Integrated Building Materials’ Company

- Cement (Champion)
- Cement (OPC)
- Cement (Hi Tech)

- Ready-mixed Concrete
- Aggregates
- Manufactured Sand

- Tiles (Ceramic, Vitrified, Industrial)
- Sanitaryware, Faucets, and Bath Fittings
- Modular Kitchens
- Construction Chemicals
Sales FY 2014

Total Sales: ₹ 5,428 crores

- Sales in Q4 increased by 32% as compared to quarterly average for first 9-months
  - Q4 generally is higher due to seasonality (Corresponding Q4 FY 13 growth was 22%)
  - However, this year’s growth higher as key constraints on capacity utilization addressed

Cement 41%
HRJ 37%
RMC 22%

All Conso numbers excluding RQBE
EBITDA FY 2014

Total EBITDA: ₹ 174 crores

- Significantly improved profitability in Q4 with higher capacity utilization and cost saving initiatives
- Q4 EBITDA 9.8x of 9 months’ quarterly average EBITDA
Cement - Overview

- 2 Modern Plants (set-up in 1997 and 2010) in Satna, Madhya Pradesh, Central India
- Rated Capacity:
  - Clinker: 4.4 mn tons
  - Cement: 5.6 mn tons
- Potential to sell: 7 mn tons cement and clinker
- Short lead distance. Avg = 407 KMs
- Superior Rail : Road mix
Cement - Overview

- **80% Trade Sales.** Primarily caters to rural and tier 2 & 3 city Housing
- **Wide network of over 3,700 dealers and ~ 100 stocking points**
- **Superior Product mix.** 95% PPC (Fly-ash blended) Cement
- **Recently launched premium cement Hi-Tech in Bihar**
Cement – Financials (FY 14)

- Volume: 4.8 mn tons cement; 0.3 mn tons clinker
- Value: ₹ 2,250 crores
- Q4 volume up 24% as compared on 9-m qtly average
  - Blending silo reconstruction complete
- EBTIDA: ₹ 89 Crores
- Significant swing in Q4
  - EBITIDA / ton to > ₹ 600 / ton
    - Higher capacity utilization
    - Switch to Pet coke
- Recent peak: ₹ 1,325 / ton (Q4 FY 10)
## Cement – Cost

<table>
<thead>
<tr>
<th>Manufacturing Cost</th>
<th>Coal Block</th>
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<tbody>
<tr>
<td>• Manufacturing cost reduced by ~₹ 300 / ton (Cement) on account of:</td>
<td>• Coal Block in Chhindwara, MP</td>
</tr>
<tr>
<td>• Lower fuel cost</td>
<td>• 100% ownership</td>
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<tr>
<td>• Switched ~50% of fuel to Pet Coke</td>
<td>• GR estimated reserves of 15 mn tons</td>
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<tr>
<td>• Ability to increase fly ash blending from 22% to 32%</td>
<td>• Started coal production in March, 2014</td>
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<tr>
<td>• Ability to use lower grade of limestone</td>
<td>• Once fully scaled-up, 0.3 mn tons / annum to be extracted</td>
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<tr>
<td>• Power consumption reduced to &lt; 70 units / ton etc</td>
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Cement - Expansion

- Green-field plant to come up in Kurnool District, Andhra Pradesh:
  - Cement Capacity: 4.8 MTPA
  - ~3,000 acres of land acquired
  - Large limestone reserves secured; Mine development activities in progress
  - Project activities to be taken up in due course
RMC
Mix with the Best
Ready-mixed Concrete Industry

- Started in mid-90s; Penetration increasing
- ~10% of total cement used for concrete in India is sold through RMC Channel
  - Metros / tier 1 (~35%) and tier 2 (~20%)
  - In developed countries: 50% - 70%
- Several benefits such as assured quality, speed, saving of site space, reduced labor, reduced wastage, safety etc
- Industry volume: > 35 million m³ per annum
- Steady-state Industry growth rate > 20% per annum due to:
  - Growth of cement consumption in India
  - Conversion from site-mix to ready-mix
RMC Readymix (India)

