

17<sup>th</sup> October, 2016

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The Manager  
Listing Department  
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"Exchange Plaza", Bandra-Kurla Complex,  
Bandra (East), Mumbai 400 051.  
Tel.: 26598236  
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**Scrip Code: ULTRACEMCO**

Dear Sirs,

Attached is an investor's presentation on the performance of the Company for the quarter and half year ended 30<sup>th</sup> September, 2016.

The same is for your information, please.

Thanking you.

Yours very truly,

A handwritten signature in blue ink, appearing to read "S. K. Chatterjee".

S. K. Chatterjee  
Company Secretary

Encl: A/a

**ADITYA BIRLA**



**UltraTech**



**INDIA'S  
LARGEST  
CEMENT  
COMPANY**

**EARNINGS  
Q2:FY 2016/17**



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

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## GLOSSARY

**Mnt** – Million Metric tons **Lmt** – Lakhs Metric tons **MTPA** – Million Tons Per Annum **MW** – Mega Watts **Q1** – April-June **Q2** – July-September

**Q3** – October-December **Q4** – January-March **H1** – April-September **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 for previous year are restated as per Ind AS. The financial figures in this presentation have been rounded off to the nearest ₹ 1 cr;  
1 US\$ = ₹ 66.62

# Economy and Industry update

Q2 FY17



## Economy

- ▶ Q1 17 GDP at 7.1%
  - Lowest in last 5 quarters
- ▶ Jul/Aug'16: IIP growth negative
  - YTD Aug. (-) 0.3% (LY: + 4.1%)
  - Fall in manufacturing performance
- ▶ Good Monsoons
  - Crop sowing + 4% YoY
  - Water reservoir levels 74% of capacity (LY: 61%)

