

Ambuja Cement

ACL:SEC:

March 14, 2018

BSE Limited, Phiroz Jeejeebhoy Towers, Dalal Street, Mumbai – 400 023	National Stock Exchange of India Ltd., Plot No.C/1 'G' Block Bandra – Kurla Complex Bandra East, Mumbai 400 051
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Dear Sir,

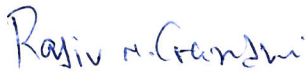
Sub: Investor Presentation

Further to our letter dated March 13, 2018, please find enclosed the Investor Presentation to be made to Analysts/Institutional Investors.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Ambuja Cements Limited



Rajiv Gandhi
Company Secretary
Membership No. A11263

AMBUJA CEMENTS LIMITED

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Tel.: 022- 4066 7000 / 6616 7000, Fax: 022 - 6616 7711 / 4066 7711. Website: www.ambujacement.com
Regd. Off. : P. O. Ambujanagar, Taluka - Kodinar, Dist. Gir Somnath, Gujarat.
CIN: L26942GJ1981PLC004717

**Ambuja
Cement**

Ambuja – ACC Master Supply Agreement

Update on Merger and Recommendation on Unlocking Synergies

Investor Presentation

14th March 2018



Disclaimer / Safe Harbour

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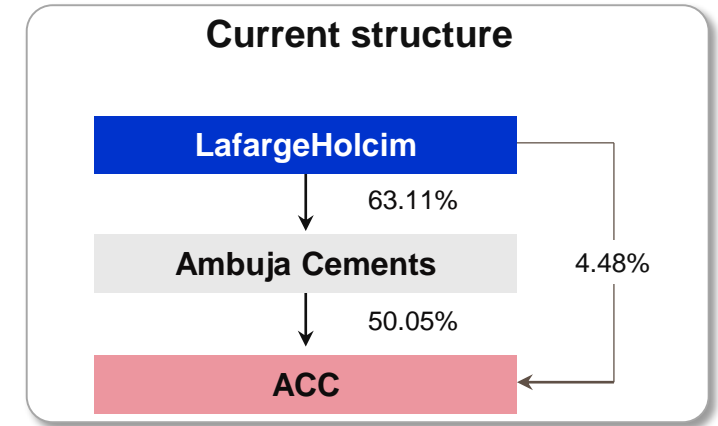
The Master Supply Agreement contemplates an arrangement that has not been tested before at this scale. While each company shall seek to maximize the benefits for their respective shareholders, Ambuja cannot guarantee the quantum of financial benefits that shall be realized from the Master Supply Agreement.

The amount of benefits realized by Ambuja from the Master Supply Agreement are subject to multiple variables, including, market circumstances, demand and supply, seasonal and geographical variations and other external conditions that will impact each company’s ability to realise synergy benefits. Hence, while the objective is to ensure equitable sharing of benefits between the two companies, the quantum of benefits and incremental turnover realized by each company may vary based on time, market conditions and opportunities.

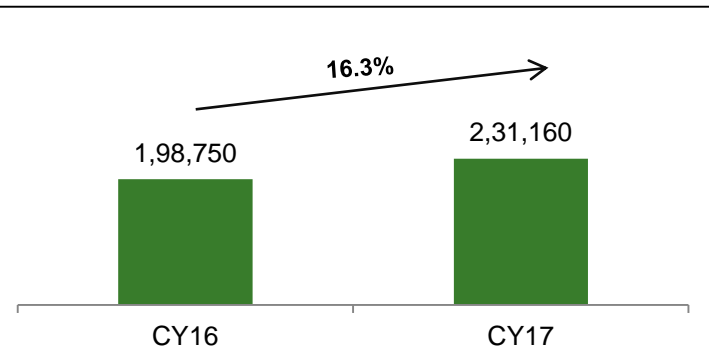
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Ambuja Cement (ACL): Leading cement company in India ...

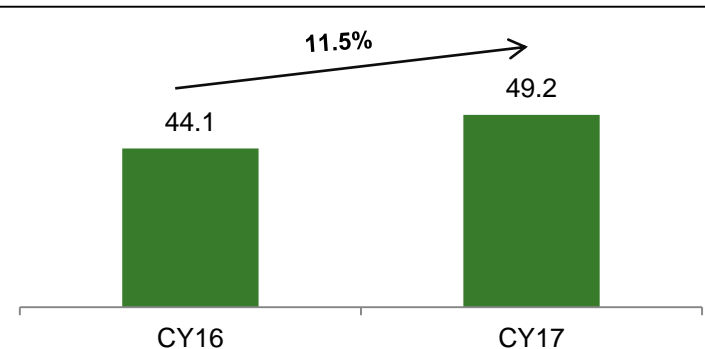
- Pan India footprint with consolidated cement capacity of 63 mn tonnes
- Attractive geographical positioning
- Market leading brands with large network of dealers/retailers (trade sales >80% of total volume)
- Strong balance sheet with consolidated net cash of ₹ 59 bn



