

HeidelbergCement India Limited (HCIL)

Q4 and FY18 Investor Presentation

May 2018



Overland Belt Conveyor



Waste Heat Recovery System



Water Reservoir in Damoh

■ Cautionary Statement

- Statements in this presentation, which describe the Company's objectives, projections, estimates, expectations or predictions, may be considered to be "forward-looking statements" within the meaning of applicable Securities Laws and Regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however materially differ from those expressed or implied.
- Important factors that could make a difference to the Company's operations include global and Indian political, economic and demand-supply conditions, finished goods prices, raw materials cost and availability, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, Policies, tax regimes, economic developments within India besides other factors such as litigation and industrial relations as well as the ability to implement strategies.
- The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events or otherwise.

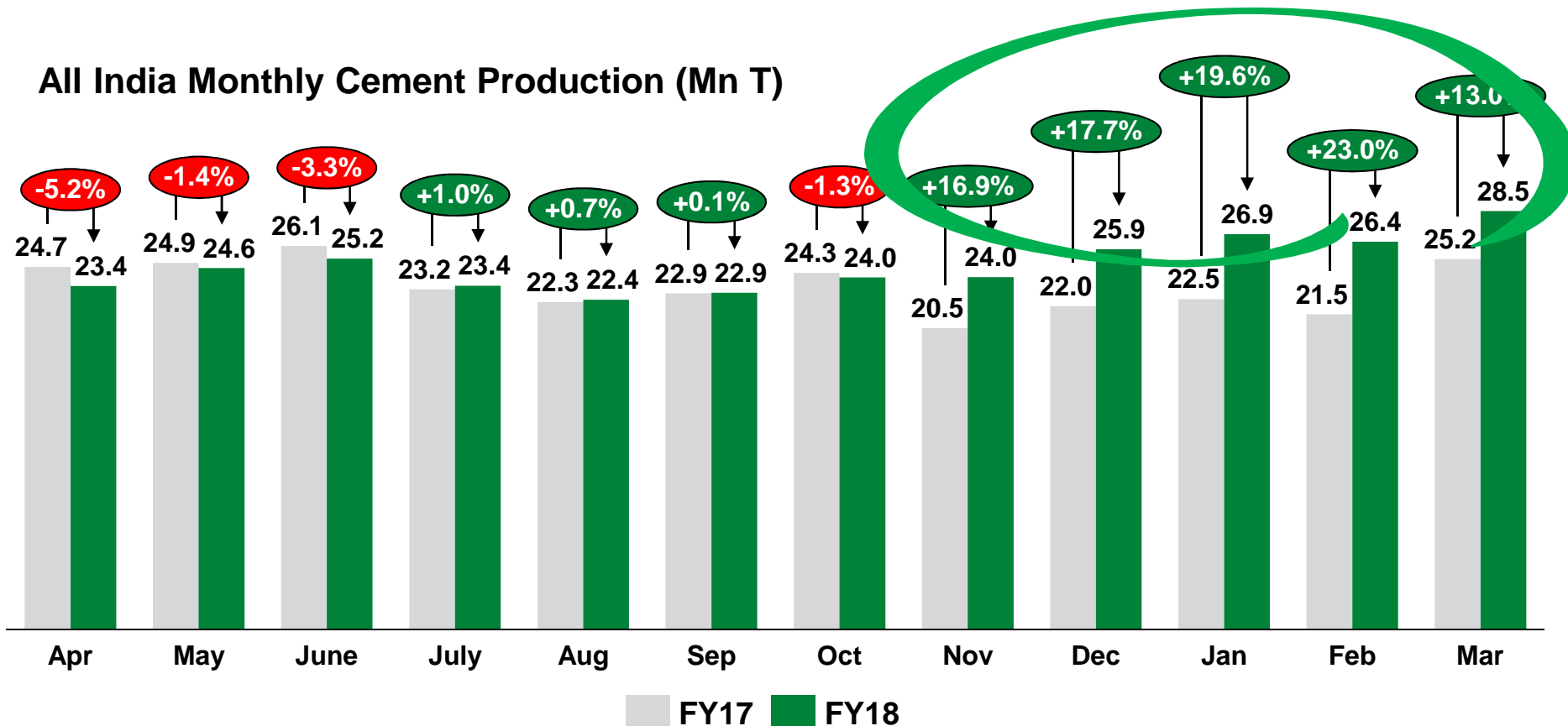
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① FY18 – Indian Cement Industry

