

# HEIDELBERGCEMENT

## India Presentation

February, 2012



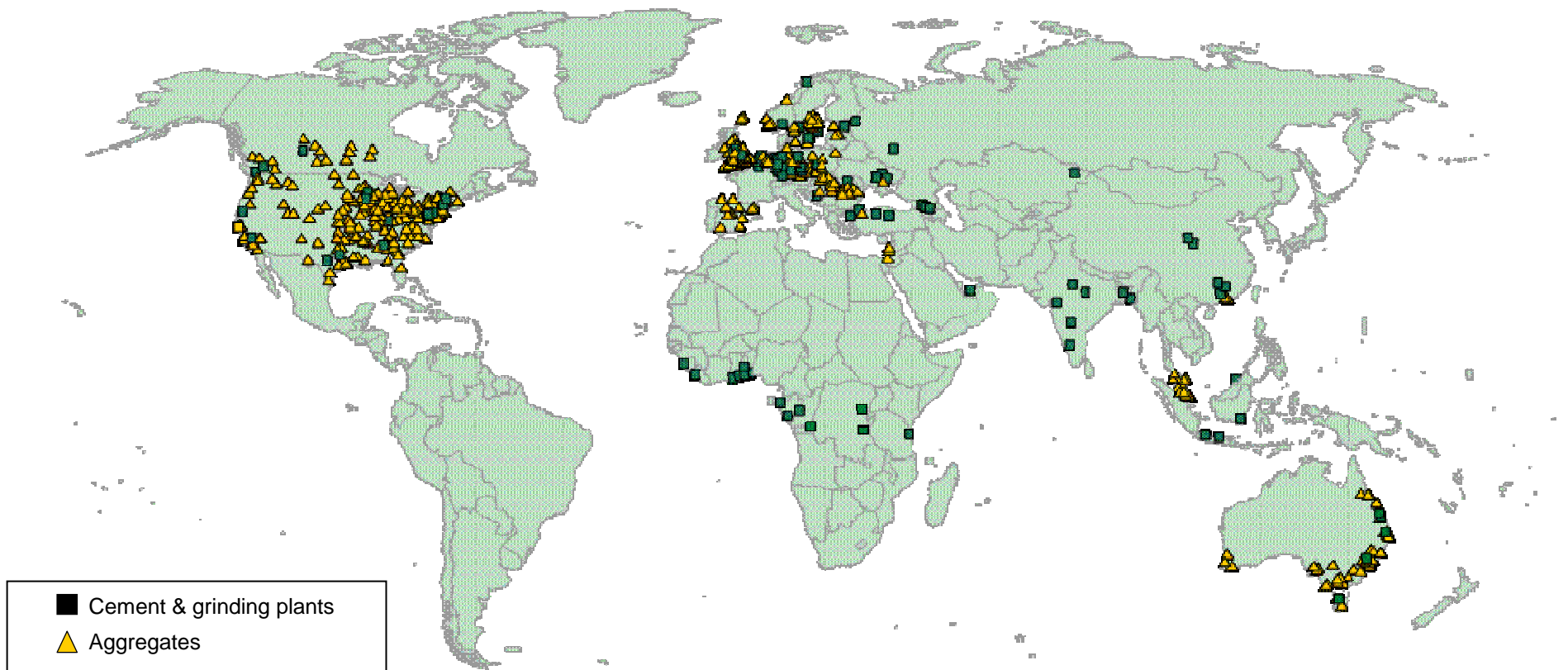
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# HeidelbergCement Group in figures

- **Founded in 1853**
- **54,000 employees**
- **Core business**
  - Aggregates
  - Cement
  - Downstream activities
- **2,530 locations in more than 40 countries**
  - 566 production sites for sand, gravel and hard rock
  - 100 cement and grinding plants
  - 1,329 ready-mixed concrete plants
  - 96 asphalt plants
- **Cement capacity 116 million tonnes**
- **Aggregates reserves 19 billion tonnes**
- **Financial Results 2011 : Preliminary Overview**
  - Revenue increases to €12.9 billion (+9.7% from 2010)
  - Operating income before depreciation increased by 3.6% to €2.32 billion
  - Cement sales volumes increased by 12% to 87.8 Mn T

