

ORIENT
CEMENT

***Chasing sustainable
growth...
...on strong foundations***

Agenda

India & Industry Overview

Company Snapshot

Current Performance

Expansion Plans

India macro-economic environment

India macro-economic environment

- India's GDP grew at 7.9% in Q4FY16 (7.6% FY16), making it a rare bright spot in a slowing global economy and the fastest growing amongst large economies in the world
- This growth has been achieved in spite of a challenging global macro-economic backdrop and two consecutive years of deficit monsoon
- Foreign exchange reserves are at highest ever level and in excess of \$360bn, with CPI inflation at around 6%
- The central government has begun a process of structural reforms with various recent initiatives to improve ease of doing business in India including a new bankruptcy code, easier settlement of disputes, seamless cross-border trade, etc,
- Other key initiatives like the uniform GST regime have been pursued with some recent success on the legislative front. Specifically the constitutional amendment bill has been passed in the Rajya Sabha (Upper House) of Parliament with ratification from the various states expected to follow suit.
- Government increasingly focussed on infrastructure and investment initiatives particularly in the rural sectors – these include affordable housing, irrigation, electrification, highway building etc
- After two consecutive years of drought, India has received an adequate or above average rainfall in most areas so far this year and the meteorological department has predicted this to continue in August and September.
- This is expected to boost agricultural output and consequently rural income and has the potential to provide a broader lift to the overall economy from the second half of the ongoing fiscal year

Indian cement industry is the 2nd largest in the world after China

Indian Industry Overview

- Industry capacity just around 400 million tons, utilization around 70%
- New capacity becoming increasingly difficult to add due to specific challenges
 - Increased competition for new mines via auction
 - Land acquisitions challenging and expensive
 - Environmental/ Statutory Approvals relatively more difficult
- Cement is a regional play, with capacities near limestone reserves
 - Large capacity in Southern India, lower in the West and East given the skew in limestone reserves
- All India production in 2015-16 just over 280 million tonnes
- Demand growth subdued at c.5% recently although higher growth of c.8% seen in the 5 years up to 2011
- Per capita Cement consumption less than 1/7th of China
- Even at 5% growth per annum, demand projected at over 500 million tons by 2030
- Demand and demand growth different by region, hence material movement across regions common though constrained by logistics cost
- While East grew the most last year, our current belief is that AP and Telangana (in the South) will lead the country's cement demand growth in the next 3-4 years based on our knowledge of the progress made by these two state governments on various projects

The industry has seen some consolidation on the back of a subdued market environment and attractive valuations

Indian Industry Overview (contd.)

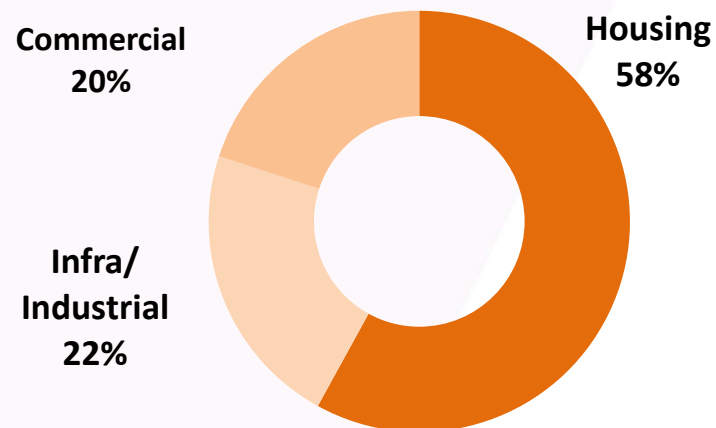
- Main revenue drivers are customer mix, product mix and brand premium
- Main cost drivers are power & fuel as well as logistics (freight)
- Indian Cement Industry most energy efficient
 - Pet coke usage has increased due to lower prices but prices now moving higher
 - Coal prices have been under pressure due to low demand and increasing substitution by pet coke and imported coal
- Best run plants typically have captive power and railway siding
- Fragmented nature of industry and depressed valuations have driven some consolidation through M&A
 - Recent amendments to the Mines and Minerals Act expected to favour further consolidation
 - Enterprise value driven by capacities, limestone reserves, power linkages, logistics and other synergies

