



19<sup>th</sup> October, 2018

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**Scrip Code: 532538**

The Manager  
Listing Department  
The National Stock Exchange of India Limited  
"Exchange Plaza", Bandra-Kurla Complex,  
Bandra (East), Mumbai 400 051.  
Tel.: 26598236  
Fax: 2659 8237 / 38.  
**Scrip Code: ULTRACEMCO**

Dear Sirs,

**Sub: Investor Presentation for the quarter and half year ended 30<sup>th</sup> September, 2018**

Attached is an investor presentation on the performance of the Company for the quarter and half year ended 30<sup>th</sup> September, 2018.

The same is for your information, please.

Yours very truly,

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

S. K. Chatterjee  
Company Secretary

Encl: A/a



**UltraTech Cement Limited**

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ADITYA BIRLA



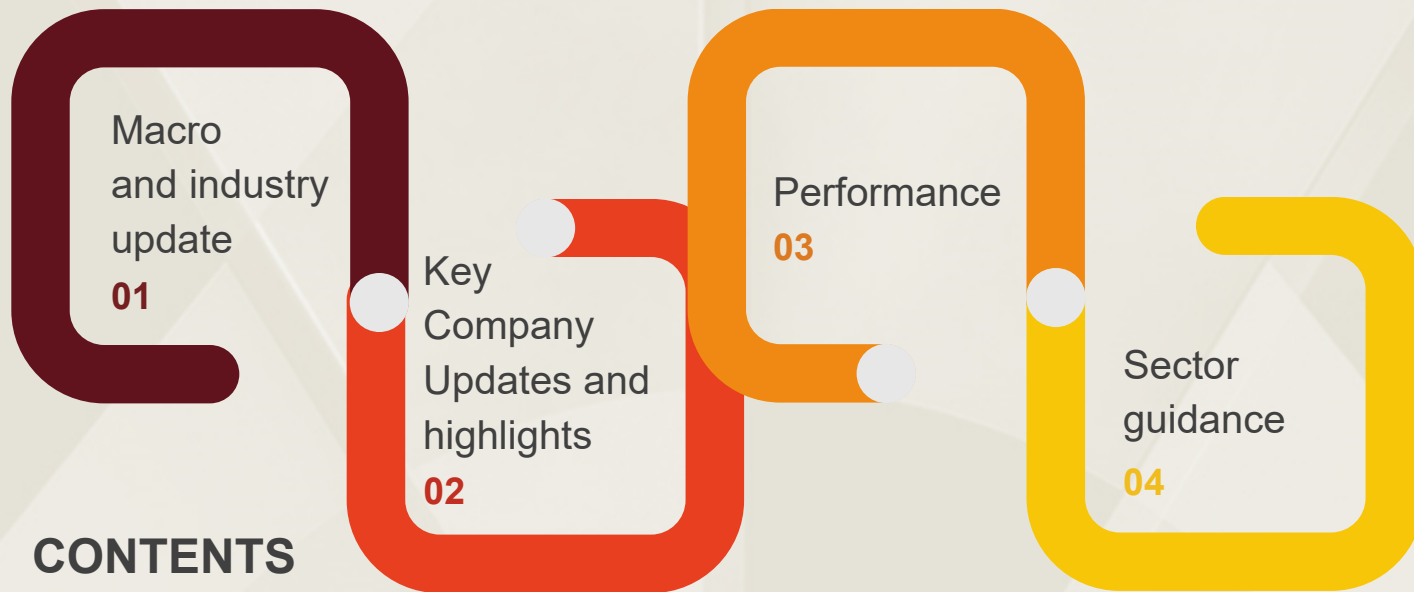
UltraTech Cement Limited

# India's largest cement company

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Earnings Q2 FY19

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



## **GLOSSARY**

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**MNT** – Million metric tons, **LMT** – Lac metric tons, **MTPA** – Million tons per annum, **MW** – Mega watts, **Q1**- April- June, **Q2** – July-September, **Q3** – October-December, **Q4** – January- March, **CY** – Current year period, **LY** – Corresponding period last year, **FY** – Financial year (April-March)