## HeidelbergCement Group : Worldwide presence

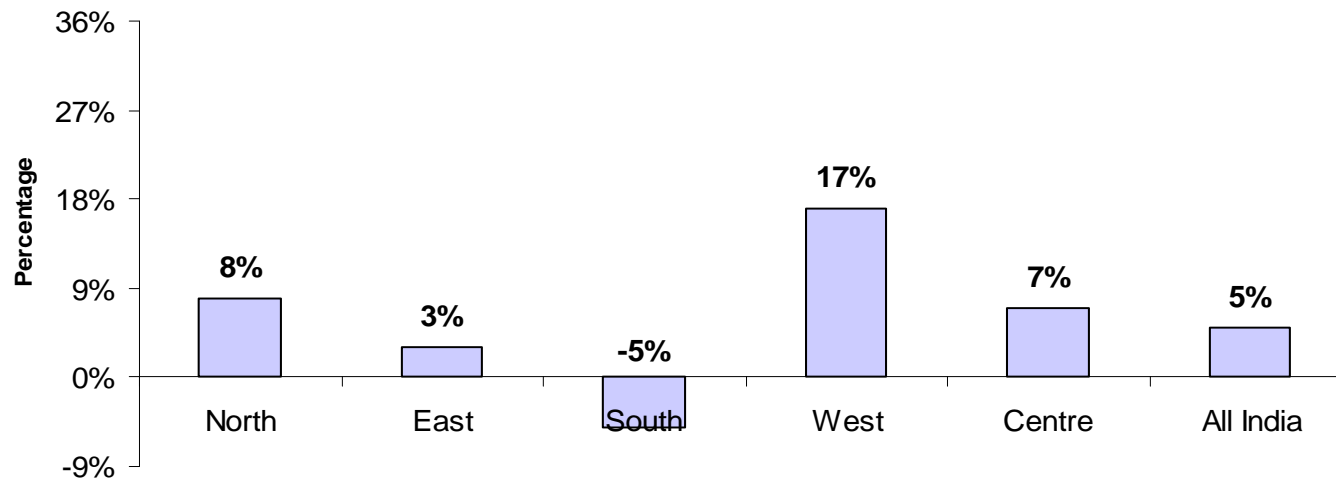
- No 1 in aggregates
- No 3 in cement
- No 3 in ready-mixed concrete



## Indian Cement Industry highlights – 2011

- Industry added a capacity of about 20 MioT during CY11 taking the effective capacity for the year to ~ 300 million t .
- Cement despatches (excluding exports) increased from 205 Million tonnes during CY10 to 216 Million tonnes during CY11 registering a growth of 5.3%.
- Regional despatches growth – increase in despatches is primarily contributed by Western Region (17%) which is partially off-set by decrease in Southern Region (5%).

