



# India's largest cement company

**EARNINGS Q1:FY 2017/18**

Stock code: BSE: 532538 NSE: ULTRACEMCO Reuters: UTCL.NS  
Bloomberg: UTCEN IS / UTCEN LX

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## GLOSSARY

**Mnt** – Million Metric tons **Lmt** – Lakhs Metric tons **MTPA** – Million Tons Per Annum **Q1** – April-June **CY** – Current year period.  
**LY** – Corresponding Period last Year **FY** – Financial Year (April-March) **ROCE** – Return on Average Capital Employed  
**ROIC** – Return on Invested Capital

**Note:** The financial figures in this presentation have been rounded off to the nearest ₹ 1 cr; 1 US\$ = ₹ 64.46

# Macro Indicators

Q1 FY18

## Challenging environment

Weak IIP growth for April and May at 2.3% (LY 7.3%)

Manufacturing PMI declined to 50.6 in June'17, weakest in four months

RERA implemented from 1st May'17; short-term challenge for the real estate sector

GST rolled out from 1st July'17; will have teething issues

FY17 GDP growth 7.1% v/s LY 8.0%

# Industry Update

## Q1 FY18

### Another quarter of weak performance

**North:** Volume impacted due to sand / aggregate shortage



**East:** Continuous improvement in rural markets, IHB and infrastructure segment



**West:** Subdued demand – sand availability issues, water scarcity in Gujarat, low cost housing now taking off



**South:** Slowdown due to drought in Tamil Nadu





# Key Company Updates

# Acquisition Update

## Completed 21.2 mtpa cement capacity acquisition

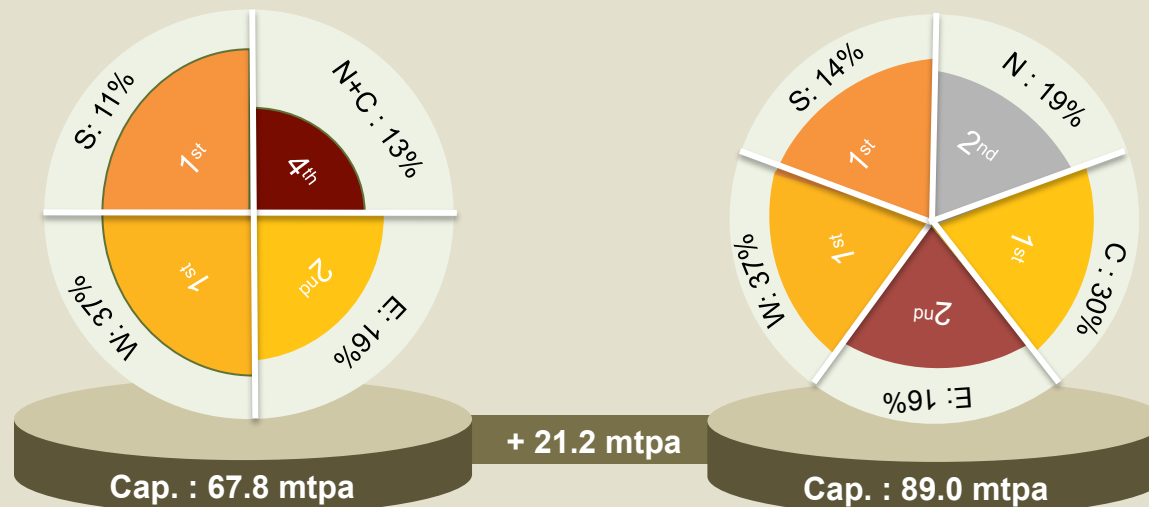
Consolidated capacity augmented to 93 mtpa (including overseas)

Finance through 20-year Rupee term loan at < 8%

Latest European technology plants

Strong foothold in Central Zone

Zonal capacity share and rank



Note: N = North, C = Central, E = East, W = West, S = South



# Acquisition Integration

## Key priorities

### Turnaround plan

- Added over 5000 dealers in new markets
- Steps to improve quality
- Leveraging procurement synergies
- Enhancing operational benchmarks
- Re-organizing clinker movement;  
plan to reduce logistics costs
- Training to employees to work in line with UltraTech  
systems and safety standards

