



## Q2'16 Results

Investor Presentation

July 26, 2016

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## Agenda

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**1** Cement Industry Update

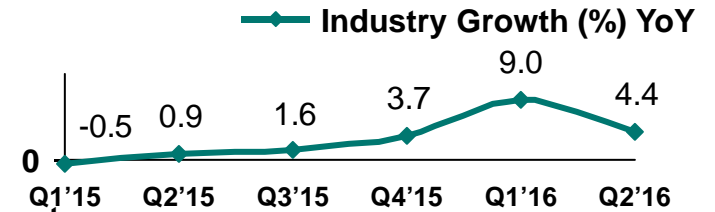
2 Key Highlights

3 Financial Summary

4 Performance Analysis

# Cement Industry

- YoY Cement **demand** improvement @ 4.4%
- Industry capacity **utilization @ ~ 79%**
- **Excess capacity** continues to challenge cement sector
- Cement **price trend positive QoQ**; Improved in North and East, Stable in South and West
- Pick up in **demand from infrastructure and housing projects** backed by the Government spend and an **above normal monsoon forecast** to accelerate growth
- Cement sector growth will improve through **Government's aggressive infrastructure development programmes** like ports, roads, bridges, freight corridor etc. and construction of 50 million houses under Housing For All scheme by 2022
- Year 2016 is turning out to be a big year for Cement industry consolidation through Merger and Acquisition (M&A) activities in India



Sources : RBI, CMIE



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## Q2'16 – Key Highlights

<b>Volume</b>	<ul style="list-style-type: none"><li>❑ <b>Capacity Utilisation @ 78%</b></li><li>❑ <b>Cement Sales Volume</b> lower by 1% YoY &amp; 4% QoQ</li><li>❑ <b>RMX volume</b> growth of 9% YoY &amp; lower 4% QoQ</li></ul>
<b>Net Sales</b>	<ul style="list-style-type: none"><li>❑ <b>Declined</b> by 3 % YoY, 2% QoQ; Overall realisation dipped</li></ul>
<b>Operating Costs</b>	<ul style="list-style-type: none"><li>❑ Per ton cost for cement business improved by 9% YoY</li><li>❑ Petcoke usage improved to 60% from 15 % YoY</li><li>❑ Lower cost of input materials viz. slag, fly ash, gypsum, fuel &amp; packing material</li><li>❑ Gypsum mix optimisation benefited lower cost</li><li>❑ Lead distance reduced</li><li>❑ Focus continues on cost reduction</li></ul>
<b>Profitability</b>	<ul style="list-style-type: none"><li>❑ Op. EBITDA at <b>Rs 458 Cr</b> (Cement ~449 Cr, RMX ~9 Cr), <b>Higher</b> by 37% YoY, 6% QoQ</li></ul>
<b>Growth/ Projects</b>	<ul style="list-style-type: none"><li>❑ Jamul clinkering project (2.79 MioT) <b>commissioned on 19<sup>th</sup> July'16</b></li><li>❑ Cement grinding unit at Jamul (1.1 MioT) &amp; Sindri (1.35 MioT) expected to be <b>commissioned within Q3 2016</b></li></ul>



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## Consolidated Financial Results – (1/2)

[Rs Cr]

Particulars	Q2			H1		
	2015	2016	Variance	2015	2016	Variance
<b>Net Sales</b>	<b>2961</b>	<b>2870</b>	<b>-3%</b>	<b>5847</b>	<b>5797</b>	<b>-1%</b>
Other Operating Income	54	47	-12%	249*	111	-56%
Cost of materials consumed	-457	-410	-10%	-921	-846	-8%
Purchase of stock-in-trade	-28	-23	-17%	-64	-45	-30%
Changes in inventories of finished goods, work-in-progress	-18	-64	257%	55	-72	-231%
Employee benefits expenses	-201	-190	-5%	-372	-382	3%
Power & Fuel	-611	-523	-14%	-1233	-1091	-12%
Freight & Forwarding expenses	-734	-649	-12%	-1414	-1377	-3%
Other Expenses	-632	-600	-5%	-1202	-1204	0%
<b>Operating EBITDA</b>	<b>335</b>	<b>458</b>	<b>37%</b>	<b>945</b>	<b>891</b>	<b>-6%</b>
Operating EBITDA Margin	11.3%	15.9%	460 bps	16.2%	15.4%	-80 bps
<b>L-F-L Operating EBITDA</b>	<b>335</b>	<b>458</b>	<b>37%</b>	<b>805**</b>	<b>891</b>	<b>11%</b>

\* Other operating income for the period ended Jun 30, 2015 includes Rs 139.74 Crore being accrual of sales tax incentives pertaining to the period August 2005 to March 2015

\*\* Excludes Sales tax incentive Rs 139.74 Cr



## Consolidated Financial Results – (2/2)

[Rs Cr]