- 2nd largest player in India with national footprint
- 90 Plants in 37 cities / towns
  - 11 Plants certified by Quality Council of India (QCI); Others in progress
- Backward Integration: 8 Plants – Aggregates and Manufactured Sand
- ‘03 – ‘12 Sales CAGR: 39%
- Flattish for last 2 years, on account of subdued economy
- Demand drivers: Urbanisation and Infrastructure
RMC: Financials

- **FY 14 Sales:** ₹ 1,164 crores
- **Practical Capacity utilization:** 60%
  - Subdued economy
  - Cautious on managing debtors in the current environment
- **Capital Employed:** ₹ 225 crores
  - High Asset turns: >5x
- **FY 14 EBITDA:** ₹ 40 crores (3.4%)
  - Peak in last 5 years: 6.1%
- **Q4 1.5x of 9-m qtly avg:**
  - Profitability highly sensitive to capacity utilization
RMC Readymix (India)

- As markets mature, higher value in Ready-mixed concrete business and aggregates as compared to cement

- Higher share of the Company’s total revenues from value-added segments (RMC and Aggregates)

- Superior mix as compared to Global majors

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<tbody>
<tr>
<td>Cement sold (mT)</td>
<td>4.8</td>
</tr>
<tr>
<td>RMC Volume sold (mm³)</td>
<td>3.3</td>
</tr>
<tr>
<td>Aggregate Volume Sold (mT)</td>
<td>1.3</td>
</tr>
</tbody>
</table>
RMC Growth Triggers

- Scale-up “RMC Specials”—bespoke concretes to suit individual project requirements
- Differentiator in the market
- Presently contribute 4% of RMC (India)’s sale

Economy Improvement
- With higher growth rate of economy, higher urbanization and more infrastructure would be needed. That in turn would drive RMC growth in India

GST Implementation
- 60% of the Industry is unorganized. That sector thrives of poor tax compliance
- GST implementation would significantly benefit organized sector
JOHNSON
REDEFINING LIFESTYLES, WORLDWIDE.
H & R Johnson (India)

- Set-up in 1958; Pioneer of Ceramic tiles in India
- Wide range: Tiles, Sanitary ware, Bath fittings, Modular Kitchens, Construction Chemicals
- 11 Manufacturing Plants (Own & JVs) with largest capacity of 54 mn m² / annum
- Strong brand equity
- Large, national Trade network of ~12,000 retail points
- 75% sales from Trade channel
HRJ: Business Model

- "House of Johnson" chain of Retail Outlets
  - 25 across the country
  - Selling complete range of products
  - Contributes ~10% of Division’s total sales

- Manufacturing Joint Ventures
  - Asset Light business model
  - 5 Manufacturing JVs contributing to 65% of the capacity
    - Gujarat: 3
    - AP: 2
**HRJ: Business Model**

- Built complimentary businesses to leverage Brand and Distribution

**Construction Chemicals**
- 50% Stake in Ardex Endura—JV with Ardex, Germany
- Pioneer in tile fixing adhesives
- Added industrial flooring and waterproofing
- Plants in Bengaluru and Vadodara; Pan India presence

**Bathrooms**
- Sanitaryware, Taps, Bath Fittings, wellness products
- 2 Manufacturing plants for Fittings—Baddi, HP & Samba, J&K
- Potential for scale-up at high rate

**Modular Kitchens**
- Sunrise industry
- High growth potential
- Offers complete range of products including installation
- Tie-up with a German company for sourcing
HRJ: Financial Trend

- ’03 – ’12 Sales CAGR: 17%
- Flattish for last 2 years
  - 70% capacity utilization
  - 40% of total capacity in AP & Karnataka
  - Power and fuel unavailability
  - LPG costlier than LNG by ₹ 15 / m³ to ₹ 35 / m³