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## MACRO INDICATORS

01

Continuous hike in crude prices:  
**+ 44% y-o-y**

02

Sharp depreciation of INR against USD:  
**+ 4.5% v/s Q1 FY19**

03

WIP moved up at **5.0%** v/s **4.7% in Q1 FY19**

04

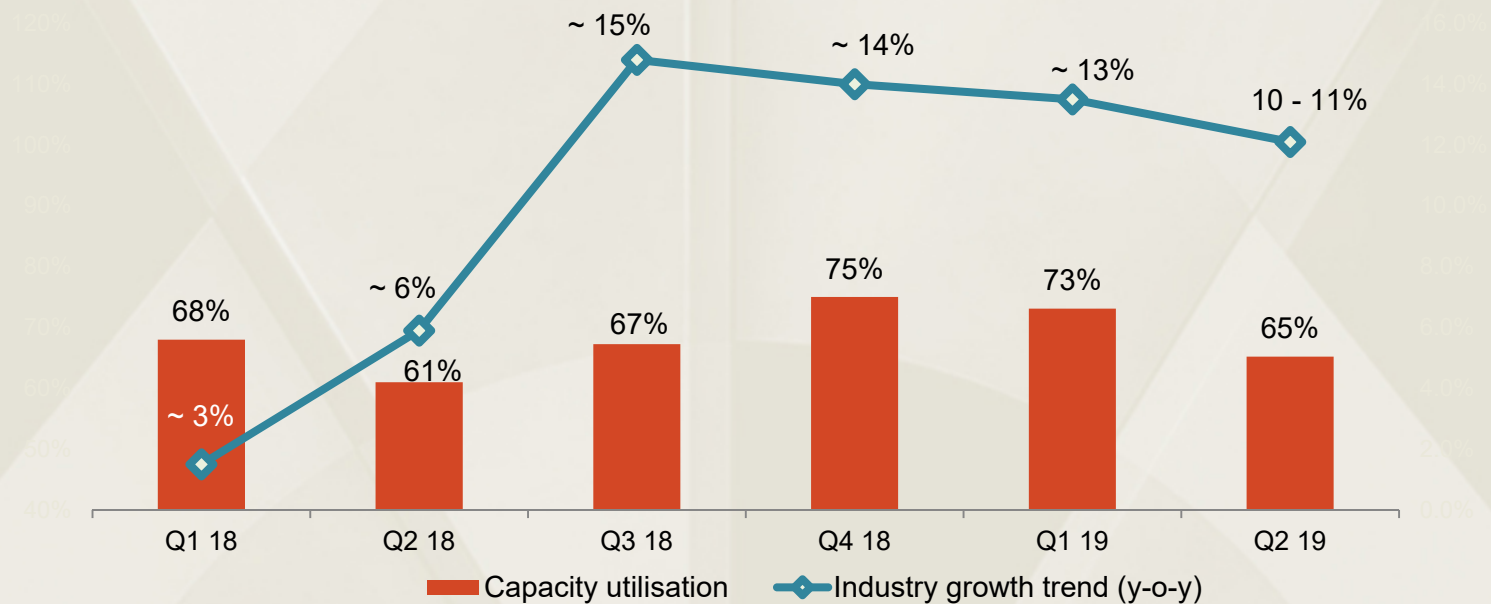
Benchmark interest rate hiked **25 bps**