Particulars	Q2			H1		
	2015	2016	Variance	2015	2016	Variance
<b>Operating EBITDA</b>	<b>335</b>	<b>458</b>	<b>37%</b>	<b>945</b>	<b>891</b>	<b>11%</b>
Other income	22	22	0%	82	64	-22%
Depreciation	-168	-144	-15%	-341	-289	-15%
<b>PBIT</b>	<b>189</b>	<b>336</b>	<b>78%</b>	<b>686</b>	<b>665</b>	<b>-3%</b>
Interest	-13	-17	30%	-36	-33	-9%
<b>PBT before exceptional items</b>	<b>175</b>	<b>318</b>	<b>82%</b>	<b>650</b>	<b>632</b>	<b>-3%</b>
Exceptional item	0	0	-	(164) <sup>*</sup>	0	-
<b>PBT</b>	<b>175</b>	<b>318</b>	<b>82%</b>	<b>485</b>	<b>632</b>	<b>30%</b>
<i>PBT Margin</i>	6%	11%	500 bps	8%	11%	300 bps
Tax	-46	-81	75%	-125	-172	38%
<b>PAT</b>	<b>129</b>	<b>237</b>	<b>84%</b>	<b>361</b>	<b>461</b>	<b>28%</b>
<i>PAT Margin</i>	4%	8%	400 bps	6%	8%	200 bps
Minority interest & Share of profit of associates	5	2	-59%	9	5	-41%
<b>PAT after minority interest &amp; share of profit of associates</b>	<b>133</b>	<b>239</b>	<b>79%</b>	<b>370</b>	<b>466</b>	<b>26%</b>

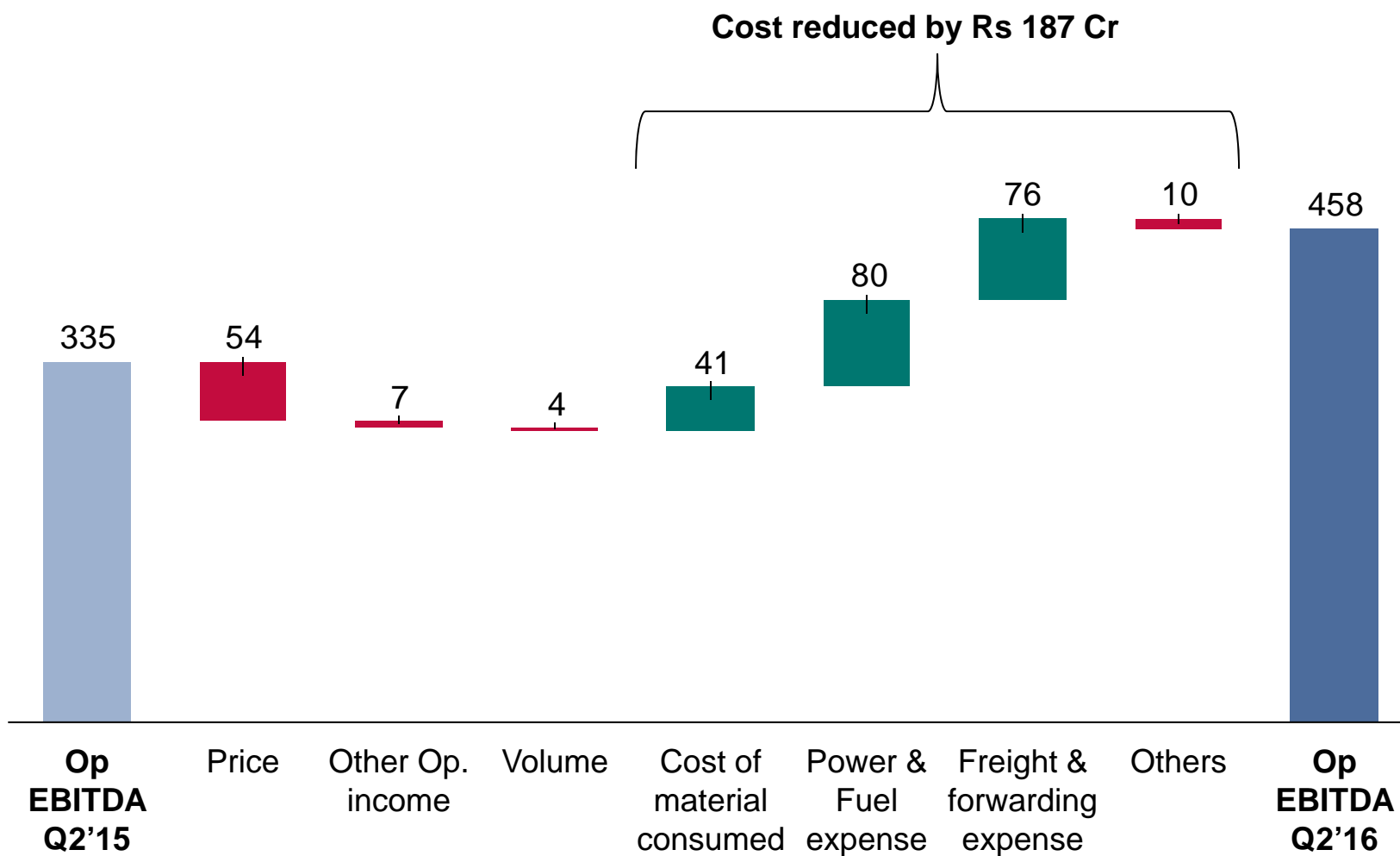
\* Pursuant to provisions of Schedule II of the Companies Act, 2013, an additional charge of Rs 164.45 Crore, being the carrying amount as of January 1, 2015 of fixed assets with no remaining useful life (as revised) as of that date, was recognized in the period ended Jun 30, 2015 and disclosed as an exceptional item