- EBITDA declined:
  - FY 10: ₹ 176 crores (14.6% of sales)
  - FY 14: ₹ 45 crores (2.2% of sales)
HRJ: Key Initiatives

- Addressed Power and Fuel issues in South by:
  - Installing 3 Coal Gassifiers in 2 Plants in AP
  - Winning bids for onshore micro Gas wells in AP
  - Natural Gas pipeline connectivity completed for Karnataka plant
  - Started purchasing Traded power

- Further strengthening Brand leadership
  - Scaling-up marketing activities
  - Signed Ms. Katrina Kaif as brand ambassador and started TV advertising

https://www.youtube.com/watch?v=ErUmWPCwbCE
http://www.youtube.com/watch?v=mp-Q1SzR40E
https://www.youtube.com/watch?v=61wl_dfxAPg&index=11&list=PLNZUPjSTVFV3lCXg-HUXcjlLuOVJjXjzv
HRJ: Financials (FY 14)

- **Sales:** FY 2014 ₹ 2,031 crores
- With key initiatives mentioned earlier, Q4 Sales was 48% higher than the 9-m quarterly average

- **EBITDA:** FY 2014 ₹ 45 crores
- With key initiatives mentioned earlier, Q4 EBITDA was 216% higher than the 9-m quarterly average
Strategic Investments
Strategic Investments

Raheja QBE General Insurance
- 74% stake in Raheja QBE General Insurance
- JV with QBE Group of Australia
- Focus on Speciality products like Liability insurance, Marine liability and Trade Credit
- Prism’s investment: ₹ 153 crores
- FY 14 financials:
  - Gross written premium: ₹ 32 crores
  - Profit before tax: ₹ 6 crores

Treasury Stock
- 1.2 crore shares of Prism Cement Limited held through Prism Trust
- 2.45% of the Company’s equity capital
- M-T-M Value (May 14): ~ ₹ 70 crores
Management Profile
Management Profile

➢ Mr. Vijay Aggarwal, 45 years, Managing Director
  ❖ B. Tech (Elec.) from IIT, Delhi and PGDM from IIM, Ahmedabad.
  ❖ Joined Hathway Investments in 1993
  ❖ Past experience includes SBI Capital Markets
  ❖ On the Board of various companies including Exide Industries, ING Vysya Life Insurance, Aptech, Asianet Satellite Communications, and Ardex Endura (India)
Management Profile

- Mr. Ganesh Kaskar, 55 years, Executive Director – HRJ
  - M. Tech (Civil) from IIT, Mumbai
  - Joined erstwhile RMC Readymix (India) Pvt. Limited in 1996
  - Past experience includes ACC and Tata Consulting Engineers

- Mr. S Ramnath, 58 years, Executive Director – Cement
  - Chartered Accountant and Cost Accountant. Also, holds a Diploma in Human Resource Management.
  - Joined the Company in 1998
  - Past experience includes Larsen & Toubro

- Mr. Venugopal M Panicker, 49 years, Executive Director – RMC
  - Chartered Accountant, Company Secretary and a Member of the Institute of Company Secretaries & Administrators, UK (AICSA-UK)
  - Joined erstwhile RMC Readymix (India) Pvt. Limited in 1996
  - Past experience includes Walchandnagar, Tatas and Williamson Magor
Other Information
Other Information

- Market Cap (As on 26.05.2014): ₹ 2,716 crores
- Borrowings (As on 31.03.2014)
  - Consolidated: ₹ 2,105 crores
  - Stand-alone: ₹ 1,833 crores
- Shareholding Pattern (As on 31.03.2014)
  - Promoters 74.87%
  - Foreign Inst 2.76%
  - Domestic Inst 3.72%
  - Prism Trust 2.45%
  - Other Non Inst 16.20%
THANK YOU

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