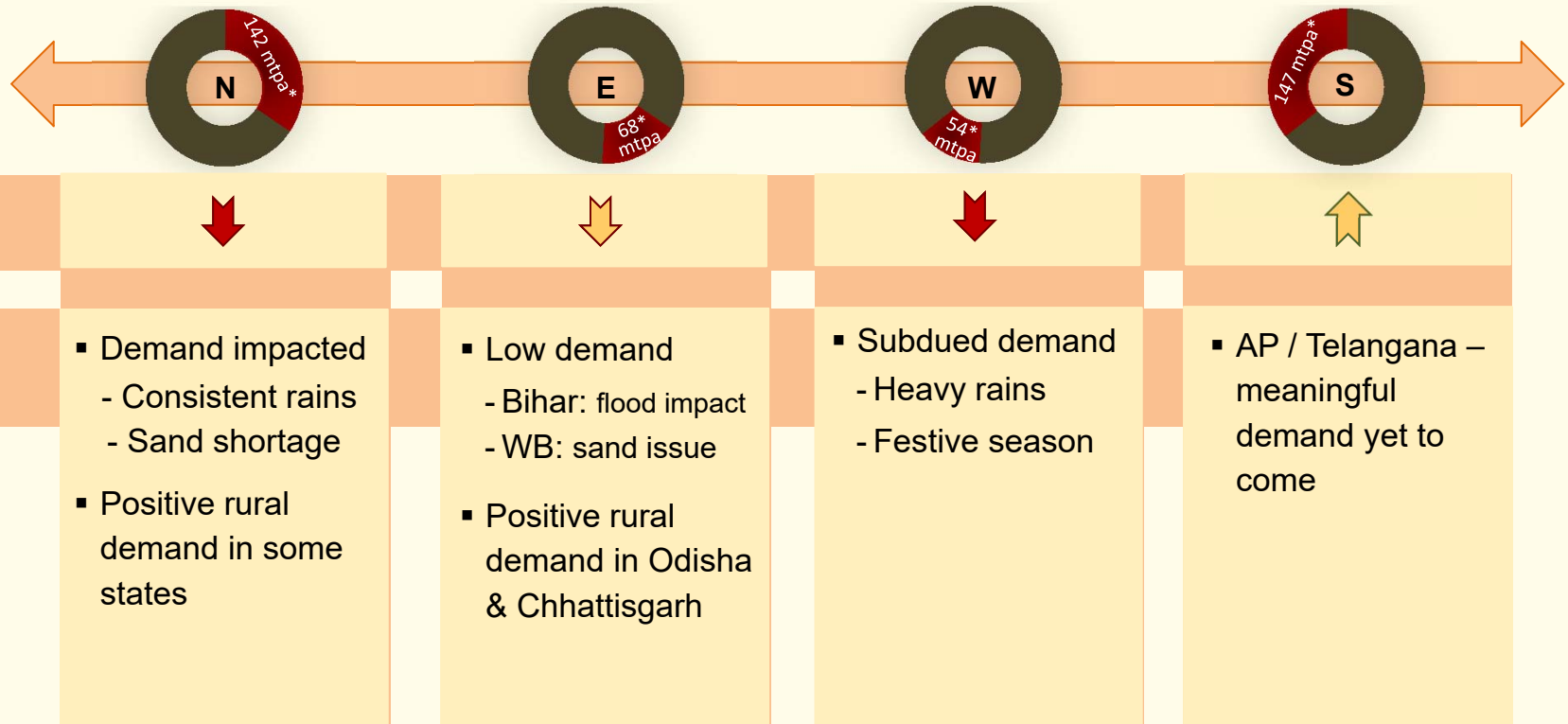
## Industry

- ▶ Low cement demand
  - Impact of widespread monsoons
- ▶ Industry capacity utilization
  - At it's lowest level
  - Capacity stands at ~ 411 mtpa
- ▶ Cement prices
  - Firm over Q1
  - Lower than LY
- ▶ Rising operating costs
  - Petcoke prices moved up > 2x in last 6 months



# Regional update

Q2 FY17



**Good monsoon after 2 years to revive rural housing demand**



# Key Highlights for the Quarter



## Q2 – Operating Performance



**Total Sales  
Volume**



- ❑ 11.2 Mnt .... up 1% (Consistent rains put pressure on off-take)

**Rural  
Penetration**



- ❑ Rural market contribution in overall sales ~ 38% (+ 1% YoY)

**UBS\***



- ❑ Increased to ~ 1300 store (+ 60 over Q1 17)
- ❑ Share - in overall sales inched up 7.5% (+ 1.7% YoY)

## Q2 – Operating Performance



	Q2 FY17	YoY Chg.	QoQ Chg.
Sales Realization	₹ 4829/t	(-) 3% ↓	(+) 3% ↑
Total Costs	₹ 3851/t	(-) 7% ↓	(+) 6% ↑
Petcoke in Kiln + TPP	71%	(+) 15% ↑	(+) 2% ↑
WHRS Power Share	7%	(+) 3% ↑	(+) 1% ↑

Efficiency enhancement contributed 1/3<sup>rd</sup> of cost improvements



## Q2 – Financial Performance



**Operating margin at 21% .... + 400 bps**

**EBITDA :**  
₹ 1327 Crs  
+ 19%

**Turnover :**  
₹ 5398 Crs  
(-) 2%

**Op. Profit :**  
₹ 1033/t  
+ 17%

**PAT :**  
₹ 601 Crs  
+ 31%

**EPS :**  
₹ 21.9/share  
+ 31%

### Conserve Cash

- ▶ **Optimising working capital**
  - Reduced ~ 25% over Mar'16
- ▶ **Rationalising capex spends**
  - 50% less spent during first 6 months
- ▶ **Reducing net debt ~ ₹ 1600 Crs**
  - Zero debt in domestic books
  - ~ ₹ 2370 Crs debt in overseas subsidiary at < 2% cost

**ROCE at 14.2%..... + 200 bps**

## Acquisition update



### Acquisition of 21.2 mtpa Cement Capacity

Central India  
11.4 mtpa

Coastal AP  
5.0 mtpa

HP  
4.8 mtpa

TPP  
265 MW

- ▶ Approval received from Competition Commission of India (CCI)
- ▶ Court convened meeting for seeking approval from Shareholders & Creditors scheduled on 20.10.2016
- ▶ Next Steps:
  - High Court approval
  - Final approval from SEBI

**Transaction expected to complete in next 5-6 months**

## Ind AS impact in Q2



- ❑ Sales revenue is netted-off discounts & direct sales incentives and grossed-up for excise
- ❑ ESOP charge based on the fair valuation
- ❑ Capitalisation of large stores & spares having life more than 1 year
- ❑ M-to-M on forward cover on foreign currency instruments

