

**Ambuja
Cement**

Strength. Performance. Passion.

Acquiring Majority Stake in ACC

Investor Meetings



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Agenda

Transaction Fundamentals

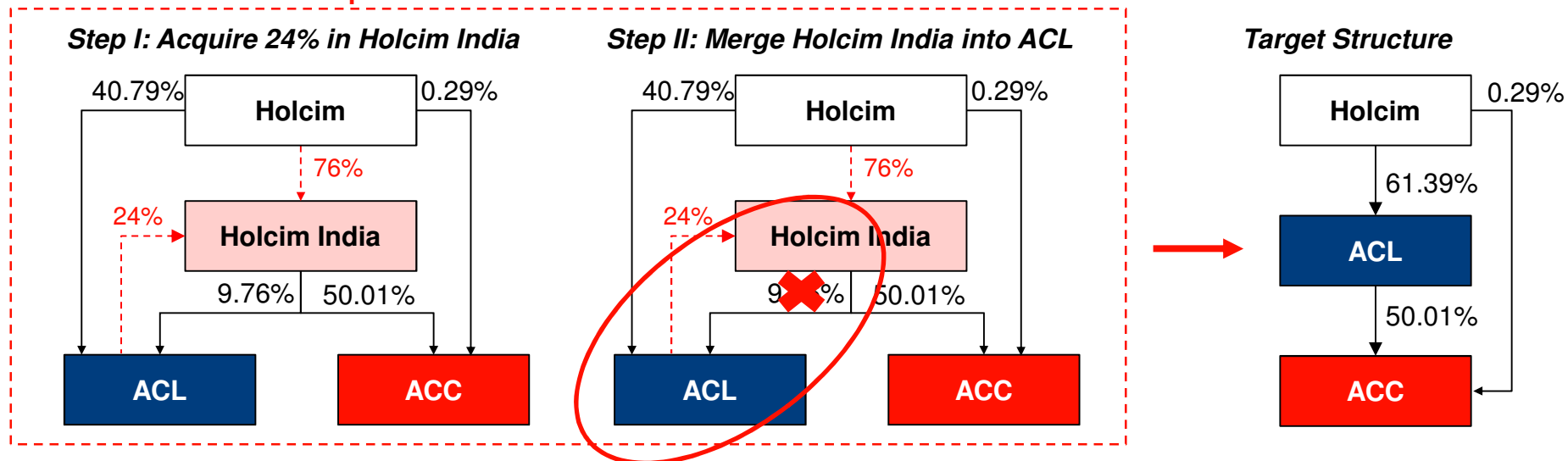
Key Take-Aways Minority Shareholders

Conclusion

ACL acquires Holcim's 50.01% equity stake in ACC

Evolution of current to target shareholder structure

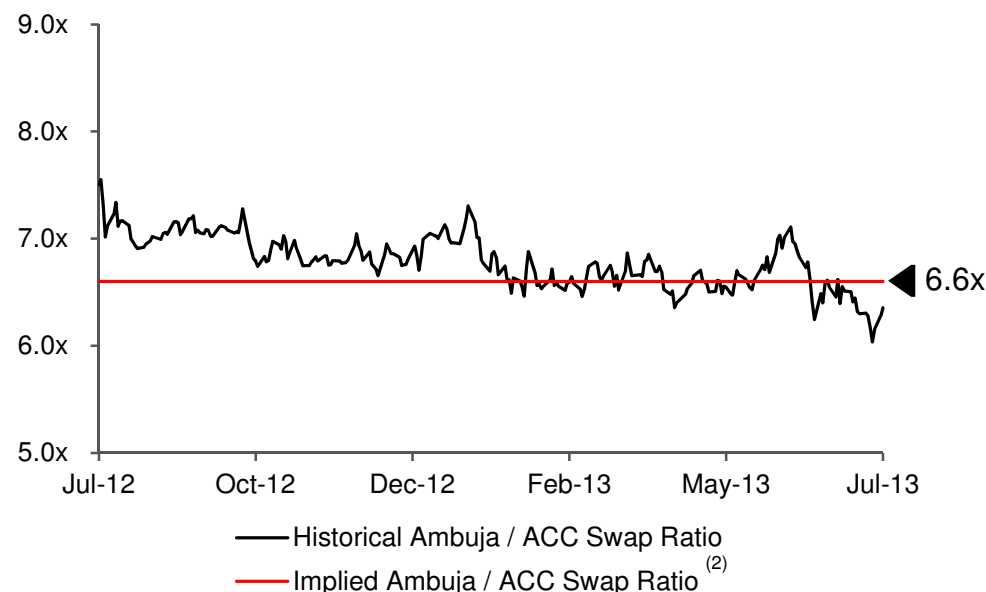
Interlinked transaction steps



- Holcim India value of INR 14,584 crore (USD ~2.4 bn) consists of 50.01% stake in ACC for INR 11,727 crore (USD ~2.0 bn) and 9.76% stake in ACL for INR 2,857 crore (USD ~0.4 bn)
- Two step transaction for a total deal value of INR 11,727 crore (USD ~2 bn)
 - ▶ Step I: ACL acquires 24% of Holcim India for INR 3,500 crore (USD ~0.6 bn)
 - ▶ Step II: ACL issues net 434 mio equity shares for a total value of INR 8,226 crore (USD ~1.4 bn) to Holcim post cancellation of Holcim India's 9.76% stake in ACL upon merger
- The transaction steps are inter-linked and subject to requisite approvals

Fair and Arms Length Transaction

Historical ACL/ ACC Swap Ratio ⁽¹⁾



Historical ACL/ ACC Swap Ratio ⁽¹⁾

VWAP	Swap Ratio
60 Day	6.6x
90 Day	6.6x
6 Month	6.6x
1 Year	6.8x
3 Year	7.1x
5 Year	7.0x

- Share price of INR 25.63 for Holcim India determined by the independent valuation report of two independent Chartered Accountants (BSR and Associates and Price Waterhouse & Co.)
- Implied share price of INR 189.66 for ACL and INR 1249.02 for ACC
- Determined Holcim India to ACL swap ratio of 7.4
 - ▶ Translates to an implied ACL to ACC swap ratio of 6.6, which is at the **lower end** of historic ACL/ ACC swap ratio

Value creation opportunity

Improve Structure

- More efficient capital structure & EPS accretive
- Re-investment of cash into business
- Collaboration under 'India Management' structure

Unlock Synergies

- Synergy potential of approximately INR 900 crore (USD 150 mio) through supply chain and fixed cost optimisation

Get Scale

- Consolidated pan-India footprint with 58 mio tpa capacity
- Confirmed >10 mio tpa capacity expansion underway in both companies; additional projects in planning (e.g. ACC Ametha)
- Strong and debt free balance sheet; cash flow diversification

Maintain Front-end

- Complementary premium brands will continue to exist
- Independent go-to-market strategy with strong dealer networks / distribution in respective markets

Commit to India Group

- Investment in Marwar Mundwa
- Intent to increase economic ownership in ACC over time
- ACC is a perfect fit, being a Holcim Group company already