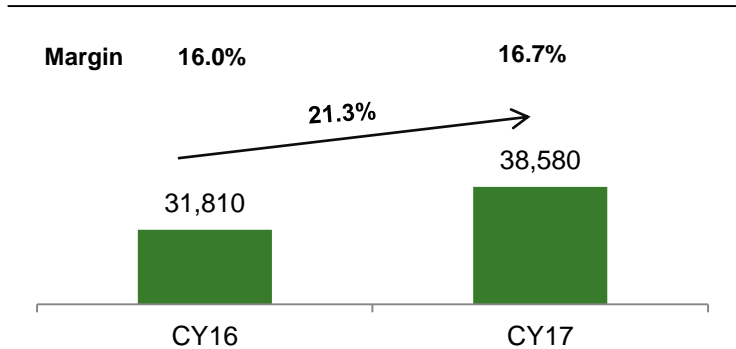
Consol Revenue (₹ Mn) *



Sales Volumes (MT) *



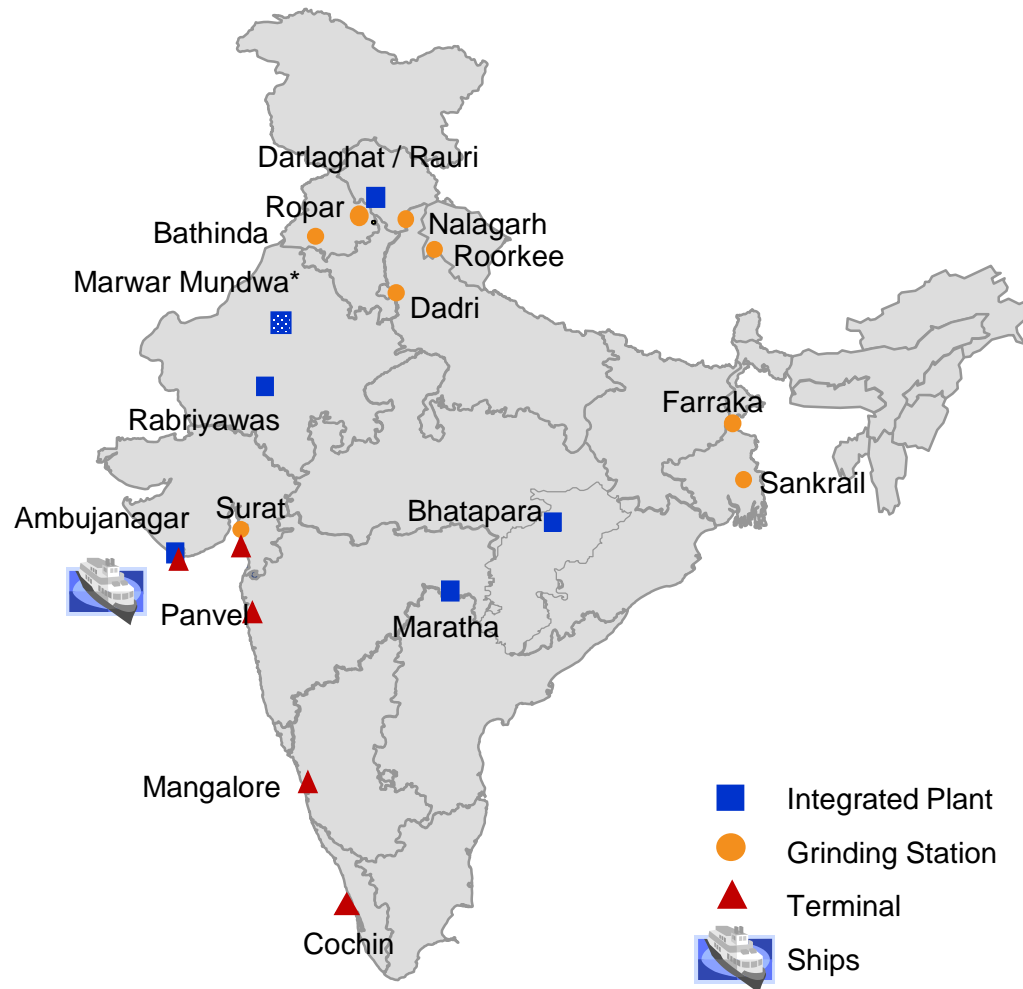
Consol Op. EBITDA (₹ Mn) & Margin (%)



Ambuja Cements Ltd. is one of the leading cement companies in India. It is part of the LafargeHolcim (“LH”) Group, the world leader in the building materials industry, with a presence across 80 countries, and a focus on cement, aggregates, concrete and other building materials since 2006. For eight decades, the group has provided hassle-free home building solutions with its unique sustainable development projects and environment-friendly practices

1 CAN.

... with a strong independent standalone footprint & robust strategies ...



Physical infrastructure

Integrated Plants	5
Kilns	9
Clinkerisation Capacity (MTPA)	17.7
Grinding Units	8
Bulk Cement Terminals	3
Loading Port	1
Cement Grinding Capacity (MTPA)	29.7
Ships	10