**UltraTech's well-oiled outperformance-driven culture**

# Financial Position

India

## Particulars

Post –  
Acquisition  
30.06.17

Pre –  
Acquisition  
31.03.17



Net Debt (₹ Crs)

12,872

(2,422)

Net Debt: Equity

0.52

(0.10)

Net Debt/EBITDA

1.87

(0.43)

Growth focused financials



# Why we are confident...

## Key triggers

Current capacity utilization of the acquired plants < 15%



UltraTech existing plants capacity utilization ~ 78%



Well recognized UltraTech brand



High growth markets of Central India, North India and Coastal Andhra Pradesh



Plan to achieve cash break-even of acquired capacity within four quarters

# GST Update

**Implemented from 00:00 hrs 01.07.2017**

Reduction in total tax outgo from 30-31% to 28% on retail sales



Tax benefit passed on to customers w.e.f. 01.07.2017 (revenue neutral)



No business disruption



Imparted training to business partners



**Well-planned execution**

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# Key Highlights for the Quarter

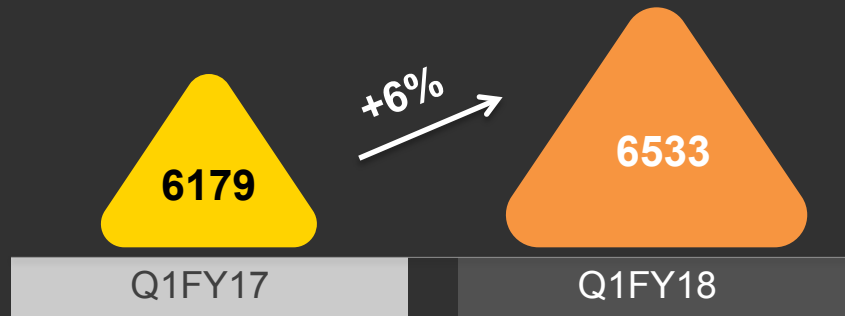
UltraTech Cement is a proud partner of the Kochi Metro.

# Q1 – Highlights

## Standalone

Operating margin @ 24%

**Turnover** (₹ crs)



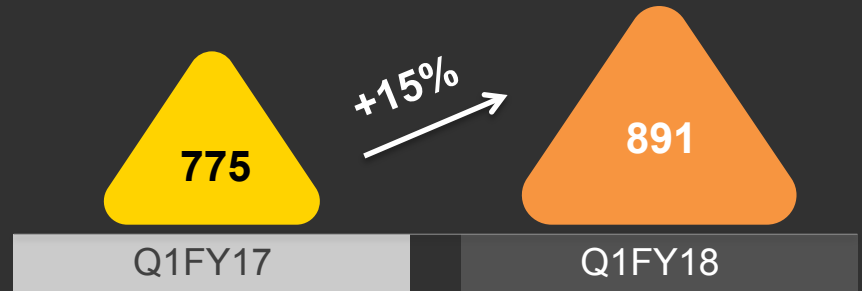
**EBITDA** (₹ crs)



**Op. Profit** (₹ PMT)



**PAT** (₹ crs)



# How it has been achieved

## Key initiatives

### Enhancing productivity

- Higher use of additives
- Improved clinker-to-cement conversion ratio



### Improving consumption norms



### Focus on effective procurement management

- Source optimization
- Reverse logistics



### Ongoing manpower optimization



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**UltraTech**

# Operational and Financial Performance

Beautiful dreams build beautiful homes

# Sales Performance

(Standalone – Q1)

Particulars	CY	LY	▲ %
Capacity (mtpa)	89.00	66.25	34
Capacity utilisation	78%*	77%	1
Domestic Sales	12.59	12.72	(1)
Exports & Others	0.59	0.48	23
<b>Total</b>	<b>13.19</b>	<b>13.20</b>	<b>-</b>