05

Q1 FY19 GDP growth accelerated to **8.2%** v/s **5.6%** in Q1 FY18

## SECTORAL UPDATE

### Industry demand growth and capacity utilization trend



Maintaining volume growth trend above GDP since last 4 quarter

**AND** industry average capacity utilisation ~ 70%

## SECTORAL UPDATE

### KEY CEMENT INDUSTRY GROWTH DRIVERS

01

Infrastructure development is still the most important industry growth driver

02

Significant pick-up in execution under low-cost housing program

03

Rural housing demand ramping up on a q-o-q basis

04

Increase in number of real estate project launches in top-8 cities

Some markets witnessed demand disruption due to heavy rains

## SECTORAL UPDATE

### STATE-WISE PERFORMANCE

State/Region	Vol. Gr.	I	LCH	RH	UH	C	Key drivers
Haryana	↑	●	●	●	●	●	Infrastructure
Delhi + NCR	↑	●	●	●	●	●	Rains impacted demand
Punjab	↓	●	●	●	●	●	Rains impacted demand
Himachal Pradesh	↓	●	●	●	●	●	Impact of rains and transport strike
Rajasthan	↑	●	●	●	●	●	Infrastructure
<b>North</b>	↑	●	●	●	●	●	<b>Infrastructure</b>
Madhya Pradesh	↑	●	●	●	●	●	Rains impacted demand
Uttar Pradesh	↑	●	●	●	●	●	Infrastructure and PMAY
<b>Central</b>	↑	●	●	●	●	●	<b>Infrastructure</b>
Maharashtra	↑	●	●	●	●	●	Infrastructure and Affordable Housing
Gujarat	↑	●	●	●	●	●	Infrastructure
<b>West</b>	↑	●	●	●	●	●	<b>Infrastructure &amp; Affordable Housing</b>

Infrastructure development remains key growth driver. Heavy monsoons impacted construction work

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

## SECTORAL UPDATE

### STATE-WISE PERFORMANCE

State / Region	Vol. Gr.	I	LCH	RH	UH	C	Key Drivers
West Bengal	↑	●	●	●	●	●	Infrastructure
Bihar	↑	●	●	●	●	●	Infrastructure, IHB and PMAY
Jharkhand	↑	●	●	●	●	●	Infrastructure and PMAY
Odisha	↑	●	●	●	●	●	Infrastructure and IHB
Chhattisgarh	↑	●	●	●	●	●	Infrastructure
<b>East</b>	<b>↑</b>	<b>●</b>	<b>●</b>	<b>●</b>	<b>●</b>	<b>●</b>	<b>Infrastructure, IHB and PMAY</b>
Andhra Pradesh / Telangana	↑	●	●	●	●	●	Amravati Development, Irrigation & Infrastructure
Karnataka	↑	●	●	●	●	●	Commercial
Tamil Nadu	↑	●	●	●	●	●	Infrastructure and Rural Housing
Kerala	↓	●	●	●	●	●	Floods impacted demand
<b>South</b>	<b>↑</b>	<b>●</b>	<b>●</b>	<b>●</b>	<b>●</b>	<b>●</b>	<b>Infrastructure and Rural Housing</b>

Infrastructure development and PMAY key contributors in overall demand growth

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

*PMAY: Pradhan Mantri Awas Yojana, IHB: Individual House Building*



## SECTORAL UPDATE

### NEW SUPPLIES

Industry to witness new capacity addition @ 15-17 mtpa

All new supplies not fully integrated end to end

Current capacity additions are backed by old limestone mining leases

Demand growth @ 25-27 mnt > incremental supply

Clinker capacity utilization for Industry > Cement capacity utilization

Some regions operating at peak clinker capacity utilisation

Effective industry capacity utilization to improve at a faster pace

## SECTORAL UPDATE

### STEADY CEMENT PRICES DURING SEASONAL QUARTER

Average cement prices up ~ 1% v/s Q1 FY 19

Prices improved ~ 3%  
North, Central and South

Marginal price increase ~ 1%  
East

Marginal price drop ~ 2%  
West

### COSTS ARE LIKELY TO PEAK DURING THE QUARTER

Impact of peak coal and pet coke prices

Adverse fluctuation in local currency v/s USD

Increased oil prices impacting logistics costs

Annual plant maintenance costs

Softening pet coke prices will reduce the impact of costs pressure

## ACQUIRED ASSETS

### TRANSFORMATION JOURNEY : COMPLETION OF A YEAR

Assets fully integrated for branding, pricing, operations, safety standards, internal controls & systems and people management

Cost integration: ~ 60% capacity operating at UTCL costs level (Excl. structural cost gap)

