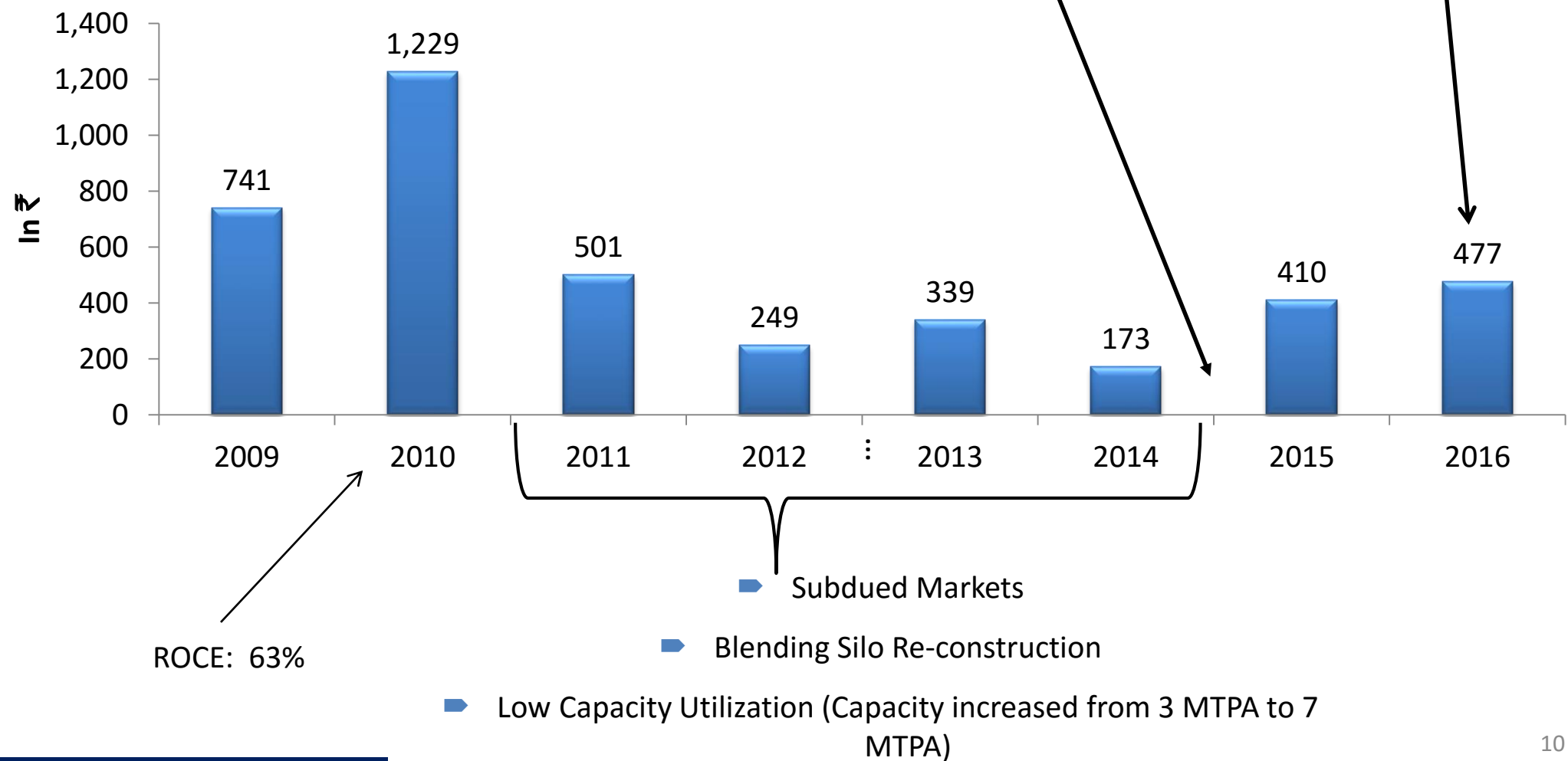
# Cement – Realization and Cost Trend



# Cement EBITDA/Ton

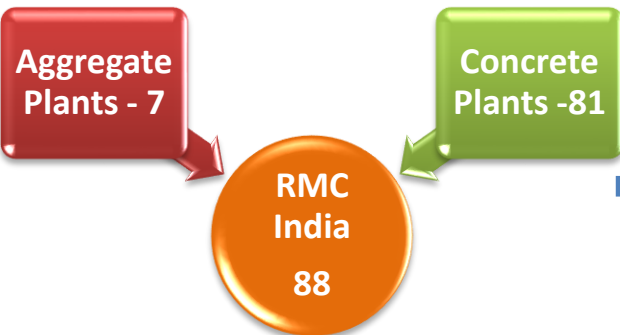


- New Blending Silo
- Pet Coke
- Despite reduced realn
- Q4FY16 EBITDA / ton at ₹594





