

ASIA's CENTURY, INDIA's DECADE



Value Investing Conference, Toronto

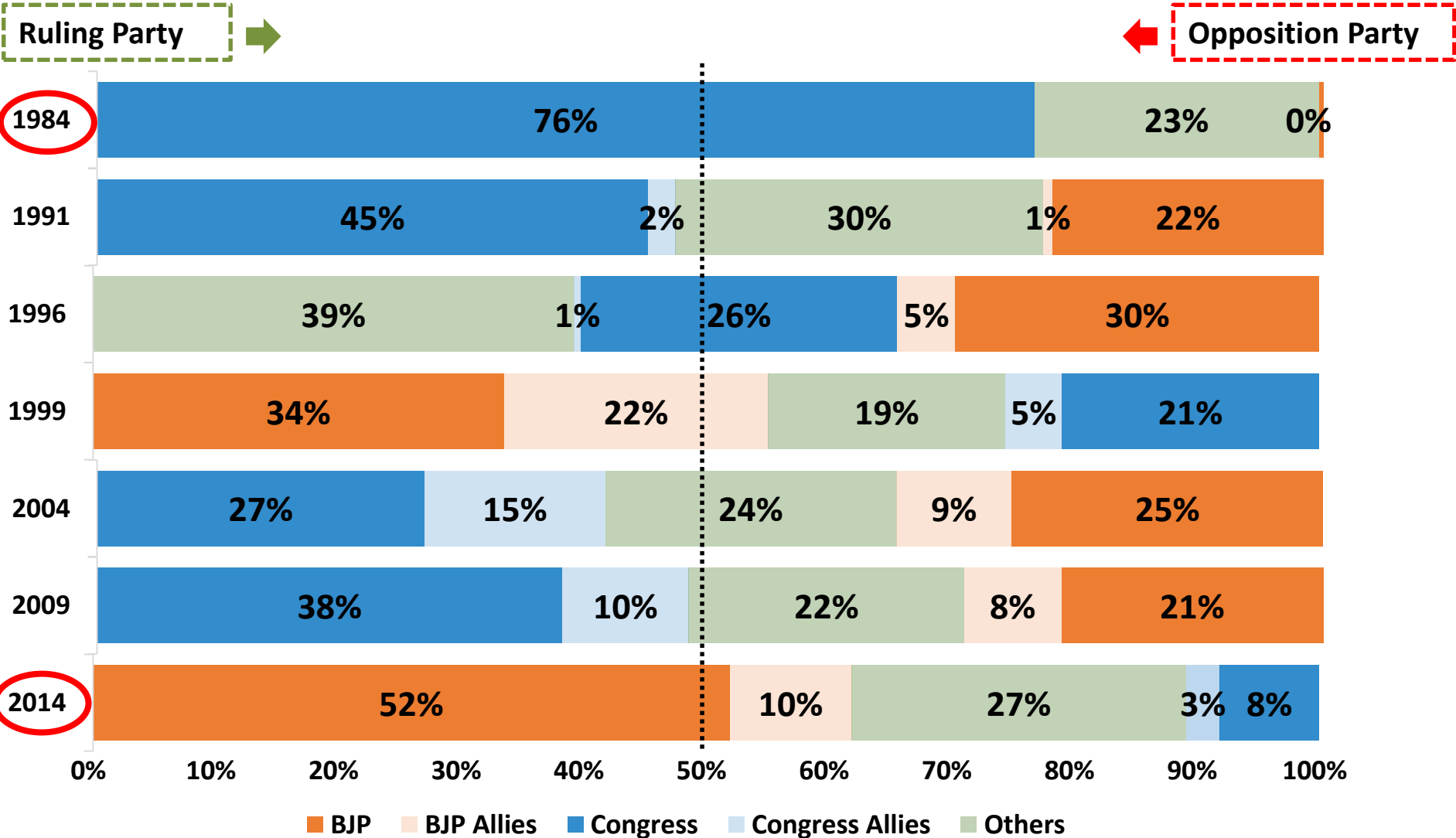
Puneet Dalmia

25th April 2018

The background consists of several overlapping, semi-transparent geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. The shapes are angular and layered, creating a sense of depth and movement. The overall composition is abstract and modern.

