



ANALYSIS OF STANDALONE FINANCIAL

The following table sets forth the breakup of the Company's expenses as part of the Revenue from operations (net)

Amount in ₹ Crore

	2017	% of Revenue from operations	2016	% of Revenue from operations
Net Sales	12,908.94	97.33	10,772.08	97.98
Other operating revenue	353.65	2.67	221.93	2.02
Revenue from operations (net)	13,262.59	100.00	10,994.01	100.00
Other Income	131.65	0.99	128.34	1.17
Cost of material consumed	1,982.52	14.95	1,587.26	14.44
Purchase of Stock-in-Trade	0.84	0.01	2.52	0.02
Changes in inventories of finished goods, Stock-in-Trade and work-in-progress	(14.90)	(0.11)	16.99	0.15
Employee benefits expense	818.95	6.17	754.60	6.86
Power and fuel	2,714.45	20.47	2,157.10	19.62
Freight and Forwarding expense	3,450.97	26.02	2,654.66	24.15
Finance costs	102.30	0.77	82.63	0.75
Depreciation and amortisation expense	640.12	4.83	605.16	5.50
Other expenses (including net of Excise duty paid and recovery)	2,400.63	18.11	2,347.15	21.35
Profit before exceptional item and tax	1,298.36	9.79	914.28	8.32
Exceptional item	-	-	42.81	0.39
Profit before tax	1,298.36	9.79	871.47	7.93
Tax expenses	382.91	2.89	224.42	2.04
Profit for the year	915.45	6.90	647.05	5.89
Other Comprehensive Income for the year, net of tax	2.37	0.02	(15.63)	(0.14)
Total Comprehensive Income for the year	917.82	6.92	631.42	5.75

During the year 2017, the Company has recorded a profit after tax of ₹ 915 Crore as compared to ₹ 647 Crore in 2016. Despite market challenges, the Company has achieved strong performance by increased focus on premium products & targeted approach to customers delivering robust revenue growth and focus on cost efficiency improvement.

The analysis of major items of the financial statements is given below:

1. REVENUE FROM OPERATIONS (NET):

Amount in ₹ Crore

	2017	2016	Change	Change%
Cement and Clinker*	11,768.46	9,805.11	1,963.35	20.02
Ready Mix Concrete	1,131.45	953.83	177.62	18.62
Sale of services (RMX)	9.03	13.14	(4.11)	(31.28)
Other operating revenue	353.65	221.93	131.72	59.36
TOTAL	13,262.59	10,994.01	2,268.58	20.63

* Does not include cement sale to RMX

Revenue from operations has increased due to following reasons:

- The Company achieved highest ever sales in current year. The Company's cement sales volume is at 26.21 million tonnes as compared to 22.99 million tonnes during previous year.
- Additional volume from expanded capacity at Jamul and Sindri plants strengthened market presence in East.
- Despite continued pricing pressure, average selling prices of cement increased by 5% in 2017 over 2016.
- Continued thrust on promotion of the company's range of premium products, yielded an increase of about 20% in the sales volume of these products during the year.
- The Company's Ready Mix Concrete business showed positive momentum throughout the year, achieving overall growth of 11% in sales volume during the year. Sale of Ready Mix Concrete has increased from 25.90 Lakh Cubic Metres to 28.77 Lakh Cubic Metres.

Other operating revenue includes accrual of incentive from State Governments under incentive schemes, write back of provision which is no longer required, scrap sales and other miscellaneous Income.

Other operating revenue has increased due to following reasons:

- Incentives under various State Investment Promotion Schemes has increased by ₹ 86 Crore including an accrual of ₹ 67 Crore incentive for new Sindri plant in the State of Jharkhand in the current year.
- Insurance claims are accounted for on the basis of claims admitted and to the extent that the amounts recoverable can be measured reliably and it is reasonable to expect the ultimate collection. Insurance claims on account of break down of Property, Plant and Equipment has increased by ₹ 31 Crore in the current year as compared to previous year.

2. OTHER INCOME:

Amount in ₹ Crore

	2017	2016	Change	Change %
Other income	131.65	128.34	3.31	2.58

Other income consists of income on investment of surplus funds, interest on Income Tax, gain on sale and fair valuation of financial assets, dividend from non-current investments and net gain on disposal of Property, Plant and Equipment.

Other income has increased marginally due to following offsetting reasons:

- Higher Interest on bank deposits by ₹ 9 Crore due to increase in surplus funds. Interest on Income Tax has also increased by ₹ 15 Crore as a result of conclusion of assessments and other proceedings relating to earlier years.
- In the previous year, Net gain on disposal of Property, Plant and Equipment was ₹ 20 Crore.