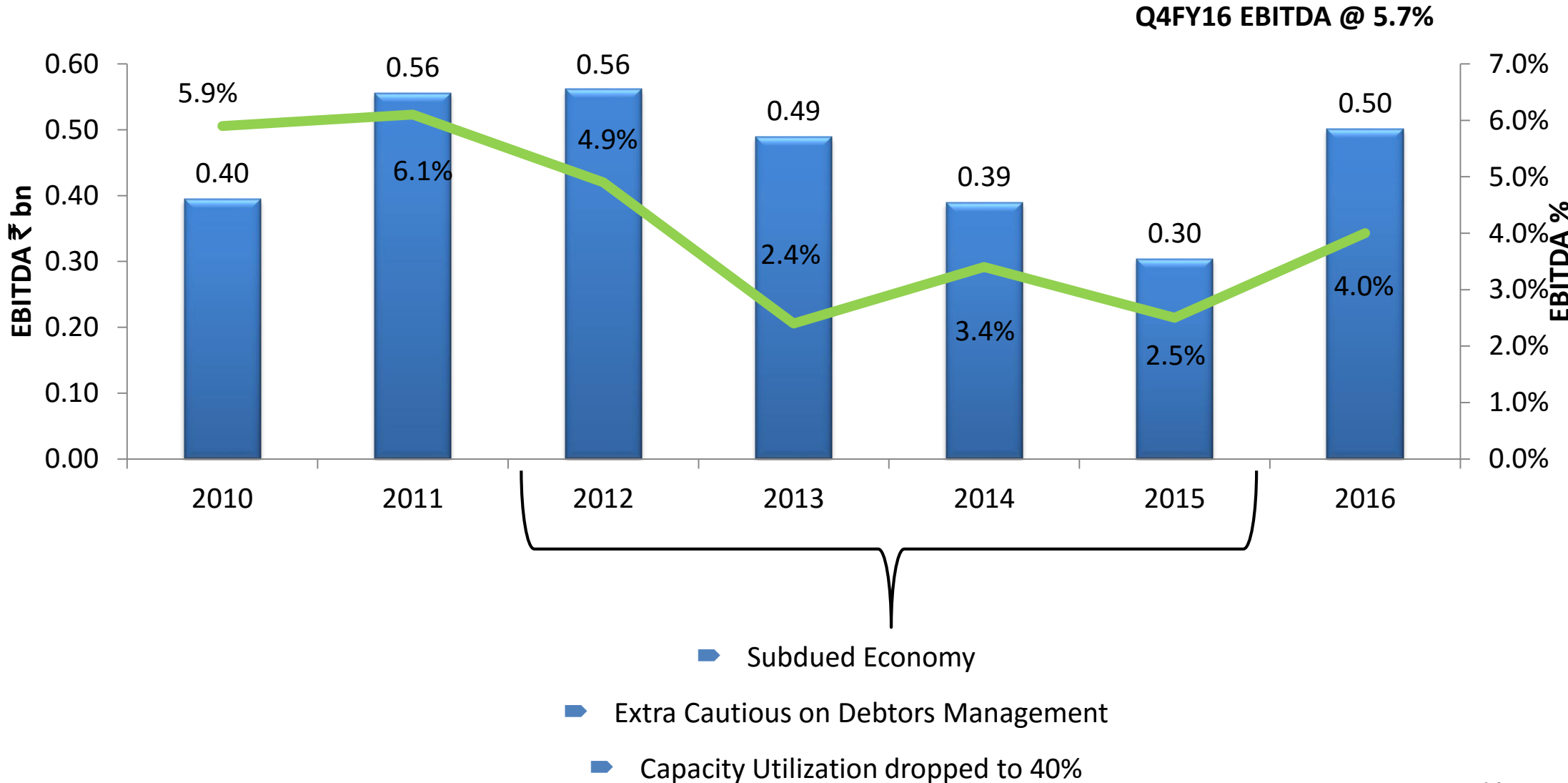
Mix with the Best



- Ready mixed concrete is concrete in ready to use form. It is one of the most versatile building material used in construction.
- Started in mid-90s : ~10% of total cement used for concrete in India is through RMC route (Metros / Tier1 ~35% & Tier2 ~20%) v/s 50-70% in developed economies
- Industry Structure
  - Barriers to entry : Location and permission in cities
  - ~60% unorganized. GST implementation would shift market towards organized players
- RMC to gain further on account of Real Estate Bill being cleared. Benefits such as consistent quality, saving of site space, reduced labour, safety etc
- Excise benefit extended to captive site plants in FY16 Budget

- 2nd largest player : pan India presence with 81 Plants in 38 Cities/towns
- Backward integration: 7 plants of aggregates & manufactured sand
- NABL Accredited Labs
- '03-'12 Sales CAGR of 39%. After nearly flattish growth for 4 years, double digit growth expected in the medium term
  - Demand drivers – Urbanization & Infrastructure, affordable housing offers growth opportunity
- EBITDA margins bottoming out (4% in FY16). Levers for margin improvement
  - Improvement in capacity utilization (~40% in FY16)
  - Increase in sales of Value Added products and focus on IHB
  - Cost management program in place
- ROCE to improve (~15% in FY16)
  - EBITDA margin: 3-7%
  - Asset turnover: >7x (Capital Employed – ~Rs1.8bn and Sales ~Rs12.6bn)

# RMC EBITDA – Performance

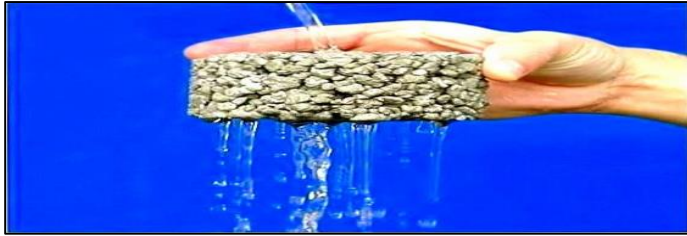






### Enviropsectcrete™

It is a High Performance and Sustainable concrete. Used in mass foundations, underground structures etc