**Operating EBITDA  
Impact**  
+ ₹ 5 Crs (-10 Crs)

- ❑ Interest income on investments accrued as per fair valuation

**Other Income**  
+ ₹ 75 Crs (+ 93 Crs)

- ❑ NPV interest charge for Interest free sales tax loans and mines liability
- ❑ Additional depreciation charge for stores capitalized and mines restoration
- ❑ Assets creation for mines restoration cost
- ❑ M-to-M on foreign currency borrowings (considered cash flow hedge)

**Total Impact at PBT**  
+ ₹ 89 Crs (+ 79 Crs)



# Operational and Financial Performance





# Sales Performance

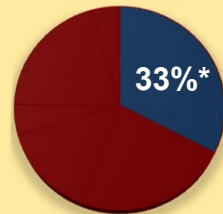
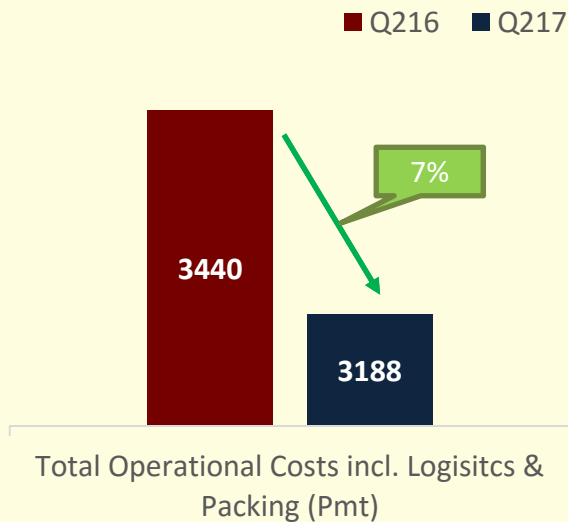
(Standalone)



Particulars	Q2FY17			H1FY17		
	CY	LY	▲%	CY	LY	▲%
Capacity (mtpa)	66.25	63.05	5	66.25	63.05	5
Cap Utilisation	64%	72%	(8)	70%	76%	(6)
Domestic Sales	10.55	10.62	(1)	23.26	22.54	3
Exports & Others	0.63	0.47	34	1.12	0.96	16
<b>Total</b>	<b>11.18</b>	<b>11.09</b>	<b>1</b>	<b>24.38</b>	<b>23.50</b>	<b>4</b>

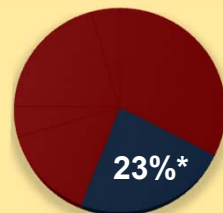
► Domestic sales volume impacted due to good monsoon

# Operating Costs (Grey Cement)



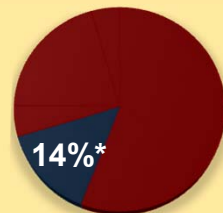
► Logistics cost improved 4% YoY: ₹ 1041/t

- ❑ Improvement in Lead distance
- ❑ Optimisation of Plant and Market mix



► Energy cost Lower 19% YoY

- ❑ Benefit of low cost fuel inventory
- ❑ Efficiency improvement gain 8%



► Raw materials cost - Range bound: ₹ 462/t

- ❑ LY impact of DMF liability for prior periods(4%)
- ❑ Raw mix optimisation

**Cost started moving up as petcoke prices jumped > 2x from it's low..... Full impact in Q4 17**

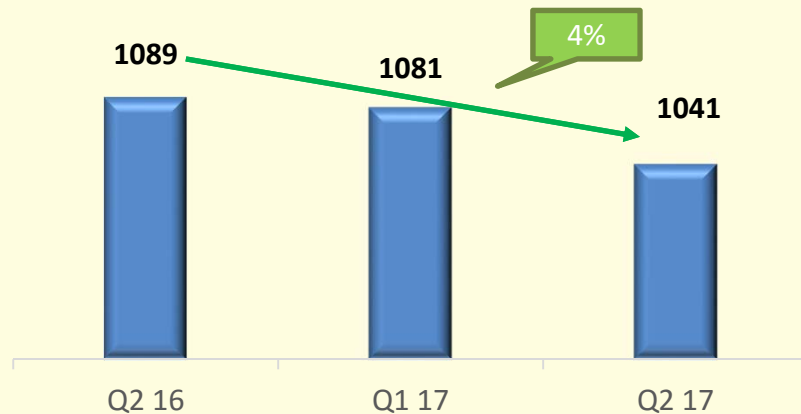
\*% share in total operational costs including logistics.