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Transaction Fundamentals

Key Take-Aways for Minority Shareholders

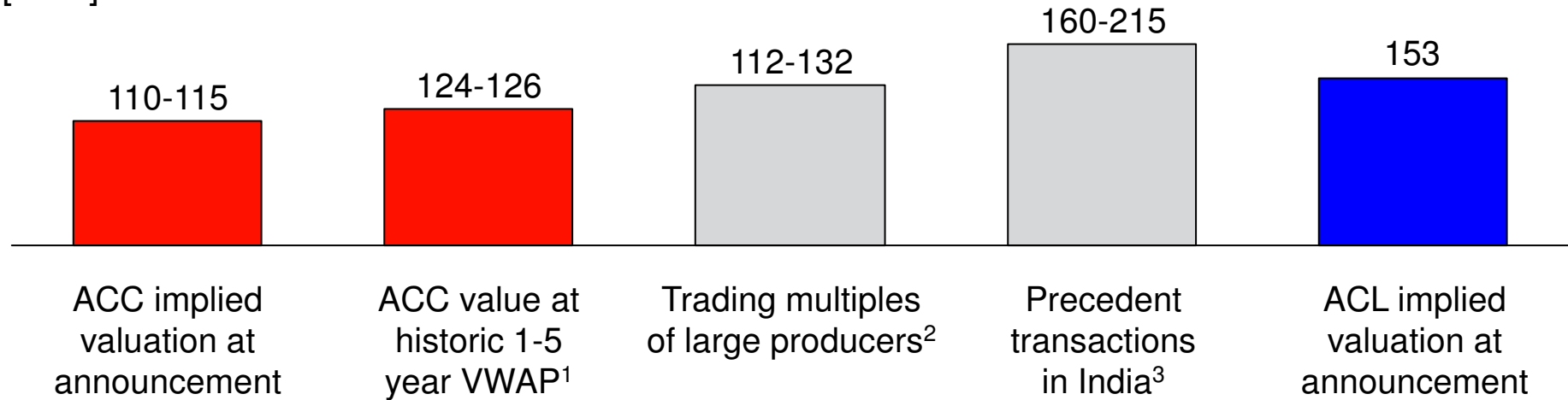
Conclusion

The five key take-aways for minority shareholders

- 1** Unique opportunity to acquire ACC at attractive price of USD 115 per ton (EV/ Ton)
 - ▶ Below ACC historic implied price range of USD 124-126 per ton ⁽¹⁾
 - ▶ Major Indian cement companies trade at USD 112-132 per ton
- 2** Economically, most favourable deal structure proposed to minorities for approval
 - ▶ Cash / equity structure improves deal fundamentals – more EPS accretive, lower dilution
 - ▶ Strong corporate governance with minorities given the opportunity to decide also on cash
- 3** Synergy potential of 150 mio will further improve EPS and dividend prospects
 - ▶ Focus on back-end cost related synergies; less exposed to exogenous factors
 - ▶ Supply chain optimisation reduces cost-to-serve by USD 60-70 mio at lower lead and higher service levels
 - ▶ Increased productivity and efficiency through USD 70-80 mio savings in fixed cost, procurement and shared services