**Perviouscrete™** is “Rain water harvesting” concrete.

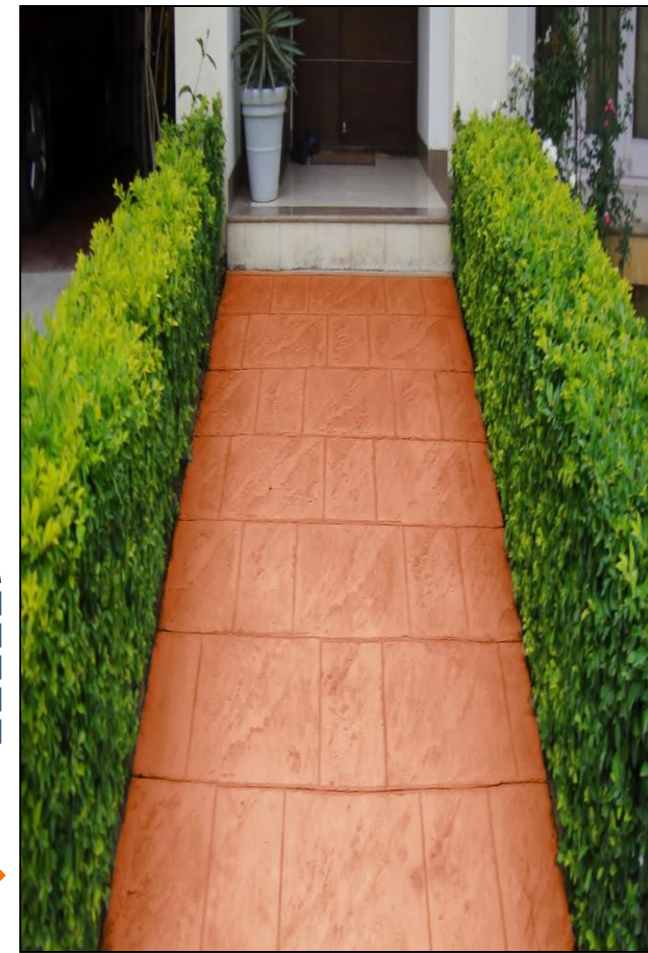
**FRCcrete™** is fibre reinforced concrete. Fibres include steel, glass or synthetic fibres. Used in terrace slabs, warehouses, container yards, railway platforms etc.



**Thermocrete®** is temperature controlled concrete used for mitigating thermal tensile cracks

## RMC Specials Value-added Concrete

**Dyecrete™** comprises an eye catching array of concrete that are colourful & textured. →







# TBK Overview



- ▶ Set up in 1958, offering wide range of tiles, sanitary ware, bath fittings, modular kitchens and construction chemical