**Cement consumption % inc/dec: 2011 vs 2010**

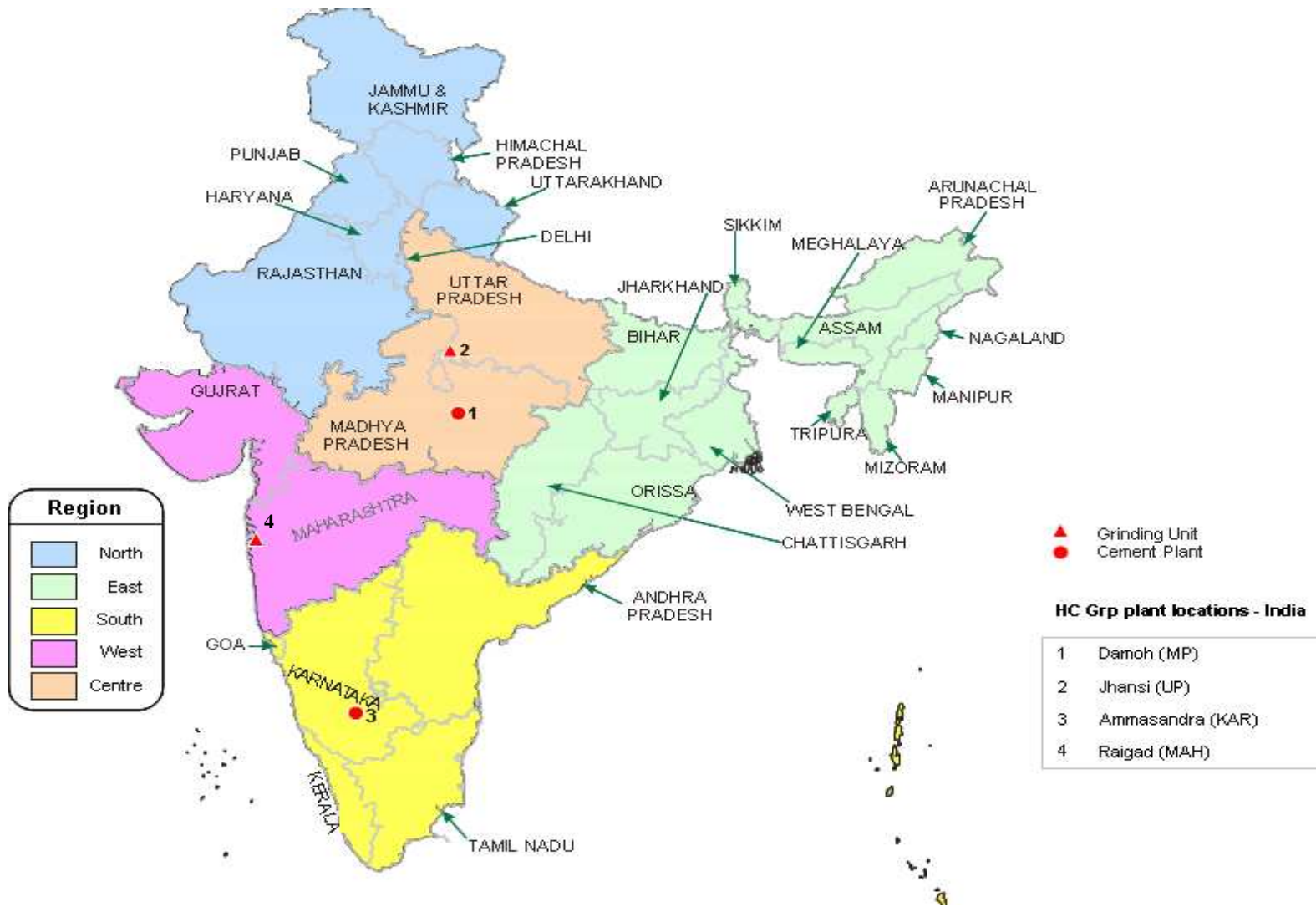


Source : Cement Manufacturer's Association (CMA) / Industry estimates

## HeidelbergCement India Ltd. (HCIL) : Brief History

- Incorporated in Year 1958 as Mysore Cements Ltd.
- Over a period of time, the capacity of the Company increased to 2.4 Mn T.
- HeidelbergCement Group acquired Mysore Cements Ltd. in August 2006.
- Pursuant to the merger of Indorama Cement Ltd. with Mysore Cements Ltd. w.e.f. 1-Apr-08, the total capacity of the merged entity has increased to 3.07 Mn T.
- Name of the company has been changed to HeidelbergCement India Ltd. (HCIL)
- Presently the company is expanding the clinker and cement capacity in Central India. Post expansion the capacity of HCIL will increase to 6 Mn T p.a.

