



UltraTech Cement Limited

# India's largest cement company

Earnings **Q4** FY18

Stock code: BSE: **532538** | NSE: **ULTRACEMCO**

Reuters: **UTCL.NS** | Bloomberg: **UTCEM IS/UTCEM LX**

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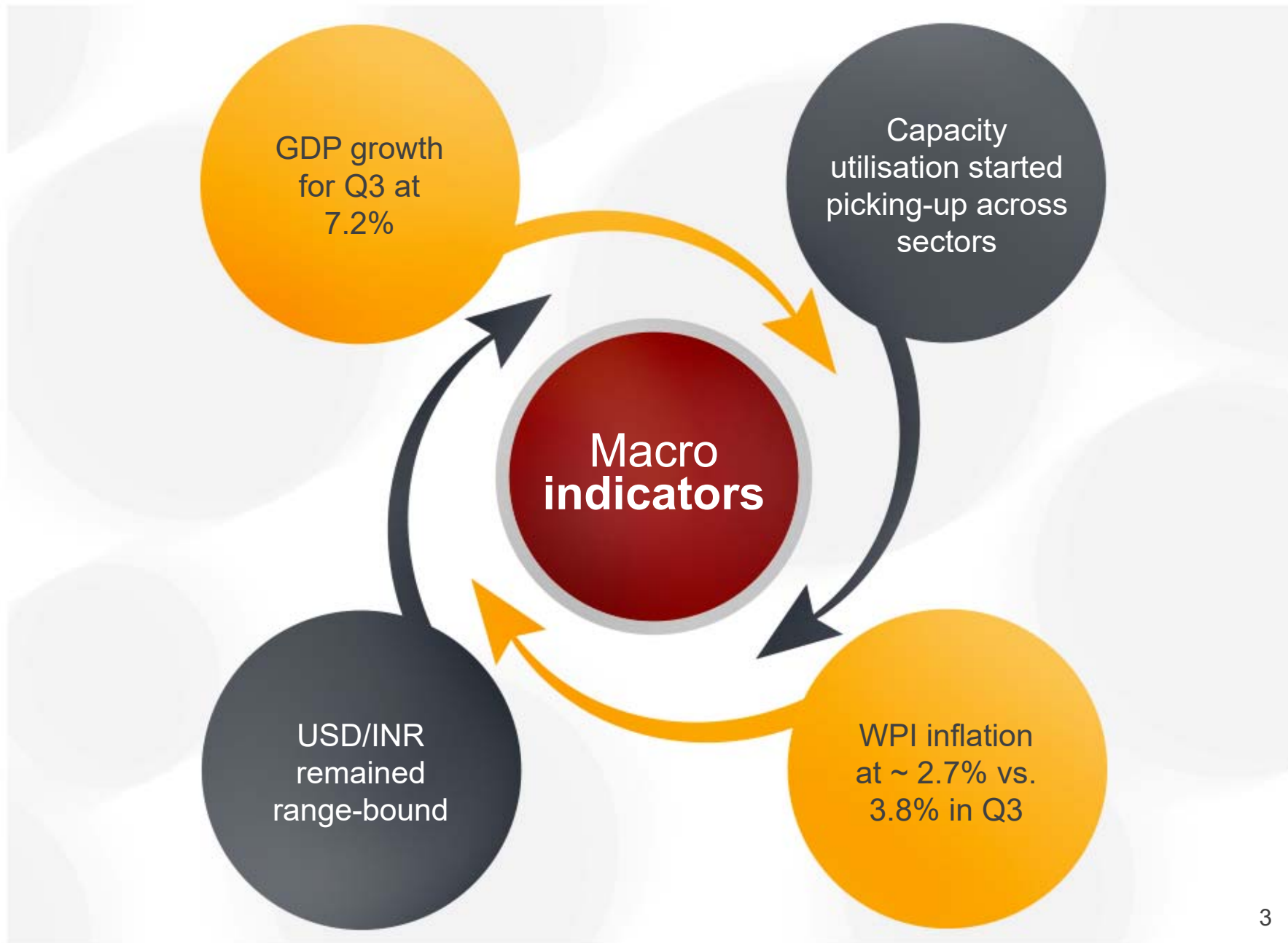
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review