Indian Politics

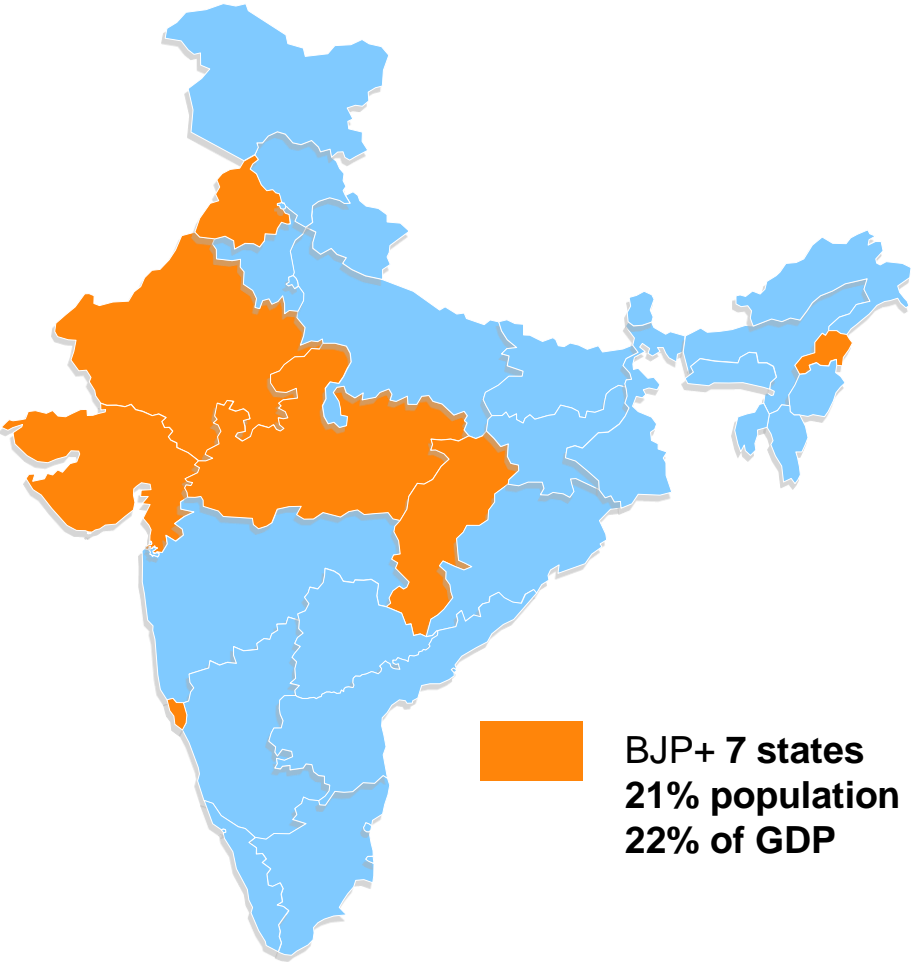
Strong government in centre after 30 years