Avg. Heat Consumption in kiln



Existing capacities

Pet coke usage in kiln



Existing capacities

Blended production ratio



Existing capacities

Power consumption



Existing capacities

## ACQUIRED ASSETS

### NEXT STEPS ... COST IMPROVEMENT MEASURES

01

Achieving consistent efficiency norms of UltraTech quality standards

02

Capex for Waste Heat Recovery Systems (support to arrest structural cost differences)

### PROJECT STATUS

03

Construction at Bara GU progressing as per schedule  
Commissioning by Jun'19

04

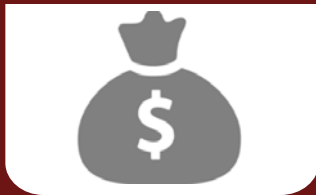
Dalla clinker unit likely to be available by June'19

## ULTRATECH: OTHER UPDATES...

Received Competition Commission of India's approval for acquiring cement assets of Century Textiles and Industries Limited

**Value-accretion assured for all stakeholders thanks to:**

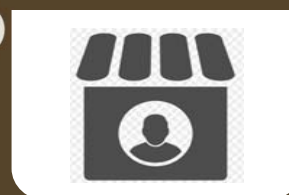
UltraTech  
brand equity



Size and scale of  
operations



In-depth  
sectoral  
experience



Balance sheet  
health for  
growth



The transaction is expected to be completed in Q4 FY19 following approval from shareholders, the National Company Law Tribunal and other regulatory agencies

## ULTRATECH: OTHER UPDATES... CONTD..

01

Commissioned  
2 waste heat  
recovery systems:  
13 MW each  
  
Total capacity  
now at : 85 MW

02

Launched  
composite  
premium cement  
in East markets

## SALES PERFORMANCE DURING Q2

Mnt

Particulars	Q2			H1		
	CY	LY	▲ %	CY	LY	▲ %
Capacity (mtpa)	88.5	85.0	4	88.5	85.0	4
Domestic sales	15.1	12.4	21	31.9	25.0	28
Exports and others	0.7	0.7		1.3	1.3	
<b>Total</b>	<b>15.7</b>	<b>13.1</b>	<b>20</b>	<b>33.2</b>	<b>26.3</b>	<b>26</b>

Growing faster than industry

## OPERATING COSTS Q2

01

**Logistics cost**  
31% of overall costs

up 6% y-o-y at  
Rs. 1155/t

**Impact of  
hardening oil  
prices**

02

**Energy cost**  
30% of overall costs

up 19% y-o-y at  
Rs. 1099/t

**Pet coke prices  
increased > 20%**

03

**Raw materials cost**  
14% of overall costs

up 5% y-o-y at  
Rs. 503/t

**Additional Royalty  
impact ~3%**

All round cost pressure



## KEY FOCUS AREAS FOR COST CONTROL

Lead  
optimisation

5% y-o-y

4% q-o-q

Increase in  
WHRS usage in  
overall power  
requirement

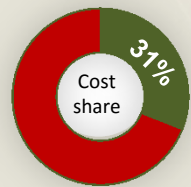
100 bps  
increase on  
y-o-y and q-o-q

Focus to  
increase  
use of  
alternate fuels

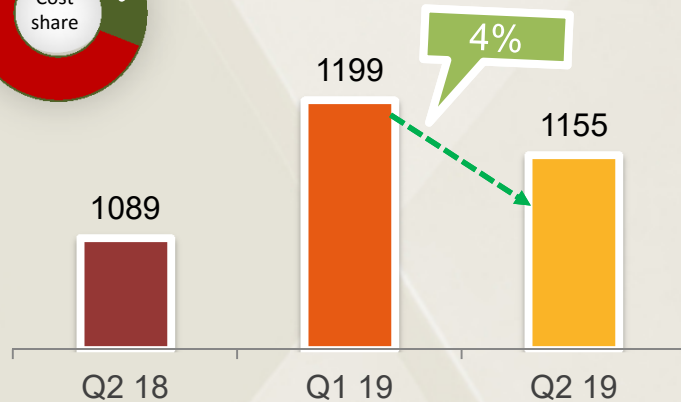
Thrust on  
enhancing  
operational  
efficiency of  
equipment