## GLOSSARY

**Mnt** – Million metric tons, **Lmt** – Lac metric tons, **MTPA** – Million tons per annum, **Q2** – July-September, **Q3** – October-December, **Q4** – January-March, **CY** – Current year period, **LY** – Corresponding period last year, **FY** – Financial year (April-March)

*Note: The financial figures in this presentation have been rounded off to the nearest Rs. 1 crore; 1 US\$ = Rs. 64.35*



## Sectoral update – growth momentum continues

**Annual demand – industry is likely to achieve historical correlation with GDP after seven years**



# Sectoral update

## State/region-wise performance

State/Region	Vol. Gr.	I	LCH	RH	UH	C	Key drivers
Haryana	↑	●	●	●	●	●	Infrastructure spends and Rural IHB
Delhi + NCR	↑	●	●	●	●	●	Infrastructure spends
Punjab	↑	●	●	●	●	●	Rural Housing and Commercial
Himachal Pradesh	↓	●	●	●	●	●	Poor water availability
Madhya Pradesh	↑	●	●	●	●	●	Governmental infrastructure spends
Rajasthan	↑	●	●	●	●	●	Poor sand availability
Uttar Pradesh	↑	●	●	●	●	●	Infrastructure spends and PMAY
West Bengal	↑	●	●	●	●	●	Infrastructure spends and PMAY
Bihar	↑	●	●	●	●	●	Infrastructure spends and IHB
Jharkhand	↑	●	●	●	●	●	PMAY and IHB
Odisha	↑	●	●	●	●	●	Infrastructure spends, PMAY & IHB
Chhattisgarh	↑	●	●	●	●	●	Rural infrastructure and housing

Consistent infrastructure spends and pick up in rural housing are key growth drivers

**I:** Infrastructure, **LCH:** Low-cost housing, **RH:** Rural housing, **UH:** Urban housing, **C:** Commercial

**PMAY:** Pradhan Mantri Awaas Yojana, **IHB:** Individual Home Builder.

# Sectoral update

## State/region-wise performance

State / Region	Vol. Gr.	I	LCH	RH	UH	C	Key Drivers
Maharashtra	↑	●	●	●	●	●	Infrastructure spends and Affordable Housing
Gujarat	↓	●	●	●	●	●	RERA impact on new projects launch
Andhra Pradesh / Telangana	↑	●	●	●	●	●	Infrastructure spends and PMAY
Karnataka	↑	●	●	●	●	●	Housing and Commercial
Tamil Nadu	↑	●	●	●	●	●	Improving IHB demand
Kerala	↑	●	●	●	●	●	Improving IHB demand

Pick up in affordable housing demand and IHB demand

**I:** Infrastructure, **LCH:** Low-cost housing, **RH:** Rural housing, **UH:** Urban housing, **C:** Commercial

**RERA:** Real Estate (Regulation and Development) Act, **PMAY:** Pradhan Mantri Awaas Yojana, **IHB:** Individual Home Builder.

Performance of acquired assets:  
**achieved target a quarter ahead of schedule**

**01**

Achieved:  
average  
capacity  
utilization  
of ~ 75%

**02**

Achieved:  
Cash  
break-even  
(debt funding  
- 80%)

**03**

Pet coke  
usage in kilns  
at ~75%

**04**

Cost gap with  
existing  
plants  
narrowing  
down

**Conclusion:** Completed integration in < 9 months.

## Performance of acquired assets: **What next?**

**01**

Bring down costs to UltraTech standards (barring structural differences)

**02**

Enlarge dealer and retailer network to increase market share

**03**

Expand UltraTech Building Solutions ('UBS') into newer markets

**04**

Ensure synergic existence of acquired and existing plants

**Conclusion:** PBT break-even of acquired units by April-June 2019.



## Another target conquered: **benchmark in commissioning greenfield capacity**



**Clinker capacity:  
2.5 mtpa**

**Cement capacity:  
3.5 mtpa**

For the first time ever a greenfield plant erected -

**01**

In record  
time < 365  
days

**02**

At a  
benchmark  
cost of  
< \$90 /t

**03**

With distinct  
market  
leadership:  
no other  
plant in the  
vicinity

**Conclusion:** Ready for demand up-cycle.

## UltraTech: **highlights and key developments for FY18**

**01**

Strong volume growth – carved out a sizeable share of incremental demand during the year