- All India installed cement capacity of ~465 Mn T as at 31-Mar-18.
- After a decline of c. 1% in H1FY18; Industry reported production volume growth of c. 14% in H2FY18. For FY18, cement production increased by c. 6% Y/y; growth was also driven by low base due to demonetization in FY17. During the same time, HCIL's sales volume increased by c. 4%.
- HCIL reported cement capacity utilization of c. 85% against industry average of c. 65%.

All India Monthly Cement Production (Mn T)



② FY18 – HCIL's major highlights

Highest ever Sales volume, Revenue, EBITDA & EBITDA per tonne

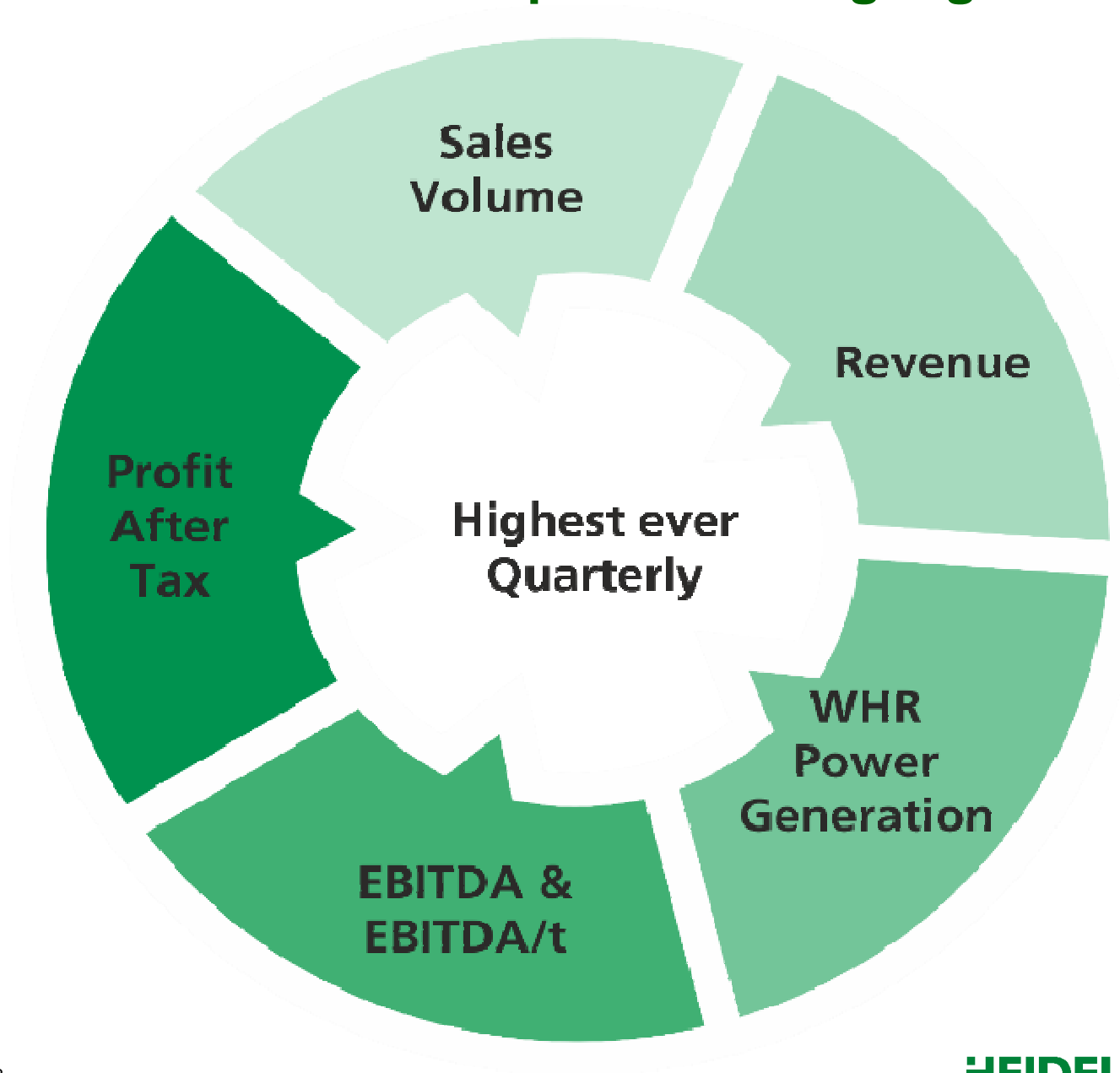
Premium product volume increased to 2.5x of FY17, share of business increased to c. 9%; lead distance reduced to 355 Kms