- 4** Solid all-India footprint, debt-free balance sheet and cash flow generation brings ACL ahead with sufficient funds to support its investments
- 5** Interim step – focus on cost synergies and performance delivery first

1 Unique opportunity to acquire ACC at unprecedented price

Enterprise Value per ton of cement
[USD]



- Acquire ACC at historically attractive price of USD 115 per ton
 - ▶ ACC implied valuation below historic swap ratio implied valuation of USD 124-126 per ton
 - ▶ No premium
- ACL issues new equity shares to Holcim at an implied EV per ton of USD 153
- A similar asset with pan-India presence and profitability will cost between USD 170-200 per ton
- Current cost of installing a new Greenfield Cement Plant of USD 130 – 150 per ton with estimated commissioning period of 3 – 5 years

2 **Most favourable deal structure; minorities have to approve**

Use of cash is most beneficial

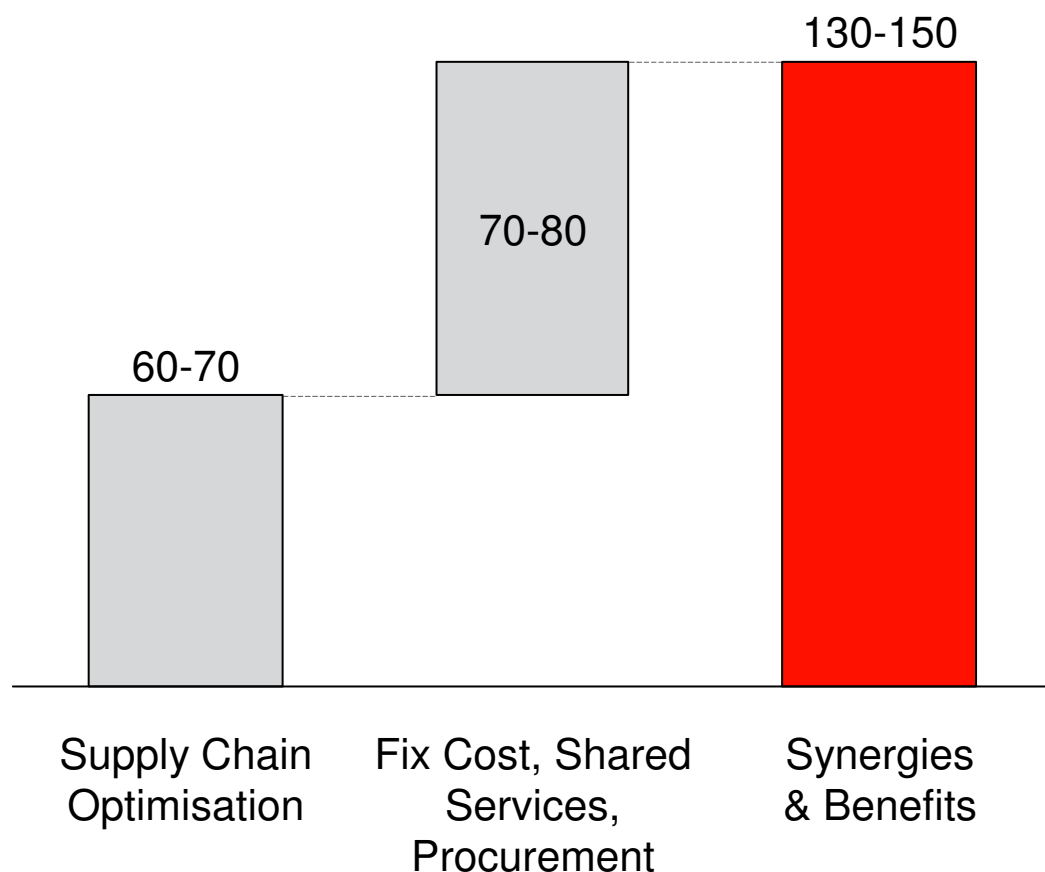
- The proposed combination of cash and equity is more beneficial for minorities compared with other options, e.g., all stock
 - ▶ More EPS accretive
 - ▶ Less dilution of minority shareholding
 - ▶ Equity is more expensive than cash
 - ▶ More efficient balance sheet structure of ACL with no debt