# Logistics cost trends

(Grey Cement)



Logistics Cost ₹/t



Mode Mix	Q2 16	Q1 17	Q2 17
Rail	29%	26%	23%
Road	69%	71%	73%
Sea	3%	3%	3%

## ► Logistics cost – declined 4% YoY & Sequentially

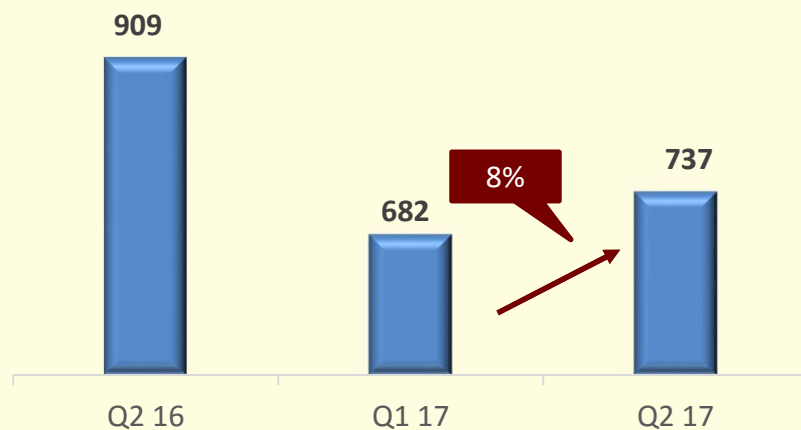
- ❑ YoY Improved average lead distance: 3%
- ❑ Mode of Transport:
  - Shrinking availability of Rail network
  - Increased share of road dispatches to 73%
- ❑ Compared to Q1:
  - Benefit for exemption of Busy Season surcharge on rail freight for full quarter

# Energy cost trends

(Grey Cement)



Energy Cost ₹/t



Kiln Fuel Mix %	Q2 16	Q1 17	Q2 17
Petcoke	65%	74%	76%
Imported Coal	23%	18%	15%
Indigenous Coal and Others	12%	8%	9%

## ► YoY Energy cost declined 19%:

- ❑ Increased petcoke consumption - ₹ 40/t
- ❑ Improved power consumption (3%) - ₹ 15/t
- ❑ WHRS share in total power 7% - ₹ 15/t
- ❑ Gain due to low cost fuel inventory

## ► Sequentially cost increased 8%:

- ❑ Higher fuel prices and annual shutdown

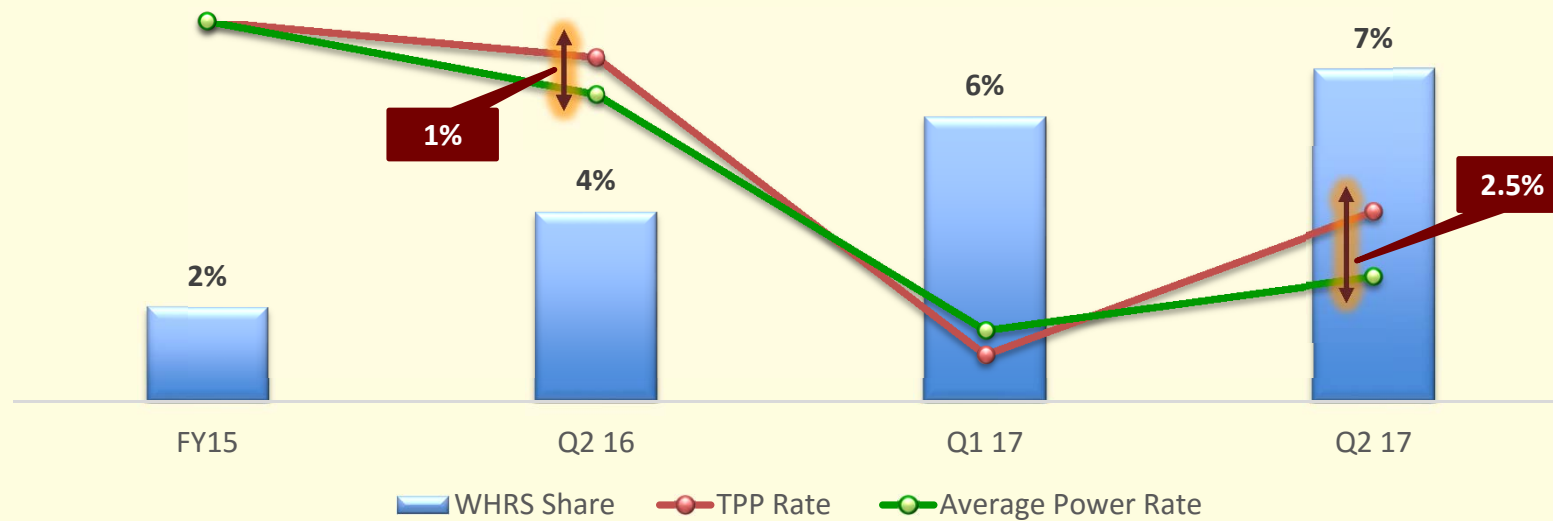
## ► Energy costs to increase going forward