3. COST OF MATERIAL CONSUMED:

Amount in ₹ Crore

	2017	2016	Change	Change %
Cost of material consumed	1,982.52	1,587.26	395.26	24.90

Cost of material consumed has increased due to following reasons:

- Cement production has increased by 15% from 23.18 million tonnes to 26.56 million tonnes. Cost of material consumed of cement has increased from ₹ 506/t to 564/t (up by 12%).
- Ready Mix Concrete Production has increased by 12% from 24.43 Lakh Cubic Metres to 27.29 Lakh Cubic Metres.
- Slag prices up by 38% due to surge in demand and consequential need to procure long lead sources. Overall cost of consumption of slag has increased by ₹ 143 Crore.
- The landed cost of flyash increased by 7% over 2016 as it had to be procured over long leads, following a drop in availability from sources closer to our plants.



- Increased usage of cheaper activated gypsum and change in mix optimization resulted in reducing the gypsum cost by 8%.
- Purchase of Limestone has increased by ₹ 16 Crore.
- Constant efforts were made to reduce the clinker factor by producing a higher share of blended cements which in turn had a positive impact on the contribution despite steep increases in the cost of flyash and slag.

4. CHANGES IN INVENTORIES:

Amount in ₹ Crore

	2017	2016	Change	Change %
Changes in inventories of finished goods, Stock-in-Trade and work-in-progress	(14.90)	16.99	(31.89)	(187.70)

- Movement in change in inventories is mainly on account of increase in finished goods stock.

5. EMPLOYEE BENEFITS EXPENSE:

Amount in ₹ Crore

	2017	2016	Change	Change %
Employee benefits expense	818.95	754.60	64.35	8.53

- Employee costs registered an increase of 8.53% which is in line with the normal annual increments with effect from April 01, 2017.

6. POWER AND FUEL:

Amount in ₹ Crore

	2017	2016	Change	Change%
Power and Fuel	2,714.45	2,157.10	557.35	25.84

Power and fuel cost has increased due to following reasons:

- Clinker production has increased by 14% as compared to previous year. Power and Fuel cost in cement has increased from ₹ 932/t to 1030/t (up 11%).
- Overall fuel cost impacted adversely due to increase in prices of pet coke, imported and domestic coal. International petcoke price increased from previous year in the average range of \$44-\$62 MT to \$85-91 MT and same trend has been observed in prices of domestic petcoke.
- Consumption of imported coal & e-auction coal has increased due to limited availability of FSA Linkage coal. Temporary ban on Petcoke in Rajasthan in October 2017 led to higher consumption of imported coal at Lakheri plant. The ban was eased in December 2017.
- The Company continued fuel mix optimization during the year. Usage of petcoke has increased to 67% in 2017 as compared to 60% in 2016. Usage of Alternate Fuel has increased to 4% from 3% in 2016.
- The cost of generation at our thermal power plants (TPP) is gone up by 11% to ₹ 5.05 per KWH in 2017 against ₹ 4.56 per KWH in 2016, mainly due to increase in CPP coal prices and non-availability of linkage coal.
- The average cost of purchased power during the year was ₹ 6.53 per kwh as compared to ₹ 6.23 per kwh in the previous year. Grid Power tariff has gone up in the range of 7%-12% with effect from April 2017 in few states.
- Power consumption is improved from 88.70 Kwh/t in 2016 to 84.30 Kwh/t in 2017. This to a large extent helped in mitigating the adverse impact of increase in coal prices.
- Power generated by the Company's Waste Heat Recovery plant of 7.5 MW at Gagaj delivered the savings of ₹ 22 Crore (Previous year - ₹ 22 Crore).

- Despite increase in fuel prices, the Company constantly endeavors to reduce fuel costs by judicious procurement of market coal from through e auctions and imports, better fuel mix, higher use of petcoke and use of alternative fuels.

7. FREIGHT AND FORWARDING EXPENSE :

Amount in ₹ Crore

	2017	2016	Change	Change%
Freight and Forwarding expense				
On Clinker transfer	480.83	452.86	27.97	6.18
On finished products - Cement	2,858.13	2,107.16	750.97	35.64
Ready Mix Concrete	112.01	94.64	17.37	18.35
TOTAL	3,450.97	2,654.66	796.31	30.00

Freight and Forwarding expenses has increased due to following reasons:

- Cement despatches increased by 14.81% as compared to previous year. Freight and Forwarding cost of cement has increased from ₹ 916/t to 1090/t (up by 19%). Like for like increase is 3%.
- Increased FOR sales against ex-works sales resulted into increase in cement freight cost by approx 16%.
- Diesel prices up by 12% as compared to previous year.
- Continuous efforts are made to contain the costs through improved evacuation efficiency, lead reduction by increasing the market share in key home markets, long Term Traffic Contract with Railways and renegotiation of contracts with the transporters.
- Freight cost on sale of Ready Mix Concrete has gone up due to increase in volumes.