Efficiency through sustainable improvements

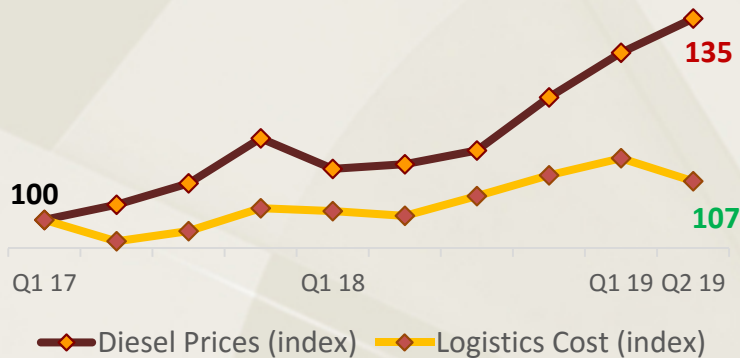
# LOGISTICS COST TRENDS



Logistics Cost (Rs/t)



Logistics Costs v/s Diesel Prices



Grey Cement costs only

Q-o-Q cost declined ~ 4%

### Benefit from

Exemption from Railway busy season surcharge (Gain: ~4%)

Lead reduction benefit (Gain ~ 4%)

Some benefit started flowing in for axle load increase

### Gain in costs eroded by

Higher diesel price (Impact: ~ 1%)

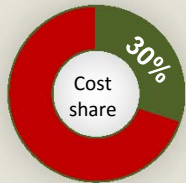
Volume growth in high freight cost markets

Y-o-Y cost increase ~ 6%

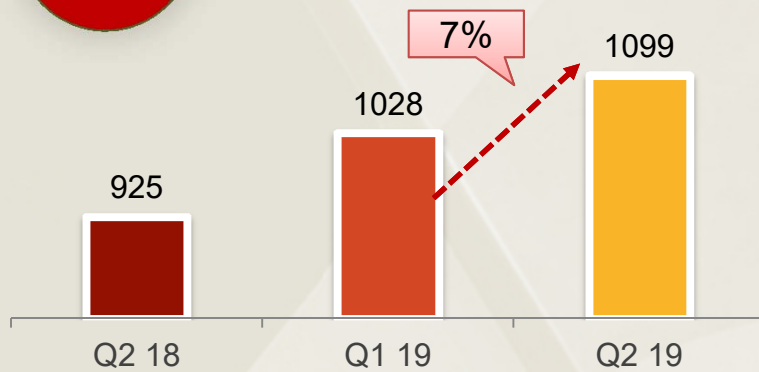
Impact of higher diesel prices

Increase in costs controlled with reduction in lead distance by 5%

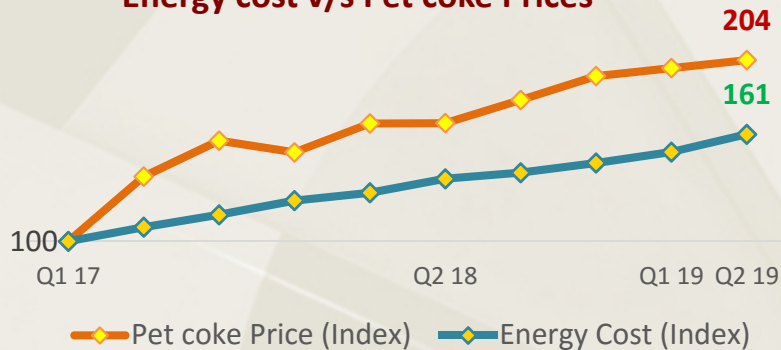
# ENERGY COST TRENDS



Energy Cost (Rs/t)



Energy cost v/s Pet coke Prices



Grey Cement costs only

## Q-o-Q costs increased 7 %

Impact of Rupee depreciation  
(Impact: ~3%)

Higher consumption norms due to annual plant maintenance  
(Impact: ~2%)