Growth has been subdued recently but expected to accelerate

Demand trends

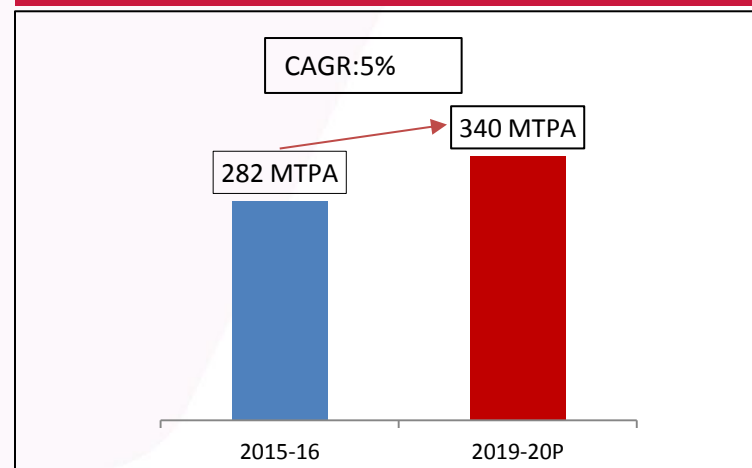
- Housing and Infrastructure are typically the two largest demand drivers for cement – c.80%
- Historically cement demand growth has tended to be above the GDP growth
- However in the last few years, cement growth is below GDP growth (c.0.8x) and the previous year was particularly challenging (growth at c.4.6%)
- This has been on account on various factors such as slowdown in housing construction, rural stress, black money containment, low corporate appetite for investment, etc
- However, going ahead, lower capacity additions in recent years will provide boost to capacity utilisation
- We expect healthier growth in the coming years at 5 - 7% driven by
 - Better monsoon this year which will alleviate drought conditions, especially in states like Maharashtra
 - Increased real estate activity in Southern states, particularly Telangana and AP
 - Increased government focus on rural infrastructure and irrigation
 - Swachh Bharat Mission (“Clean India”)
 - Other projects like smart cities, ports, freight corridors

Cement Industry – Demand Drivers



Source: Analyst Reports

Cement Industry – Demand Outlook



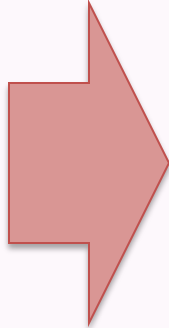
Agenda

Indian Industry Overview

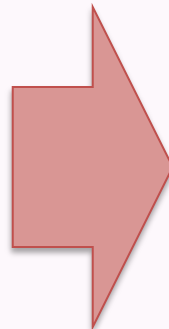
Company Snapshot

Current Performance

Expansion Plans



- Reputed and respected, circa US\$ 2 billion multi-industry conglomerate
- Present across three industry clusters – technology & automotive, home & building products and healthcare & education
- Businesses present across five continents with over 20,000 employees, 24 manufacturing facilities and numerous patents and awards.



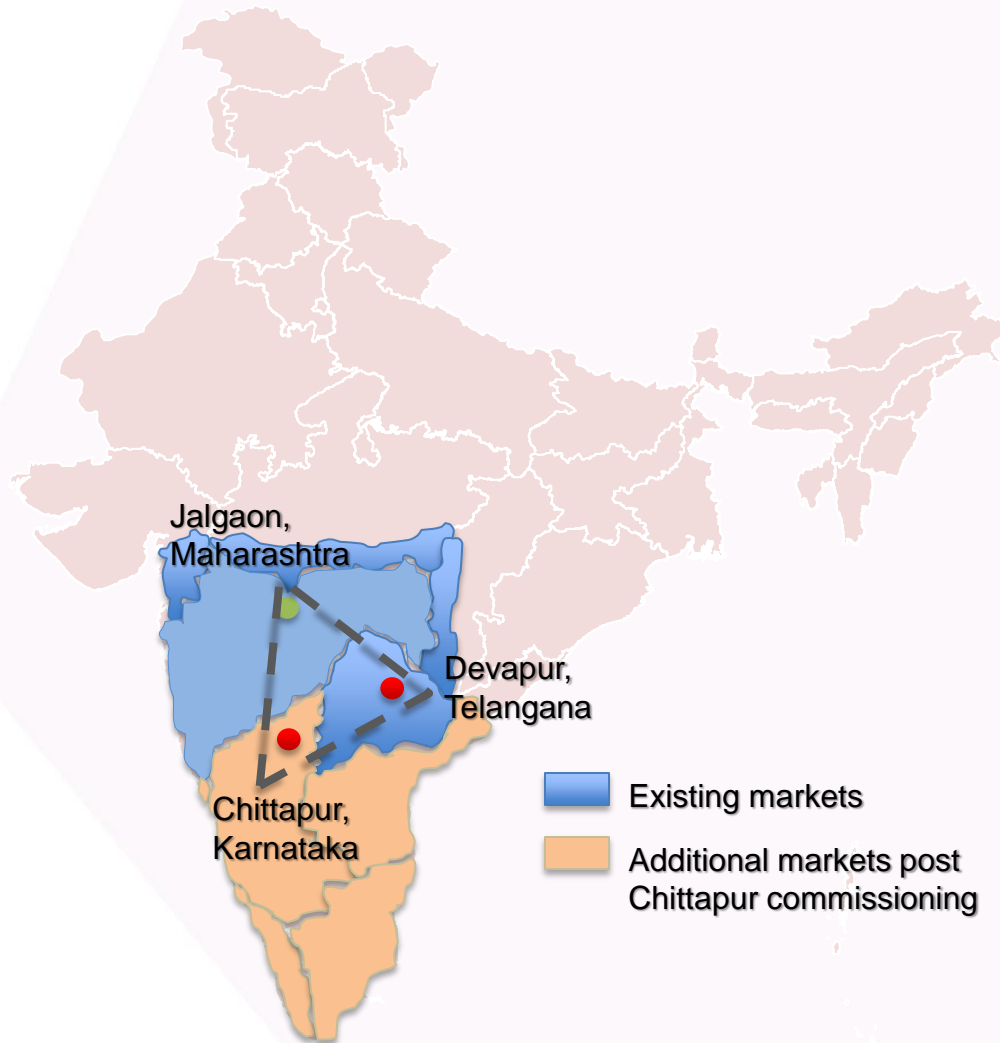
- Spun off from Orient Paper and Industries Limited and listed in 2013
- Promoters hold shares over 37%; most large Indian mutual funds holding shares
- Current market cap: c.US\$ 500 million
- Cement Operations started in 1982, growing to 5 MTPA by 2007
- Current production capacity: 8 million tons per annum, after commissioning of new 3MT integrated unit in Chittapur, Karnataka
- Aspiration to grow quickly and become a player of national relevance
- Targeted production capacity growth from 8 to 15 million tons by 2020