## Q2 Operating EBITDA Waterfall – Consolidated

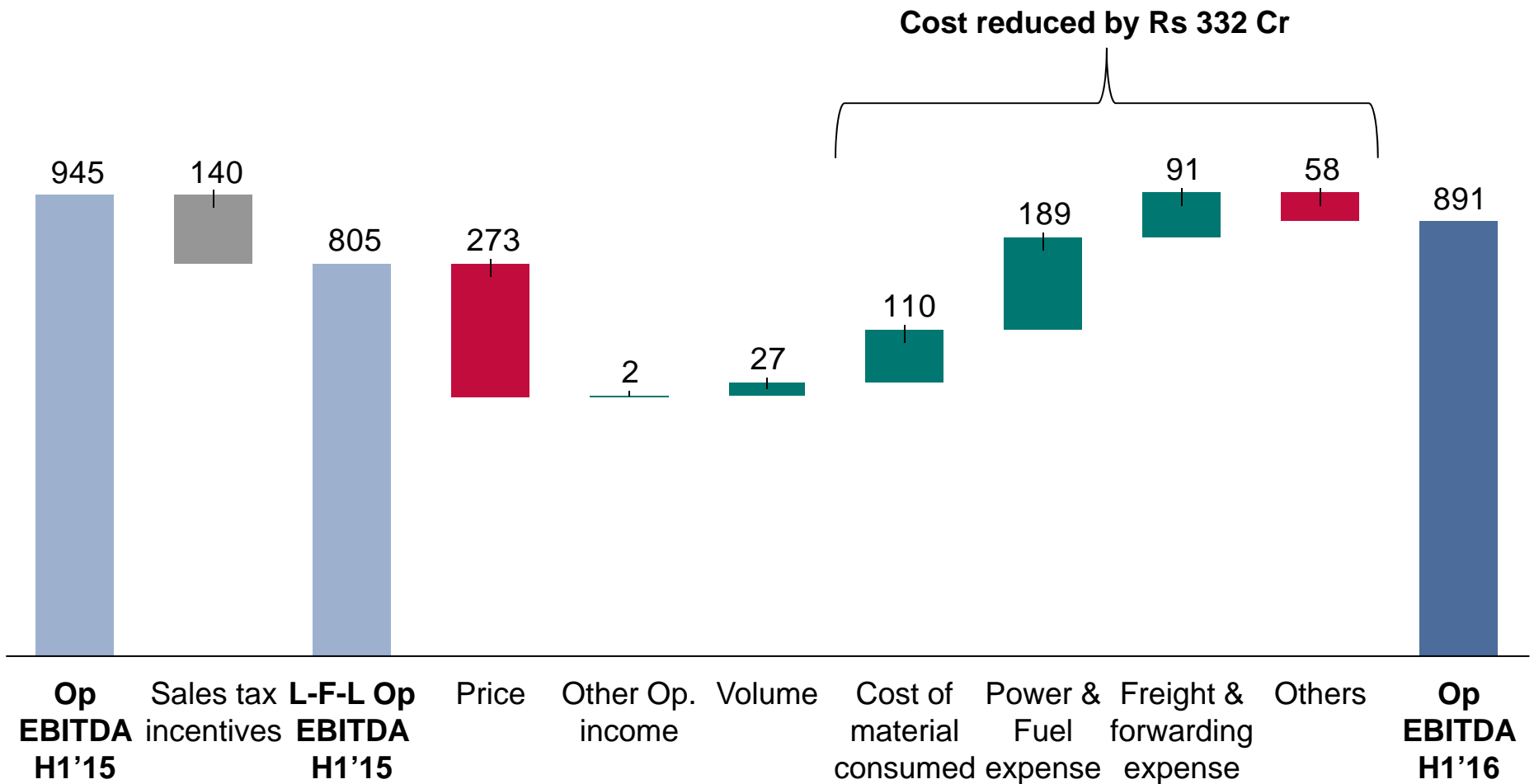
[Rs Cr]





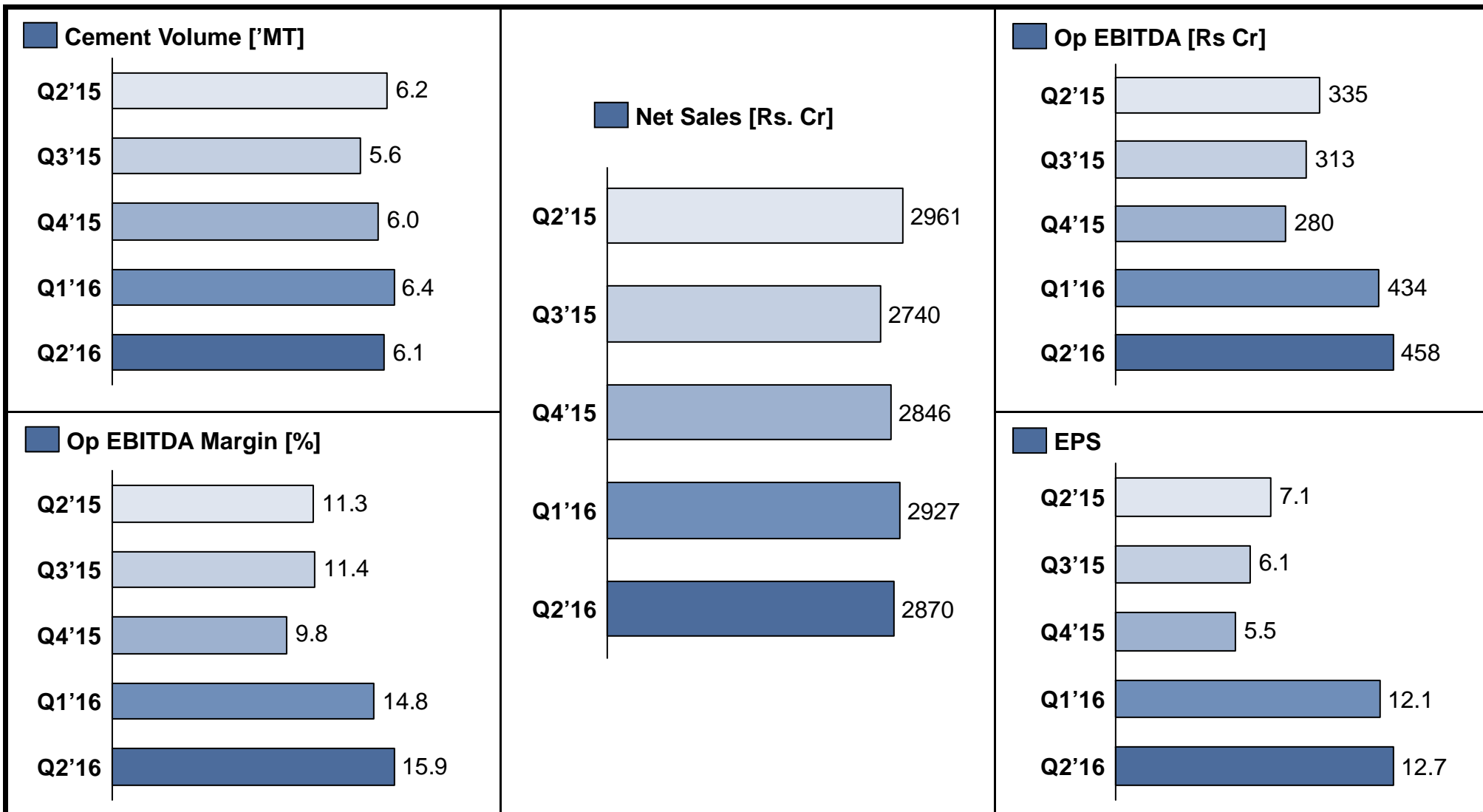
# H1 Operating EBITDA Waterfall – Consolidated