# HCIL plant locations - India



## Brand “mycem”

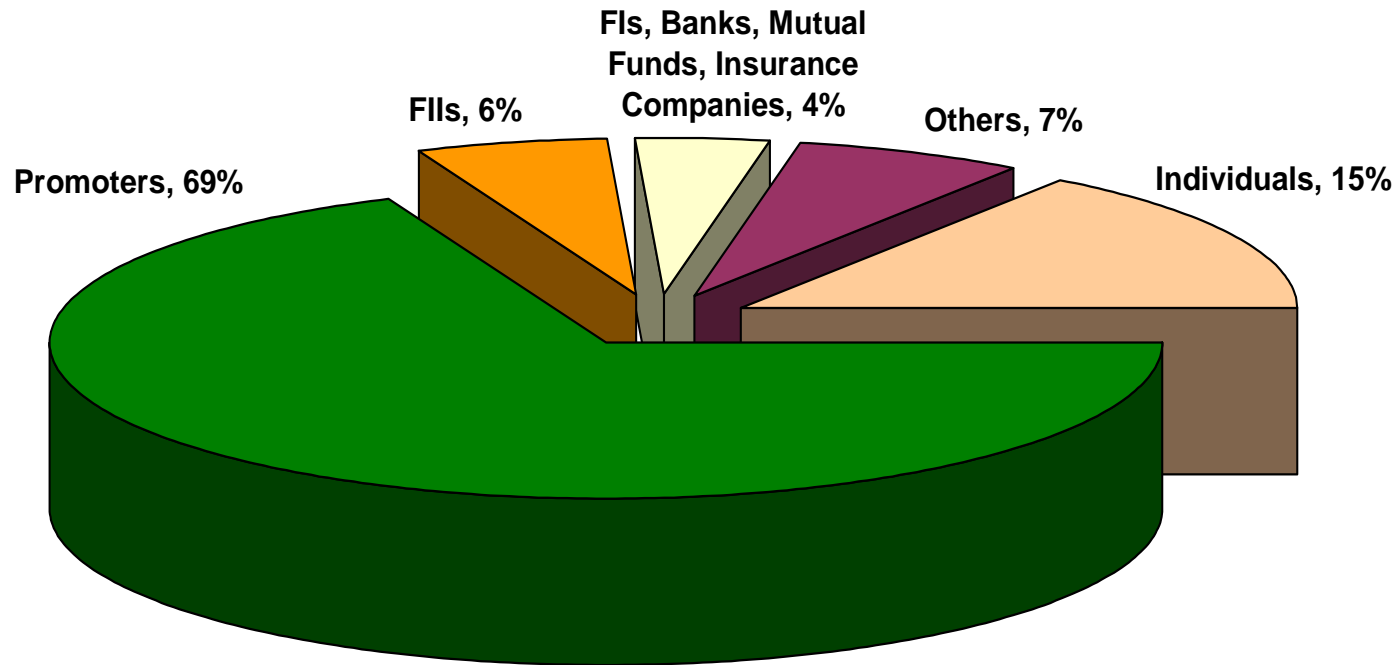
### Leading position in highly competitive and larger markets of Central India

- In Central India, our brand “mycem” has achieved excellent customer acceptability. A recent study carried out by Nielsen to gauge customer satisfaction, bears testimony to our product performance and marketing endeavors.
- Brand “mycem” has also gained acceptability in West and Southern markets .
- The Company continues to be committed to its customers and every endeavor is made to create and maintain unmatched customer satisfaction by delivering quality product at competitive price.
- Brand visibility helped us to attract new channel partners and retain the existing ones.