Entire ECB of MUSD 125 repaid; Net debt reduced to MINR 4,683; Net Debt to EBITDA at 1.29x; further improvement in working capital

Board recommended dividend of ₹ 2.50 per share (25%) as against ₹ 2.00 (20%) in FY17

Highest ever WHR net power generation of 69.5 million units
Achieved 6.37x Net water positive for FY17

③ Q4FY18 financial and operational highlights



③ Q4FY18 and FY18 – Income statement

MINR

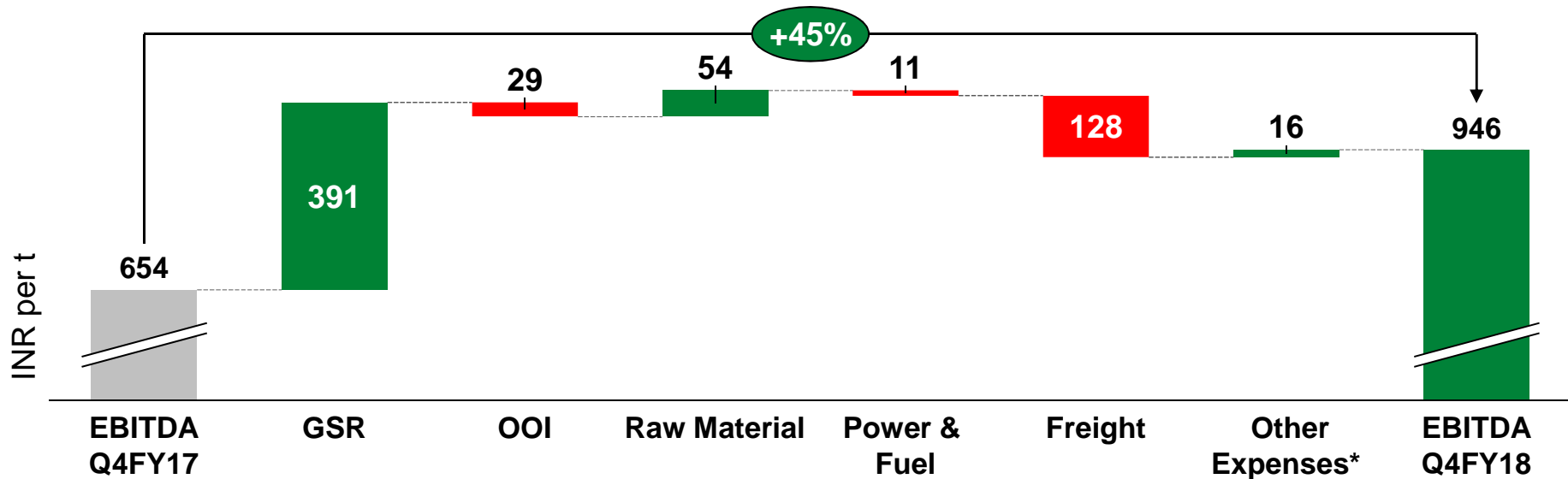
Particulars	Quarter ended		Change	Financial Year ended		Change
	Mar 2018	Mar 2017		Mar 2018	Mar 2017	
Total Income (net of taxes)	5,313	4,629	15%	18,895	17,175	10%
Operating expenses	4,112	3,836	7%	15,261	14,386	6%
EBITDA	1,202	793	52%	3,634	2,789	30%
Depreciation / amortization	254	249	2%	1,012	992	2%
Other Income	58	37	55%	199	237	-16%
EBIT	1,005	581	73%	2,821	2,034	39%
Financial expenses	172	195	-12%	745	898	-17%
Exceptional Items	-	151	-100%	-	-	n/a
Profit Before Tax	833	536	55%	2,077	1,136	83%
Tax Expenses	312	166	88%	745	374	99%
Profit After Tax	521	370	41%	1,332	762	75%