# Energy cost: Power rate trends (Grey Cement)



WHRS Usage v/s Power Rates Movement



► Power cost reduction through increasing share of WHRS power:

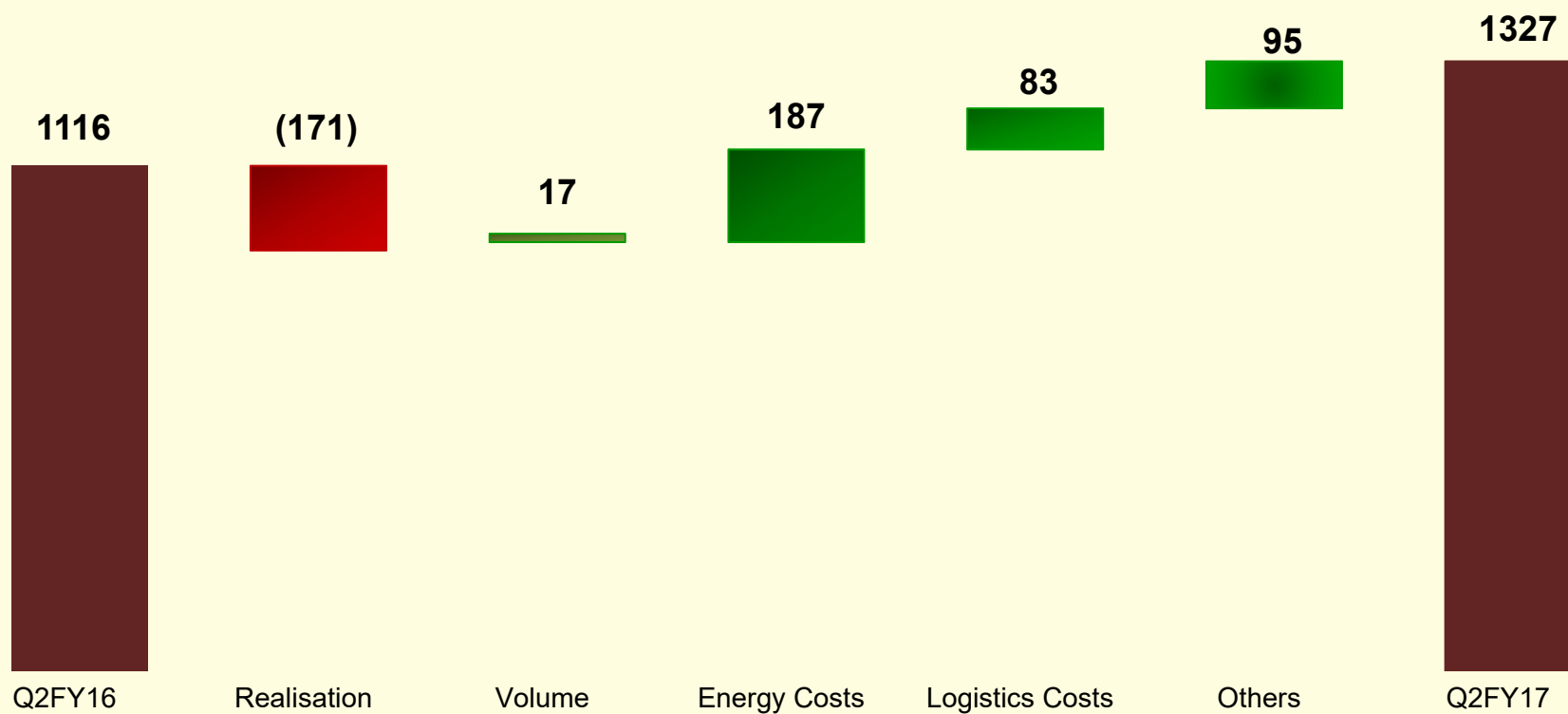
- ❑ Average power rate down 2.5% despite increase in TPP cost
- ❑ WHRS power cost 1/6<sup>th</sup> of TPP cost