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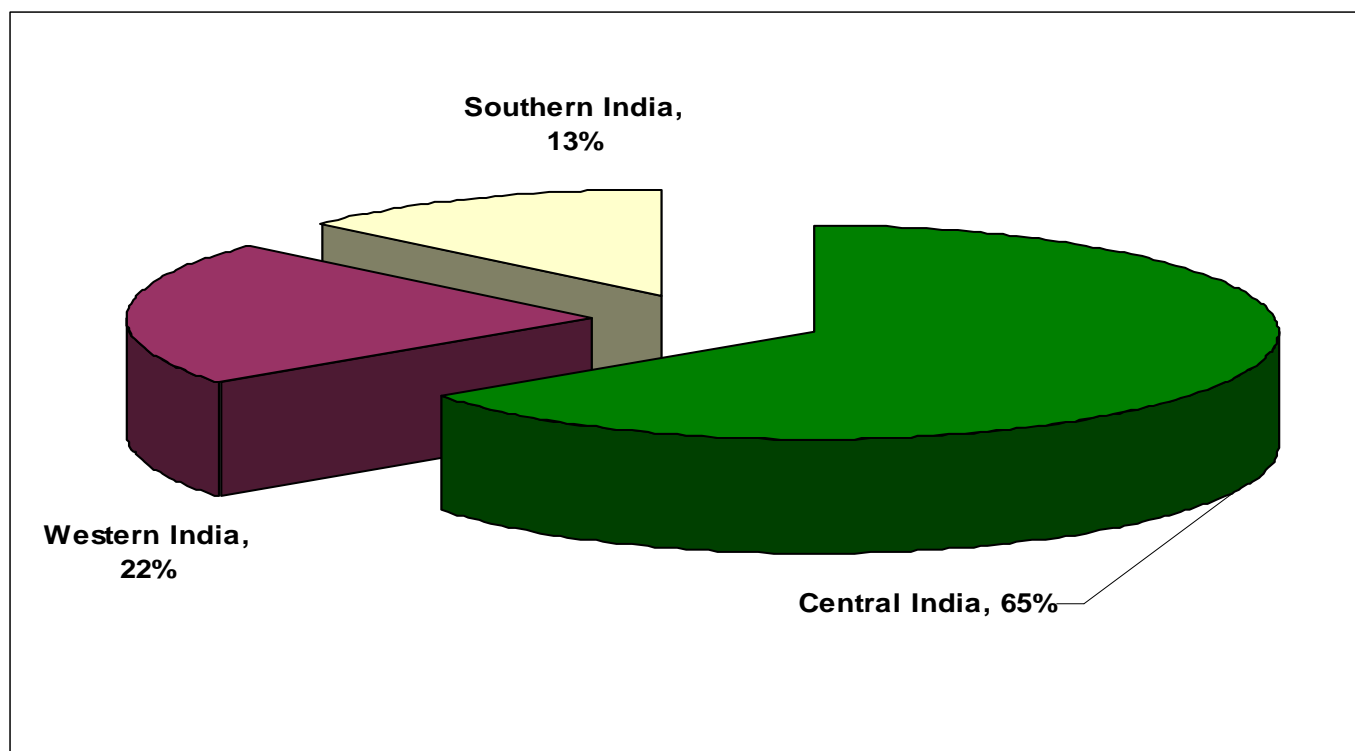
## HCIL : Share Holding Pattern as on 31<sup>st</sup> December 2011