ACL strategies in place to enhance value

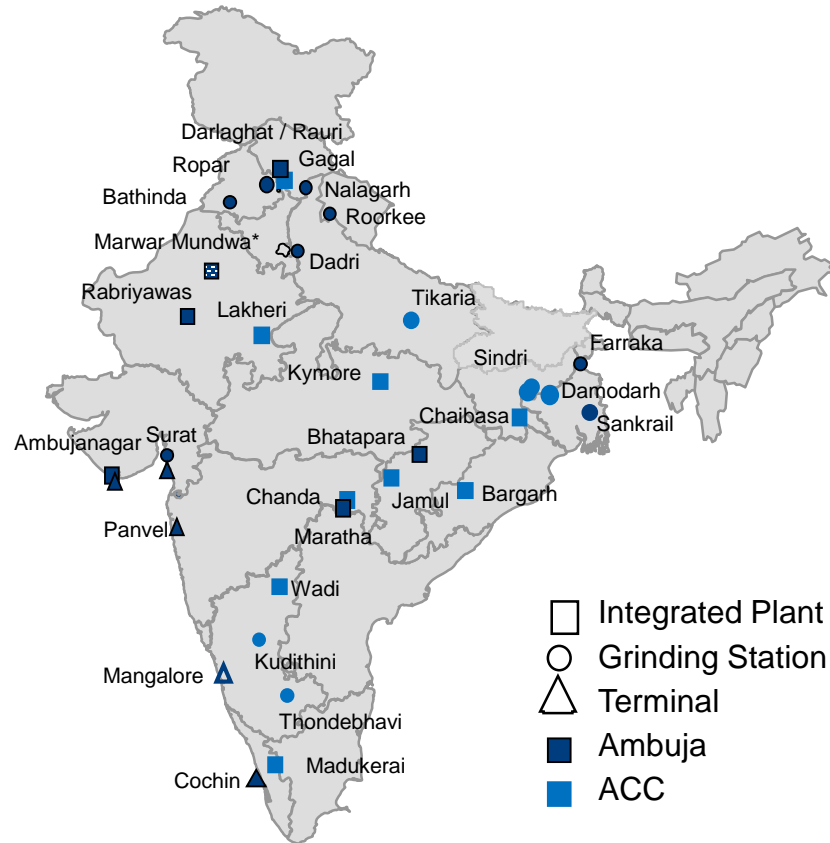
- ▶ CY17 capacity utilization of 78% - leaving scope for volume growth.
- ▶ The company proposes to set up a 3.1 Million Tonnes (9500 tpd) clinkerisation plant at Marwar Mundwa in Rajasthan. The Board of Directors have approved an initial investment of ₹ 1,391 Cr. towards the first phase of 1.7 Million Tonnes (5000 tpd) capacity which is expected to be commissioned in the second half of 2020.
- ▶ Commercial initiatives: New and innovative premium product launches, focus on customer excellence and on margin management levers
- ▶ Continue to optimize cost structure: Increase in use of alternate fuels, reduction in lead distance and savings in fixed overheads

With a strong footprint in the North, West and East parts of India, and a presence in the South, Ambuja Cement covers key locations in each region

... and a deep complementary pan-India footprint, along with ACC

1 CAN.

Ambuja and ACC Brands are the two of the strongest brands in Indian cement industry



- LafargeHolcim Group has substantial investments in India through Ambuja Cements Limited (its direct subsidiary) and ACC Limited (its indirect subsidiary)
- The LafargeHolcim Group, one of the largest foreign investors in the Indian building material sector, has invested over US\$ 8.7 bn, to build up its equity participation as well as to maintain and expand cement capacities
- Ambuja & ACC pan-India footprint: 16 integrated plants, 13 grinding units and 5 Cement Terminals/ Blending units with total cement capacity of ~ 63 mn tonnes
- Over 50 modern RMX plants spread across all major consumption centers
- Strong focus on R&D with dedicated centers at various international locations including India
- Green Building Centers to promote environmentally sustainable practices and reduce carbon footprint
- Vast network of more than 20,000 dealers and 1,00,000 retailers, distributing cement in more than 20 States and ~500 districts in India
- ~13,000 permanent employees

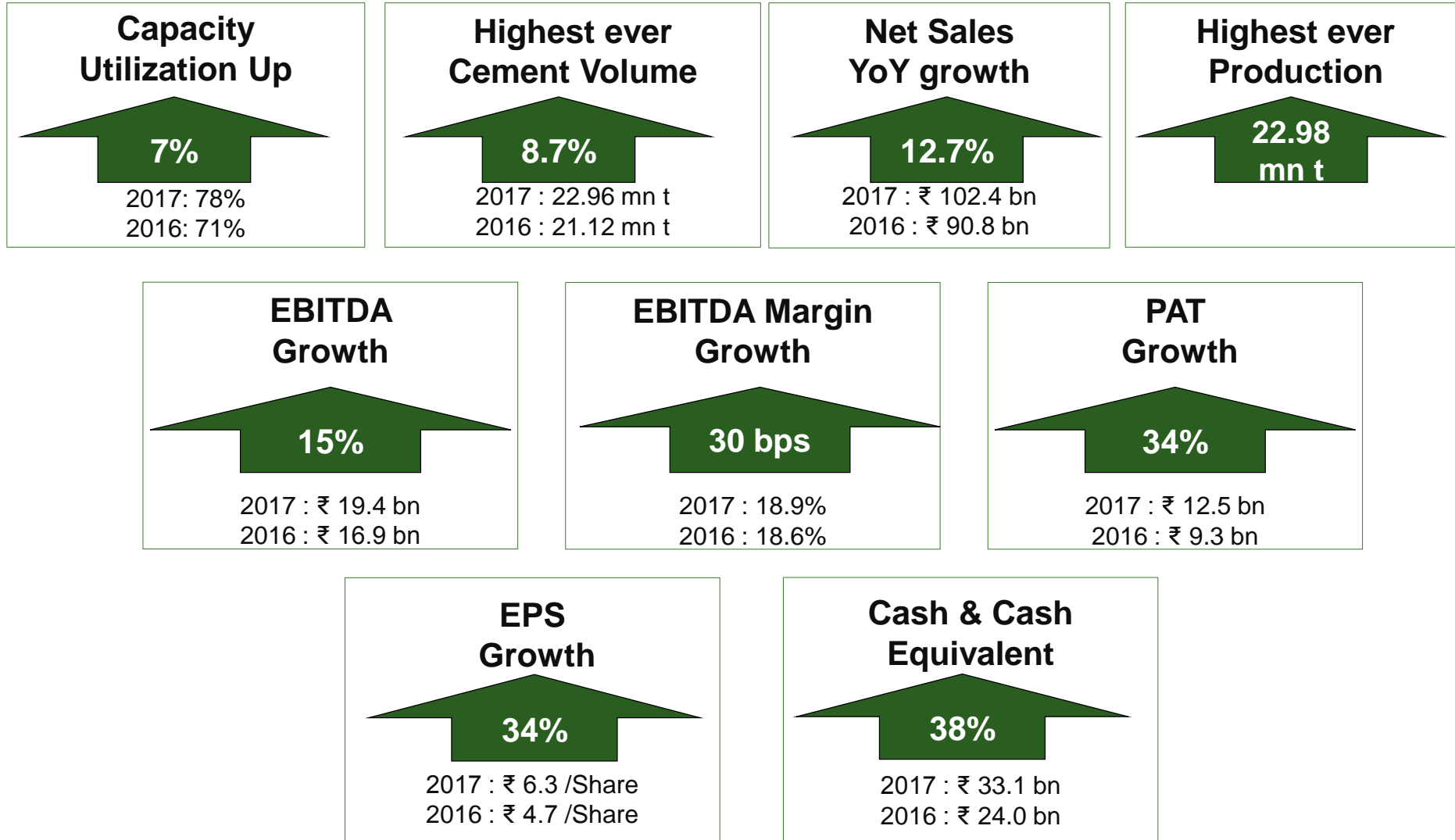
We leverage the LH Group's global knowledge & experience, and combine them with local execution capabilities, while collaborating with the Government for social, housing & infrastructure initiatives