8. FINANCE COSTS:

Amount in ₹ Crore

	2017	2016	Change	Change %
Interest				
- On Income tax	52.99	24.68	28.31	114.71
- On Defined benefit obligation	8.22	8.45	(0.23)	(2.72)
- Others (Including interest on deposits from dealers)	39.49	48.18	(8.69)	(18.04)
Unwinding of site restoration provision	1.60	1.32	0.28	21.21
TOTAL	102.30	82.63	19.67	23.80

Finance cost has increased due to followings reasons:

- Interest on income tax has increased as a result of conclusion of assessments and other proceedings for earlier years.
- Consequent to the reduction in market interest rate, interest paid on dealers deposit has decreased as compared to previous year.

9. DEPRECIATION AND AMORTIZATION EXPENSE:

Amount in ₹ Crore

	2017	2016	Change	Change%
Depreciation on Property, Plant and Equipment	636.92	601.97	34.95	5.81
Amortisation of intangible assets	3.20	3.19	0.01	0.31
TOTAL	640.12	605.16	34.96	5.78

Depreciation in 2017 is higher mainly due to increase in depreciation on account of capitalisation of Jamul project in Quarter 3, 2016 and Sindri project in Quarter 4, 2016. Increase in depreciation is partially offset by Property, Plant and Equipment retired / fully depreciated during the previous year.



10. OTHER EXPENSES:

Amount in ₹ Crore

	2017	2016	Change	Change %
Consumption of stores and spare parts	331.14	361.49	(30.35)	(8.39)
Consumption of packing materials	434.36	353.84	80.53	22.76
Rent	139.79	132.92	6.87	5.17
Rates and taxes	151.85	149.04	2.81	1.89
Repairs	170.25	168.65	1.60	0.95
Insurance	21.79	24.60	(2.81)	(11.42)
Royalties on minerals	224.12	216.80	7.32	3.38
Advertisement	87.42	80.57	6.85	8.51
Technology and Know-how fees	128.37	107.98	20.39	18.88
Miscellaneous expenses	739.68	752.93	(13.26)	(1.76)
Excise duty variation on opening and closing stock	(22.01)	4.29	(26.30)	(613.05)
Self-Consumption of cement	(6.13)	(5.96)	(0.17)	2.85
TOTAL	2,400.63	2,347.15	53.48	2.28

- Consumption of Stores and spares parts has decreased mainly on account lower maintenance cost as compared to previous year. During the year, the Company has optimized the shutdown cost.
- Consumption of packing material cost has increased mainly due to increase in volumes. Average price of packing bags also increased by 7% mainly due to increase in prices of poly propylene granules.
- Current year royalties on minerals expenses is net of ₹ 34 Crore related to provision for contribution towards District Mineral Foundation (DMF) under the Mines and Minerals (Development and Regulation) Amendment Act, 2015, written back on the basis of Supreme Court's favourable Judgement dated October 23, 2017. Royalties on minerals has increased due to increase in extraction of limestone which is in line with increase in production.
- Advertisement expenses increased due to increase in various promotional activities.
- Technology and Know-how fees represent the amount paid to Holcim Technology Ltd.
- Miscellaneous expenses include commission on sales paid to third party, information technology services, travelling expenses, corporate social responsibility expenses, other third party services, etc. Effective cost control measures have resulted in reduction of overall miscellaneous expenses by 2%.

11. EXCEPTIONAL ITEM:

Amount in ₹ Crore

	2017	2016	Change	Change%
Exceptional item	-	42.81	(42.81)	(100.00)

- Impairment of ₹ 42.81 Crore for non-current investments in a subsidiary company was made in previous year considering inordinate delay in realising its investments in coal blocks which were cancelled in 2015.

12. TAX EXPENSES:

Amount in ₹ Crore

	2017	2016	Change	Change%
Current tax	351.12	235.04	116.08	49.39
Deferred tax charge / (credit)	31.79	(10.62)	42.41	(399.34)
TOTAL	382.91	224.42	158.49	70.62

Effective income tax rate for 2017 is 29.49% as compared to 25.76% in previous year. Investment allowance on new plant and machinery was higher in previous year due to capitalization of Jamul and Sindri projects.

- Current tax has increased by ₹ 116 Crore mainly due to increase in taxable profit.