**Capacity utilisation improved on expanded capacity**

\* Excluding the capacities acquired on 29<sup>th</sup> June, 2017



# Sales performance

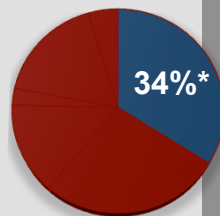
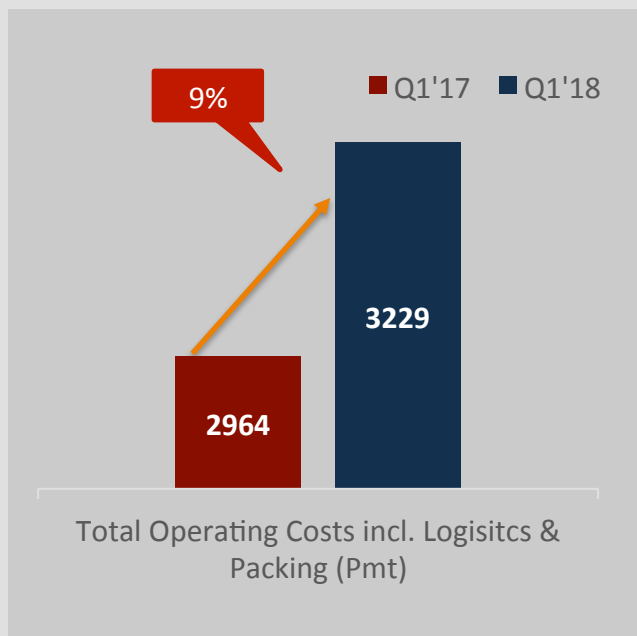
## Key achievement

Brand UltraTech – First choice for infrastructure projects

Improvement in blended cement sales: 2% YoY

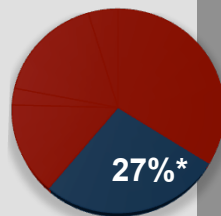
Enhanced UBS share in sales: 100 bps to ~ 8.5% (YoY)

# Operating Costs (Grey Cement)



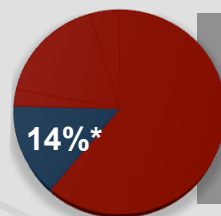
**Logistics cost ₹1098/t up 2% YoY:**

Impact of increase in diesel prices  
Efficiency improved



**Energy cost increased 28% YoY : ₹ 871/t**

Petoke prices jumped 2x  
Efficiency improvement gain 5%



**Raw materials cost : ₹466/t +4% (YoY)**

Increased usage of additives

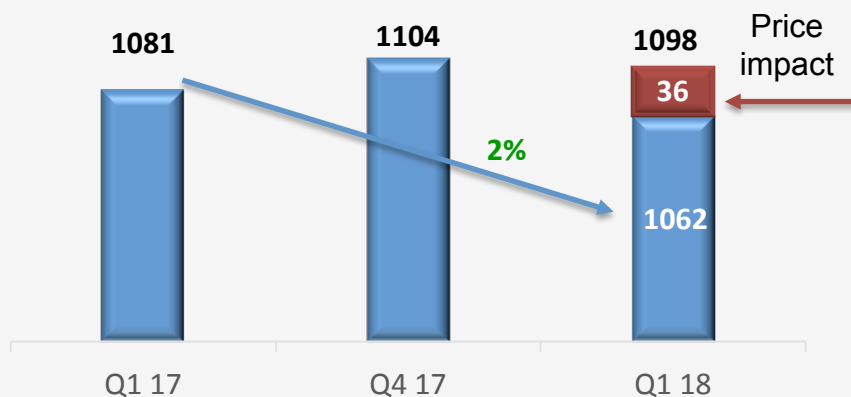
**Efficiency improvements contributed ~ 5% improvement in EBITDA.**