- ▶ 10 Manufacturing plants(Own & JVs) with capacity of ~58mn m2 pa. Asset light business model through six manufacturing JVs contributing 70% of capacity with 4 JVs in Gujarat & 2 JVs in AP
- ▶ Large national trade network of ~1000 dealers
- ▶ 26 “House of Johnson” chain of retail outlets across India contributing ~9% of Division’s total sales
- ▶ Complimentary businesses to leverage Brand and Distributions



## 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 Bengaluru 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

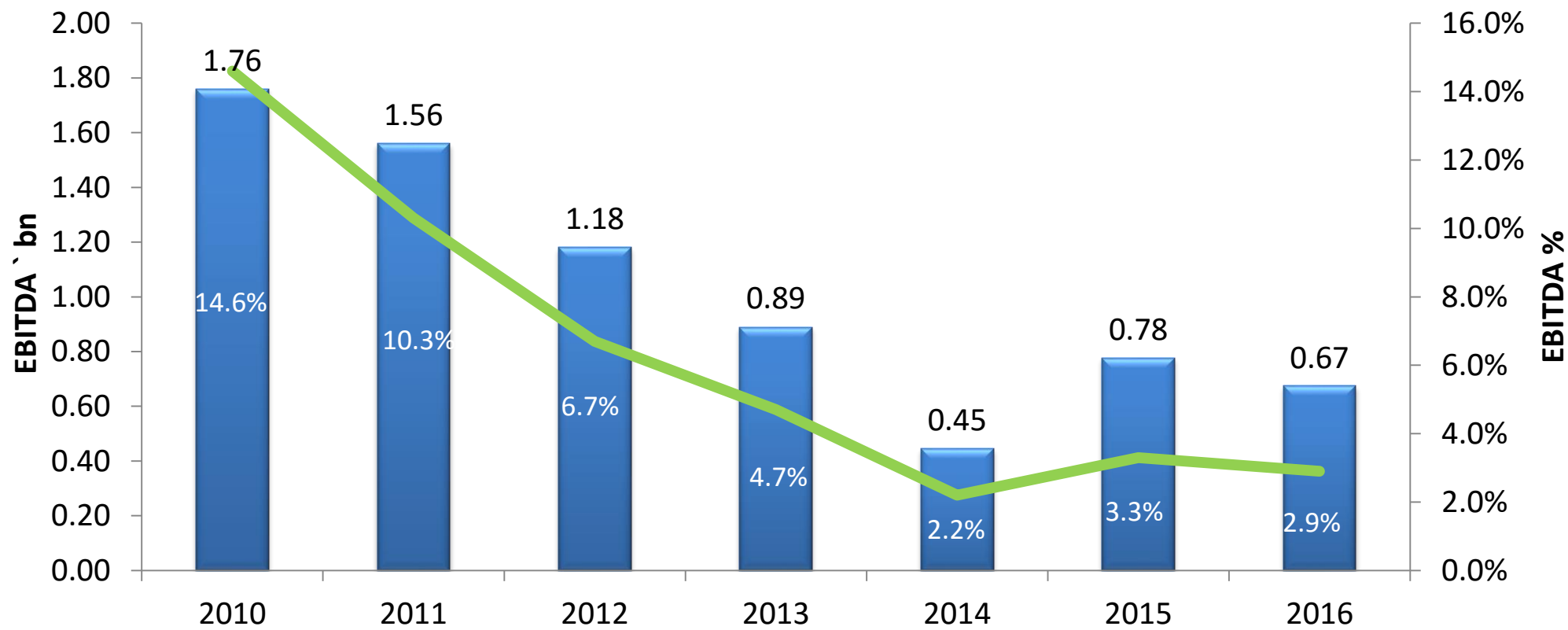
- Sunrise industry
- High growth potential
- Offers complete range of products including installation
- Tie-up with a German company for sourcing

