



11th August 2018

Press Release

THE INDIA CEMENTS LIMITED

UNAUDITED RESULTS FOR THE I QUARTER

ENDED 30th JUNE 2018

The India Cements Ltd has turned out a reasonable performance given the tough market conditions in the south arising out of regional imbalances in capacity. Despite the drop in selling prices of cement, the company could achieve this through increased volume coupled with stringent control on fixed cost and selling expenses.

The cement industry, after 3 long years of nil and negative growths, has started showing signs of recovery from the second half of the last fiscal registering a double digit growth in production. The uptrend in cement production continued during the first quarter of the current fiscal also. According to the information published by DIPP, the industry had recorded a growth of 14% in April to June'18 period in production as compared to same quarter of the previous year. According to the information available, even south, which had witnessed a negative growth in the first half of last year has turned around in the second half and registered a growth of over 20% in the first quarter of the current fiscal primarily driven by the infrastructure push given by the Governments of Andhra Pradesh and Telangana and also due to lifting of sand mining ban in Tamil Nadu. However, given the supply overhang

in the south, the cement prices continued to be under pressure during the quarter under review.

The prices of petroleum products continued to raise during the quarter and there was further hike in the delivery price of coal caused by upward revision in the prices and freight on movement of coal. The industry in the south in particular had to absorb the impact of the above given the competitive environment.

Company Performance:

The operating performance of the company during the quarter had substantially improved with a capacity utilisation of 80% as compared to 67% in the same quarter of the previous year.

- The overall volume of the company for the quarter under review was 30.75 lakh tons up by 16% as compared to 26.56 lakh tons in the same quarter of the previous year.
- The steep drop in NPR by nearly 9% when compared to same quarter of the previous year meant a bottom line impact of nearly Rs.104 crores for the quarter.
- With the increase in fuel price and petroleum products prices, the variable cost was also higher by 5% during the quarter.
- As earlier mentioned, the fixed cost was pruned down substantially with the reduction in man power cost, selling and distribution expenses, policy changes and such other actions to reduce the administrative overheads.
- Despite the lower NPR and higher variable cost, with the increase in volume and with reduction in fixed cost, the company could turn out an EBIDTA of Rs.162 crores against Rs.191 crores in the previous year a drop of 15%.

- The interest and other charges were lower on account of repayments at Rs.73 crores against Rs.87 crores while depreciation was at Rs.62 crores against Rs.63 crores. The resultant profit before tax was at Rs.27 crores against Rs.40 crores. The taxation provision for the quarter was at Rs. 6 crores as compared to Rs.14 crores in the previous year and net profit after tax was at Rs.21 crores against Rs.26 crores in the previous year.

The above results were taken on record by the Board of directors at their meeting held on 11th August 2018.

OUTLOOK:

With signs of pick up in economic activity and revival in demand, Indian economy is expected to be back on high growth track in the current year with a projected GDP growth rate of 7.4%

After several years of sluggish and nil growth, the demand for cement is growing sharply on the back of infrastructure projects, roads, dams, etc. coupled with thrust on housing. It is expected that this trend will further gain momentum during this financial year. It is only a matter of time before cement prices also start to move up in the wake of such demand growth even in south.

In addition the good showing of the current monsoon will further improve rural demand. With the Government's focus on big ticket infrastructure projects and housing and the expected higher public spending ahead of General Elections next year, on the whole, we can expect good capacity utilisation levels and better prices during the second half of this financial year.