**More to follow**

# Logistics cost trends

## (Grey Cement)

Logistics Cost ₹/t



### ► Logistics cost –up 2% YoY

- ❑ Increase in diesel prices ~ 9%
- ❑ LY: exemption of busy season surcharge for two months
- ❑ Efficiency improvements ~ 2%
  - Saving achieved with plant and market mix optimization

Mode Mix	Q1 17	Q4 17	Q1 18
Rail	26%	26%	25%
Road	71%	70%	72%
Sea	3%	4%	3%

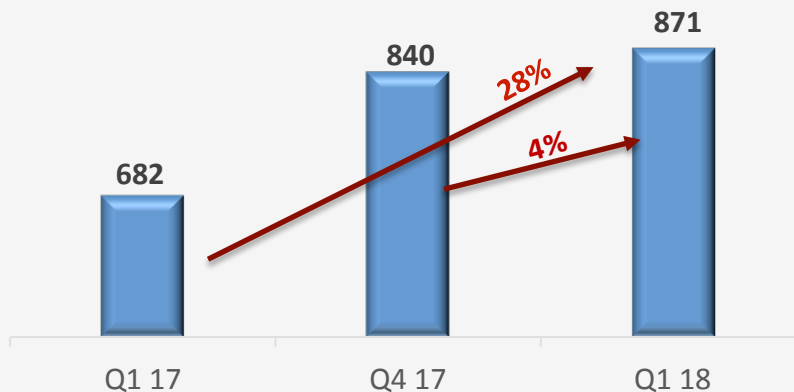
### ► Marginal decline over Q4

- ❑ Reduction in diesel prices ~ 5%
- ❑ Change in sale pattern (more ex-works sale)

# Energy cost trends

## (Grey Cement)

Energy Cost ₹/t



Kiln Fuel Mix %	Q1 17	Q4 17	Q1 18
Petcoke	74%	71%	71%
Industrial waste	1%	3%	3%
Imported Coal	18%	11%	13%
Indigenous Coal and Others	7%	14%	14%