# On recovery path...



- ▶ Enjoyed leadership position with '03 -'12 (Sales CAGR 17%)
- ▶ FY10 consolidated EBITDA margins of 14.6%
- ▶ FY11-14, Challenging years as 40% of total capacity in AP and Karnataka suffered on account of power and fuel availability
- ▶ Addressed Power and fuel issues in South by
  - ▶ Installing 3 coal gassifiers in AP plants and winning bids for onshore micro gas wells
  - ▶ Natural gas pipeline connectivity completed for Karnataka plant
- ▶ Scaled up marketing activities, distribution channels amongst other
- ▶ As a result gained market share since Q4 FY14 for ~18 months
- ▶ Margin / Market share recovery expected going forward
  - ▶ Gas price reduction
  - ▶ Antidumping duty on vitrified tiles
  - ▶ Product mix improvement
  - ▶ Sales team to generate demand for dealers through strong influencer connect
  - ▶ Operating leverage as capacity utilization levels go up

# TBK EBITDA - Performance



- JV with QBE Group of Australia
- Focus on speciality products like liability insurance, marine liability and trade credit
- Strategic sale of 23% stake to existing partner for AUS\$ 21.6mn
- Prism's investment : 51% stake at book value of ₹1.05bn
- FY16 financials:
  - Gross written premium : ₹0.37bn
  - Profit before tax: ₹0.15bn



## Mr. Vijay Aggarwal, Managing Director

- B. Tech (Elec.) from IIT, Delhi and PGDM from IIM, Ahmedabad
- Tenure in Company: 22 years
- Past experience includes SBI Capital Markets
- On the Board of various companies including Exide Industries, Exide Life Insurance Co, Aptech, Asianet Satellite Communications, Ardex Endura (India), Raheja QBE General Insurance Co

# Management Profile



## **Mr. Joydeep Mukherjee, Executive Director & CEO - HRJ**

- ▶ PGDM in Marketing Management, IGNOU, Kolkata and EMIB - International Business and Marketing from IIFT, New Delhi.
- ▶ Tenure in Company: 6 months
- ▶ Past experience includes ACC and Hindalco



## **Mr. Venugopal M Panicker, Executive Director & CEO – RMC**

- ▶ Chartered Accountant, Company Secretary and a Member of the Institute of Company Secretaries & Administrators, UK (AICSA-UK)
- ▶ Tenure in Company: 19 years
- ▶ Past experience includes Walchandnagar and Tatas