**02**

UltraTech Building Solution ('UBS') outlets increased to ~1600

**03**

Efficiency improvement program continues to mitigate the impact of cost increases

**04**

Completed the integration of acquired assets

## UltraTech: **highlights and key developments for FY18** *contd...*

**05**

Achieved reduction in overall lead distance by ~ 3%

**06**

EBITDA stood at **Rs. 6478 Crs** up **15%**

**07**

Cash Surplus  
Rs. 2,811 Crs

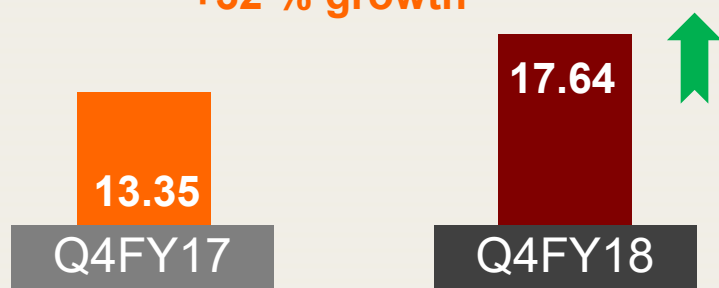
**08**

Dividend  
@ Rs 10.50/ share  
(payout ~ 15.6%)

## UltraTech: **key performance highlights – Q4**

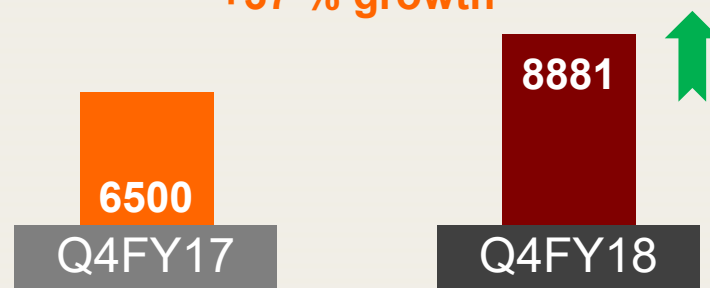
Domestic sales volume (MnT)

**+32 % growth**



Turnover (Rs. Crs)

**+37 % growth**



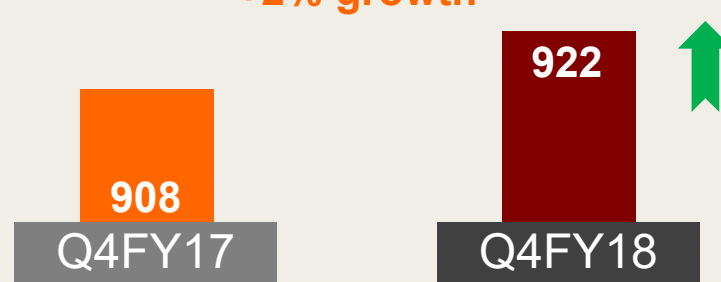
EBITDA (Rs Crs)

**+19 % growth**



Operating EBITDA (Rs./mt)

**+2% growth**



## Sales performance: **solid growth**

*MnT*

Particulars	Q4			Annual		
	CY	LY	▲%	CY	LY	▲%
Capacity (mtpa)*	85.0	66.3	28	85.0	66.3	28
Capacity utilisation	80%	82%	(2)	71%	72%	(1)
Domestic sales	17.64	13.35	32	57.75	47.62	21
Exports and others	0.82	0.72	15	2.90	2.56	13
<b>Total</b>	<b>18.47</b>	<b>14.07</b>	<b>31</b>	<b>60.65</b>	<b>50.19</b>	<b>21</b>

**Conclusion:** UltraTech spreading its leadership footprint.

## Key sales initiatives

01

Consistent focus  
on rural markets  
increased share in  
overall sales  
to ~ 40%

02

UBS contribution  
in overall sales  
jumped ~16%

03

Enhanced trade  
off-take share  
over Q3  
~ 100 bps

04

Cement consumption  
in RMC increased:  
~17%

## Operating **costs** – unabated fuel prices

01

**Logistics costs**  
**34%**

y-o-y up 6%  
at Rs. 1166/t

Increased diesel prices  
Plant mix change

02

**Energy costs**  
**29%**

y-o-y up 17%  
at Rs. 987/t

Rising fuel prices  
Pet coke usage ban in TPP

03

**Raw materials costs**  
**14%**

y-o-y constant  
at Rs. 473/t

Source optimization and  
usage of alternate  
additives helped mitigate  
cost pressures