High corporate governance standard

- Sale of 24% stake in Holcim India to ACL legally only requires a board resolution to become effective
- The deal structure, however, interlinks both steps and ensures the purchase of 24% stake is only executed once shareholders approve the merger
- Minority shareholders have been effectively given the authority to decide on both transaction steps

3 Unlocked synergy potential of 150 mio will improve EPS and dividend prospects in ACL

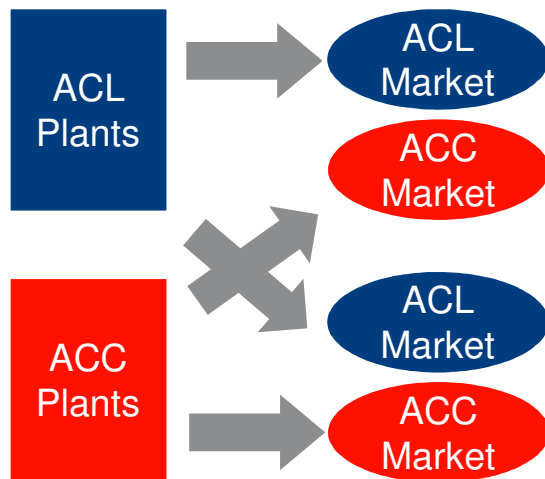
Committed synergy potential to be realized
under India Management Committee over two years
[USD mio]



- Bottom line impact through cost savings over two years in both companies
- Further EPS accretion
- Dividend prospects at current policy result in higher payout

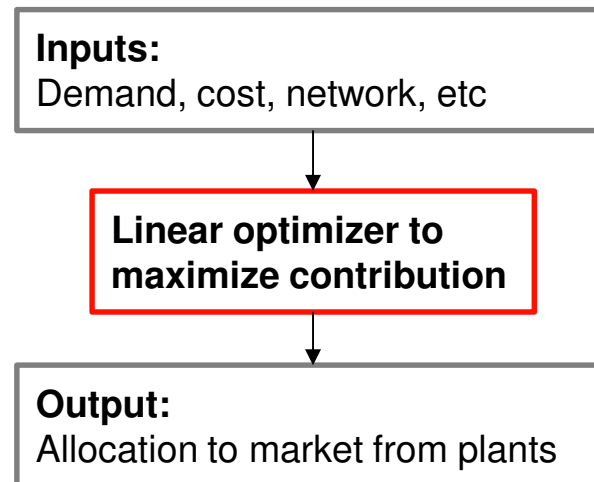
Supply chain optimisation through clinker and cement swaps bears total saving potential of USD 60-70 mio