Equity Share Capital of the company : Rs. 226.62 Crores

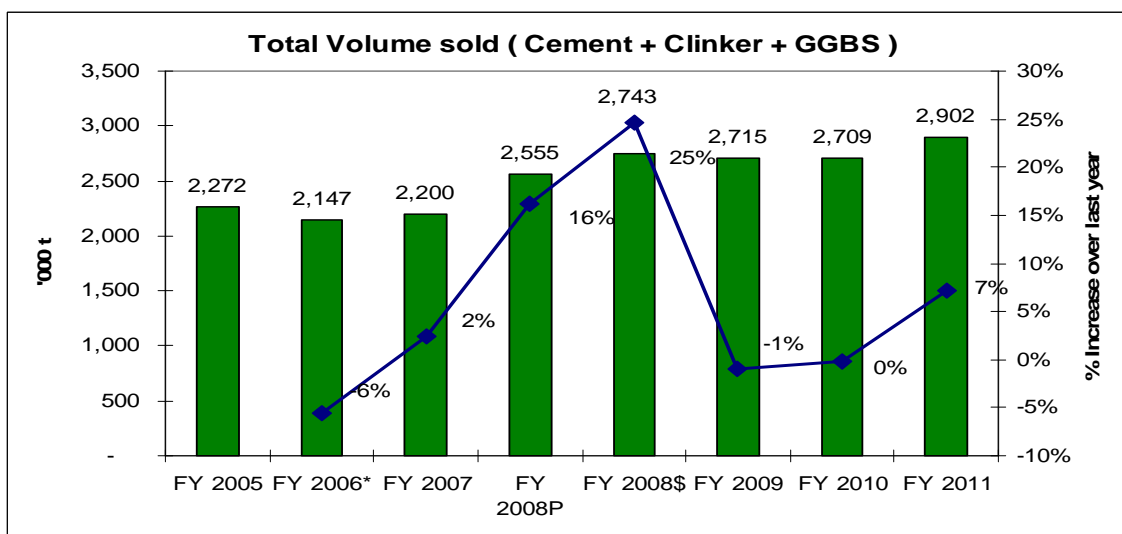
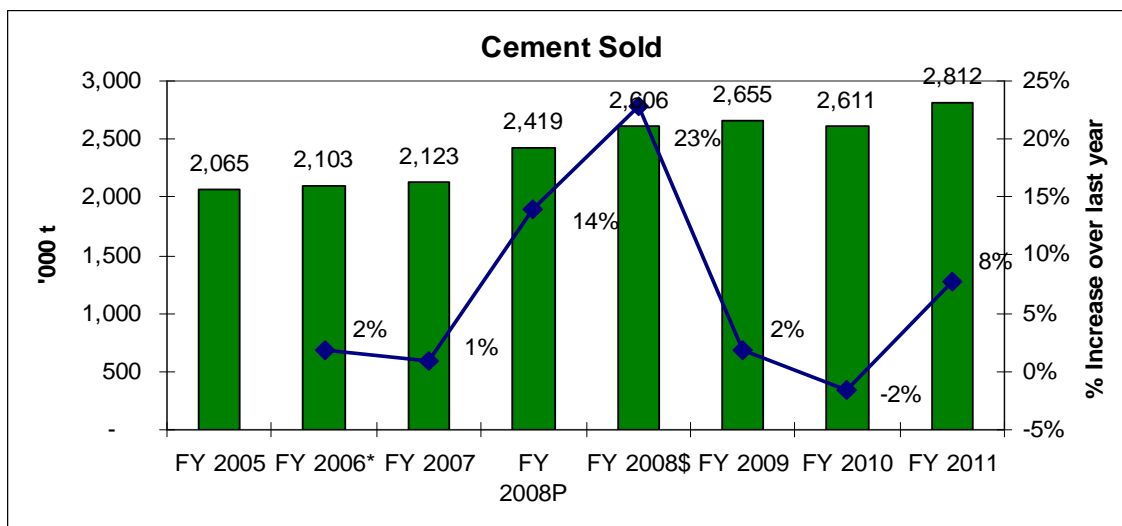