**Conclusion:** No respite in costs increase

## Efficiency improvement programme: **in focus**

Lead  
distances  
reduction  
(6%)

Reduction in  
power  
consumption  
(3%)

Increased  
usage of  
low-cost fuel  
(5%)

Improved  
thermal  
power plant  
performance  
(5%)

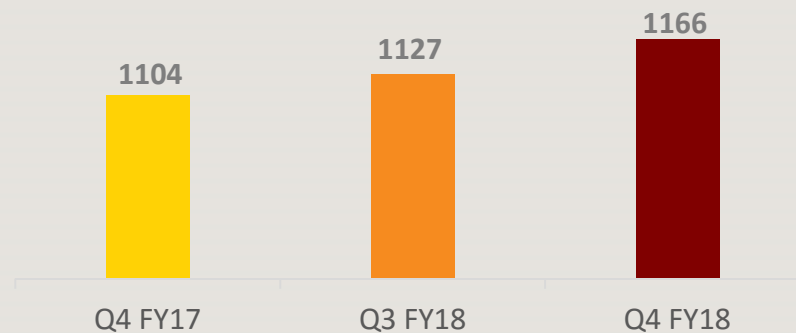
Usage of  
alternate  
additives  
(2%)

**Conclusion:** Contribution to EBITDA ~ 9%.



## Logistics cost trends

Logistics Cost (Rs/t)



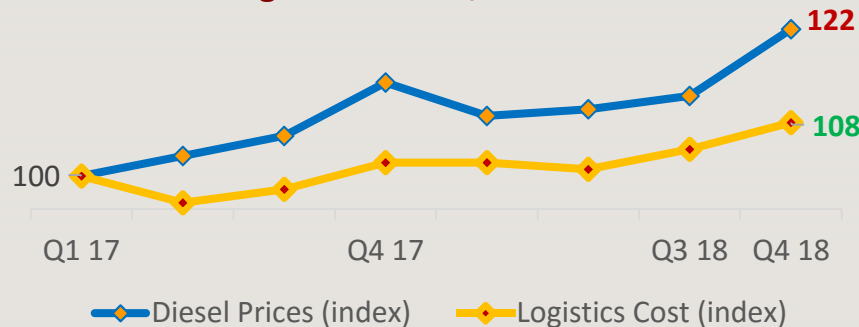
**Sequentially cost increased: 4%**

- Increase in diesel prices by 8%
- Poor rail network in Eastern India

**Y-o-Y cost increase: 6%**

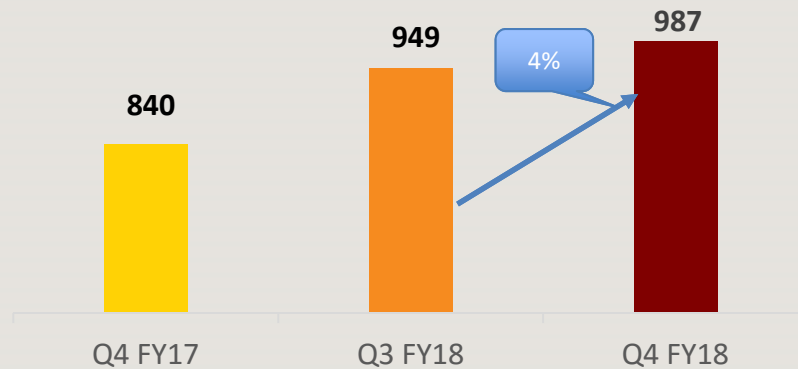
- Change in sales pattern from ex-works to FOR ( ~3%)
- Road Freight rates increasing due to increasing diesel prices
- Lead distance reduction offset cost increase to some extent