Ambuja Standalone Performance

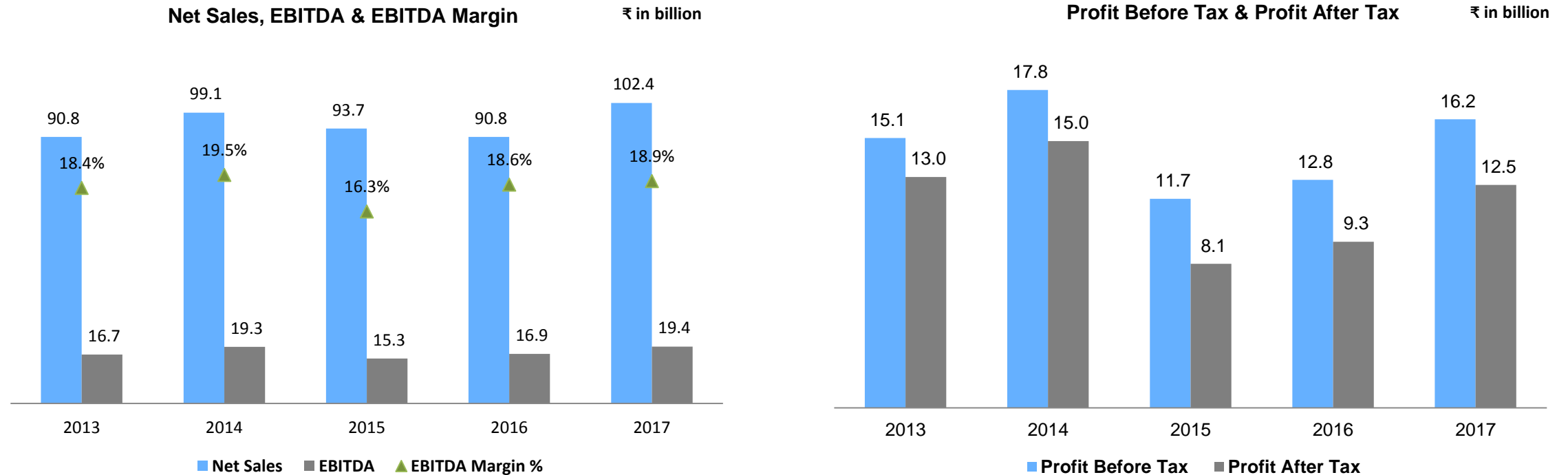
Performance Highlights – CY 2017

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Highest ever sales which helped in achieving EBITDA growth of 15%, PAT grew by 34%



ACL* - Higher top line and cost mitigation measures helped the company overcome challenges and achieve strong results for the full year | CAN.

