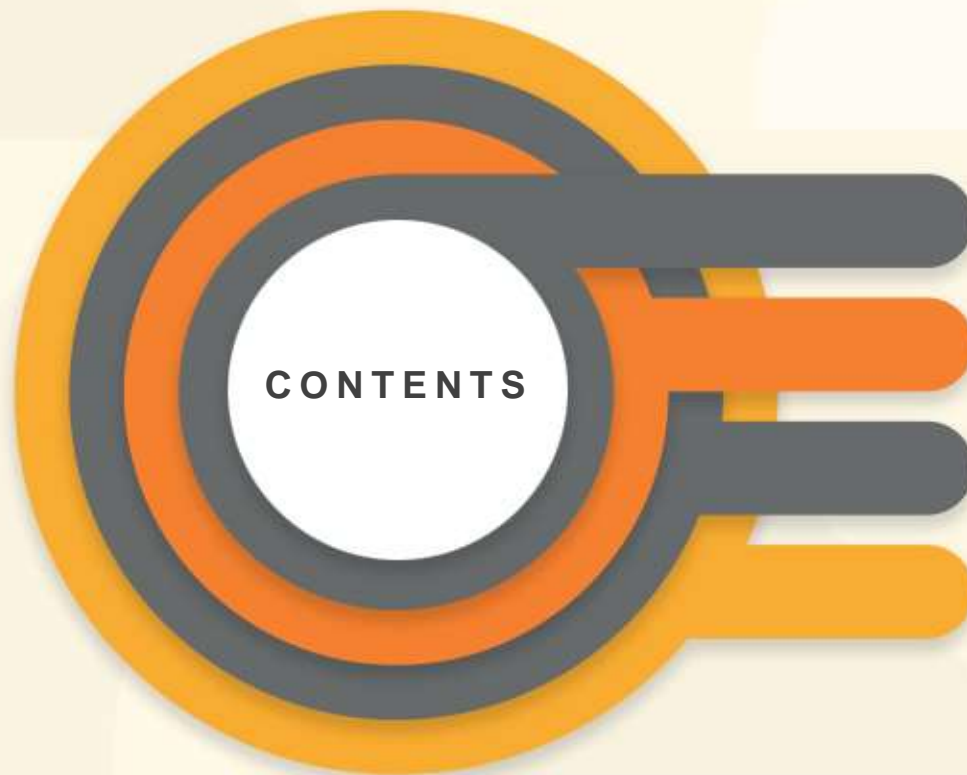




INDIA'S LARGEST CEMENT COMPANY

Quarterly update, Q4 FY19

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



Macro and Sector
updates

Key Company updates

Performance

Sectoral guidance

GLOSSARY

MNT – Million metric tons **LMT** – Lac metric tons **MTPA** – Million tons per annum

Q1 – April-June **Q2** – July-September **Q3** – October-December **Q4** – January-March **9M** – April-December

CY – Current year period **LY** – Corresponding period last year **FY** – Financial year (April-March)

Macro indicators



Q3 GDP
contracted to
6.6% v/s 7.7%
in LY



IIP growth for
April-February
2019 period:
4% (LY: 4.4%)



Average crude
prices for the
quarter
lowered **~8%**
v/s Q3 FY19,
but up 21%
in FY19



Appreciation in
INR v/s US\$
of **~2% over**
Q3 FY19

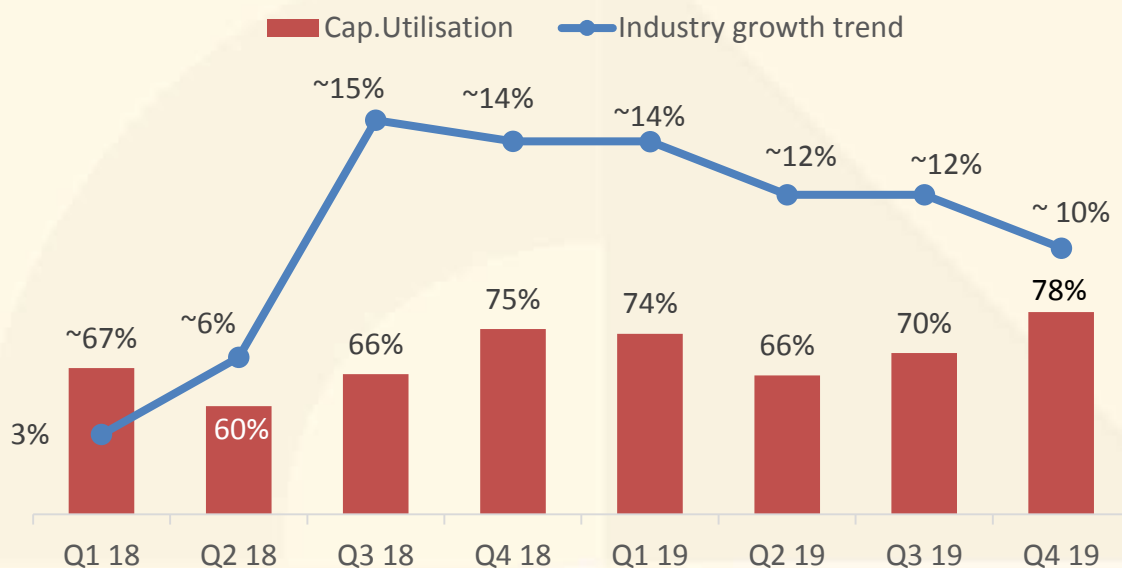


WIP stood at
3.0% v/s 4.5%
during Q3
FY19

Sector updates

The industry in it's upcycle with double-digit volume for full-year, the first time since FY10