Orient Cement has an installed capacity of 8 million tons, including the recently commissioned Chittapur plant



- 3 mtpa integrated cement plant located at Devapur in Adilabad district of Telangana
- 2 mtpa grinding unit located at Jalgaon district of Maharashtra
- Greenfield 3 mtpa integrated unit commissioned in Karnataka; taking the total capacity of Orient Cement to 8 mtpa

Primarily sold to the markets of Southern and Western India



- With a network of > 2700 dealers, our product is sold in Telangana & Maharashtra, which are our primary markets; we also sell in parts of AP, Gujarat, Madhya Pradesh, Chattisgarh & Karnataka
- With the commissioning of the Chittapur plant, we will now be able to expand our reach to entire Karnataka, AP, Kerala and parts of Tamil Nadu

Our Competitive Advantage

Structural Advantage

- Geographic location with proximity to coal mines
- Captive power plant with all units ensuring power security at reasonable prices
- Railway siding in all plants provides logistics strength

Strong Financials

- Strong financial performance with EBITDA margins typically >20%
- FY16 an exception due to new plant



Lean Organization

- Sharp focus on cost optimization across all facets of the business
- Power & fuel efficiencies amongst best in industry

Marketing Excellence

- Strong distribution network of >2700 dealers well penetrated into the depth of addressed core markets
- Sell the hard way – believe in the philosophy of reaching to a large base of small customers instead of a few large ones
- This has enabled us to achieve above average capacity utilisations and achieve low average lead distances even in a depressed market