## HCIL : Revenue Split for Year 2011



**Central India contributed 65% of the total net revenues for the company in the year 2011**

## HCIL : Sales Volume Growth over the years



FY 2006\* : Figures for FY 2006 have been annualized for proper comparison

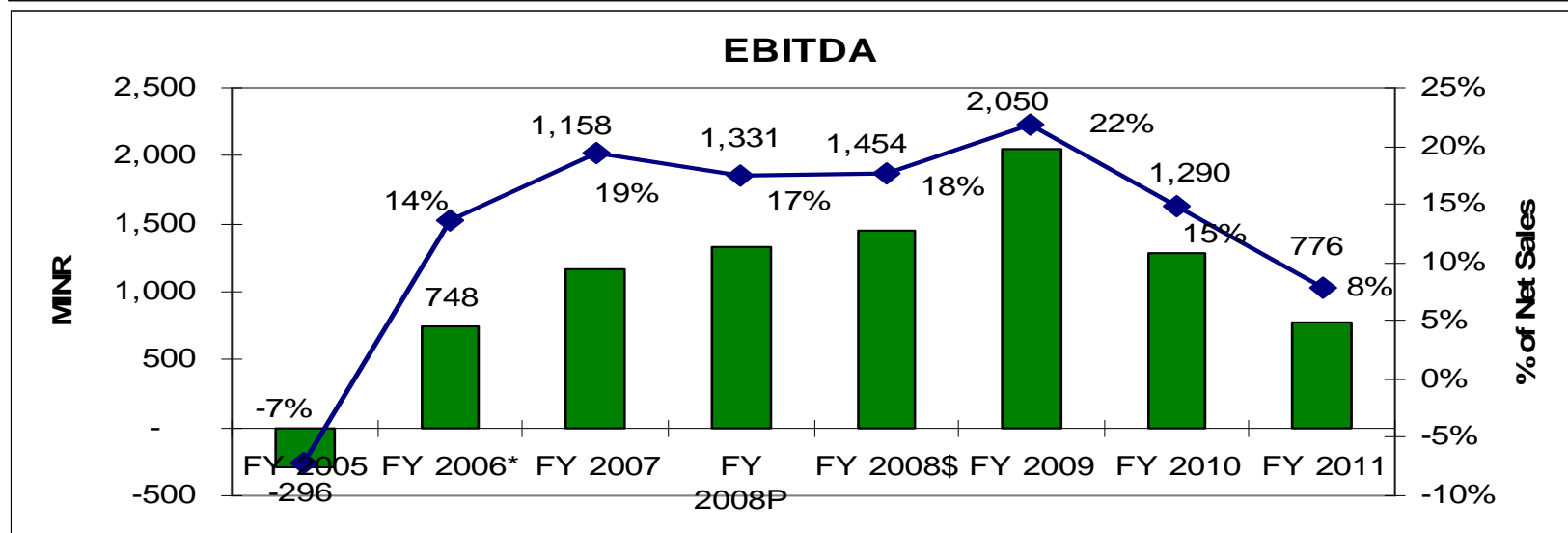
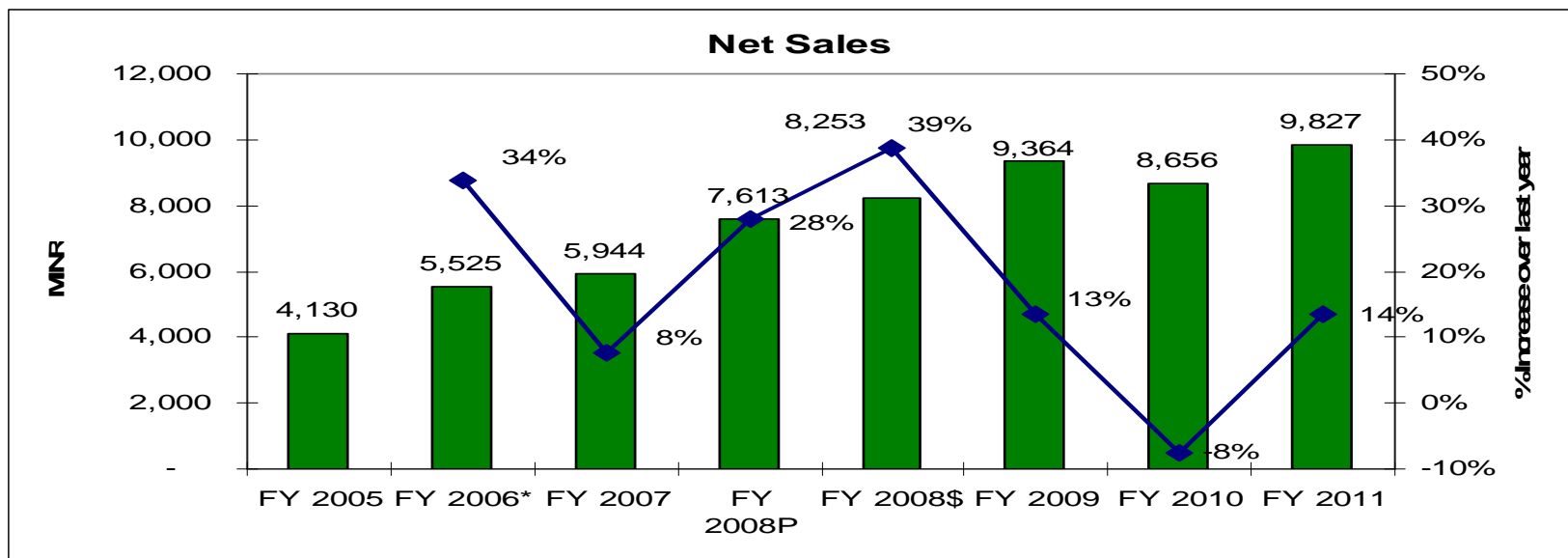
FY 2008P : As per published accounts for year 2008 : includes 9 month's results for Raigad ( erstwhile Indorama Cement Ltd. ).