[Rs Cr]





## Quarterly Trend – Financials Consolidated





## Financial Position

[Rs Cr]

Consolidated		Particular	Standalone	
30.06.16	31.12.15		30.06.16	31.12.15
8,639	8,421	Shareholders Funds	8,665	8,443
3	3	Minority interest	-	-
-	-	Short term borrowing	35	36
471	470	Deferred Tax Liabilities	470	469
<b>9,113</b>	<b>8,894</b>	<b>Sources of Fund</b>	<b>9,170</b>	<b>8,948</b>
7,673	7,711	Net Block	7,644	7,656
13	16	Goodwill on Consolidation	-	-
		<b>Investments:</b>		
1,386	1,328	Liquid investments	1,357	1,301
83	87	Long-term investments	275	275
-42	-248	Net Working Capital	-106	-284
<b>9,113</b>	<b>8,894</b>	<b>Total Application of Funds</b>	<b>9,170</b>	<b>8,948</b>

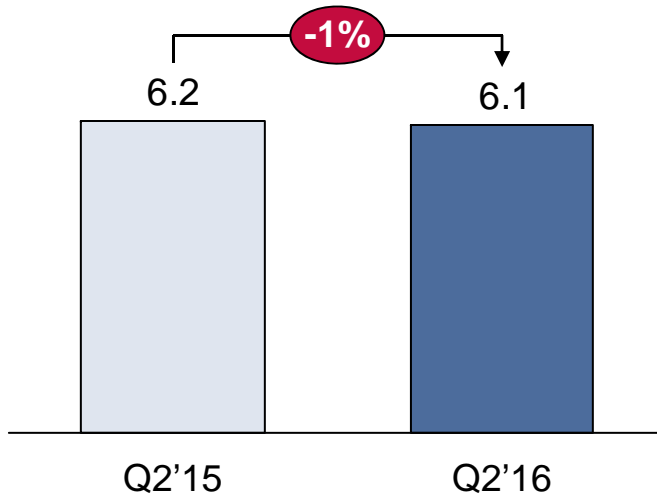


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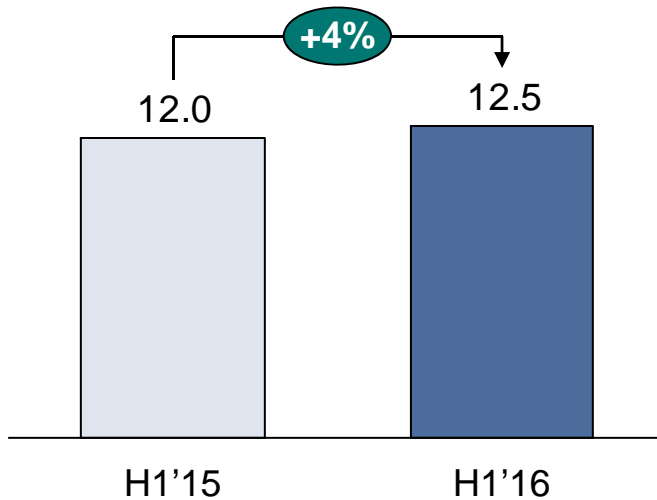
**Q2'16  
YoY**



**Q2'16 YoY :**

- Cement volume marginally lower due to muted demand in some markets
- Premium Products volume increased from 5.63 Lac tons to 7.59 Lac tons