Current situation



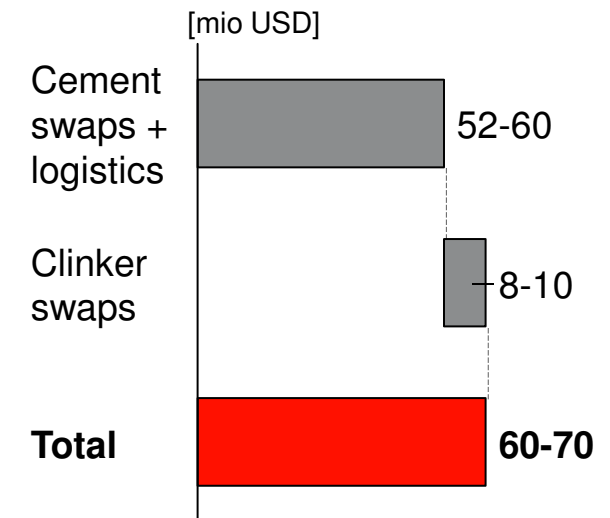
- Company individual distribution landscape
- Some high contribution markets are closer to the plants of the other

Optimal distribution model



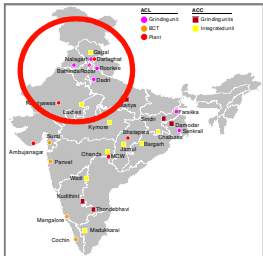
- Leverage pan-India ACC / ACL footprint
- Lowest cost to supply markets, respecting constraints

Initial saving potential

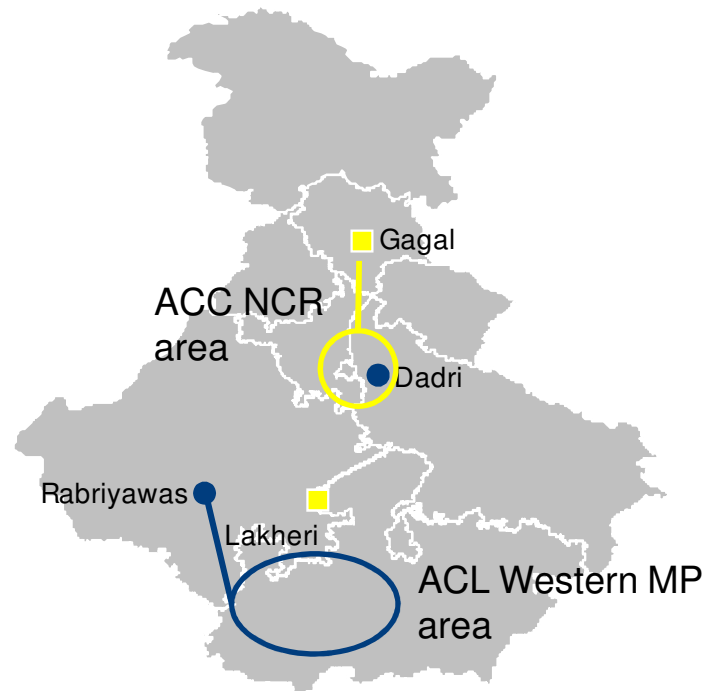


- Reduce cost to serve by 8-10% of per ton distribution cost 2012*
- Lead distances reduce, and service levels improve

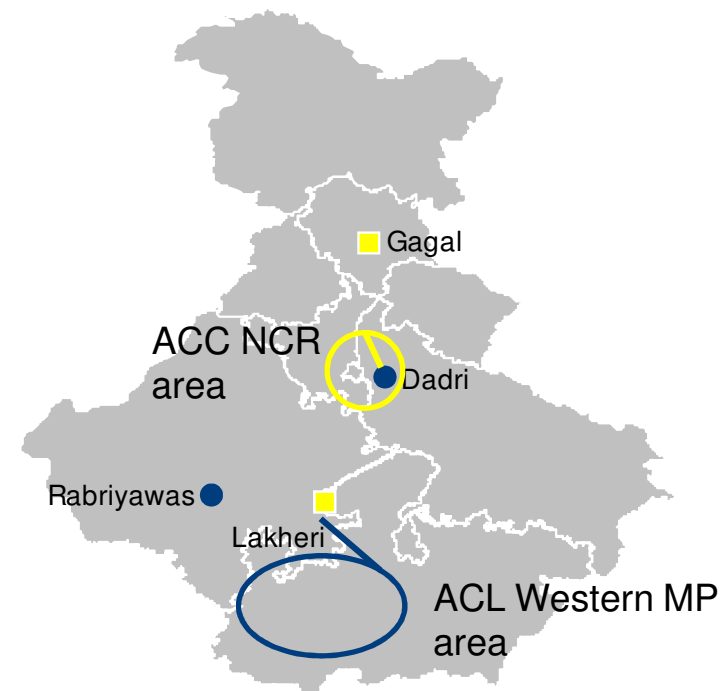
3 Illustration of swap opportunities to be replicated across pan-India footprint and micro markets



From current scenario...