Industry demand growth and capacity utilization trend



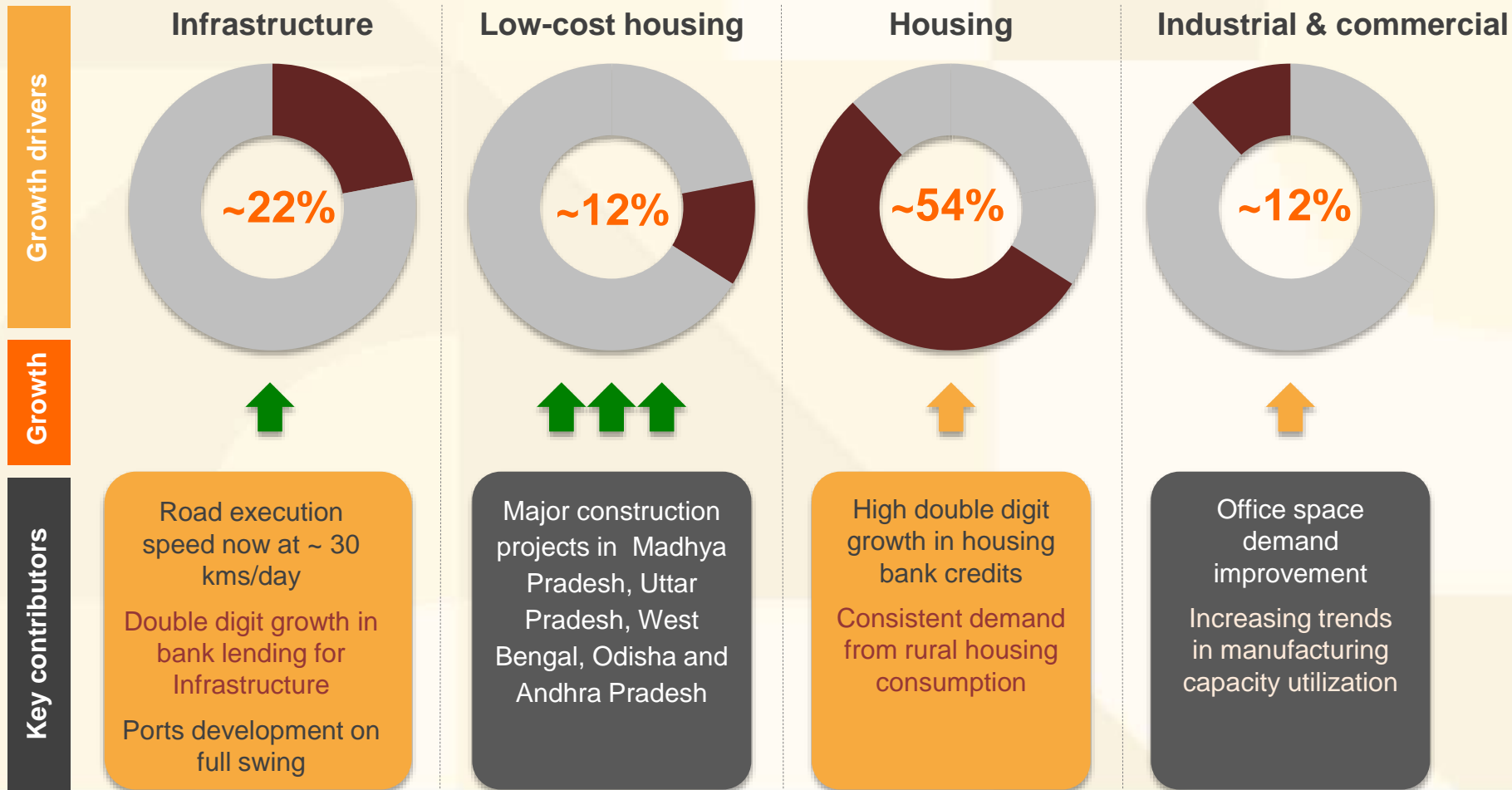
- Capacity utilisation for Q4 reached its highest level in the last 28 quarters
- Annual industry capacity utilisation rate increased to ~71%, about 5% improvement over the previous year

Annual Growth estimated at ~ 12%

(Source: Published results and internal estimates)

Sector updates

Key cement industry growth drivers Q4 FY19



(Source: RBI, Research reports and internal estimates)

Sector updates

State/region-wise performance

State/Region	Vol. Gr.	I	LCH	RH	UH	C	Key drivers
Haryana	↑	●	●	●	●	●	Urban Housing and Infrastructure
Delhi + NCR	↑	●	●	●	●	●	Infrastructure
Punjab	↓	●	●	●	●	●	Panchayat elections and sand availability
Himachal Pradesh	↓	●	●	●	●	●	Heavy rains & snow
Rajasthan	↑	●	●	●	●	●	Infrastructure
North	↑	●	●	●	●	●	Infrastructure and IHB
Madhya Pradesh	↑	●	●	●	●	●	IHB and PMAY
Uttar Pradesh	↑	●	●	●	●	●	Rural IHB and Infrastructure
Central	↑	●	●	●	●	●	IHB and PMAY
Maharashtra	↑	●	●	●	●	●	Infrastructure and Affordable Housing
Gujarat	↓	●	●	●	●	●	Weak rural demand
West	↑	●	●	●	●	●	Infrastructure and Affordable Housing

Key growth driver: Infrastructure Spending and Rural Housing

I: Infrastructure, LCH: Low-cost housing, RH: Rural housing, UH: Urban housing, C: Commercial, IHB: Individual Home Builder, PMAY: Pradhan Mantri Awas Yojana.