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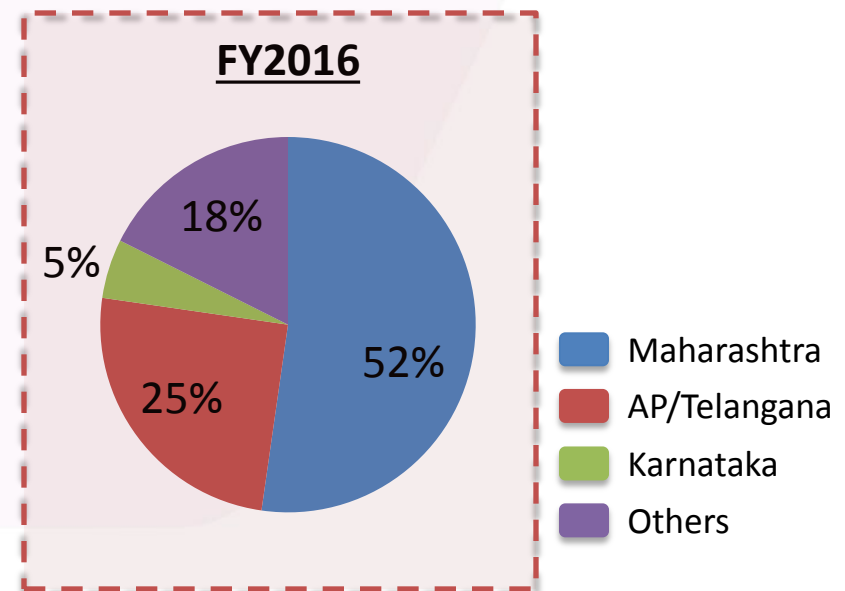
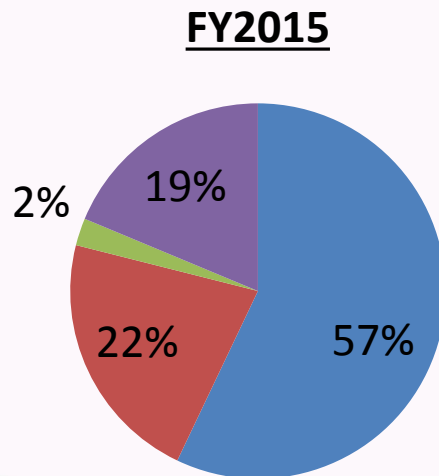
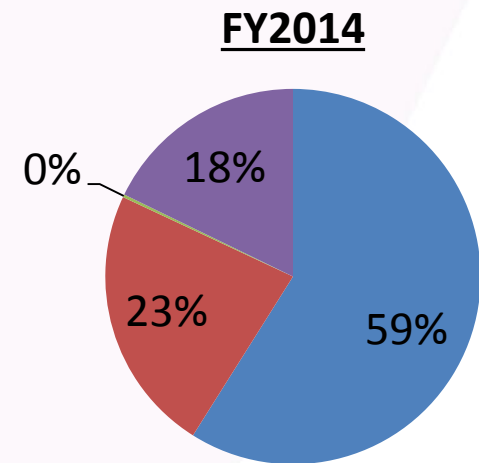
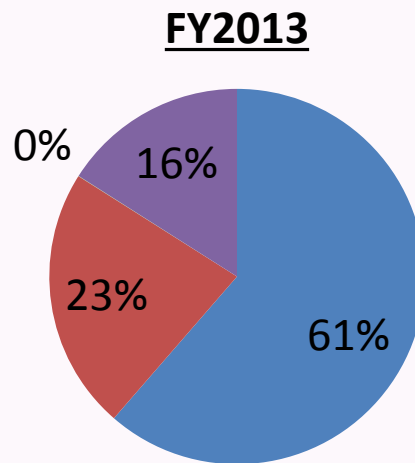
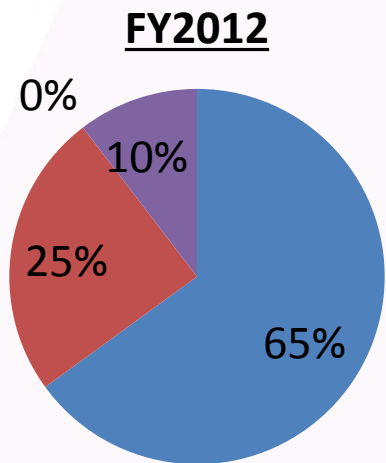
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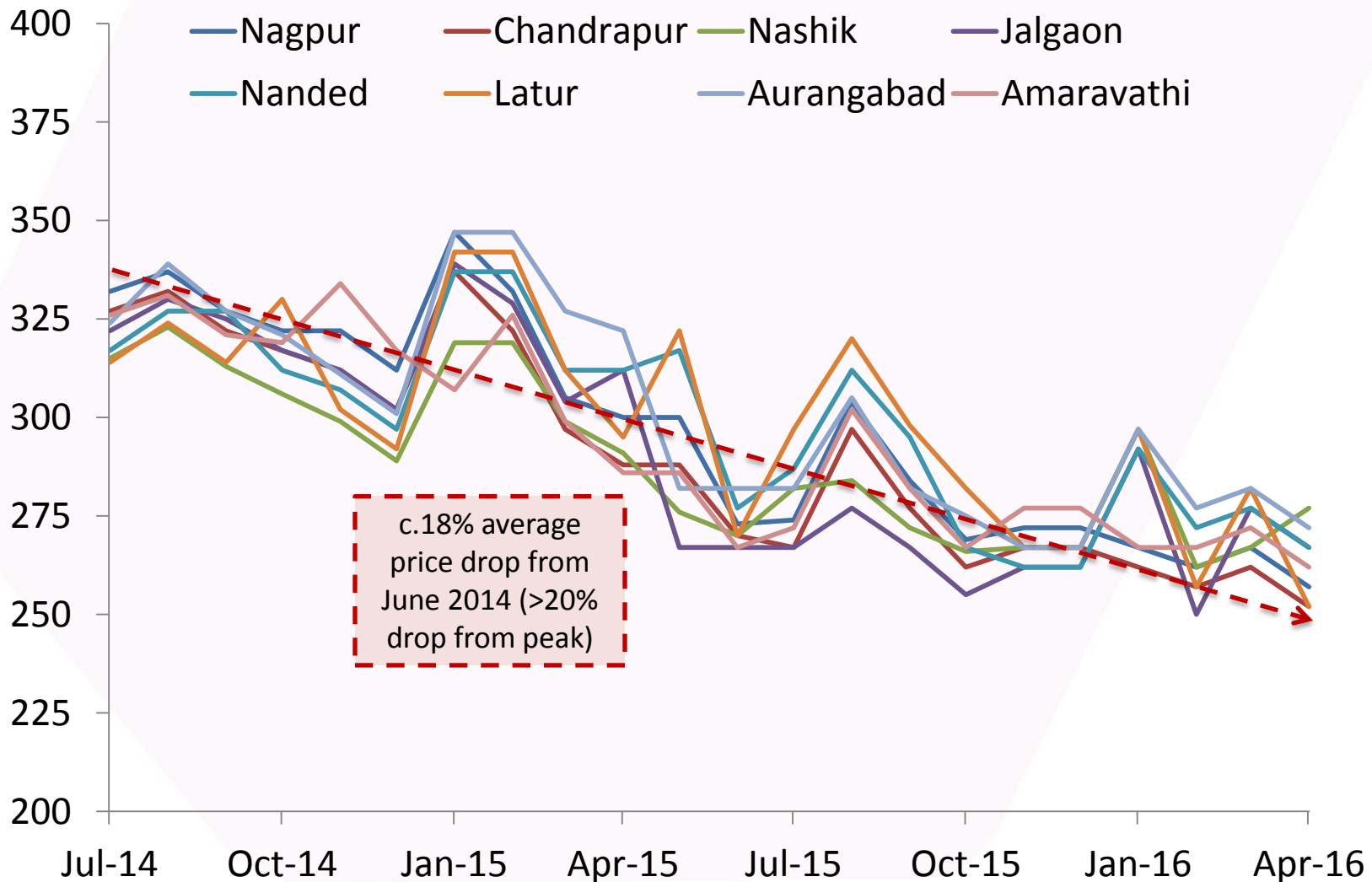
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Given our plant locations, our volumes continue to be focused on Maharashtra and AP/Telangana, with some ongoing diversification