## Y-o-Y cost increased 19%

Increased coal and pet coke prices coupled with currency depreciation

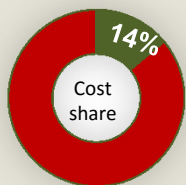
Increased custom duty on pet coke

## Benefit form operating efficiencies

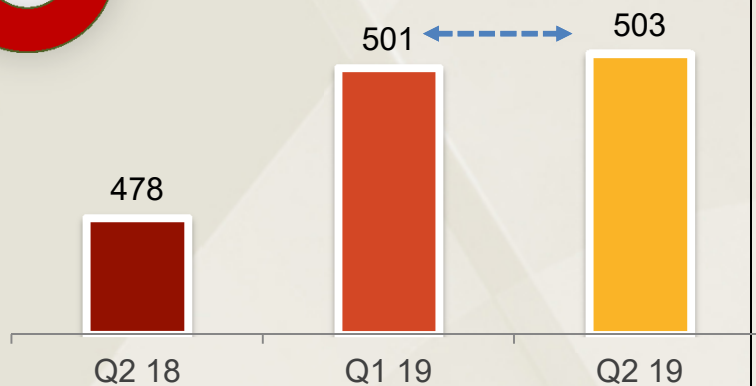
Power consumption improved 100 bps

TPP operation efficiency improved 150 bps

# RAW MATERIALS COST TRENDS



**Raw Materials Cost (Rs/t)**



Q-o-Q costs remained flat

Raw mix optimization supported to arrest impact of increase in additives prices

Y-o-Y cost increased 5%

Increase in prices of key inputs

Fly ash : ~ 7%

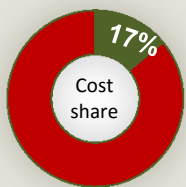
Slag : ~25%

(Impact: ~ 2%)

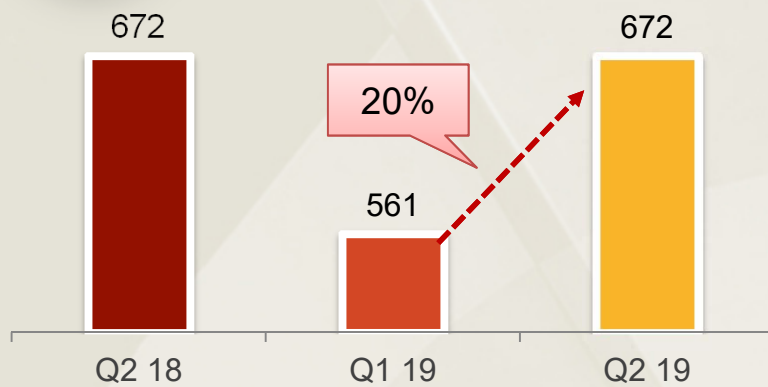
Impact of additional royalty

~ 3%

# OTHER COST TRENDS



## Other Costs (Rs/t)



Q-o-Q costs increased 20%:

Impact of annual maintenance costs (~ 18%)

~ 60% kiln capacity were shut for annual maintenance

Y-o-Y costs at similar level

Increase in packing costs ~ 5%

Benefit from lower operating leverage

## INCOME STATEMENT Q2

Rs. Crs.

Consolidated			Particulars	Standalone		
CY	LY	▲ %		CY	LY	▲ %
8111	6752	20	Revenues (net of taxes)*	7732	6391	21
220	213	4	Other Income	219	226	(3)
<b>1446</b>	<b>1550</b>	<b>(7)</b>	<b>EBITDA</b>	<b>1427</b>	<b>1519</b>	<b>(6)</b>
18%	23%	(5)	Margin (%)	18%	24%	(5)
354	388	9	Finance costs	342	376	9
536	522	(3)	Depreciation	514	499	(3)
<b>557</b>	<b>640</b>	<b>(13)</b>	<b>PBT</b>	<b>571</b>	<b>645</b>	<b>(11)</b>
181	216	16	Tax expenses	180	213	16
(1.1)	1.0		Minority interest	-	-	
<b>377</b>	<b>423</b>	<b>(11)</b>	<b>PAT</b>	<b>391</b>	<b>431</b>	<b>(9)</b>
<b>13.7</b>	<b>15.4</b>	<b>(11)</b>	<b>EPS (Rs.)</b>	<b>14.2</b>	<b>15.7</b>	<b>(9)</b>