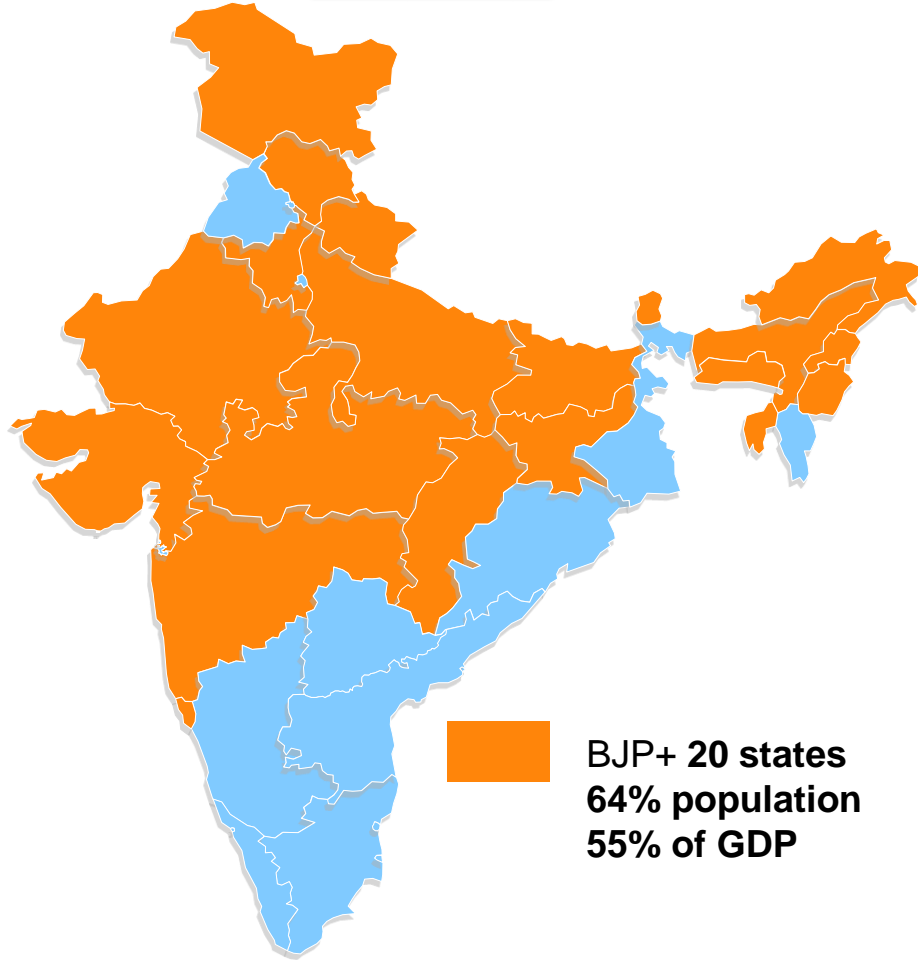
Modi disrupted Indian Politics in 2014

BJP+ spread to 20 states

2014



2018



Strong centre and aligned states

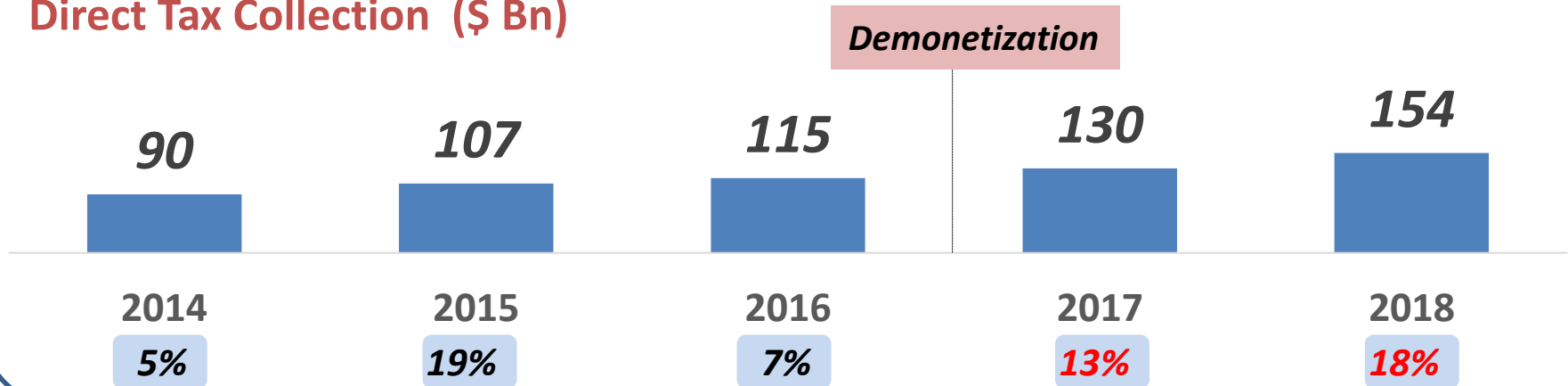
Reforms by conviction (not by compulsion)