FY 2008\$ : Results for 2008 arrived after considering full year results of Raigad operations ( erstwhile Indorama Cement Ltd. ) for the year

**The company sold 2.81 million tonnes of cement in 2011 which is the highest ever cement sales in the history of the Company .**

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## HCIL : Net Sales and EBITDA



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## HCIL : Main reasons for the dip in margins

In spite of the company's relentless drive to improve the consumption parameters, wherever possible , the margins were under pressure in 2011 due to the following reasons :

- Sharp rise in input costs without any significant increase in realizations impacted margins
- Coal :
  - Linkage coal prices - increased in the range of 30% to 150% for various grades .
  - Shortage of coal - strike at Singareni Collieries Company Limited, excessive monsoon in Eastern and Central India and the labour strike at Coal India and its subsidiaries severely impacted the coal production.
- Increase in power tariffs because of increase in coal prices.
- Freight cost for transportation increased as a result of - increase in diesel price and rail tariffs
- Gypsum - Poor quality and unavailability of gypsum locally forced the Company to import gypsum.
- The weakening of Rupee increased the cost of imported Gypsum.
- Significant cost increases were also witnessed in petcoke, slag and bags.
- Fly ash availability - shortage of domestic coal forced many power plants to throttle power generation directly reducing the fly ash availability - necessitated incorporation of more clinker for manufacturing Portland Pozzolana Cement (PPC) at Imlai unit thereby eroding margins.
- Port logistics at Raigad - bottlenecks at a port near Raigad lead to shortage of clinker at Raigad unit.

## Capacity Expansion in Central India

- Expansion of facilities in Central India on course :
  - Expansion of clinker manufacturing capacity from 1.2 MTPA to 3.1 MTPA at Narsingarh, District Damoh, Madhya Pradesh.
  - Expansion of cement grinding capacity from 1 MTPA to 2 MTPA at Imlai, District Damoh, Madhya Pradesh.
  - Expansion of cement grinding capacity from 0.8 MTPA to 2.7 MTPA at Jhansi, Uttar Pradesh.

## Expansion : Profitability drivers post expansion

- Increase in volumes will help realize economies of scale in terms of fixed cost i.e. Personnel and General & Administration cost.
- Savings in transportation costs as belt conveyor will be used to transport limestone from quarry to the plant for both existing and incremental production.
- Savings from reduction in power consumption and fuel consumption for the new line.
- MP govt. has granted us certain tax and other benefits for the new line which will further enhance return on the project.

## ■ Preparedness for the new capacity

- New markets identified – North India and market seeding exercises already initiated in a few markets.
- Organizational Structure revamped for the sales, marketing and customer services staff in Central and North India.
- Dual Product Strategy with focus on institutional sales to be adopted post expansion to cater to the infrastructural demand.
- Addition of new channel partners in process - successfully added over 250 dealers and about 1500 retailers last year.
- Customer service activities have been increased to build customer and channel confidence. Mobile vans, channel training etc. are being focused.
- Meets also organized for C&F and Dealers to share organizational vision and expectations.
- Increased focus on advertisement, promotion and customer services activities have been enhanced to facilitate this.

## ■ Outlook for 2012

- We expect cement demand to grow by 7.5% to 8.5% during CY 2012 considering the following factors :
  - It is anticipated that interest rates and inflation would soften and revive the demand for home loans by individual house builders' segment.
  - Increase in industrial production and economic activities leading to GDP growth of 7% to 8% .
  - To revive the declining GDP growth, Government is likely to speed up economic reforms and investments in infrastructure sector.
  - Focus on rural housing and development.
- Approx.10-15 Million t of capacity is expected to be added during CY12. (Source: Industry estimates)
- Capacity utilisation in Southern India is likely to remain low due to high capacity additions.
- Given the current profitability and return ratios for the new projects, it is expected that announcements for new capacity additions will decrease, implying slower capacity additions beyond 2015. This will improve capacity utilisation and also bridge the demand supply gap.



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### **Cautionary statement regarding forward looking statements**

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■ Thank you

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for better building

Our motto  
“Test – the – limits”



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