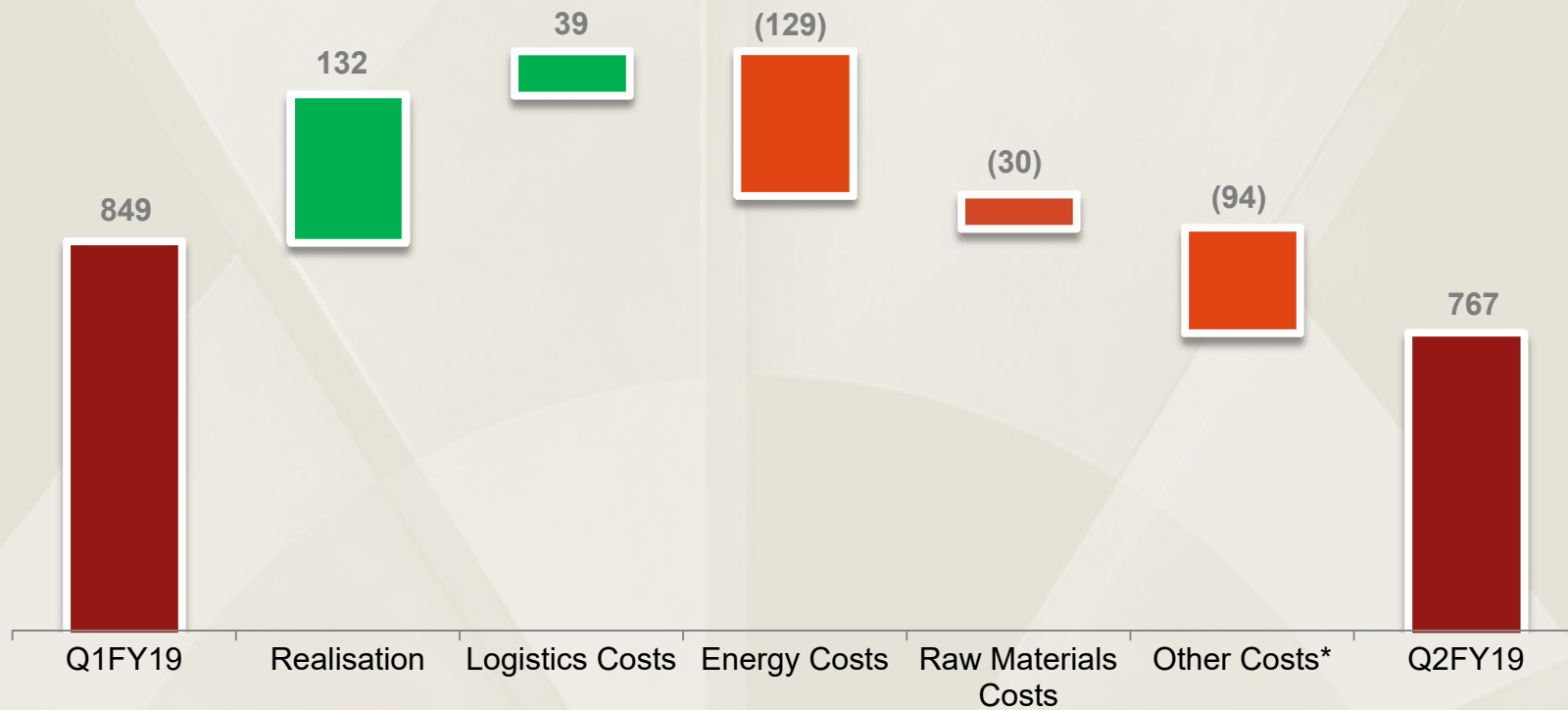
\* As per new Ind AS 115, certain sales promotion expenses have been netted off from revenues which was earlier part of other expenditure and accordingly previous period numbers have been regrouped for like-for-like comparison.

Revenues for Indian Operations up 21% y-o-y

# OPERATING EBITDA PMT BRIDGE

Q2 FY19 VIS-À-VIS Q1 FY19

Rs. PMT



Operating EBITDA pmt down on account of higher costs

\* Including employees costs and stock movement

## FINANCIAL DETAILS

Rs. Crs.