KPIs

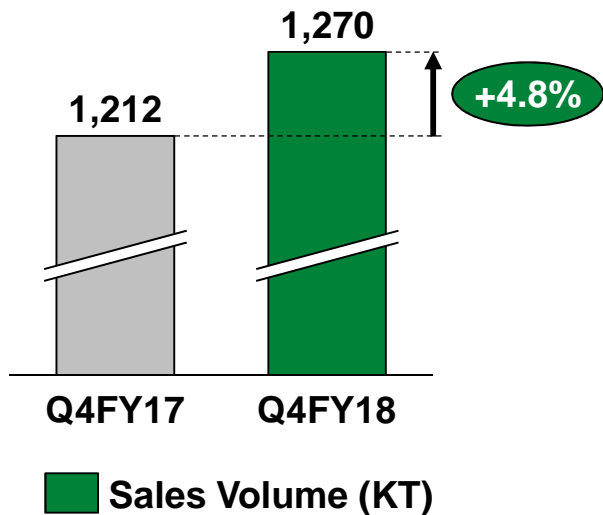
Sales Volume (KT)	1,270	1,212	4.8%	4,653	4,474	4.0%
Gross realization (INR/t)	4,136	3,745	10.5%	3,999	3,772	6.0%
Total cost (INR/t)	3,236	3,166	2.2%	3,280	3,215	2.0%
EBITDA (INR/t)	946	654	44.6%	781	623	25.3%
EBITDA% of revenue	22.9%	17.5%	540 bps	19.5%	16.5%	300 bps
PAT% of revenue	9.9%	8.2%	175 bps	7.2%	4.5%	264 bps

Improvement across all key performance indicators

③ EBITDA per tonne bridge: Q4FY17 to Q4FY18



Note: Change in inventory has been apportioned on Raw Material and Power & Fuel expenses.
 *Other expenses include employee cost and miscellaneous expenses.



- ❑ Increase in volume and realization driven primarily by recovery in Uttar Pradesh.
- ❑ Increase in realization and freight cost due to change in commercial terms post GST. Freight cost increase also driven by increase in road freight due to higher diesel cost.
- ❑ Hardening of Petcoke price was partially offset by higher power generation from WHR System.
- ❑ Lower Fly ash and Gypsum cost partially offset by increase in packing cost.
- ❑ Other operating income is lower due to reduction in tax incentive in Madhya Pradesh.