Year	Reform	Impact	Change
2015	Black money crackdown	Direct Tax Collection	↑
2015	Auction of natural resources	Govt. Revenue	↑
2016	Direct Benefit Transfer	Govt. Expense	↓
2017	GST	Indirect Tax Collection	↑
2018	Insolvency Law	Govt. Balance Sheet	↑

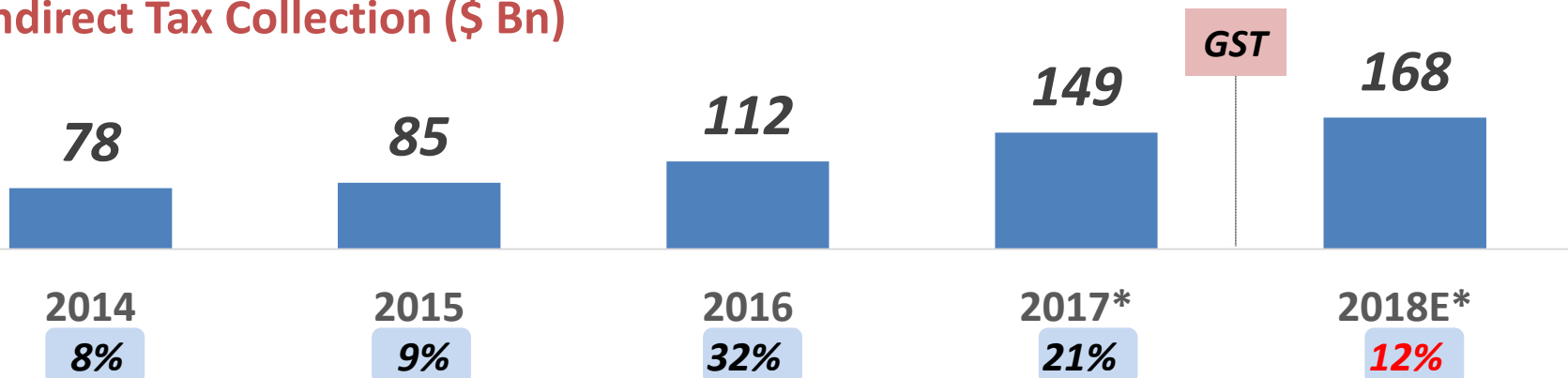
Massive change in central govt. work culture since 2014

Impact of Reforms

Direct Tax Collection (\$ Bn)