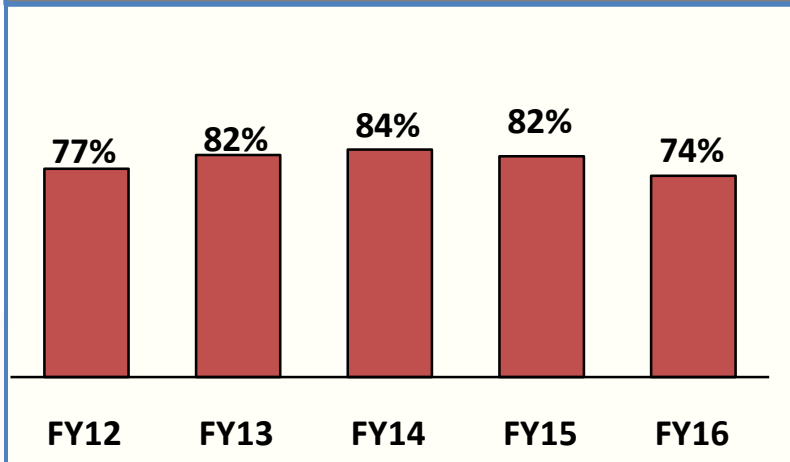


Prices in Maharashtra have been on a downward trajectory – a particularly steep drop since Q1FY15 after a very brief recovery



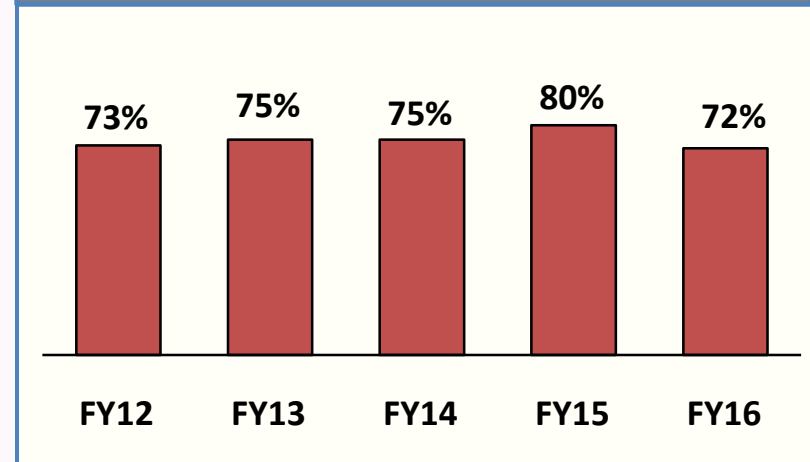
Despite a difficult market, capacity utilization is high and product mix skewed towards PPC to maximize contribution