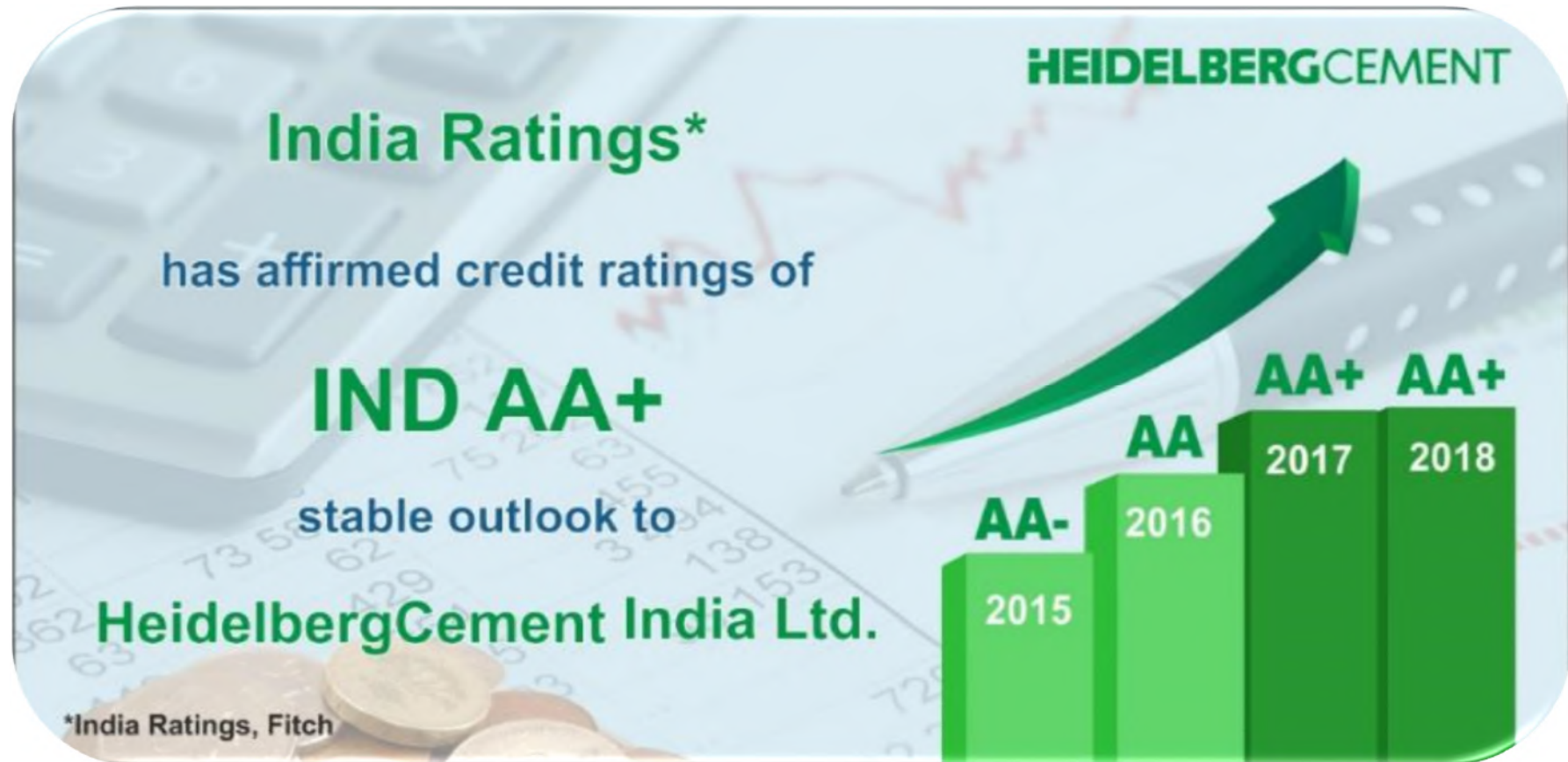
4 Balance sheet

Particulars	31 March 2018 MINR	31 March 2017 MINR
Equity and liabilities		
Equity		
Equity share capital	2,266.2	2,266.2
Other equity	8,197.8	7,403.3
	10,464.0	9,669.5
Non-current liabilities		
Financial liabilities		
Borrowings	4,692.3	5,751.9
Other financial liabilities	53.8	62.0
Provisions	196.0	217.1
Government grants	511.8	328.1
Deferred tax liabilities (net)	835.0	530.0
	6,288.9	6,889.1
Current liabilities		
Financial liabilities		
Trade payables	2,266.3	1,914.1
Other current financial liabilities	3,121.6	2,820.0
Other current liabilities	896.0	562.8
Government grants	102.8	59.8
Provisions	2,188.6	2,161.1
	8,575.3	7,517.8
Total liabilities	14,864.2	14,406.9
Total equity and liabilities	25,328.2	24,076.4