Sector updates

State/region-wise performance

State / Region	Vol. Gr.	I	LCH	RH	UH	C	Key Drivers
West Bengal	↑	●	●	●	●	●	IHB
Bihar	↑	●	●	●	●	●	Infrastructure and IHB
Jharkhand	↑	●	●	●	●	●	Infrastructure and PMAY
Odisha	↑	●	●	●	●	●	Infrastructure and IHB
Chhattisgarh	↑	●	●	●	●	●	Heavy rains and shortage of funds
East	↑	●	●	●	●	●	Infrastructure, IHB and PMAY
Andhra Pradesh / Telangana	↑	●	●	●	●	●	Amaravati Development, Polavaram Dam and IHB
Karnataka	↑	●	●	●	●	●	Commercial
Tamil Nadu	↑	●	●	●	●	●	Infrastructure and Rural Housing
Kerala	↑	●	●	●	●	●	Post floods rehabilitation work
South	↑	●	●	●	●	●	Infrastructure and Housing






Key growth driver: Infrastructure Spending & PMAY

I: Infrastructure, LCH: Low-cost housing, RH: Rural housing, UH: Urban housing, C: Commercial, IHB: Individual Home Builder, PMAY: Pradhan Mantri Awas Yojana.

Sector updates

Buoyant demand-supply environment supported price hikes in majority of the markets

Average cement prices improved
~ 1-2 % over Q3

Region	Eastern India	Western India	Northern India	Southern India	Central India
Demand Growth					
Price Change*	Flat	+ 2%	Flat	+ 4 to 5%	+ 1%

* QoQ Change in price

UltraTech updates

Key steps for integration of UltraTech Nathdwara (UNCL)

Emerged as a sector benchmark by turning around the asset within a quarter

Stabilised operations with
plant capacity
utilization at 72%
in March 2019

Improved pet coke usage
from Zero to ~ 40% during
the quarter

Carried out routine
maintenance activity
in February 2019

Achieved a cost reduction
of ~ Rs. 200/t since
acquisition

Benchmarked norms to
emulate UltraTech's
quality standards

Started realizing UltraTech
brand premium

Achieved an EBIDTA of Rs. 830/t (excluding one-offs), an improvement of ~ Rs. 740/t

UltraTech updates

The next steps for integration of UNCL



PBT breakeven target: Q4 FY20

UltraTech updates

Acquisition of Century's cement assets



At UltraTech,

We deliver what we promise



Focus on Deleveraging the Balance Sheet



**EBITDA-to cash
conversion
ratio improved
at ~ 93%**

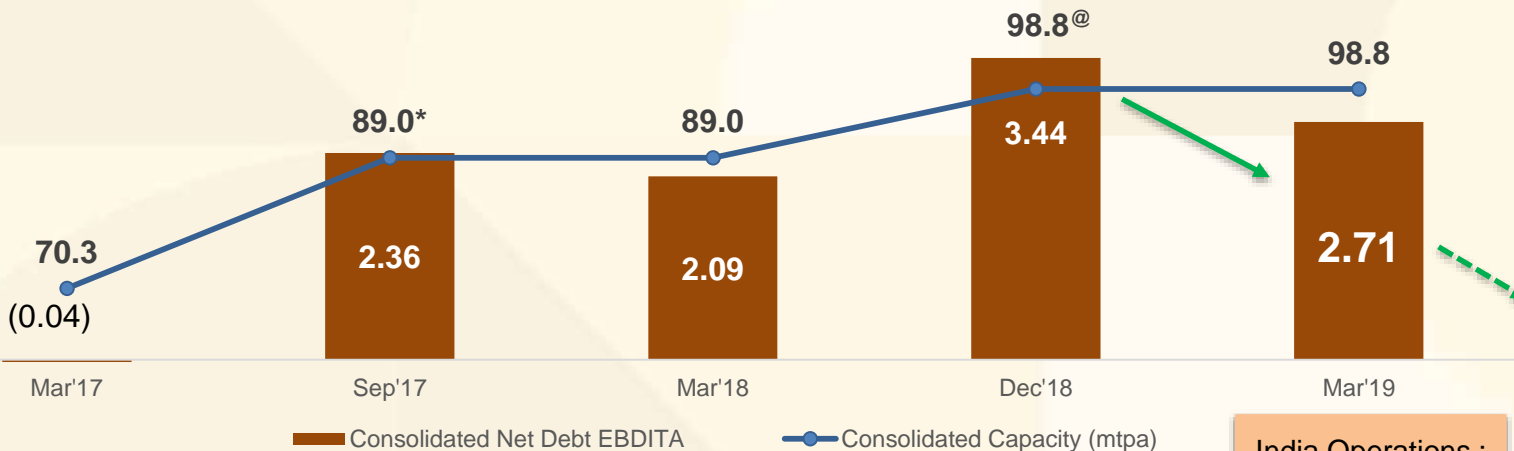
**Achieved a
Rs. 900 Crs
reduction in
working capital**