Deferred tax has increased by ₹ 42 Crore due to the following reason:

- Minimum alternative tax (MAT) credit of ₹ 59 Crore recognised in current year as compared to ₹ 118 Crore in previous year.

13. PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK-IN-PROGRESS:

Amount in ₹ Crore

	2017	2016	Change	Change%
Property, Plant and Equipment	7,201.25	7,497.36	(296.11)	(3.95)
Capital work-in-progress	261.72	260.82	0.90	0.34
Other Intangible assets	39.77	27.59	12.18	44.15
TOTAL	7,502.74	7,785.77	(283.03)	(3.64)

Property, Plant and Equipment has decreased due to following offsetting reasons:

- Decrease in Property, Plant and Equipment is on account of depreciation and amortisation expenses of ₹ 640 Crore for the year 2017.
- During the year, the Company has capitalised Property, Plant and Equipment of ₹ 377 Crore mainly consisting of capitalization of remaining capital job at Jamul and Sindri projects which were commissioned in 2016.

14. INVESTMENTS:

Amount in ₹ Crore

	2017	2016	Change	Change%
Investments in subsidiaries, associates and joint ventures	226.45	226.45	-	-
Other Non-current investments	3.70	32.05	(28.35)	(88.46)
TOTAL	230.15	258.50	(28.35)	(10.97)

Other Non-current investment has decreased due to following reason:

- During the year, the Company has sold its equity investment in Shiva Cement limited. Gain of ₹ 10 Crore is recognised under the head other income.

15. FINANCIAL ASSETS - LOANS AND ADVANCES:

Amount in ₹ Crore

	2017	2016	Change	Change%
Non-current loans	215.88	184.58	31.30	16.96
Current loans	40.96	28.88	12.08	41.83
TOTAL	256.84	213.46	43.38	20.32

- Non-current loans and current loans have increased mainly on account of increase in security deposits given for supply of raw materials.

16. OTHER ASSETS:

Amount in ₹ Crore

	2017	2016	Change	Change%
Other non-current assets	1,026.77	835.41	191.36	22.91
Other current assets	787.35	320.47	466.88	145.69
TOTAL	1,814.12	1,155.88	658.24	56.95

Other non-current assets have gone up due to following reasons:

- Incentive receivables from State Governments under various state investment promotion schemes has increased by ₹ 74 Crore (net of payment received). During the year, the Company has accrued incentive of ₹ 67 Crore related to new Sindri plant which was commissioned in 2016.
- Capital advance has gone up by ₹ 121 Crore due to routine maintenance Capex.



Other current assets have gone up due to following reasons:

- Advance to suppliers has gone up by ₹ 301 Crore due to advance given for supply of linkage coal from Coal companies and other raw materials.
- Balances with statutory / government authorities has gone up by ₹ 144 Crore mainly due to GST paid on input materials and goods transferred from one state to another state.

17. INVENTORIES:

Amount in ₹ Crore

	2017	2016	Change	Change%
Raw Materials	153.96	131.07	22.89	17.46
Work-in-Progress	230.87	238.74	(7.87)	(3.30)
Finished Goods	161.26	138.64	22.62	16.32
Stock-in-trade	0.17	0.02	0.15	750.00
Stores and Spare Parts	383.22	301.41	81.81	27.14
Packing Materials	25.79	19.08	6.71	35.17
Fuels	448.68	394.79	53.89	13.65
TOTAL	1,403.95	1,223.75	180.20	14.73

- Average inventory turnover in sales days has decreased from 41 days in 2016 to 37 days in 2017.
- Raw material has increased mainly due to increase in inventory of additives (activated Gypsum).
- Increase in stores and spares are primarily for new Jamul and Sindri plants.
- Petcoke inventory has increased due to increase in planned usage of Petcoke as compared to other alternatives. Further, due to temporary ban of petcoke usage in Rajasthan in October 2017, petcoke stock remains unconsumed in Lakheri plant as at December 31, 2017.

18. TRADE RECEIVABLES:

Amount in ₹ Crore

	2017	2016	Change	Change%
Trade receivables - Cement	403.09	321.08	82.01	25.54
Trade receivables - Ready Mix Concrete	265.11	215.02	50.09	23.30
TOTAL	668.20	536.10	132.10	24.64

- Trade receivable for cement as well as Ready Mix Concrete business has increased mainly due to increase in sales. The Company has been able to control the overall receivable through better collections performance.
- The average trade receivables in sales days outstanding for cement sales as on December 31, 2017 is 11 which is maintained at same level of 2016.
- The average trade receivables in sales days for Ready Mix Concrete business as on December 31, 2017 is 77 as compared to 78 as on December 31, 2016.