Logistics Costs v/s Diesel Prices



## Energy cost trends

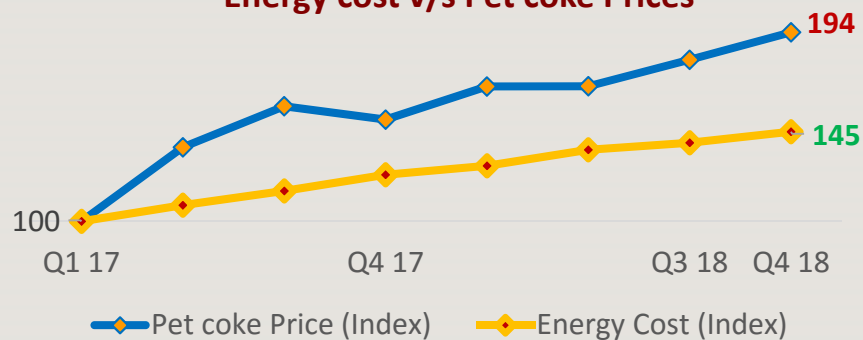
Energy Cost (Rs/t)



### Y-o-Y costs escalated: 17%

- Pet coke prices increased 20% to \$104/t
- Pet coke banned in TPPs
- Savings from efficiency improvement programme:
  - Efficiency gain in WHRS operations
  - Lower power consumption
  - TPP operations improvement

Energy cost v/s Pet coke Prices



## Actions taken to **reduce debts**

**01**

Released working capital ~ Rs. 465 Crs over Q3

**02**

Net debt reduction ~ Rs 1050 Crs in Q4



**Net debt/EBITDA improved at 1.85x over peak of 2.10x in Q2**

# Income statement **Q4**

Rs. Crs

Consolidated			Particulars	Standalone		
CY	LY	▲%		CY	LY	▲%
9298	6922	34	Revenues (net of taxes)	8881	6500	37
<b>1887</b>	<b>1577</b>	<b>20</b>	<b>EBITDA</b>	<b>1809</b>	<b>1518</b>	<b>19</b>
20%	23%	(2)	<b>Margin (%)</b>	20%	23%	(3)
344	167		Finance costs	335	153	
501	356	(41)	Depreciation	481	349	(38)
<b>1042</b>	<b>1054</b>	<b>(1)</b>	<b>PBT</b>	<b>993</b>	<b>1016</b>	<b>(2)</b>
318	328	3	Tax Expenses (Normalised)	316	328	3
<b>724</b>	<b>726</b>	<b>-</b>	<b>PAT Normalised</b>	<b>677</b>	<b>688</b>	<b>(2)</b>
315	-		Extra-ordinary Items*	226	-	
<b>446</b>	<b>726</b>	<b>(39)</b>	<b>PAT Reported**</b>	<b>488</b>	<b>688</b>	<b>(29)</b>
<b>16.2</b>	<b>26.4</b>	<b>(39)</b>	<b>EPS (Rs.)</b>	<b>17.8</b>	<b>25.1</b>	<b>(29)</b>

**PAT Normalised marginally lower despite of higher depreciation and interest cost**

\* Provision for stamp duty on acquired assets & assets impairment

\*\* After extraordinary items (net of tax) and one time charge of deferred tax on opening liability due to change in effective income-tax rate.

# Financial position

Rs. Crs

Consolidated		Particulars	Standalone	
31.03.18	31.03.17		31.03.18	31.03.17
26397	24402	Shareholder's funds	25923	23941
19480	8474	Loans	17420	6240
3173	2773	Deferred tax liabilities	3174	2774
<b>49051</b>	<b>35649</b>	<b>Sources of funds</b>	<b>46517</b>	<b>32955</b>
42296	26039	Fixed assets	40782	24387
1036	1085	Goodwill	-	-
5453	8713	Investments	6163	9409
265	(188)	Net working capital incl. derivative assets	(428)	(840)
<b>49051</b>	<b>35649</b>	<b>Total application of funds</b>	<b>46517</b>	<b>32955</b>
<b>14062</b>	<b>(215)</b>	<b>Net debt</b>	<b>12007</b>	<b>(2422)</b>

## Free **cash flow**- standalone

*Rs. Crs*

Particulars	FY18	FY17
Operating Cash Profit (Net of Tax)	5684	4890
Change in Working Capital	(608)	289
<b>Cash Flow from Operations (I)</b>	<b>5076</b>	<b>5180</b>
<b>Capex for Expansion &amp; Maintenance (II)</b>	<b>(1935)*</b>	<b>(1191)</b>
<b>Dividend Paid (III)</b>	<b>(330)</b>	<b>(311)</b>
<b>Cash Surplus (I+II+III)</b>	<b>2811</b>	<b>3678</b>