**Reduced
leverage by
0.73x in the
quarter**

Generated free cash flow of ~ Rs. 2180 crore during the quarter

At UltraTech,

We deliver what we promise



* Acquisition of 21.2 mtpa capacity Jun'17

@ Acquisition of 6.25 mtpa capacity in Nov'18

India Operations :
2.50x

₹ Crs	Mar'17	Sep'17	Mar'18	Dec'18	Mar'19
Gross Borrowings	8474	20824	19480	24169	22818**
Treasury Surplus	(8690)	(5034)	(5419)	(2371)	(3226)
Net Debt	(215)	15790	14062	21798	19593

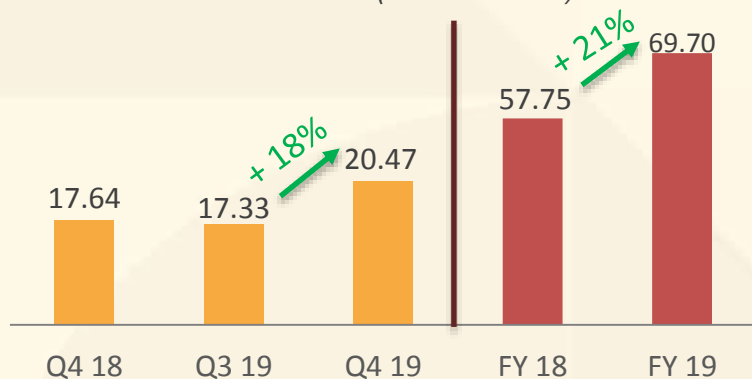
**Including overseas debt of Rs. 2000 crores at an interest rate of 1.6%

Reduction of net debt by Rs. 2205 crore in Q4 v/s Q3 FY19

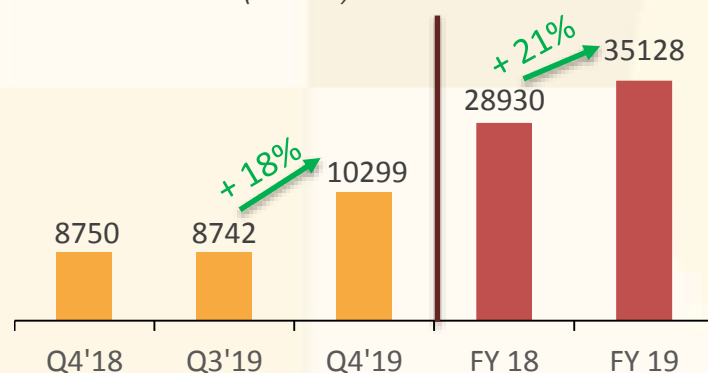
UltraTech Performance – India Operations

All-round performance

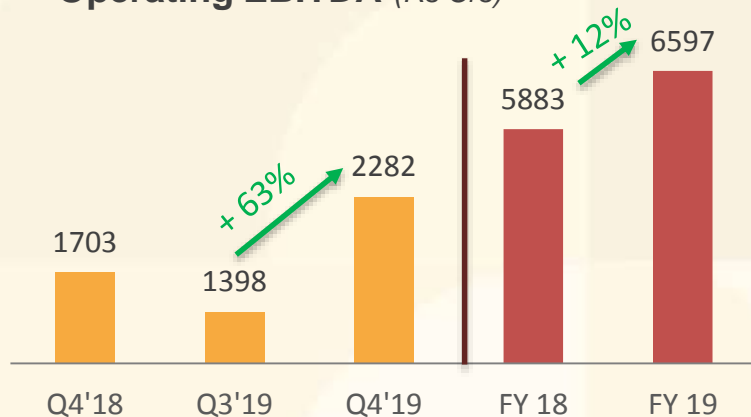
Domestic Volume (million tonnes)



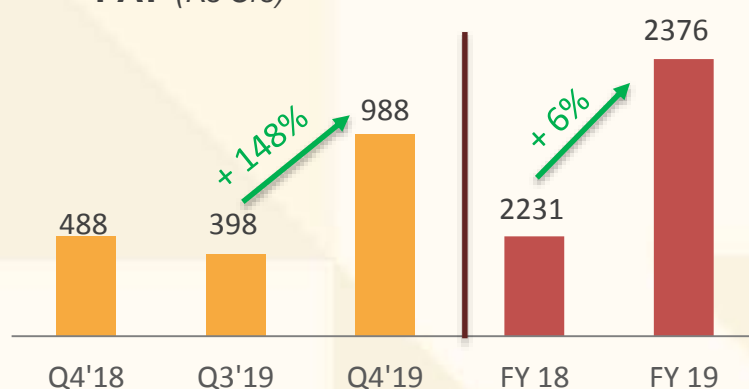
Turnover (Rs Crs)



Operating EBITDA (Rs Crs)