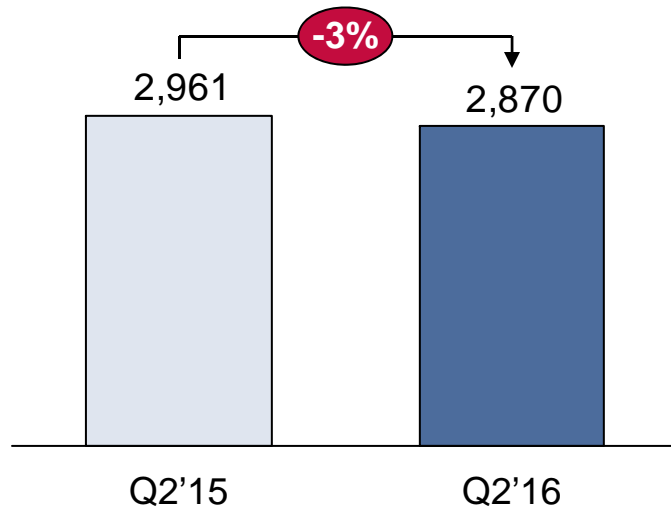
**H1'16  
YoY**



**H1'16 YoY :**

- Cement volume growth 4%
- Premium Products volume increased from 10.3 Lac tons to 14.7 Lac tons

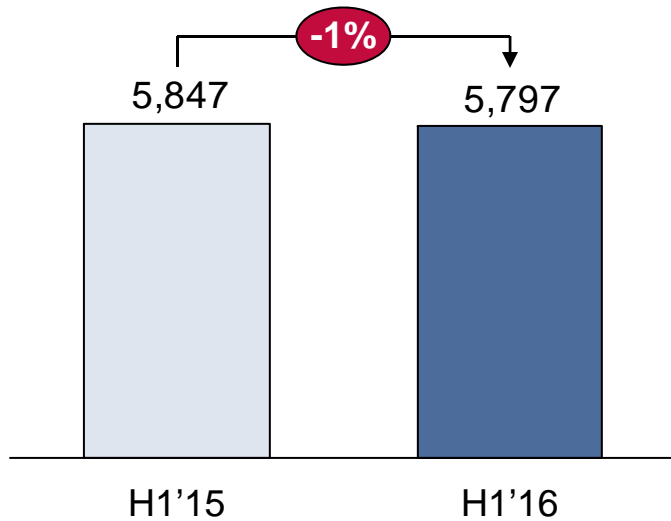
**Q2'16  
YoY**



**Q2'16 YoY :**

- Cement volume marginally lower, RMX volume growth 9%, while realization continues to be weak