Capacity Utilization



Values for FY16 include Chittapur

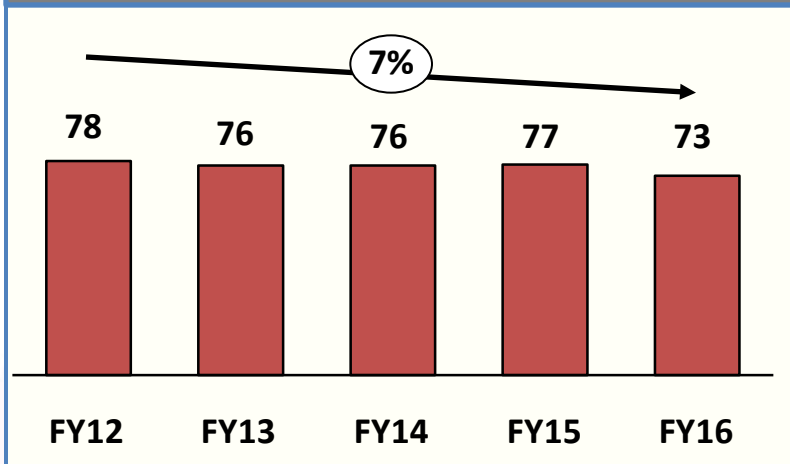
Product mix - % sales of PPC cement



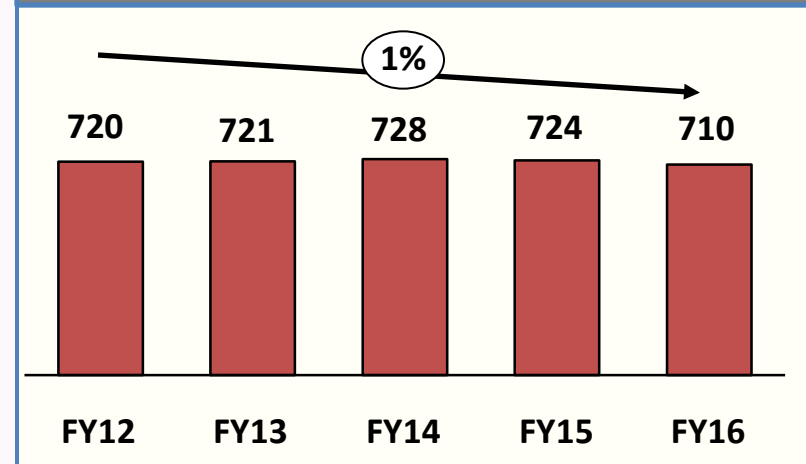
Values for FY16 include Chittapur

Efficiency in operations is our key mantra – consistently improving our power & fuel consumption at Devapur & Jalgaon

Power consumption (kwh/t)



Fuel consumption (kcal/kg clinker)