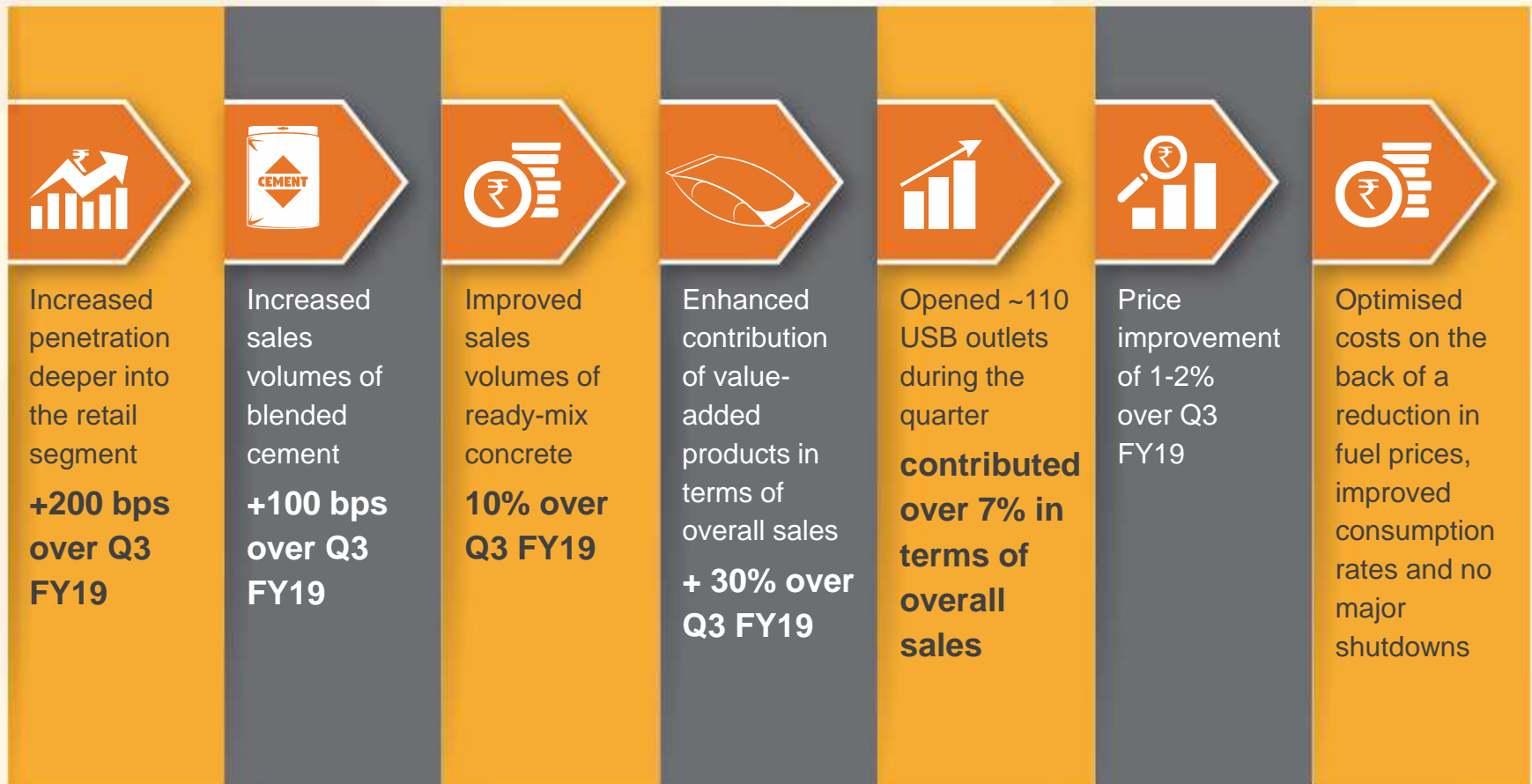
PAT (Rs Crs)



Q4 : Operating EBITDA improved at Rs. 1072/t ; ~ 40% up over Q3

UltraTech Performance

Key factors behind Q4 performance



Q4 sales performance – India Operations

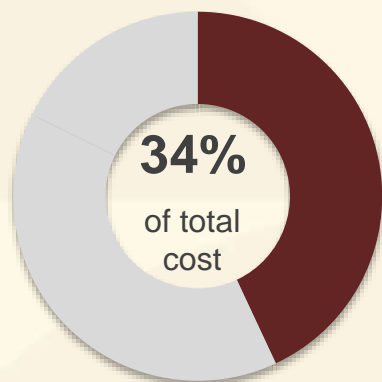
We deliver what we promise

MnT

Particulars	Q4			Annual		
	CY	LY	▲%	CY	LY	▲%
Capacity (mtpa)	94.8	85.0	12	94.8	85.0	12
Domestic sales	20.47	17.64	16	69.70	57.75	21
Exports and others	0.83	0.82	1	3.00	2.90	4
Total	21.30	18.47	15	72.70	60.65	20

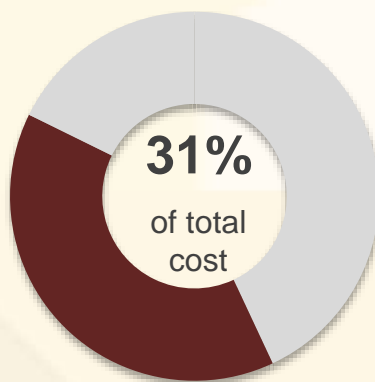
A year of robust volume growth

Operating costs



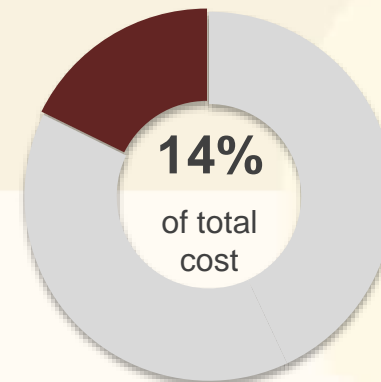
Logistics costs :
Lower 2 % y-o-y to
Rs. 1146/t