**H1'16  
YoY**



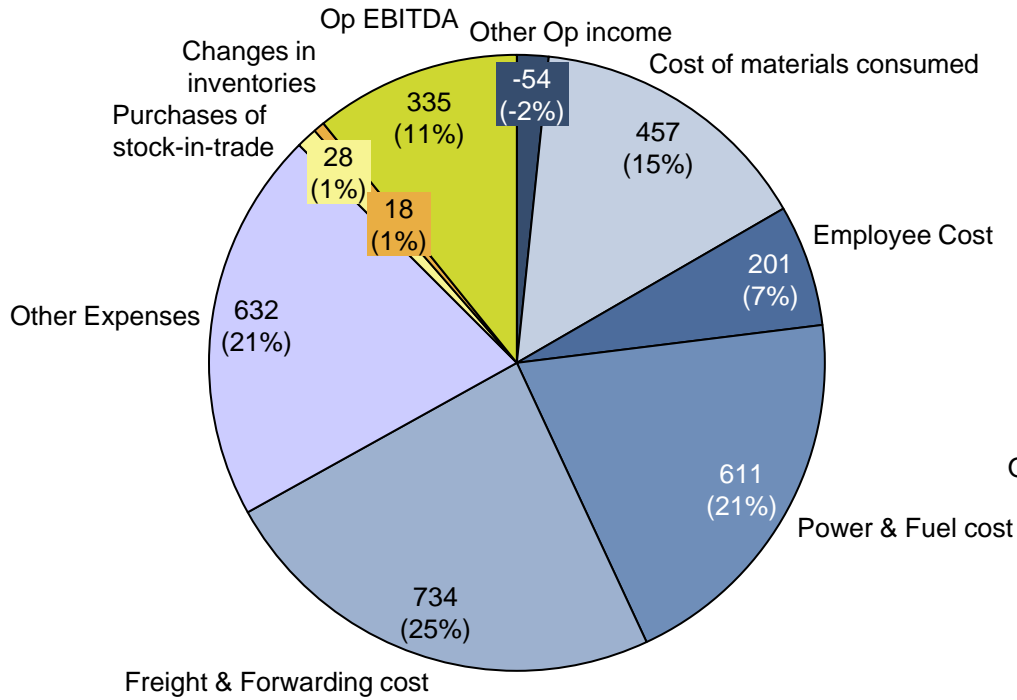
**H1'16 YoY :**

- Cement volume growth 4%, RMX volume growth 11%, while realization was weak

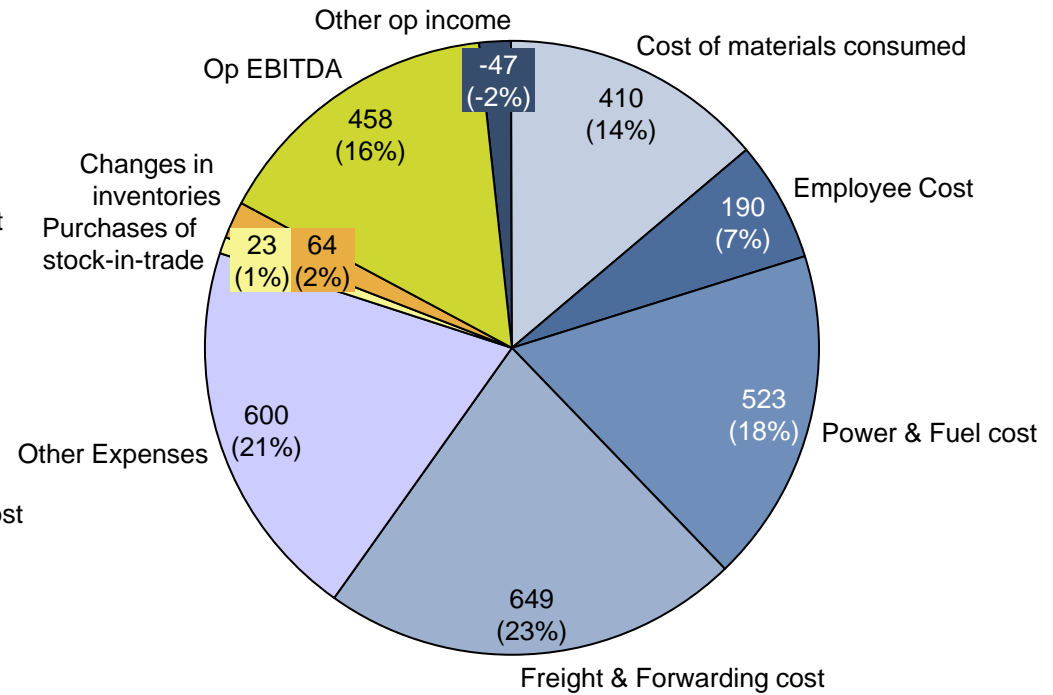


# Consolidated Operating Costs as % to Sales

[Rs Cr]



**Q2'15**



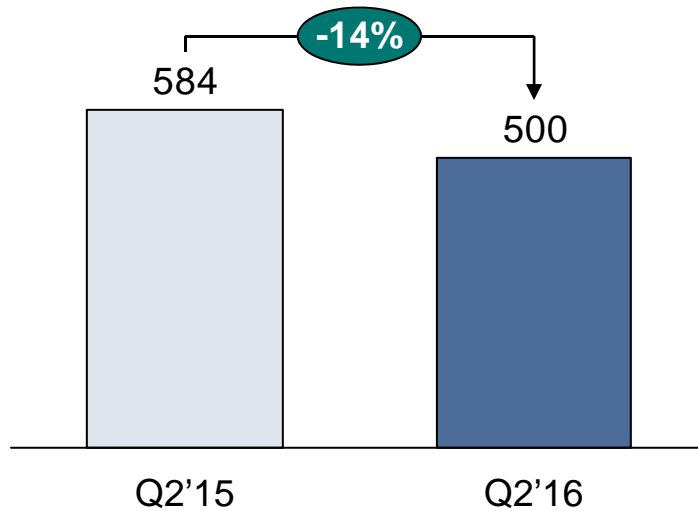
**Q2'16**

## Q2'16 YoY :

- Cost of material consumed reduced due to lower cost of Slag, Flyash & Gypsum
- Reduction in Power & Fuel cost mainly due to increased usage of Petcoke and lower cost of fuel
- Freight & forwarding improved mainly due to lower movement of clinker within plants, reduction in cement freight rate, lower lead distance & reduction of cement inventory at warehouse
- Reduction in other expenses mainly due to lower marketing & selling overheads, maintenance cost and packing material cost



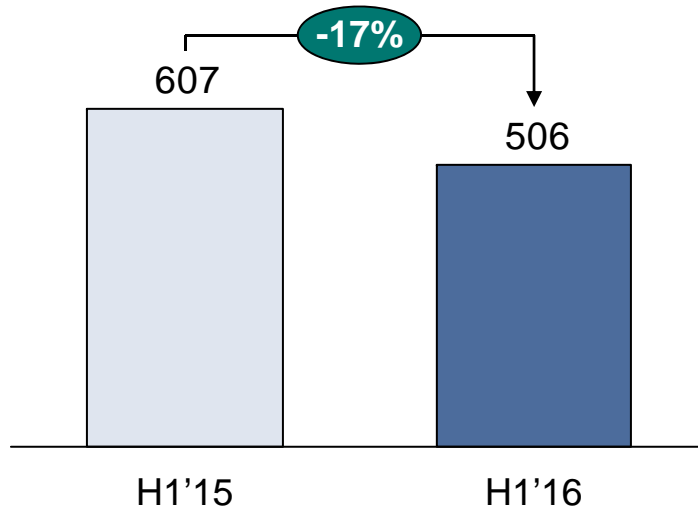
**Q2'16  
YoY**



## Q2'16 YoY :

- Slag prices renegotiated and reduced (Impact Rs 12 Cr)
- Reduction in Fly ash cost due to increased availability from nearby cheaper sources (Impact Rs 16 Cr)
- Reduction in landed cost of Gypsum due to lower rate & mix optimisation (Impact Rs 10 Cr)
- Lower Gypsum absorption in cement (Impact Rs 4 Cr)
- Increase in cost of additives & corrective material (Impact Rs 3 Cr)