# EBITDA movement

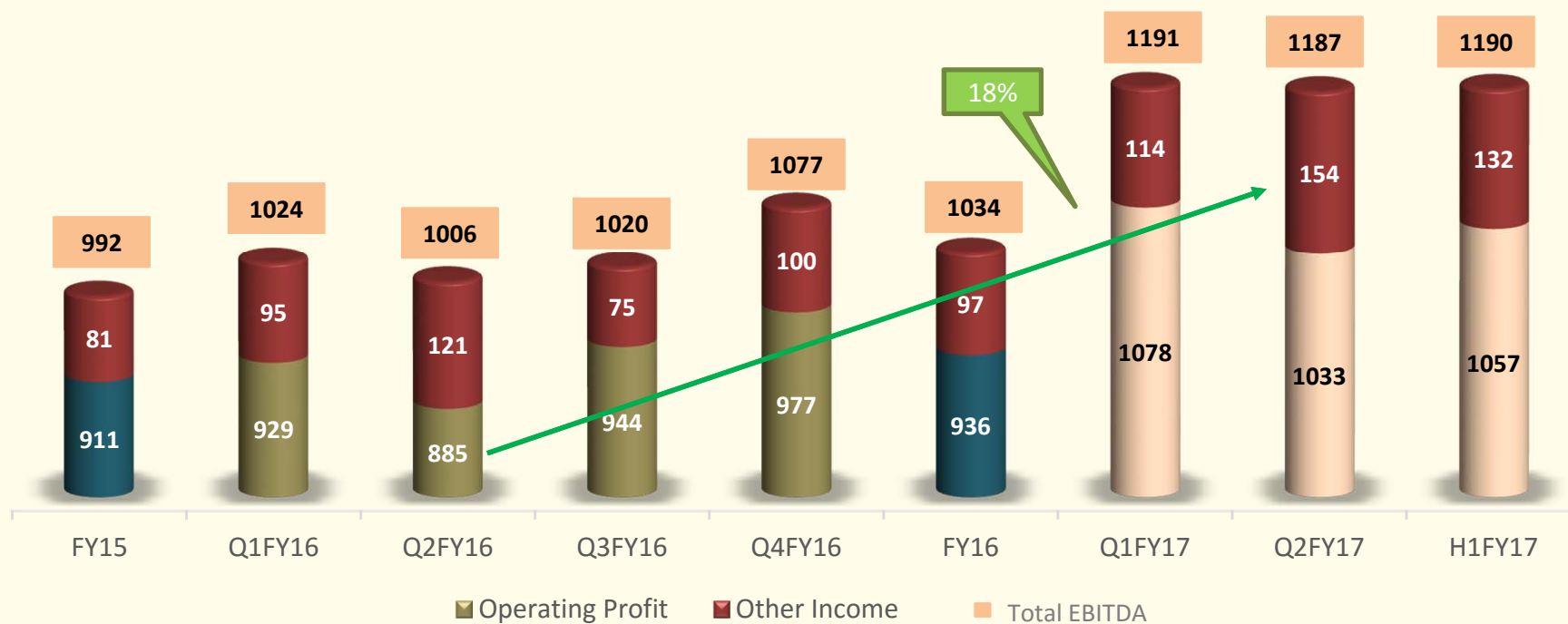
(India)



₹ crs



# EBITDA: ₹ per ton (India)



**Sustained operating profit of > ₹ 1000/t**

# Income statement

(Standalone)



Q2			Particulars	H1		
CY	LY	▲%		CY	LY	▲%
5398	5527	(2)	Revenues (net of excise duty)	11580	11475	1
172	134	29	Other Income	323	251	28
<b>1327</b>	<b>1116</b>	<b>19</b>	<b>EBITDA*</b>	<b>2900</b>	<b>2386</b>	<b>22</b>
25%	20%	4	Margin (%)	25%	21%	4
137	132	(4)	Finance Costs	289	272	(6)
314	335	6	Depreciation	617	620	1
<b>877</b>	<b>649</b>	<b>35</b>	<b>PBT</b>	<b>1994</b>	<b>1494</b>	<b>33</b>
276	191	(44)	Tax Expenses	618	433	(43)
<b>601</b>	<b>457</b>	<b>31</b>	<b>PAT</b>	<b>1376</b>	<b>1061</b>	<b>30</b>
<b>21.9</b>	<b>16.7</b>	<b>31</b>	<b>EPS (₹)</b>	<b>50.1</b>	<b>38.7</b>	<b>30</b>