- Lower diesel prices
- Improved lead distance



Energy Costs:
up 7 % y-o-y to
Rs. 1057/t

- Currency depreciation of 10 % impacted the landed cost of imported fuels
- Comparatively poor consumption norms for UNCL



Raw material costs
remained flat y-o-y to
Rs. 472/t:

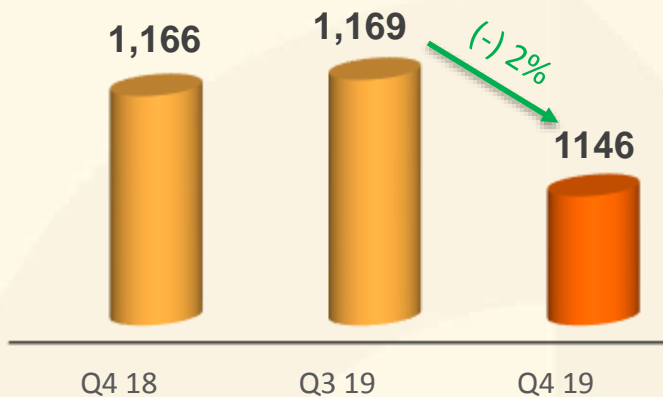
- Improved blending ratio
- Increased production of composite cement

Total costs reduced 7% over Q3 and increase 1% YoY

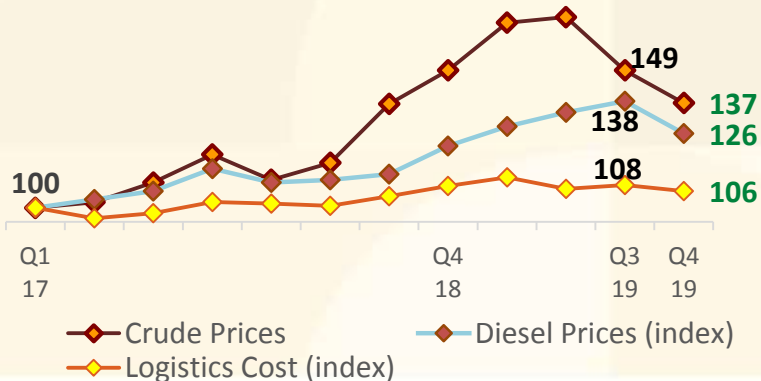
Note: Performance represents India operations – Grey Cement

Logistics cost trends

Logistics Costs (Rs/t)



Logistics Costs v/s Diesel Prices



Sequential costs decrease 2 % due to:

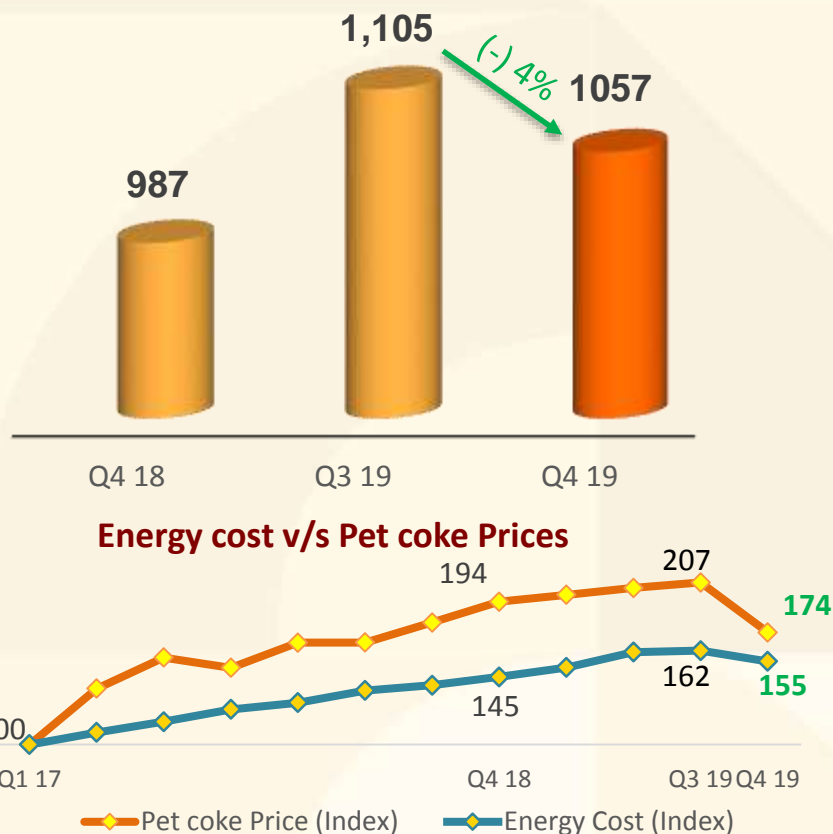
- Full benefit from axle load relaxation
- Reduction in diesel prices 7% (*Gain: Rs. 15/t*)
- Increased movement through railways
- Costs increased somewhat owing to:
 - A marginal increase in lead distances while servicing far-flung markets