Particulars	31 March 2018 MINR	31 March 2017 MINR
Assets		
Non-current assets		
Property, plant and equipment	18,043.8	18,744.2
Capital work-in-progress	80.7	62.9
Intangible assets	16.5	26.5
Financial assets		
Security deposits	284.9	273.0
Derivative instruments	-	-
Other non-current assets	294.1	311.0
	18,720.0	19,417.6
Current assets		
Inventories	1,268.9	1,396.4
Financial assets		
Security deposits	106.9	101.6
Derivative instruments	-	186.5
Trade receivables	188.0	125.6
Cash and bank balances	2,124.1	142.0
Other financial assets	19.1	7.7
Other current assets	2,901.2	2,699.0
	6,608.2	4,658.8
Total assets	25,328.2	24,076.4

Entire ECB of MUSD 125 repaid during FY18; As at Mar'18, Net debt reduced to MINR 4,683, Net Debt to EBITDA at 1.29x and cash conversion cycle improved to 1.1 days

⑤ Credit rating



⑥ Premium product – mycem power



During FY18, mycem power volume increased to 2.5x of FY17 and mycem power's share of business increased to c. 9% of trade sales

HCIL sells 100% blended cement

⑦ Safety – our foremost priority



Safety stars, meets and themes across all plants

⑧ Sustainability – Greenery development, flora and fauna



Greenery development : +38% green area in Damoh plants

⑨ HCIL certified as 6.37x net water positive by TÜV SÜD



During FY17, HCIL plants withdrew 10.9 lakh kilo litres of water and harvested 69.6 lakh kilo litres


SUSTAINABILITY
COMMITMENTS
2030

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10 Awards and accolades




Patharia LS Mines -
certificate in
recognition for
'Swachh Bharat
Mission 2018' from
Indian Bureau of
Mines




Jhansi Plant received
the 'Energy Efficient
Unit' award in the
cement sector from
CII



Patharia LS Mines
accredited with 5
Star Rating from the
Ministry of Mines



Ammasandra Plant -
Utthama Suraksha
Puraskara for safety
performance from
Karnataka Chapter of
National Safety Council



Yerekatte LS Mines – 1st
Prize in 'Mineral
Beneficiation' and
'Environmental Monitoring'
and 2nd Prize for 'Overall
Performance' from Indian
Bureau of Mines

11 Outlook

Positives:



- ❑ **Cement demand** is likely grow ~7% in FY19; with availability of sand and aggregates, demand expected to grow in rural and urban housing.
- ❑ **Boost in government spending** (reiterated in Budget FY19) on infrastructure to drive growth: Affordable housing and Infrastructure development – concrete roads, railways, irrigation, mega Industrial and freight corridors etc.
- ❑ **Upcoming state elections** in major states like Madhya Pradesh, Rajasthan and Chhattisgarh.
- ❑ **Monsoon:** India Meteorological Department forecasts normal and early onset of monsoon this year – 97% of long period average.

Concerns:



- ❑ **Increase in crude prices:** negative for the economy and Cement Industry – imported fuel prices, diesel cost, bags costs etc.
- ❑ **Depreciation** of Indian Rupee against US Dollar.
- ❑ Assessment of **Ban on Petcoke usage** by the Govt.; import of Petcoke may also not be permitted.
- ❑ **Hardening of compliance norms:** GST, E-way Bill, Real Estate (Regulation and Development) Act, SOx and NOx.



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Safety is our foremost priority

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