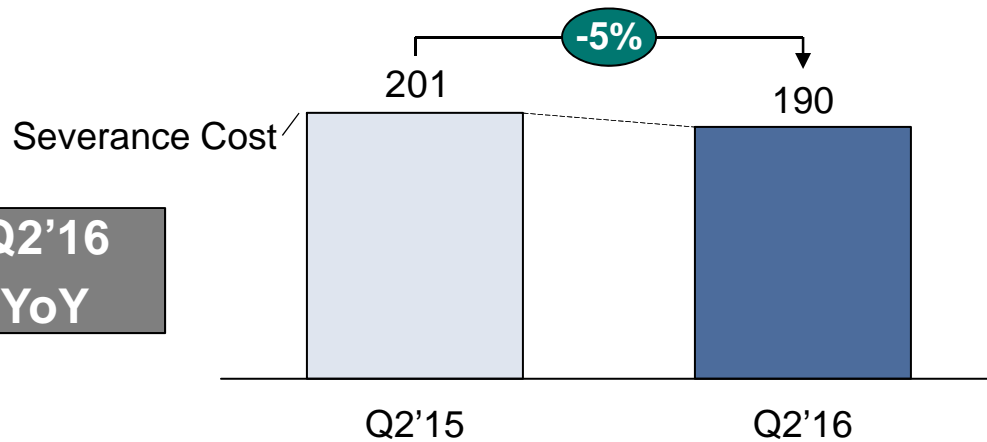
**H1'16  
YoY**



## H1'16 YoY :

- Reduction in landed cost of Gypsum, Flyash and Slag Cost (Impact Rs 58 Cr)
- Higher purchase of Clinker in H1'15 due to mining suspension at Bargarh & Chaibasa (Impact Rs 39 Cr)
- Lower consumption of purchased Limestone (Impact Rs 13 Cr)
- Lower Gypsum absorption in cement (Impact Rs 18 Cr)
- Higher cost of Additives & other corrective materials (Impact Rs 3 Cr)

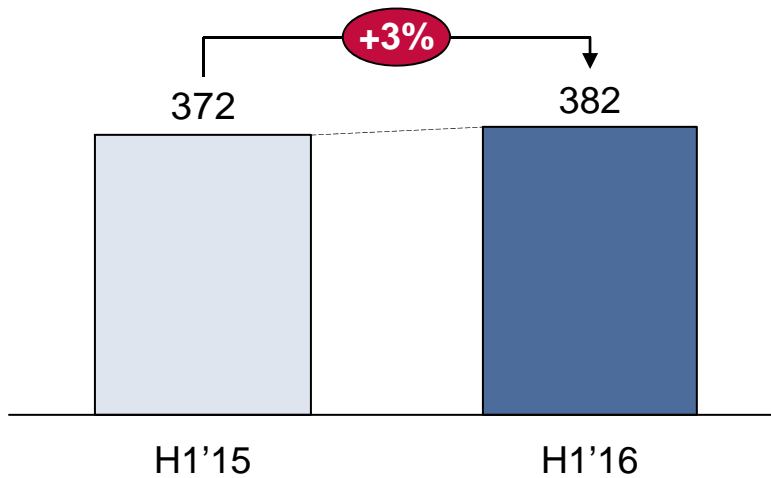
**Q2'16  
YoY**



### Q2'16 YoY :

- Cost lower mainly due to rationalisation of manpower

**H1'16  
YoY**



### H1'16 YoY :

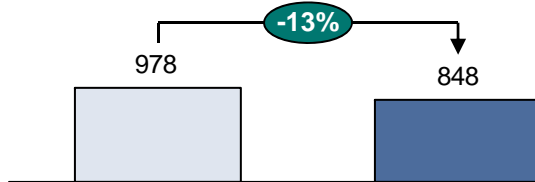
- Net cost increase restricted to 3% due to savings through rationalisation of manpower



# Power & Fuel Cost - Cement Business

[Rs/Ton Cement]

## Q2'16 YoY



Power Mix	Q2'15	Q2'16
Thermal Power Plant	74%	69%
Grid Power	23%	27%
WHRS, DG & Wind Mill	3%	4%

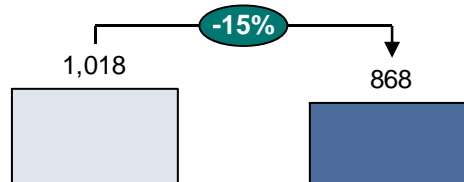
  

Kiln Fuel Mix	Q2'15	Q2'16
Domestic Coal	56%	28%
Petcoke	15%	60%
Imported Coal	29%	12%

## Q2'16 YoY :

- Higher Petcoke consumption by 45% (Impact Rs 8 Cr)
- Lower cost of Imported Coal & Petcoke (Cost saving Rs 67 Cr)

## H1'16 YoY



Power Mix	H1'15	H1'16
Thermal Power Plant	73%	72%
Grid Power	24%	25%
WHRS, DG & Wind Mill	3%	3%

Kiln Fuel Mix	H1'15	H1'16
Domestic Coal	56%	32%
Petcoke	13%	54%
Imported Coal	31%	14%

## H1'16 YoY :

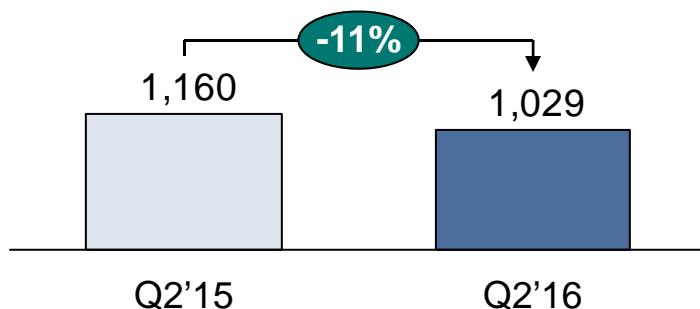
- Higher Petcoke consumption by 41% (Impact Rs 22 Cr)
- Lower cost of Imported Coal & Petcoke (Cost saving Rs 122 Cr)
- Savings in Fuel cost in Thermal Power Plant (Cost savings Rs 4 Cr)