Y-o-Y costs drop 2% ...benefit from:

- Optimisation of lead distances 4 %
- Benefits of axle load relaxation norms : 2%
- Cost benefits were partly negated due to:
 - Increased diesel prices: 4%

Energy cost trends

Energy Costs (Rs/t)



Q-o-Q costs decrease 4 % due to:

- Reduction in blended price of (imports/domestic) pet coke by 7%
- Share of renewable energy in overall power mix increased : 100 bps
- Consistent improvement in auxiliary consumption norms of thermal power plant

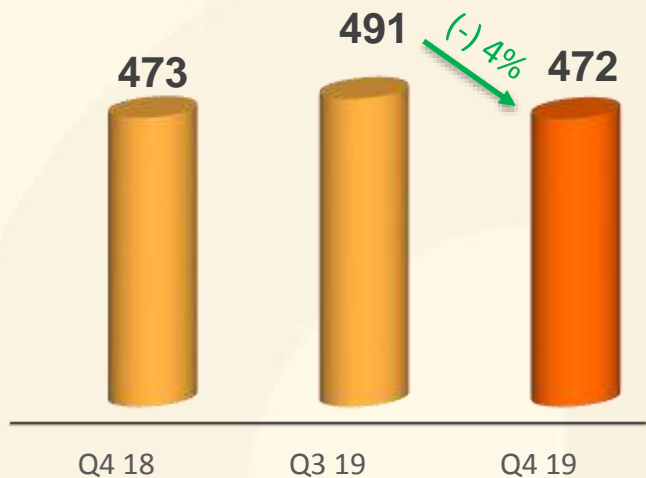
Y-o-Y costs increase 7% due to:

- 10% depreciation in currency against USD
- Focus on renewable energy yielded cost savings:
 - Increased usage of industrial waste as fuel to 3.5%
 - Higher share of WHRS and solar power to 9%
 - Reduction in power consumption: 100 bps

Note: Performance represents India operations – Grey Cement

Raw materials cost trends

Raw Materials Costs (Rs/t)



Q-o-Q costs decrease 4% due to:

- Savings resulting from a growing share of value-added products
- Increasing usage of low-cost materials

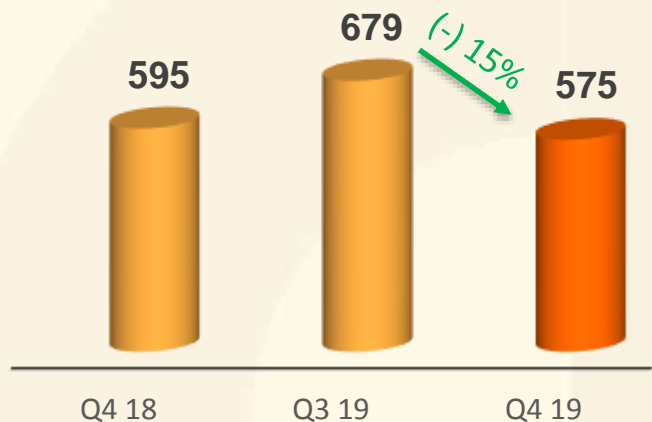
Y-o-Y costs remain flat due to:

- Impact of additional limestone royalties negated by savings from usage of low cost additives

Note: Performance represents India operations – Grey Cement

Other costs trends

Other Costs (Rs/t)



Q-o-Q costs decrease due to:

- Last quarter included impact of one-time plant improvement cost and annual maintenance cost in some plants
- Cost synergies with the acquired capacities

Note: Performance represents blended cost for India Operations

Income statement Q4 (Domestic)

Rs. Crs.

Particulars	Standalone			India Operations*		
	CY	LY	▲%	CY	LY	▲%
Revenues (net of taxes)	10334	8750	18	10299	8750	18
EBITDA	2353	1814	30	2406	1814	33
Margin (%)	23%	21%	2	23%	21%	2
Finance costs	371	340	(9)	426	340	(25)
Depreciation	499	481	(4)	526	481	(9)
PBT	1483	767	93	1454	767	90
Tax expenses	465	279	(67)	465	279	(67)
PAT	1017	488	109	988	488	103
EPS (Rs.)	37.1	17.8	109	36.0	17.8	103

* After Elimination of Inter-company transactions between UTCL & UNCL

Q4 : India Operations - Operating EBITDA increased 63% over Q3 FY19
Operating margin at 23%; + 600 bps over Q3 FY19