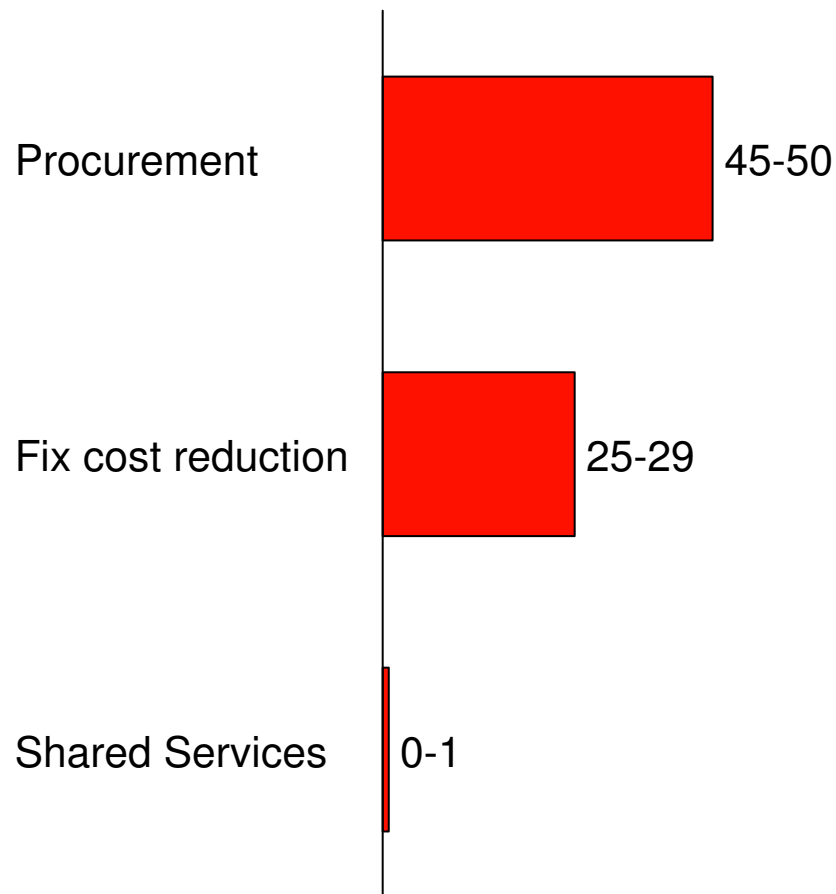
...to the optimized scenario



- Swap opportunity: Supply markets from the closest plants to lower cost-to-serve
 - ▶ ACC Context: Lead reduction of 273 km and freight saving of INR 256 per ton
 - ▶ ACL Context: Lead reduction of 71 km and freight saving of INR 156 per ton
- No front-end impact, i.e., brand, product portfolio, quality, quantities sold in markets

3 Initial saving potential of USD 70-80 mio targeted in fix costs and shared services between ACL and ACC

Saving break-up [USD mio]



- **Change role of procurement from a virtual to an integrated support organisation**
 - ▶ Process standardisation and centralisation
 - ▶ Vendor consolidation global / regional / local
 - ▶ Service cost reduction and negotiation
- **Improve effectiveness and efficiency through fix cost reduction**
 - ▶ Achieve 85% of global benchmark in plants
 - ▶ Reduction in overall fixed cost by 5-6% in the fields of operations, administration, management and third party / outsource cost
- **Expand on existing IT model to join transactional backend processes**
 - ▶ HR, commercial and finance
 - ▶ Payback of set-up cost within 2 years
 - ▶ Mitigate future cost inflation

4 Solid all-India footprint, debt-free balance sheet and cash flow generation positions Ambuja well relative to its peers