## Freight Cost – Cement Business

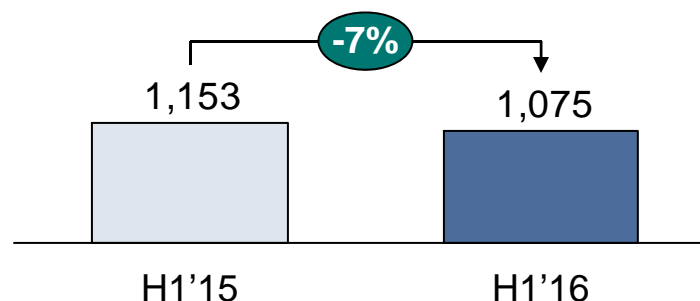
[Rs/Ton Cement]

**Q2'16  
YoY**



Mode of Transport Mix		
Rail	44%	40%
Road	56%	60%

**H1'16  
YoY**



Mode of Transport Mix		
Rail	44%	41%
Road	56%	59%

### Q2'16 YoY :

- Reduction in outbound Road freight by Rs 13/ton (Impact Rs 9 Cr)
- Reduction in cement inventory at warehouse resulting in lower freight by Rs 44/ton (Impact Rs 31 Cr)
- Withdrawal of 15% busy season surcharge on rail freight in May-Jun'16 (Impact Rs 30/ton)
- Reduction in freight on clinker movement due to lower clinker transferred & lower long lead movement (Impact Rs 35 Cr)

### H1'16 YoY :

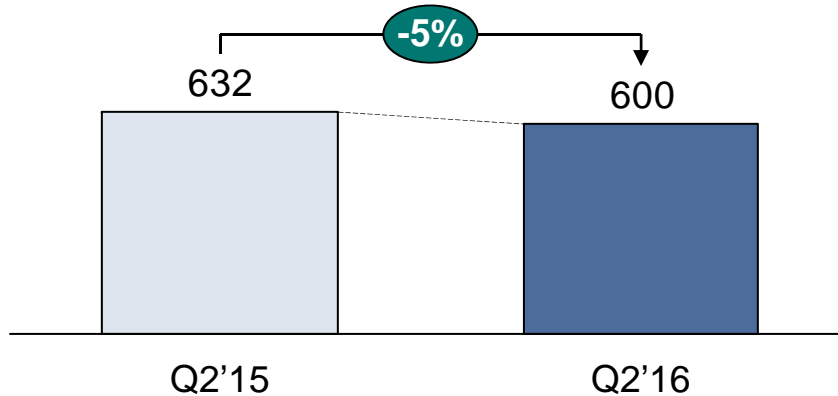
- Reduction in outbound Road freight by Rs 21/ton (Impact Rs 19 Cr)
- Reduction in cement inventory at warehouse resulting in lower freight by Rs 24/ton (Impact Rs 13 Cr)
- Withdrawal of 15% busy season surcharge on rail freight in May-Jun'16 (Impact Rs 15/ton)
- Reduction in freight on clinker movement due to lower clinker transferred & lower long lead movement (Impact Rs 17 Cr)



## Other Expenses - Consolidated

[Rs Cr]

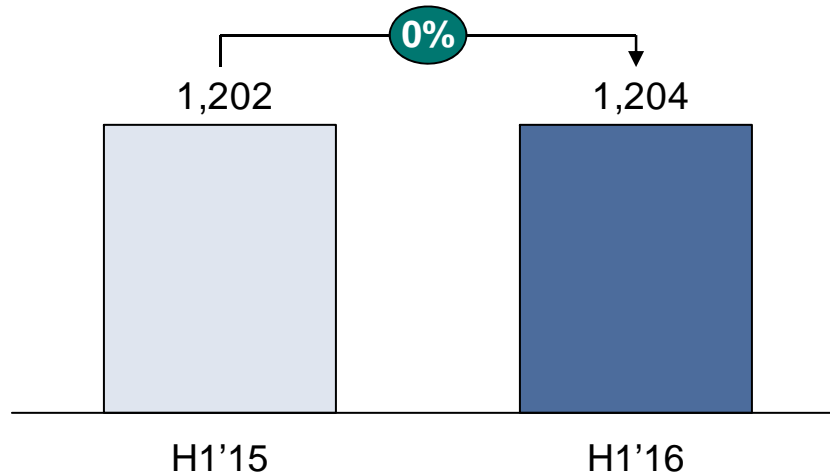
Q2'16  
YoY



### Q2'16 YoY :

- Reduction in packing material price by Rs 26/T Cement (Impact Rs 21 Cr)
- Lower Marketing & Selling overhead (Impact Rs 11 Cr)
- Lower Maintenance cost( Impact Rs 4 Cr)
- Royalty on Limestone [Provision towards contribution to DMF/NMET effective from Jan'15] (Impact Rs 16 Cr)

H1'16  
YoY



### H1'16 YoY :

- Reduction in packing material price by Rs 30/T Cement (Impact Rs 37 Cr)
- Lower Marketing & Selling overhead (Impact Rs 17 Cr)
- Higher Maintenance cost( Impact Rs 9 Cr)
- Royalty on Limestone [Provision towards contribution to DMF/NMET effective from Jan'15] (Impact Rs 35 Cr)



## ***Disclaimer***

### Cautionary statement regarding forward looking statements

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## Contact information

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Ajeet Modi

Investor Relations

Phone: +91 22 3302 4321 (Board)

Phone: +91 22 3302 4388 (Direct)

[www.acclimited.com](http://www.acclimited.com)