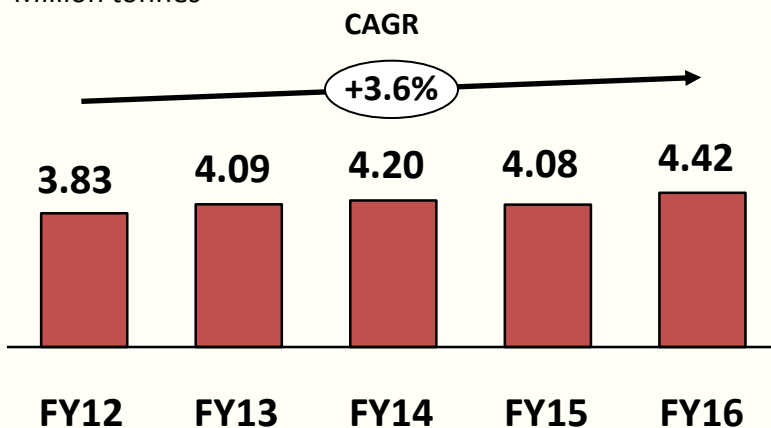


Power and fuel consumption values exclude Chittapur

Our performance snapshot

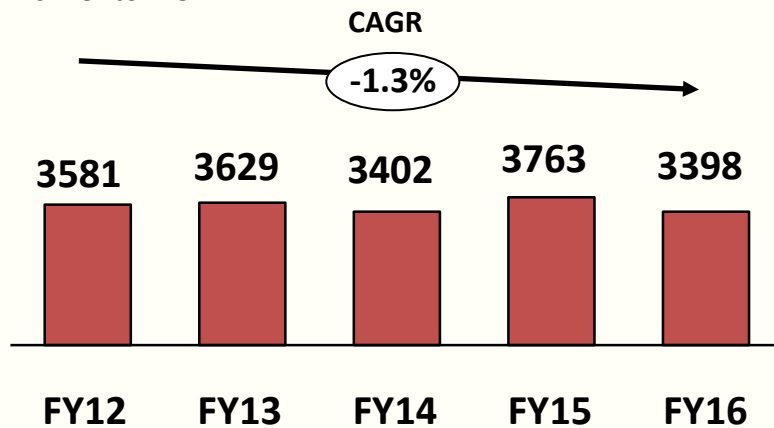
Last 5 year's volumes

Million tonnes



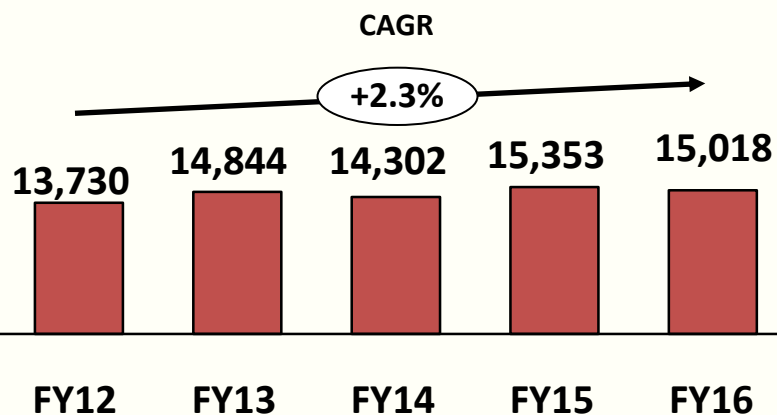
Last 5 year's net sales / ton

Rs. Per tonne



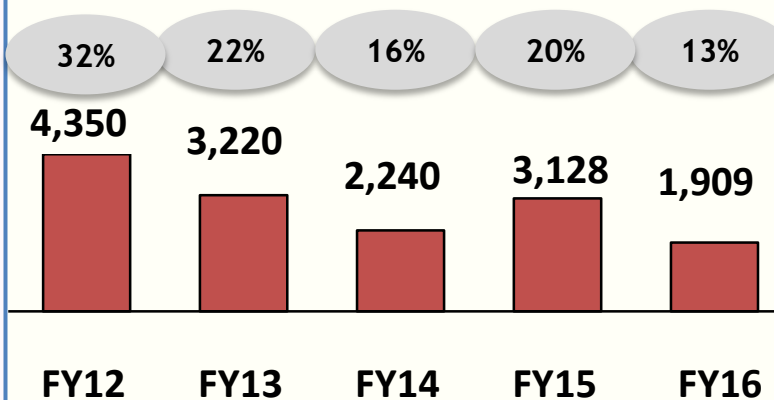
Last 5 year's revenue

Rs. million



Last 5 year's EBITDA

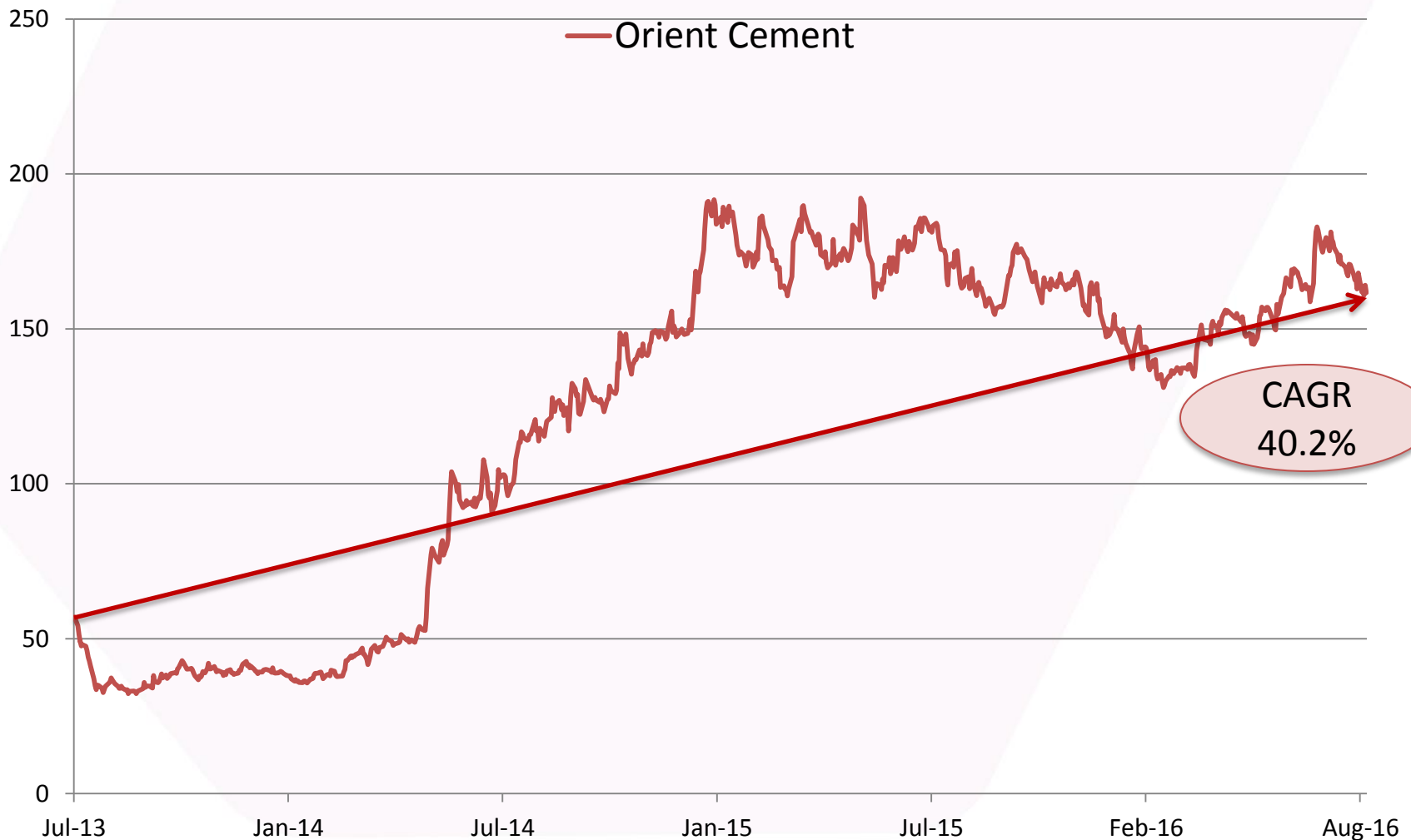
Rs. million



Key financial metrics

	FY2013	FY2014	FY2015	FY2016
D/E Ratio	0.13	0.34	1.09	1.23
DEBT / EBIDTA	0.31	1.26	3.39	6.52
ROE	23.1%	12.7%	21.6%	6.2%
ROCE	30.0%	17.6%	28.5%	7.2%

Orient Cement's share price has shown stellar growth since listing in 2013



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Chittapur plant has augmented production capacity by 3 MTPA



Key Highlights

- **Best-in-class cost metrics** with an projected capex outlay of around US\$ 100/tonne, including 45 MW CPP and 6 MW WHRS
- Project commissioned in Sep 2015
- Best in class equipment and contractors
 - FL Smidth for supplying cement plant
 - L&T for civil and mechanical works
 - ABB for electrical and instrumentation
 - Project financed through debt, no equity dilution

Having built a highly capable plant at low cost, we are now making it deliver returns

- The Chittapur plant has extended Orient Cement's market reach into Karnataka and parts of Tamil Nadu and Andhra Pradesh and helped us consolidate our strong position in Maharashtra
- While the stabilisation period has provided its unique set of challenges, we have ramped up production from this unit extremely quickly
- This has been supported by a pre-planned and extensive channel expansion effort in the corresponding target markets