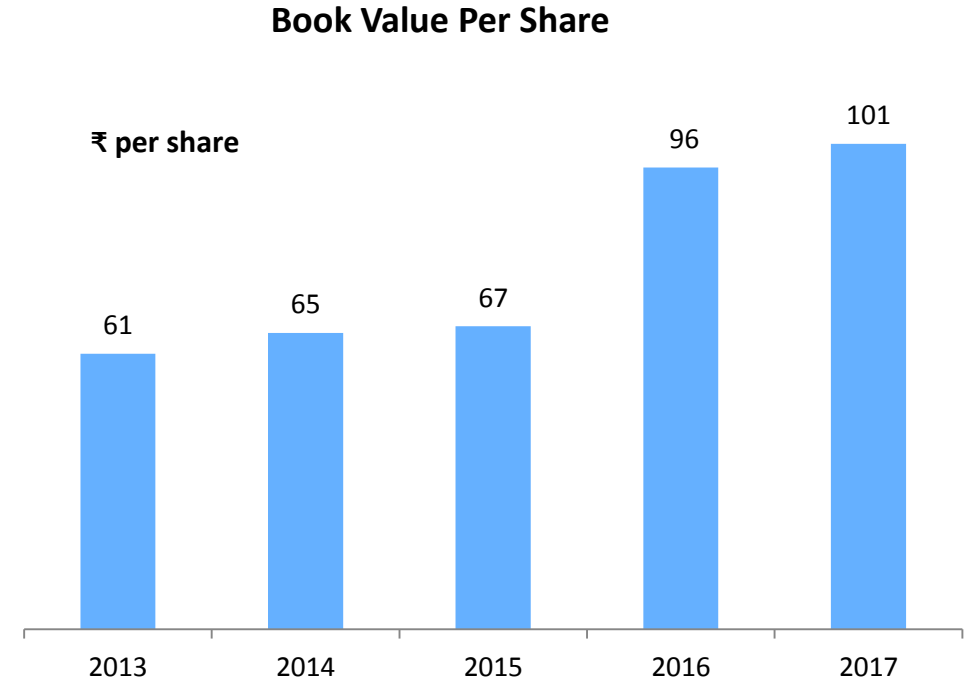
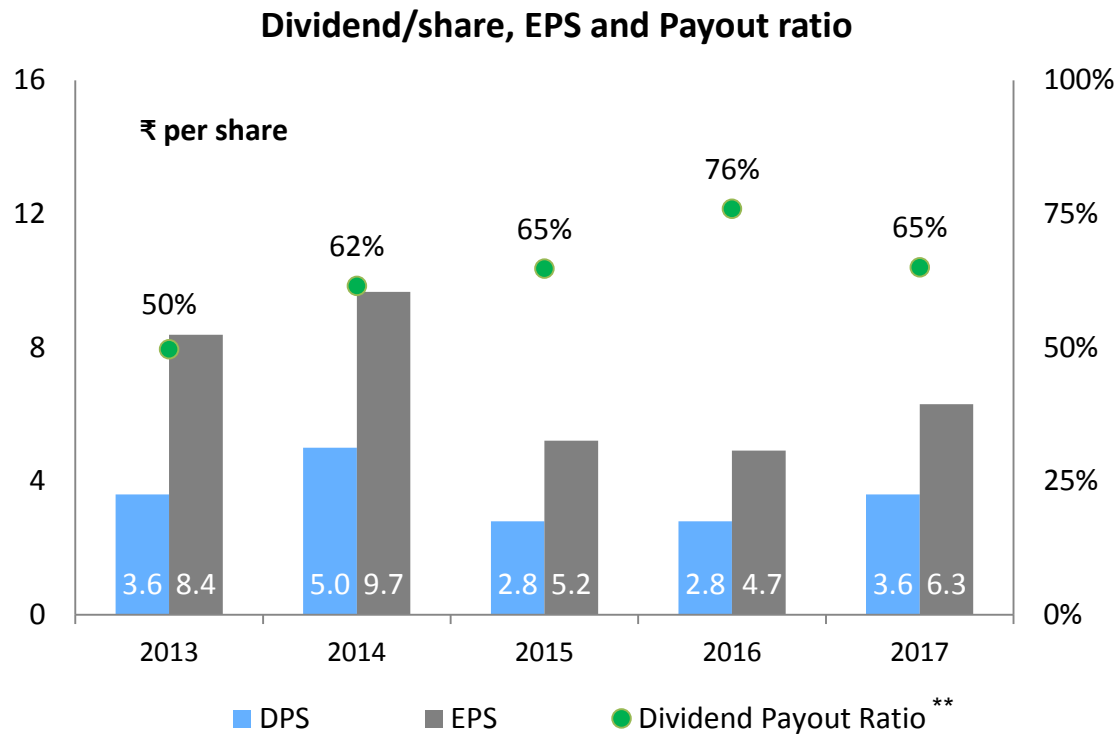


- Achieved an absolute EBITDA of ₹ 19.4 Bn, which was higher by 15% y-o-y basis
- Profit before Tax stood at ₹ 16.2 Bn, Up by 27% y-o-y basis
- Net Profit stood at ₹ 12.5 Bn, Up by 34% on a y-o-y basis

Focus on Premium Products (Compocem and Roof Special) along with customer oriented initiatives are creating differentiation resulting in increased sales.

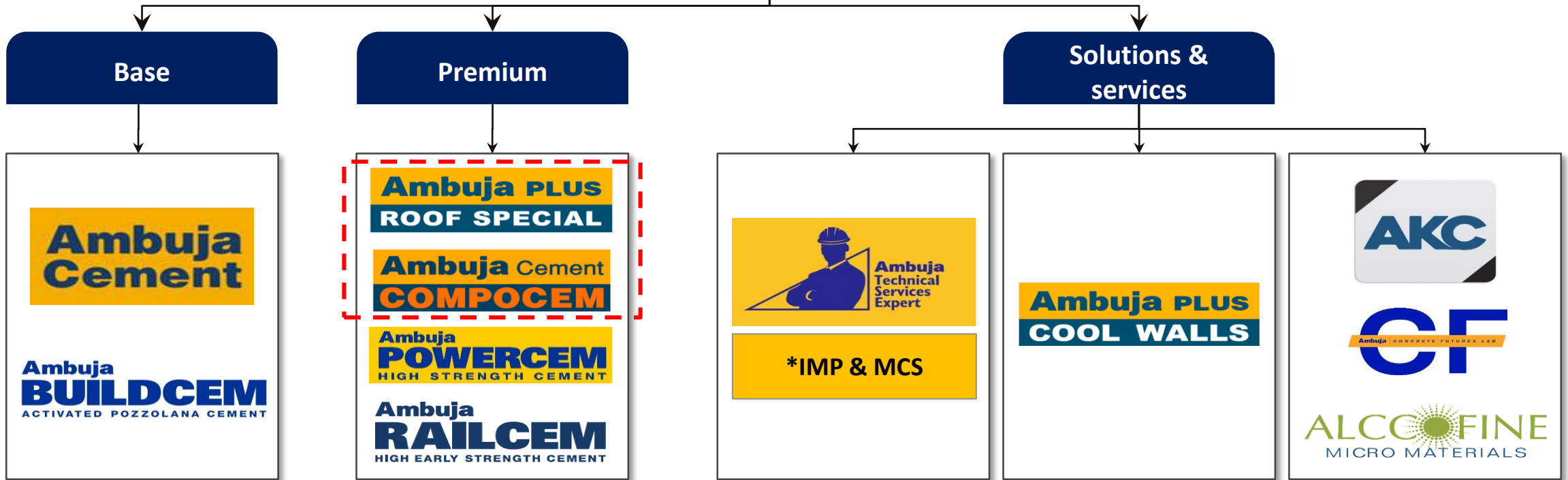
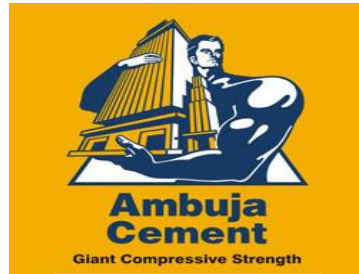
ACL* - Dividends per share /EPS/Dividends Pay-out ratio