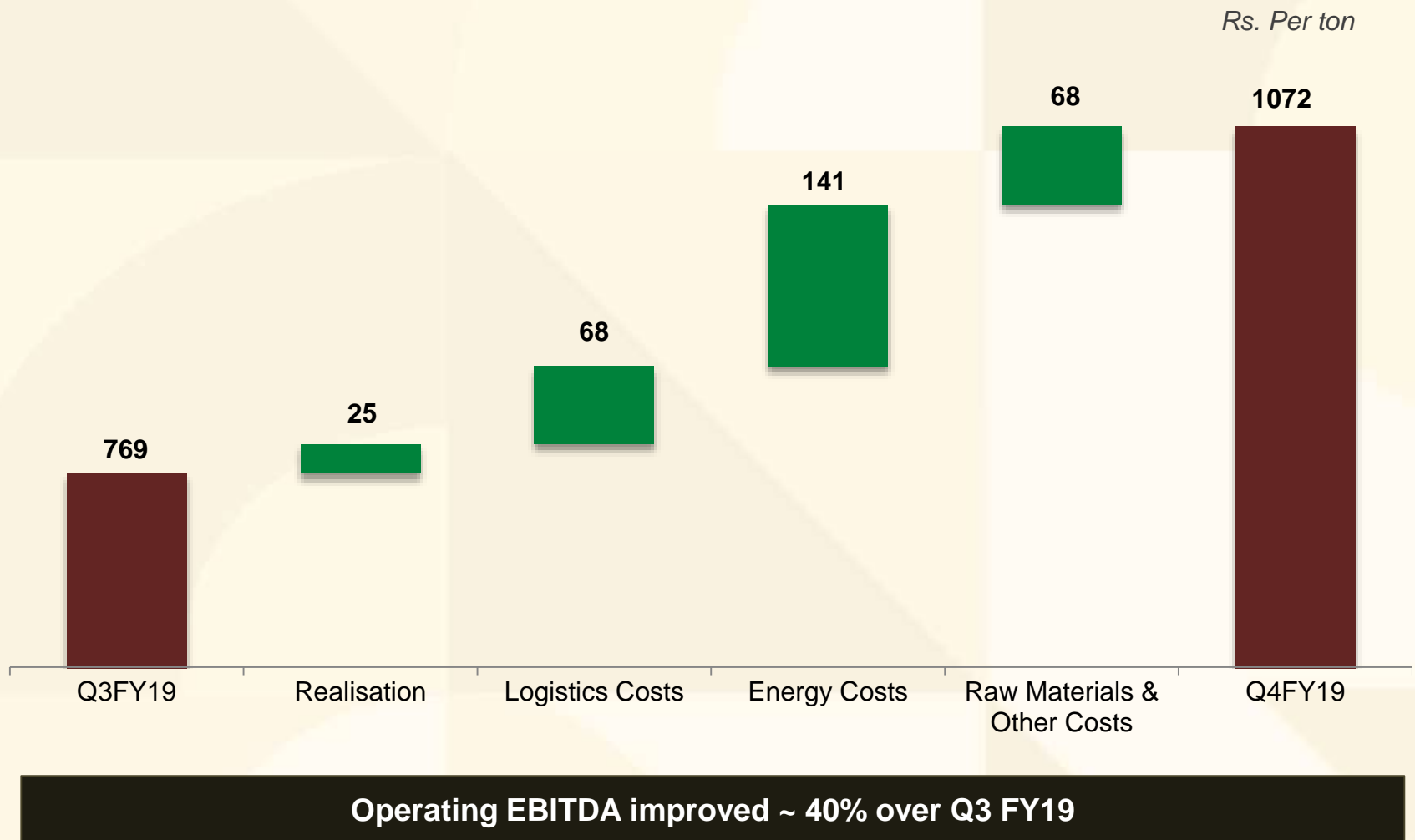
Income statement- Consolidated

Rs. Crs.

Particulars	Q4			FY		
	CY	LY	▲%	CY	LY	▲%
Revenues (net of taxes)	10739	9168	17	36775	30541	20
EBITDA	2459	1892	30	7227	6734	7
Margin (%)	23%	21%	2	20%	22%	(2)
Finance costs	434	349	(24)	1549	1238	(25)
Depreciation & Impairment	547	590	7	2140	1968	(9)
PBT	1477	727	103	3538	3301	7
Tax expenses	463	280	(65)	1107	1077	(3)
Minority interest	1.4	0.0	-	(3)	2	
PAT	1013	446	127	2435	2222	10
EPS (Rs.)	36.9	16.2	127	88.7	80.9	10

Q4 : EBITDA improved 30% YoY; FY: PAT improved 10%

Operating EBITDA PMT BRIDGE



Note: Performance represents India operations at blended level

Financial Position

Rs. Crs.

Consolidated		Particulars	Standalone	
31.03.19	31.03.18		31.03.19	31.03.18
28401	26397	Shareholders funds	27948	25923
22818	19480	Loans	18118	17420
3542	3173	Deferred tax liabilities	3544	3174
54761	49051	Sources of funds	49610	46517
46243	42296	Fixed assets	40193	40782
2847	1036	Goodwill	-	-
3269	5453	Investments	9212	6163
548	-	Assets held for Sale	-	-
1854	265	Net working capital & Loans	205	(428)
54761	49051	Total application of funds	49610	46517
19593	14062	Net debt	14894	12007

Free Cash Flow- FY19

Rs. Crs

Consolidated	Particulars	Standalone
4978	Operating Cash Profit (Net of Tax)	4852
(817)	Change in Working Capital	(686)
4161	Cash Flow from Operations (I)	4167
(1660)	Capex (II)	(1511)
2501	Cash Surplus (I+II)	2656

Sectoral outlook

Demand expected to move above the national GDP rate

Demand drivers

- Infrastructural development
- Low-cost housing programme – Plan to construct 18.5 mln houses in 2nd phase
- Rising rural housing demand

Price drivers

- Improvement in utilisation rates
- Incremental demand exceeding incremental supply

Key things to watch out for

- Outcome of General Elections 2019
- Monsoon intensity
- Demand growth in urban areas

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