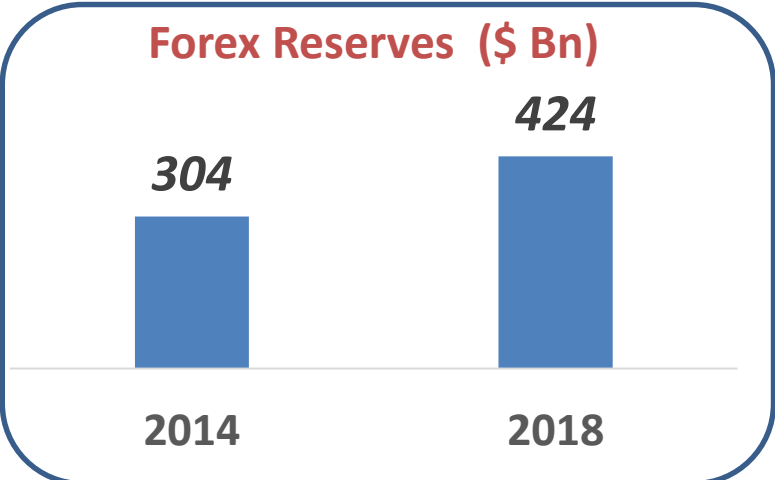
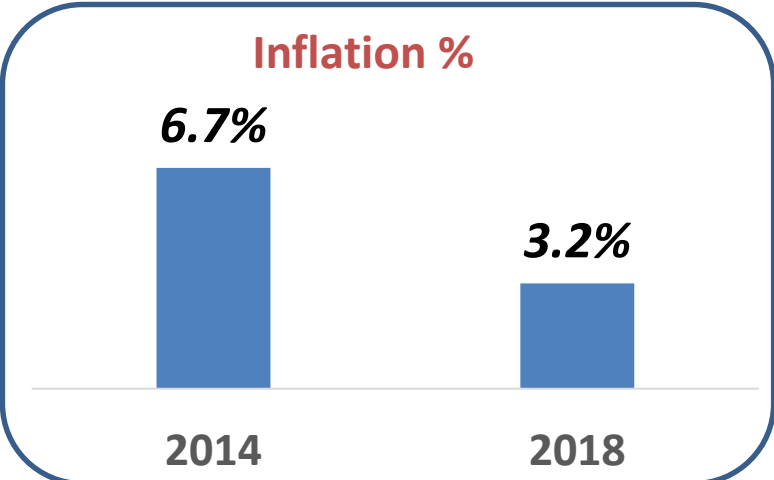
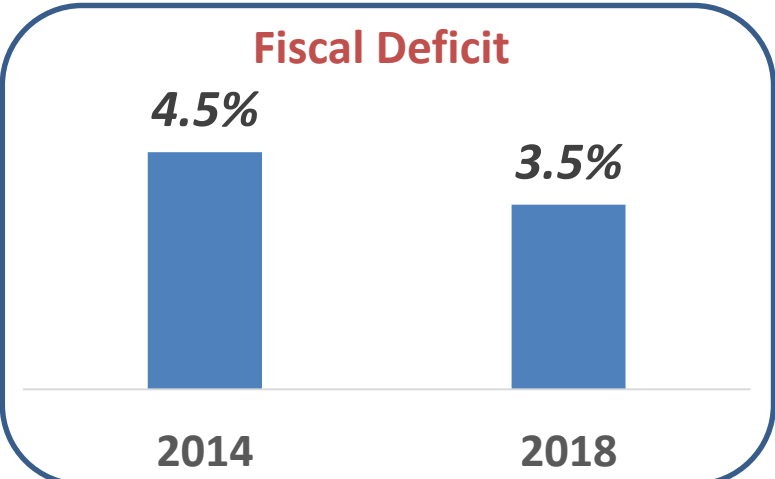
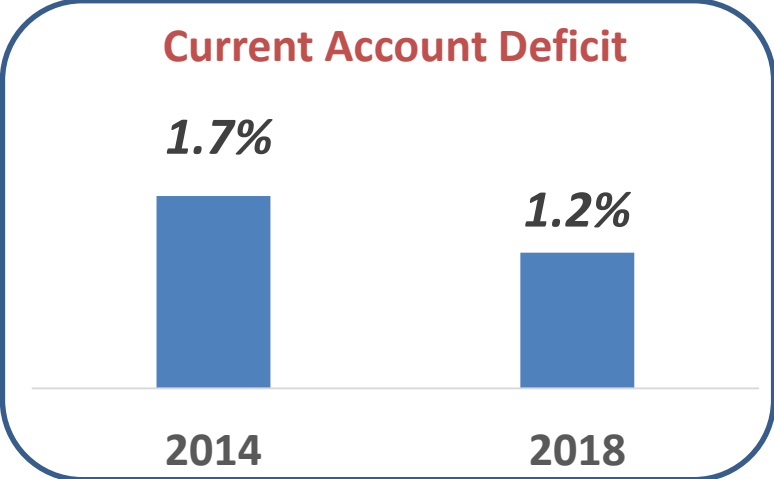
Indirect Tax Collection (\$ Bn)



\$11 Bn annual savings likely in subsidy distribution in 2018

Note: * FY17 and FY18 are revenue collections factoring GST revenue for state as well.
FY14-FY16 are central government indirect tax collections