### ► YoY Energy cost up 28%:

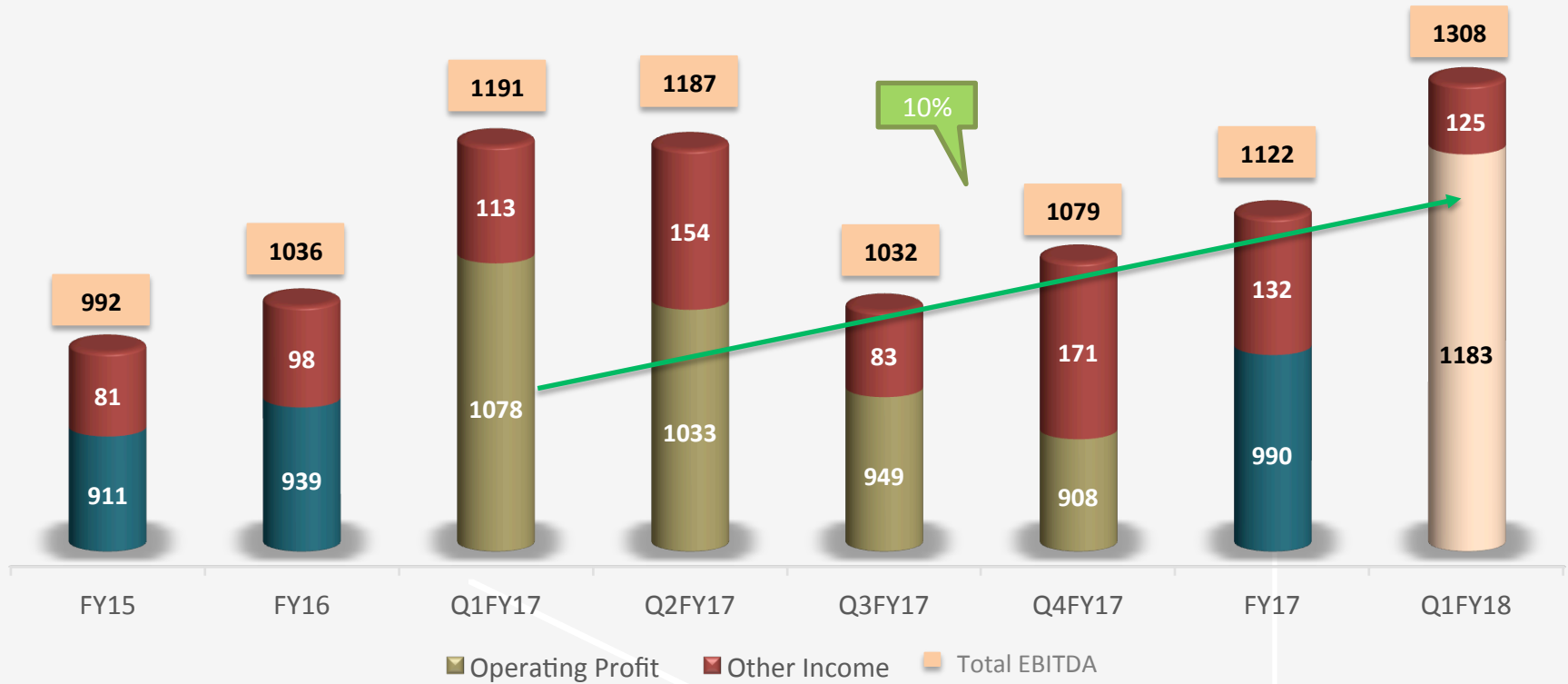
- ❑ Impact of increased petcoke prices ~ 2x
- ❑ Improved power consumption (5%) - ₹ 14/t
- ❑ WHRS share in total power 8% - ₹ 5/t
- ❑ Higher usage of industrial waste 3%
- ❑ Use of full quota of linkage coal

### ► Sequentially cost increased 4%:

Higher fuel prices

# EBITDA

(₹ per ton) (India)



**Strong all-India performance**

# Income statement- Q1

₹ crs

Consolidated			Particulars	Standalone		
CY	LY	▲%		CY	LY	▲%
6938	6535	6	Revenues (net of excise duty)	6533	6179	6
166	151	10	Other Income	165	150	10
<b>1798</b>	<b>1626</b>	<b>11</b>	<b>EBITDA</b>	<b>1725</b>	<b>1573</b>	<b>10</b>
<b>26%</b>	<b>25%</b>	<b>1</b>	<b>Margin (%)</b>	<b>26%</b>	<b>25%</b>	<b>1</b>
141	180	22	Finance Costs	128	152	16
361	323	(12)	Depreciation incl. investment impairment	310	303	(2)
<b>1296</b>	<b>1124</b>	<b>15</b>	<b>PBT</b>	<b>1,287</b>	<b>1,118</b>	<b>15</b>
398	344	(16)	Tax Expenses	396	343	(16)
0.9	(0.3)		Minority Interest	-	-	-
<b>897</b>	<b>780</b>	<b>15</b>	<b>PAT</b>	<b>891</b>	<b>775</b>	<b>15</b>
<b>32.7</b>	<b>28.4</b>	<b>15</b>	<b>EPS (₹)</b>	<b>32.4</b>	<b>28.2</b>	<b>15</b>

- ▶ EBITDA improved 10% at standalone level and 11% at consolidated level
- ▶ PAT improved 15%

# Financial Position

₹ crs

Consolidated		Particulars	Standalone	
30.06.17	31.03.17		30.06.17	31.03.17
25286	24401	Shareholders Funds	24828	23941
22679	8474	Loans	20470	6240
2887	2773	Deferred Tax Liabilities	2888	2774
<b>50852</b>	<b>35648</b>	<b>Sources of Funds</b>	<b>48186</b>	<b>32955</b>
42178	26039	Fixed Assets	40550	24387
1028	1085	Goodwill	-	-
7654	8713	Investments	8345	9409
150	185	Derivative Assets	95	115
(158)	(373)	Net Working Capital	(804)	(956)
<b>50852</b>	<b>35648</b>	<b>Total Application of Funds</b>	<b>48186</b>	<b>32955</b>
<b>15055</b>	<b>(215)</b>	<b>Net Debt</b>	<b>12872</b>	<b>(2422)</b>