19. CASH AND CASH EQUIVALENTS:

Amount in ₹ Crore

	2017	2016	Change	Change%
Cash and Cash Equivalents	2,526.74	1,777.78	748.96	42.13

Cash and cash equivalents consist of cash on hand, cash at banks, demand deposits from banks and short-term, highly liquid instruments. As part of Company's cash management policy to meet short term cash commitments, it parks its surplus funds in short-term highly liquid instruments that are held for a period of three months or less from the date of acquisition.

Cash and Cash Equivalents improved by 42% to 2,527 Crore. The improvement is driven by strong performance and better working management by efficient inventory management, better collection performance and implementing appropriate payment norms for suppliers.

20. PROVISIONS:

Amount in ₹ Crore

	2017	2016	Change	Change%
Non-current provisions	142.03	141.36	0.67	0.47
Current provisions	51.19	52.02	(0.83)	(1.60)
TOTAL	193.22	193.38	(0.16)	(0.08)

- Provision includes employee benefits and site restoration. There is no major variation in provisions.

21. SHORT-TERM BORROWINGS:

Amount in ₹ Crore

	2017	2016	Change	Change%
Short term borrowings	59.17	50.02	9.15	18.30

- Short term Borrowings consist of loan from ACC Mineral Resources Limited, a wholly owned subsidiary Company.

22. TRADE PAYABLES:

Amount in ₹ Crore

	2017	2016	Change	Change%
Trade Payables	1,810.49	1,256.93	553.56	44.04

- Increase in trade payables is result of improvising on working capital management by negotiating better credit terms with suppliers.
- Average trade payable in sales days has increased from 36 days in 2016 to 43 days in 2017.

23. OTHER CURRENT LIABILITIES:

Amount in ₹ Crore

	2017	2016	Change	Change%
Other current financial liabilities				
Interest accrued but not due on borrowings	-	1.70	(1.70)	(100.00)
Unpaid dividend & Deposit	31.65	32.36	(0.71)	(2.19)
Security deposits and retention money	530.56	533.81	(3.25)	(0.61)
Liability for capital expenditure	59.85	96.95	(37.10)	(38.27)
Other financial liabilities	96.75	166.39	(69.64)	(41.85)
Other current liabilities				
Statutory dues	595.44	414.85	180.59	43.53
Advance from customers	188.63	201.77	(13.14)	(6.51)
Other payables	948.59	793.66	154.93	19.52
TOTAL	2,451.47	2,241.49	209.98	9.37

Other current financial liabilities

- Liability for capital expenditure has decreased due to completion of Jamul and Sindri projects.
- Other financial liabilities decreased as Del Credere balances are netted off from trade receivables in current year upon meeting the criteria for derecognition of financial asset. In the previous year same was shown under other financial liabilities.

Other current liabilities

- Liability for Statutory dues has increased mainly due to GST liability.
- Other payables increased mainly due to increase in liability for rebates to customers and interest on income tax.



24. CASH FLOWS:

Amount in ₹ Crore

	2017	2016	Change	Change%
Net cash flow from operating activities	1,554.76	1,380.10	174.66	12.66

Net cash from operating activities has increased as compared to previous year due to following reasons

- The Cash operating profit before working capital changes has increased by ₹ 386 Crore due to strong performance in current year.
- Direct tax paid - (Net of refunds) has decreased by ₹ 54 Crore. During the current year, the Company has received income tax refund of ₹ 130 Crore for earlier years on completion of assessment years.
- Impact on cash flow from operating activities due to above reasons partially offset by increase in working capital by ₹ 89 Crore as compared to reduction of ₹ 176 Crore in previous year. Inventory for stores and spare parts and fuel has gone up as compared to previous year.

Amount in ₹ Crore

	2017	2016	Change	Change%
Net cash used for investing activities	384.58	539.10	(154.52)	(28.66)

Net cash used for investing activities has reduced as compared to previous year due to following reasons:

- During the current year, the Company has sold its equity investment in Shiva Cement Limited for a consideration of ₹ 38.67 Crore
- In the previous year, the Company deposited an amount of ₹ 115 Crore related to CCI matter and ₹ 20 Crore as margin money against bank guarantees given to Government authorities.
- Capex spent has increased by ₹ 15 Crore in current year due to increase in capital advance.

Amount in ₹ Crore

	2017	2016	Change	Change%
Net cash used for financing activities	422.10	420.06	2.04	0.49

- There is no variation in cash used for financing activities as compared to previous year. Dividend paid is maintained at same level as in the previous year.