(2012, in Rs. Crores)	ACL / ACC (Illustrative)	UltraTech	Jaypee	Dalmia	Madras Cements
	Dec 2012	Mar 2013	Mar 2013	Mar 2013	Mar 2013
Total Capacity (MTPA)	58.5	54.0	32.6	17.1	12.5
Geographic Split (by capacity)					
North	29%	33%	31%		
South	17%	31%	15%	60%	93%
East	19%	13%	6%	40%	7%
West	25%	23%	15%		
Central	10%		32%		
Total Assets	24385	29590	23485	5714	5226
Cement Net Sales	21153	21319	8849	2693	3770
Operating EBITDA ⁽¹⁾	4719	4839	1460	607	1106
Net Debt/ (Cash)	(3126) ⁽²⁾	4031 ⁽³⁾	2760 ⁽⁴⁾	189 ⁽⁵⁾	2613 ⁽⁶⁾
Net Debt (Cash) / EBITDA	(0.7x)	0.8x	1.9x	0.3x	2.4x

Source Company filings, website, Investor presentations and management estimates.

1. Excluding synergies for ACC and ACL; excluding other income for UltraTech

2. Proforma for acquisition of 24% stake in Holcim India;

3. Based on consolidated debt of INR 7342 crores (INR 5169 cr of long term borrowings, INR 1227 cr of short term borrowings and INR 946 cr of current maturities of long term debt) and consolidated cash of INR 3312 cr.

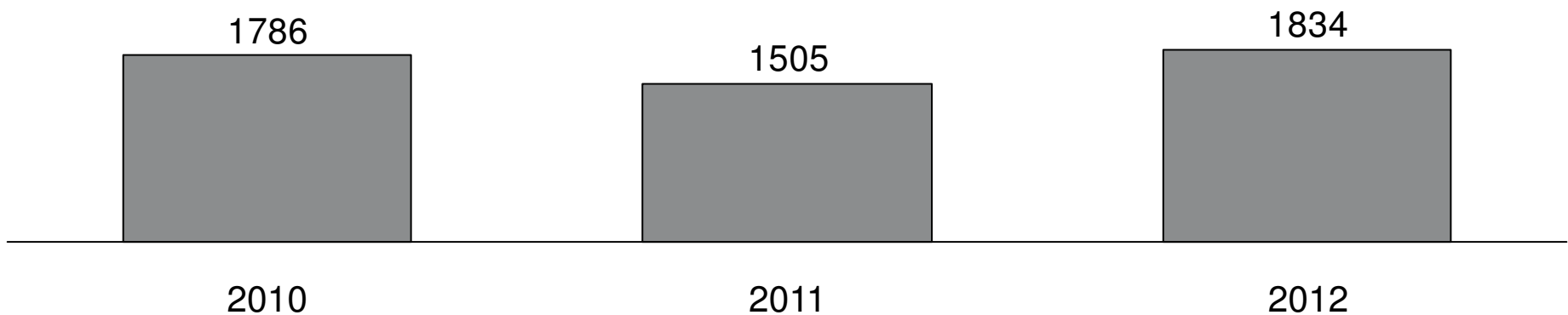
4. Represents cement segment liabilities, does not include cash. Jaypee stand-alone segment liabilities of 1706 crores. Consolidated cement segment liabilities of 2760 crores

5. Based on segment liabilities of INR 794 crores and consolidated cash balance of INR 661 crores allocated to cement business based on share of cement assets (INR 5714 crores) and total assets (INR 6239 crores)

6. Based on consolidated debt of INR 2667 crores (INR 1393 cr of long term borrowings, INR 588 cr of short term borrowings and INR 686 cr of current maturities of long term debt) and consolidated cash of INR 54 cr.