# Financial Indicators

Consolidated		Indicators	Standalone	
30.06.17	31.03.17		30.06.17	31.03.17
0.60	(0.01)	Net Debt: Equity	0.52	(0.10)
2.09	(0.04)	Net Debt / EBITDA	1.87	(0.43)
10.5	7.1	Interest Cover	11.0	7.5
16.3%	12.8%	ROCE	16.9%	13.4%
10.3%	7.7%	ROIC	10.7%	8.1%
240*	240	EV (USD/t)		
15.2*	18.6	EV / EBITDA		
921	889	Book Value (₹/Share)	904	872

\* Excluding the impact of capacities acquired on 29<sup>th</sup> June, 2017



# Sector Guidance

# Sector guidance: Cautiously optimistic

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## **Gradual pick-up in cement demand post-monsoon**

### **Short-term concerns**

Drought in South India, sand availability issue,  
RERA compliance

### **Long-term concerns**

Subdued urban housing demand  
Lack of private capex  
Cement prices likely to remain volatile

# Sector guidance: Cautiously optimistic

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## **Positive factors**

### **Rural Housing**

Likely to revive; expectation of a normal monsoon

### **Affordable Housing**

Industry status and interest subvention scheme  
to increase execution pace

### **Infrastructure spending**

Continue to be a key cement growth driver

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# Annexures

# Income statement- Q1

US\$ Mn

Consolidated			Particulars	Standalone		
CY	LY	▲%		CY	LY	▲%
1076	1014	6	Revenues (net of excise duty)	1013	959	6
26	23	10	Other Income	26	23	10
<b>279</b>	<b>252</b>	<b>11</b>	<b>EBITDA*</b>	<b>268</b>	<b>244</b>	<b>10</b>
26%	25%	1	<b>Margin (%)</b>	26%	25%	1
22	28	22	Finance Costs	20	24	16
56	50	(12)	Depreciation incl. investment impairment	48	47	(2)
<b>201</b>	<b>174</b>	<b>15</b>	<b>PBT</b>	<b>200</b>	<b>173</b>	<b>15</b>
62	53	(16)	Tax Expenses	61	53	(16)
0.1	0.0		Minority Interest	-	-	-
<b>139</b>	<b>121</b>	<b>15</b>	<b>PAT</b>	<b>138</b>	<b>120</b>	<b>15</b>
<b>0.5</b>	<b>0.4</b>	<b>15</b>	<b>EPS (₹)</b>	<b>0.5</b>	<b>0.4</b>	<b>15</b>

# Financial Position

US\$ Mn

Consolidated		Particulars	Standalone	
30.06.17	31.03.17		30.06.17	31.03.17
3923	3786	Shareholders Funds	3852	3714
3518	1315	Loans	3176	968
448	430	Deferred Tax Liabilities	448	430
<b>7889</b>	<b>5530</b>	<b>Sources of Funds</b>	<b>7475</b>	<b>5112</b>
6543	4040	Fixed Assets	6291	3783
160	168	Goodwill	-	-
1187	1352	Investments	1295	1460
23	29	Derivative Assets	15	18
(25)	(58)	Net Working Capital	(125)	(148)
<b>7889</b>	<b>5530</b>	<b>Total Application of Funds</b>	<b>7475</b>	<b>5112</b>
<b>2336</b>	<b>(33)</b>	<b>Net Debt</b>	<b>1997</b>	<b>(376)</b>



# Disclaimer

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*Statements in this “Presentation” describing the Company’s objectives, estimates, expectations or predictions may be “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company’s principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.*

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