- As a result, volumes from Chittapur almost tripled from Q3 to Q4 in FY16 and were primarily responsible for a 40% growth in overall volumes over the same quarter in FY15. Similarly, overall volume growth has been close to 43% in Q1FY17 over the corresponding quarter last year.
- We have approached 60% capacity utilisation from this plant in record time, in challenging markets and most notably, in the capacity rich Southern region of India
- We believe that these efforts prepare us well for a potential improvement in cement demand in our core markets during the months ahead, especially on the back of a favourable monsoon
- The plant's adequate limestone reserves also provide us with the opportunity for further brownfield expansion in the years ahead

Our future growth strategy

- **Orient Cement has set out to become a 'relevant' 'national player' by expanding its capacity to 15 million tonnes (3x) by 2020**
- Leveraging the foundation of our operational strength, we intend to create a diversified footprint :
 - Any opportunistic acquisition target
 - 3 mtpa in Karnataka (south India)
 - 2 mtpa in Rajasthan (north India)
 - 2/3 mtpa Brownfield expansion with a split Grinding Unit
- Our strategy is to aim for 5% of Indian industry capacity, to become a top 10 cement manufacturer, with markets served in each part of the country
 - This will hedge our performance against volume and price variations across the country
 - Since lime stone is a finite natural resource, we intend to acquire mining leases wherever available for future expansion

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Thank you!

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Questions?