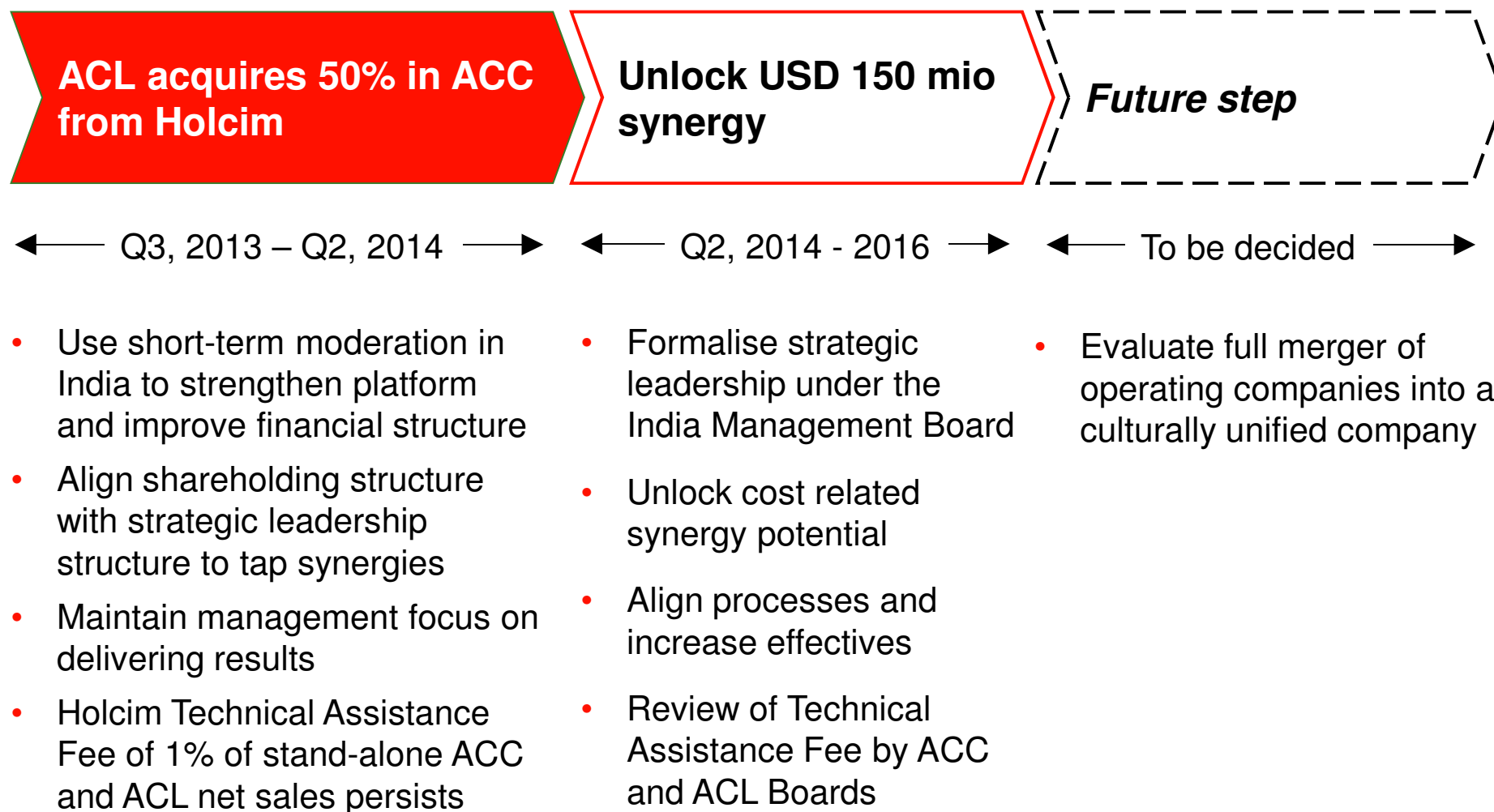
4 Ambuja has sufficient funds to support its investments

Historic Ambuja Cash-Flow [INR crore]



- Cumulative free cash flow build-up in excess of INR 5,000 crores over past 3 years*
- INR 450-550 crore cash on balance sheet once transaction closes at Ambuja alone
- Expected post tax FCF generation over two years following deal closure sufficient for planned CAPEX even if historic dividend payout ratio is maintained
- Sufficient cash expected to be available for stake enhancement in ACC if pursued

5 Interim step - focus on cost synergies and performance delivery first



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- Unique opportunity to acquire majority stake in ACC – a top quality company – for USD 115 per ton
- Proposed deal structure with cash and equity combination backed by strong economic rationale, higher EPS accretion, lower minority shareholder dilution and subject to approval by minority shareholders
- Synergy potential of USD 150 mio increases EPS and dividend prospects further
- Solid debt-free balance sheets and cash-flow generation which support growth and investment proposals
- Right time to make the next step to create the Indian cement ‘Giant’ while maintaining focus on short-term performance delivery and cost synergies

**Ambuja
Cement**