## **Mr. Vivek K. Agnihotri, Executive Director & CEO - Cement**

- ▶ M.B.A. from F.M.S., University of Delhi
- ▶ Tenure in Company: 10 months
- ▶ Past experience includes Ambuja Cements and ACC



## **Mrs. Aneeta Kulkarni – Company Secretary**

- ▶ Company Secretary, LLB, PGDAM (NMIMS) and FIII (Fellow of Insurance Institute of India)
- ▶ Tenure in Company: 21 years
- ▶ Past experience includes New India Assurance, Thirumalai Chemicals and Vijayshree Chemicals



## **Mr. Pramod Akhramka , CFO**

- ▶ Cost and Works Accountant, Chartered Accountant, Company Secretary and Executive Management courses
- ▶ Tenure in Company: 2 Years
- ▶ Past experience includes Ashok Piramal Group and Vaibhav Global Group



## **Mr. Rajnish Sacheti, Group President Legal & Indirect Taxes**

- ▶ Company Secretary
- ▶ Tenure in Company: 18 years
- ▶ Past experience includes Grasim Industries

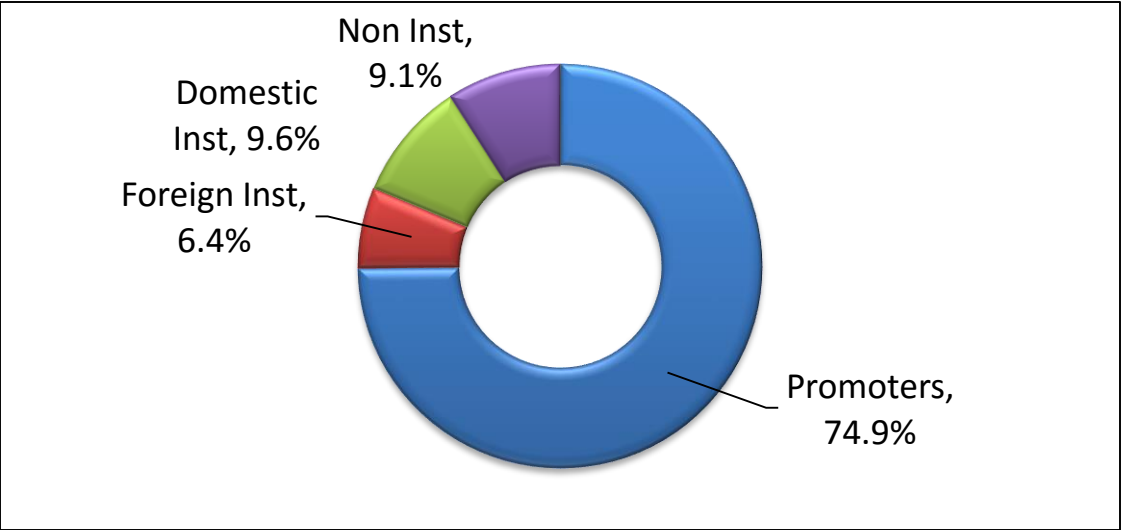
# Focus on de-leveraging



- ▶ Borrowings as on 31st March'16
  - ▶ Net consolidated ₹20.7bn, down by ~₹0.9bn
  - ▶ Net standalone ₹17.5bn, down by ~₹0.7bn
- ▶ Average cost of Standalone debt: 10.75%



# Shareholding Pattern as on 31<sup>st</sup> Mar'16



Public category holding over 1% of total shares

Shareholder	%
HDFC Trustee Company Ltd - HDFC Equity Fund	3.5
Morgan Stanley Asia (Singapore) PTE	2.1
National Westminster Bank Plc as Trustee of the Jupiter India Fund	1.3
Goldman Sachs India Fund	1.2
ICICI Prudential Value Discovery Fund	1.0

# THANK YOU

For further information, please contact:

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