1 CAN.



- The company has maintained a consistent and progressive dividend payout ratio

Brand Architecture



Share of Premium products expected to increase sharply


Ambuja Cement among the top 10 in the Global DJSI ranking

Emerges as the only Indian company among the top seven cement entities in the list


Ambuja Cements Ltd., one of the leading cement manufacturing companies in India, has set new sustainable development benchmarks with the internationally renowned Dow Jones Sustainability Index (DJSI) 2017 ranking the Company at No.7 in the Construction Material category. With this, Ambuja Cement emerged as the only Indian company to notch up such a high rank, competing with global and Indian companies.

The Company, which was invited to participate in the DJSI Emerging Markets Index, achieved this special feat in line with its vision to be the most sustainable and competitive company in the industry

Other key highlights

NCBM Awards 


Ambuja Cement wins two prestigious awards at NCB International seminar. Submitted 22 technical Papers

ACF – Silver Jubilee 


Ambuja Cement Foundation (our CSR arm) Silver Jubilee year celebrated at mother plant Ambujanagar

CII Sustainability Awards 

Ambuja bags six prestigious accolades @CII-ITC Sustainability Awards 2017

DJSI* Results 2017 

ACL emerging among the top 10 companies in the Global Dow Jones Sustainability Index (DJSI) ranking 2017 in the Construction Material category and has been ranked at No.7 in the list

Health & Safety 

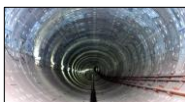
Nalagarh plant achieved ‘Zero Harm’ journey with no injury in one-year Started Driver Management Center at All Ambuja Locations

Top 40 Brands 


Global consultancy firm, Interbrand India – division of communications giant Omnicom – lists Ambuja Cement in top 40 brands in recently published Interbrand Best Indian Brands 2017 report.

New Product & Solutions 

‘Ambuja Plus Cool Walls’ launched in Punjab and Himachal Pradesh in addition to Gujarat and Maharashtra

Iconic Projects 

Ambuja has supplied 100% high quality, strong and durable cement for South Asia’s first underwater rail tunnel, linking Howrah and Kolkata

Logistics 

Ambuja inks long Term Traffic Contract with Railway in East

Update on Merger

Update on merger

- Pursuant to the decision taken by Ambuja Board on May 5, 2017, a detailed study was undertaken by the Special Committee of Directors to consider the proposed merger of Ambuja and ACC
- Based on the findings of the study, Ambuja Board is of the view that:
 - Given the significant scope for synergies between Ambuja and ACC, a merger is commercially in the long term interest of all stakeholders and remains the ultimate goal
 - However, the current regime on transfer of mineral concessions is still evolving and does not provide for a merger currently. Given the challenges of achieving such transfers across 19 states, it was found prudent not to pursue the same at this point of time

Proposed Arrangement

Proposed Agreement – Resulting in Immediate Benefits (1/2)

- The management is committed to unlocking possible benefits from various areas of synergy between Ambuja and ACC, and thereby create additional value for their shareholders in comparison to the current situation
- The Board of Ambuja in the meanwhile, subject to shareholder approval, proposes to unlock synergies without undertaking structural changes between Ambuja and ACC *via* a Master Supply Agreement (“**MSA**”) being an enabling pan-India framework to:
 - procure from each other clinker, cement, raw materials (incl. fuels, fly ash, slag) and spare parts;
 - undertake toll grinding in certain plants;that are most suited to service a given market, on mutually agreed terms
- The MSA will be operationalized through Operational Guidelines as mutually agreed between the management of both companies. Both Ambuja and ACC have experience in working together and hence are well equipped for seamless implementation of the envisaged MSA
- The principle objective while operating the MSA will be to ensure that each company benefits incrementally in aggregate on an annual basis in comparison to the respective *status quo*. While the management will strive for equitable sharing of benefits between the two companies, the quantum of benefits and incremental turnover realized by each company may vary based on time, market conditions and opportunities

Proposed Agreement – Resulting in Immediate Benefits (2/2)

Key Benefits envisaged:

- The MSA will result in incremental benefits to Ambuja and ACC from respective *status quo*, and this will be achieved through:
 - optimization of the cost to service market by using each other's plant capacities where relevant
 - maximize utilization of assets to generate additional sales for each company in a financial year
 - utilization of spare inventory (raw materials and spare parts), as needed

Further, the arrangement will make the combined operations more environment friendly with a lower carbon footprint

- The management estimates a run-rate annual synergy in the range of approx. 3% - 5% of Profit Before Tax, from the envisaged MSA in the current environment