- Efficiency improvement supported 19% growth in EBITDA
- Profit after tax jumped 31%

\* Includes Ind AS impact: Q2FY17: ₹ 80 Crs (83 Crs), H1FY17: ₹ 192 Crs (102 Crs) {Previous nos. restated nos as per Ind AS}



# Income statement

(Consolidated)



₹ crs

Q2			Particulars	H1		
CY	LY	▲%		CY	LY	▲%
5709	5857	(3)	Revenues (net of excise duty)	12247	12139	1
159	135	18	Other Income	310	234	32
<b>1378</b>	<b>1186</b>	<b>16</b>	<b>EBITDA*</b>	<b>3004</b>	<b>2486</b>	<b>21</b>
24%	20%	4	<b>Margin (%)</b>	25%	20%	4
150	147	(2)	Finance Costs	329	297	(11)
334	354	6	Depreciation	657	657	-
<b>894</b>	<b>685</b>	<b>31</b>	<b>PBT</b>	<b>2018</b>	<b>1532</b>	<b>32</b>
280	194	(44)	Tax Expenses	624	438	(42)
(0.7)	0.2		Minority Interest	(0.9)	0.0	
<b>614</b>	<b>490</b>	<b>25</b>	<b>PAT</b>	<b>1394</b>	<b>1094</b>	<b>27</b>
<b>22.4</b>	<b>17.9</b>	<b>25</b>	<b>EPS (₹)</b>	<b>50.8</b>	<b>39.9</b>	<b>27</b>

► Consolidated EBITDA increased 16%

► Profit after tax jumped 25%

\* Includes Ind AS impact: Q2FY17: ₹ 80 Crs (83 Crs), H1FY17: ₹ 192 Crs (102 Crs) {Previous nos. restated nos as per Ind AS}

# Financial Position



₹ crs

Consolidated		Particulars	Standalone	
30.09.16	31.03.16		30.09.16	31.03.16
23042	21964	Shareholders Funds	22680	21632
9135	10616	Loans	6764	8250
2619	2428	Deferred Tax Liabilities	2623	2432
<b>34796</b>	<b>35008</b>	<b>Sources of Funds</b>	<b>32066</b>	<b>32313</b>
26134	26127	Fixed Assets	24455	24499
1110	1106	Goodwill	-	-
7227	7108	Investments	7929	7793
417	595	Derivative Assets	404	595
(92)	72	Net Working Capital	(722)	(574)
<b>34796</b>	<b>35008</b>	<b>Total Application of Funds</b>	<b>32066</b>	<b>32313</b>
<b>1923</b>	<b>3522</b>	<b>Net Debt</b>	<b>(440)</b>	<b>1181</b>

# Financial Indicators



Consolidated		Indicators	Standalone	
30.09.16	31.03.16		30.09.16	31.03.16
0.08	0.16	Net Debt: Equity	(0.02)	0.05
0.32	0.66	Net Debt / EBITDA*	(0.08)	0.23
7.3	6.8	Interest Cover	7.8	7.2
13.4%	11.9%	ROCE*	14.2%	12.3%
8.0%	7.4%	ROIC*	8.5%	7.6%
233	206	EV (USD/t)		
17.9	17.2	EV / EBITDA*		
839	800	Book Value (₹/Share)	826	788

\*H1 annualised.