Consolidated		Particulars	Standalone	
30.09.18	31.03.18		30.09.18	31.03.18
27167	26397	Shareholder's funds	26583	25923
19769	19480	Loans	17480	17420
3323	3173	Deferred tax liabilities	3324	3174
<b>50259</b>	<b>49051</b>	<b>Sources of funds</b>	<b>47387</b>	<b>46517</b>
42160	42296	Fixed assets	40529	40782
1136	1036	Goodwill	-	-
5001	5453	Investments	5716	6163
1962	265	Net working Capital	1141	(428)
<b>50259</b>	<b>49051</b>	<b>Total application of funds</b>	<b>47387</b>	<b>46517</b>
<b>14806</b>	<b>14062</b>	<b>Net debt</b>	<b>12516</b>	<b>12007</b>



## SUSTAINABILITY INITIATIVES

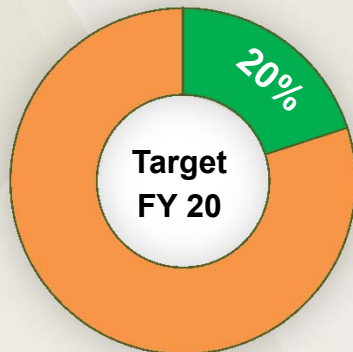
UltraTech has signed up for EP100 and has voluntarily committed to double its energy productivity in 25 years.

**Commitment towards low carbon business growth**

## SUSTAINABILITY INITIATIVES ...CONTD..

Target to increase share of renewal power from current level of 8%

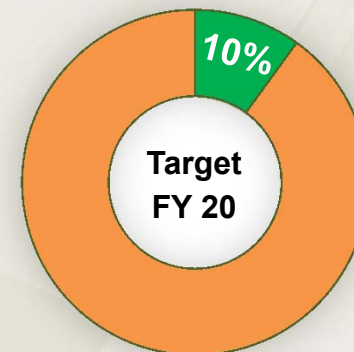
Power mix by end of FY20



■ Renewable Power ■ Other Power

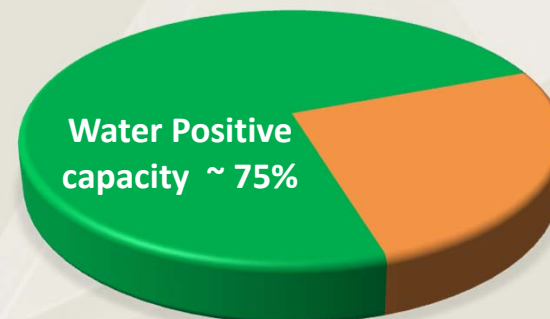
Target to increase substitution of fossil fuel from current level of 3%

Fuel mix by end of FY20



■ Alternate fuel ■ Fossil fuel

UltraTech's major plants are water positive - certified by DNV - GL\*



\* A global quality assurance and risk management company

## SUSTAINABILITY INITIATIVES... CONTD..



Ministry of Mines and Indian Bureau of Mines accredited 5 star rating for sustainability management to 11 limestone mines of the company



Became consortium partner to Waste Management Platform curated by The Energy & Research Institute (TERI)



Sustainability engagements with value chain partners by conducting awareness and sustainability assessment of vendors and dealer network.

## SECTORAL OUTLOOK

### DEMAND EXPECTED TO MOVE ABOVE GDP

#### KEY GROWTH DRIVERS

01

Infrastructural development will boost sectoral up-cycle

02

Rising rural housing demand

03

Government's Social Housing Program emerging as another key growth driver

## SECTORAL OUTLOOK

### DEMAND EXPECTED TO MOVE ABOVE GDP

#### KEY CONCERNS

01

Adverse  
currency  
movements

02

Rising oil  
prices

03

Weak off-take in  
terms of urban  
housing in Tier-II  
and III cities

04

Elections  
2019

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### **UltraTech Cement Limited**

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*[Corporate Identity Number L26940MH2000PLC128420]*

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