Scope and Pricing

MATERIAL / SERVICE	PRICING FORMULA & DELIVERY POINT
Cement	<p>Manufacturing company's Average Net Selling Price minus 5% discount, applied in the following manner:</p> <p>(a) In case of 'FOR Delivery', the Average Net Selling Price applicable for such FOR Deliveries in the relevant district;</p> <p>(b) In case of 'Ex-Delivery', the Average Net Selling Price applicable for such Ex-Deliveries in the relevant district</p> <p>Delivery point:</p> <p>(a) "FOR Delivery": delivered at buying company's dealer, retailer, or consumer site, as the case may be; or</p> <p>(b) "Ex-Delivery": delivered at the manufacturing plant or dispatching railway yard, as the case may be</p>
Toll Grinding	<p>For each tonne, (A) + (B), where:</p> <p>(A) = Conversion charges determined at 8% of the Gross Fixed Assets Block; and</p> <p>(B) = Manufacturing plant's variable cost per tonne of the previous quarter, plus 10% mark-up</p> <p>Delivery point: At the manufacturing plant</p>
Clinker	<p>Price will be one of the following:</p> <p>(a) Ex-works market price; or</p> <p>(b) Ex-works market price determined by independent agency appointed by Board of Directors of both, Ambuja and ACC; or</p> <p>(c) Manufacturing plant's clinker variable cost of previous quarter, plus 35% markup</p> <p>The above hierarchy of methods will be followed for arriving at the price of clinker.</p> <p>Delivery point: At the manufacturing plant</p>
Raw materials for Clinker – fuel on 'as needed basis'	<p>Price will be one of the following:</p> <p>(a) Replacement cost thereof at manufacturing company's location based on market price; or</p> <p>(b) Manufacturing company's landed cost thereof plus carrying cost of 8% per annum for the holding period</p> <p>The above hierarchy of methods will be followed for arriving at the price of raw material and spare parts.</p> <p>Delivery point: At Manufacturing Company's location.</p>
Raw materials for Cement – fly-ash, slag, gypsum etc. on 'as needed basis'	
Spare parts on 'as needed basis'	

Notes:

- "Average Net Selling Price" shall mean the average of the relevant district's Net Selling Price in the month immediately preceding the month in which the order is placed
- "Dealer Discount" shall mean discount offered to whole-sale dealers as per approved discount policy of the manufacturing company
- "Gross Fixed Asset Block" shall mean the gross fixed asset value of the manufacturing plant (considered without accounting for depreciation) divided by the total production (expressed in 'tonne') of the manufacturing plant in the immediately preceding financial year of the manufacturing company
- "Net Selling Price" shall mean the invoice price minus GST minus Dealer Discount

Two premium and complementary brands will continue



100% Awareness & Brand Recall, Category-leading BEI (Brand Equity Index), scores of >5 in relevant retail markets, facilitates strong brand pull for Ambuja and ACC

Independent go-to-market strategy with strong dealer networks / distribution channels to be preserved – *Customer-end unaffected*

MSA is a supply arrangement. Each company will sell cement purchased from the other company under its own brand

Each company will ensure compliance with its own quality standard for cement sold under its brand

Timetable

Events	Date
File copy of the Postal Ballot Notice with the Stock Exchanges	12/03 (Monday)
Date of Commencement of Postal Ballot Voting	17/03 (Saturday)
Last date for receiving Postal Ballots by the Scrutinizer	15/04 (Sunday)
Submission of Scrutinizer`s Report to the Chairman	16/04 (Monday)
Declaration of results of Postal Ballot along with the Scrutiniser`s Report and to inform the Stock Exchanges and display on the website of the Company and Depository	16/04 (Monday)

Key take-away messages

Key take-away messages

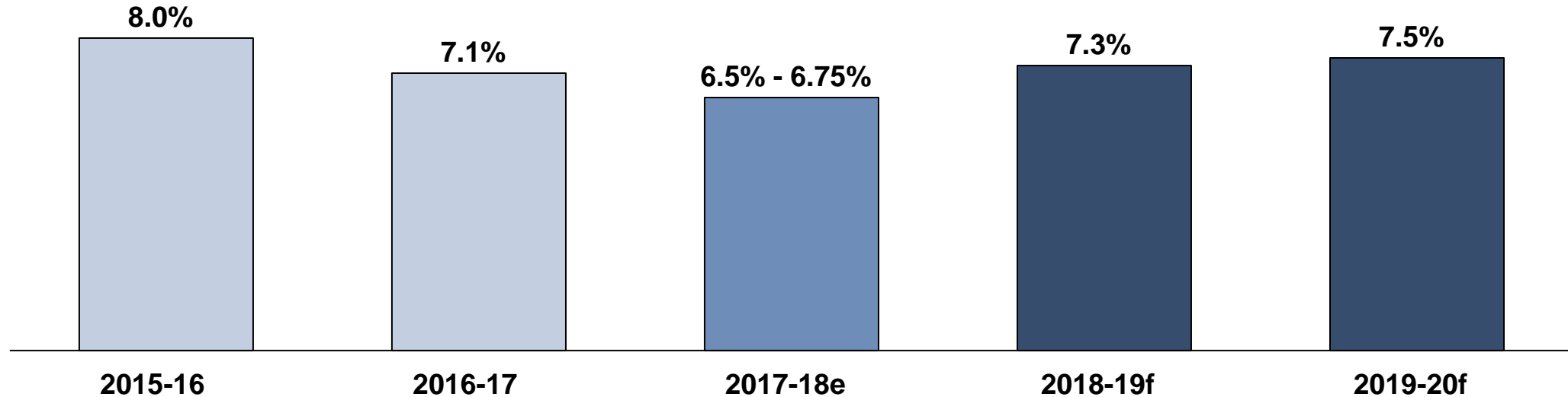
- Allows to unlock benefits which are not achievable on a standalone basis
- Each company benefits incrementally in comparison to its *status quo*
- Capitalizes existing platform to create value and increase profitability, with no additional investment
- No change in the existing ownership structure and brands
- Both Ambuja and ACC have experience in working together and are well equipped for seamless implementation