\* Excluding Acquisition cost of Rs 16189 Crs

# Sustainability **leadership**

Business performance against triple bottom line performance

## Business value creation



### Thought leadership

*Co-hosted global annual forum of Cement Sustainability Initiative in Delhi*

## Environmental value creation



### Climate performance

*> 3% of thermal energy from alternate fuels*

## Societal value creation



### Rural empowerment

*407 villages covered under CSR; Focusing on education, healthcare, agriculture, watershed, Infrastructure and sustainable livelihoods*



### Circular economy

*>16% of raw material from industrial waste materials*



### Sustainable energy sourcing

*5 million units of energy requirement met from renewable energy*



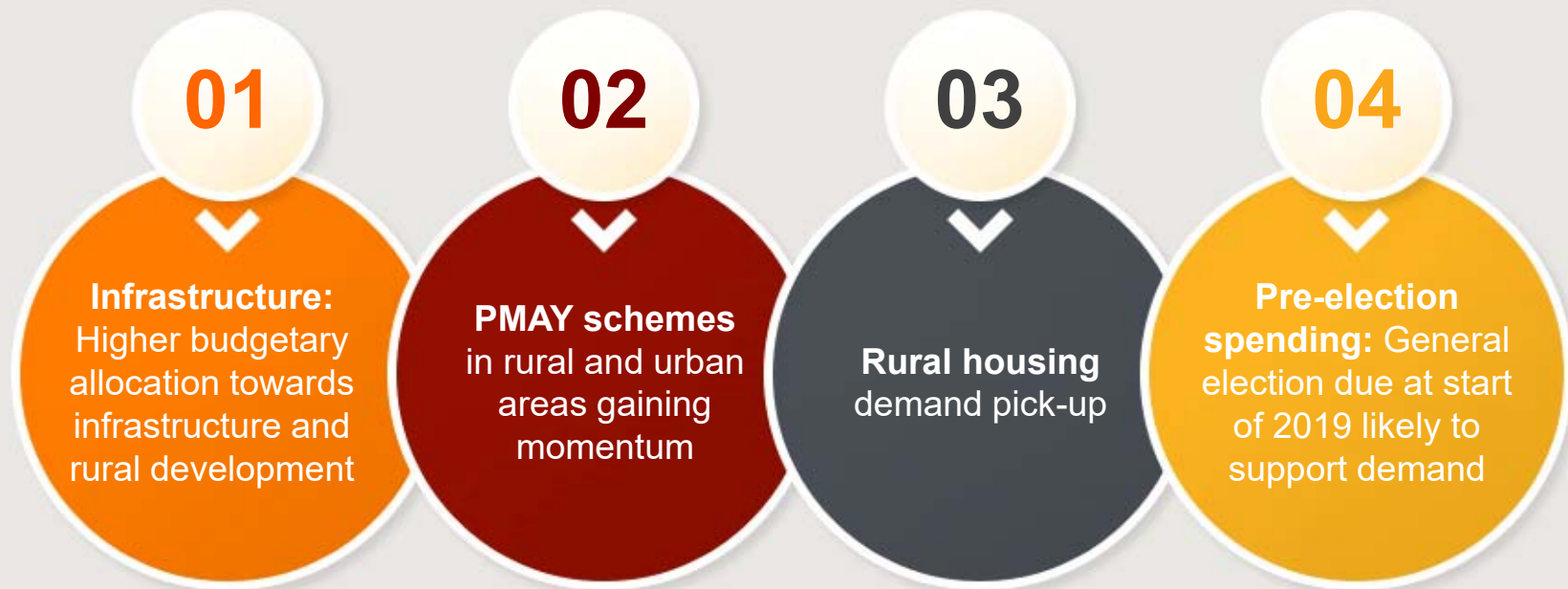
### Community outreach

*1.3 million benefited across target villages*

## Sectoral outlook: **the next up-cycle**

Demand will move in line with GDP

### **Demand drivers**





## Sectoral outlook: **the next up-cycle**

### Key concerns



**UltraTech**

One step ahead... >

ADITYA BIRLA



**UltraTech**



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