# Sector Guidance





## Sector guidance:

Cautiously optimistic



### Expectations

- ❑ Continuing Government infrastructure spending
- ❑ Good monsoon to augur well for revival of Rural Economy
- ❑ Disbursement of first installment of 7th pay commission hike
- ❑ Development of Smart Cities will lead to housing demand in T-II and T-III cities
- ❑ Steady Cement Prices
- ❑ Slower pace of new capacity addition to reduce surplus capacity in Industry

### Concerns

- ❑ Delay in execution of Government projects
- ❑ Surplus inventory in Urban real estate
- ❑ Increase in fuel prices

**We expect a long Cement cycle ahead**



# Annexures



# Income statement

(Standalone)



US\$ Mn

Q2			Particulars	H1		
CY	LY	▲%		CY	LY	▲%
810	830	(2)	Revenues (net of excise duty)	1738	1722	1
26	20	29	Other Income	48	38	28
<b>199</b>	<b>167</b>	<b>19</b>	<b>EBITDA</b>	<b>435</b>	<b>358</b>	<b>22</b>
25%	20%	4	Margin (%)	25%	21%	4
21	20	(4)	Finance Costs	43	41	(6)
47	50	6	Depreciation	93	93	1
<b>132</b>	<b>97</b>	<b>35</b>	<b>PBT</b>	<b>299</b>	<b>224</b>	<b>33</b>
41	29	(44)	Tax Expenses	93	65	(43)
<b>90</b>	<b>69</b>	<b>31</b>	<b>PAT</b>	<b>207</b>	<b>159</b>	<b>30</b>
<b>0.3</b>	<b>0.3</b>	<b>31</b>	<b>EPS (₹)</b>	<b>0.8</b>	<b>0.6</b>	<b>30</b>

# Income statement

(Consolidated)



US\$ Mn

Q2			Particulars	H1		
CY	LY	▲%		CY	LY	▲%
857	879	(3)	Revenues (net of excise duty)	1838	1822	1
24	20	18	Other Income	47	35	32
207	178	16	EBITDA	451	373	21
24%	20%	4	Margin (%)	25%	20%	4
22	22	(2)	Finance Costs	49	45	(11)
50	53	6	Depreciation	99	99	-
134	103	31	PBT	303	230	32
42	29	(44)	Tax Expenses	94	66	(42)
(0.1)	0.0		Minority Interest	-0.1	0.0	
92	74	25	PAT	209	164	27
0.3	0.3	25	EPS (₹)	0.8	0.6	27

# Financial Position



US\$ Mn

Consolidated		Particulars	Standalone	
30.09.16	31.03.16		30.09.16	31.03.16
3459	3297	Shareholders Funds	3405	3247
1371	1594	Loans	1015	1238
393	364	Deferred Tax Liabilities	394	365
<b>5223</b>	<b>5255</b>	<b>Sources of Funds</b>	<b>4814</b>	<b>4851</b>
3923	3922	Fixed Assets	3671	3678
167	166	Goodwill	-	-
1085	1067	Investments	1190	1170
63	89	Derivative Assets	61	89
(14)	11	Net Working Capital	(108)	(86)
<b>5223</b>	<b>5255</b>	<b>Total Application of Funds</b>	<b>4814</b>	<b>4851</b>
<b>289</b>	<b>529</b>	<b>Net Debt</b>	<b>(66)</b>	<b>177</b>

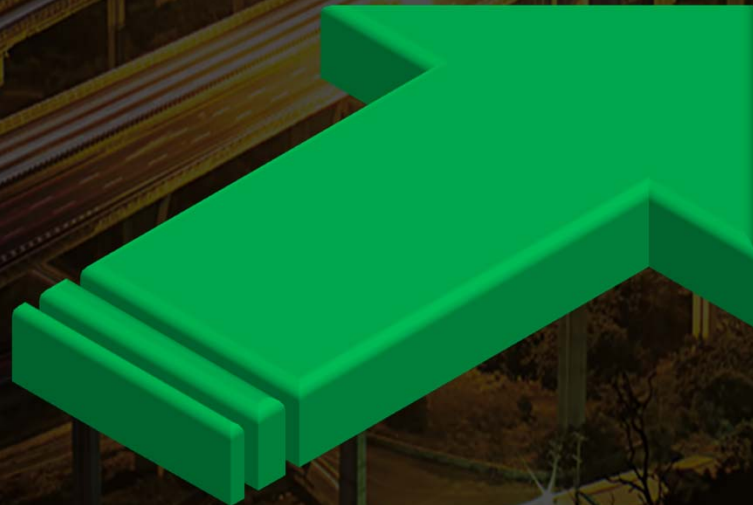


ADITYA BIRLA



**UltraTech**

**BIG ON PROFITABLE GROWTH**





## Disclaimer



*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.*

### **UltraTech Cement Limited**

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**[Corporate Identity Number L26940MH2000PLC128420]**

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