Annexure: Fast growing Indian economy and robust demand drivers for cement

Indian economy projected to grow fastest in 2018 & 2019

■ GDP Growth %

(Base: 2011-12)



- Indian economy has strong growth fundamentals and is expected to grow in the range of 7.3%-7.5% over the next two years. Source – World Bank Global Economic Prospects Report
- GST implementation is stabilising, augurs well for the economy
- Signs of revival in investment activity as reflected in improving credit offtake, large resource mobilisation from the primary capital market, and improving capital goods production and imports
- The process of recapitalisation of public sector banks has commenced
- Export growth is expected to improve further on account of improving global demand

Potential drivers for cement demand

Recent budget announcements to support cement demand growth in the near to long term

Infrastructure & Housing



- ▶ Affordable housing fund to be set up under the National Housing Bank.
- ▶ Increased allocation of ₹ 31,500 crore for the Pradhan Mantri Awas Yojana - Urban (PMAY-U)
- ▶ Outlays for the Ministry of Road Transport and Highways and Railways increased 11% and 22%, respectively

Focus on improving Rural income



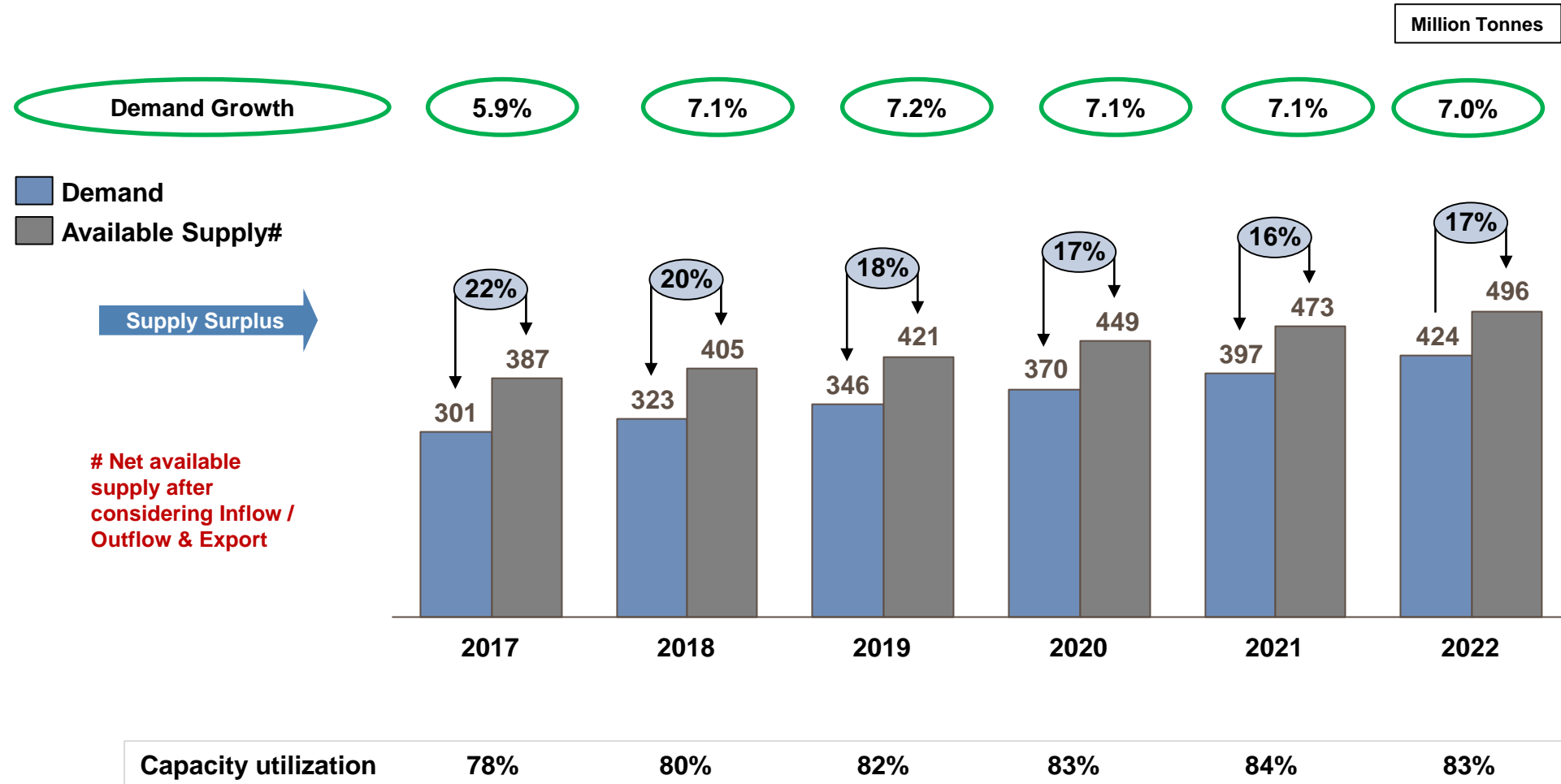
- ▶ Increase in Minimum Support Price (MSP) for kharif crops to be at least 1.5x of production cost
- ▶ Crop Insurance scheme Pradhan Mantri Fasal Bima Yojana (PMFBY)
- ▶ Increase in allocation for irrigation projects under Pradhan Mantri Krishi Sinchayi Yojna (PMKSY)
- ▶ Increase in allocation for rural road construction (under the Pradhan Mantri Gram Sadak Yojana)

Cement demand to see a positive growth backed by infrastructure development, housing and increased rural spends

1 CAN.

Cement Industry – Demand / Supply Scenario

Situation is likely to improve gradually on the back of improved demand & speed of capacity expansion



Ambuja Cement