Stable Fiscal Parameters

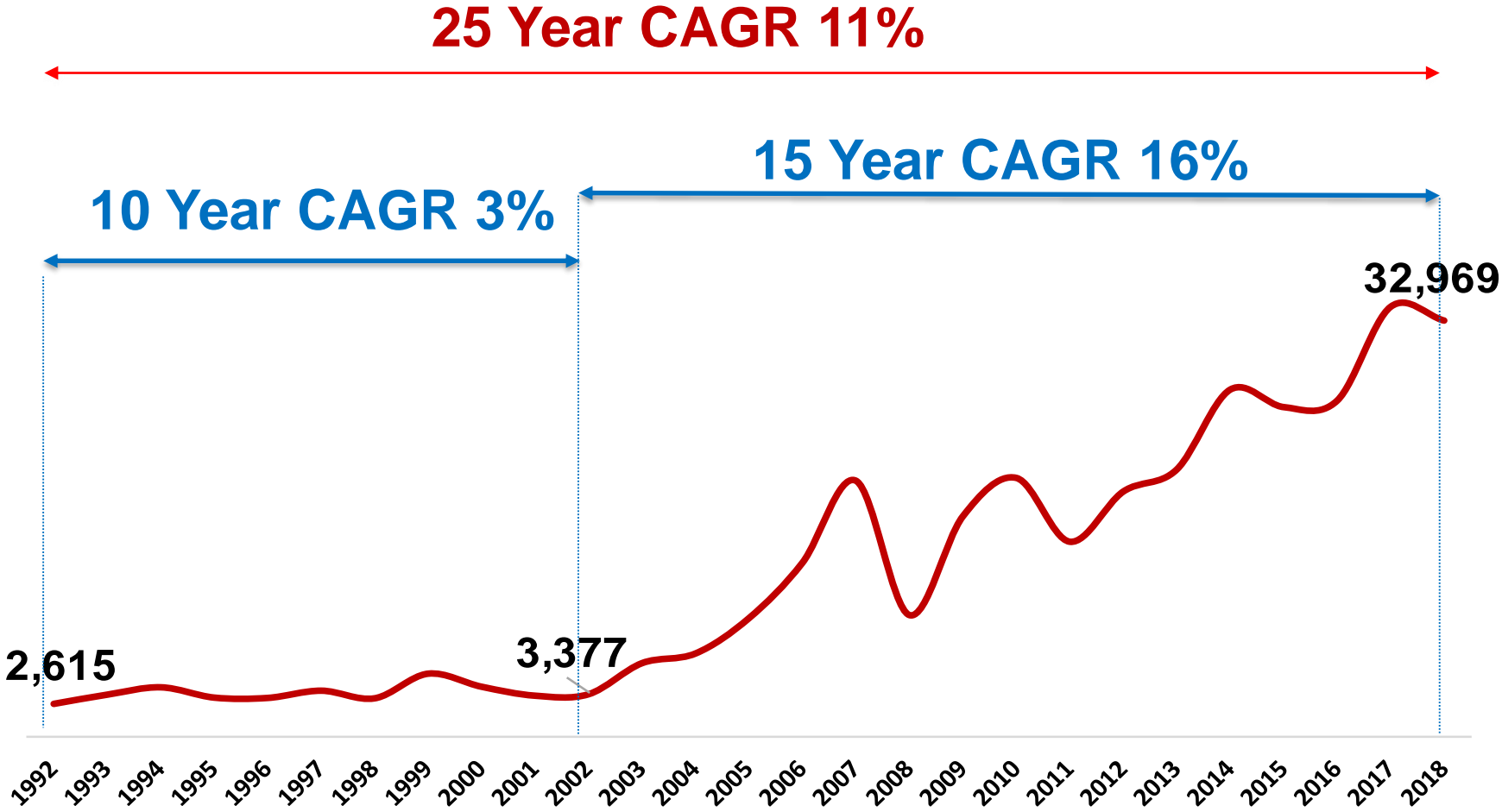


Moody's upgraded India's credit rating (first time in 14 years)

The background is a vibrant blue with various shades and geometric shapes, including triangles and curved lines, creating a dynamic and modern aesthetic.

India Macro
(Through the long lens)

Liberalization 1.0 – Impact in 25 years



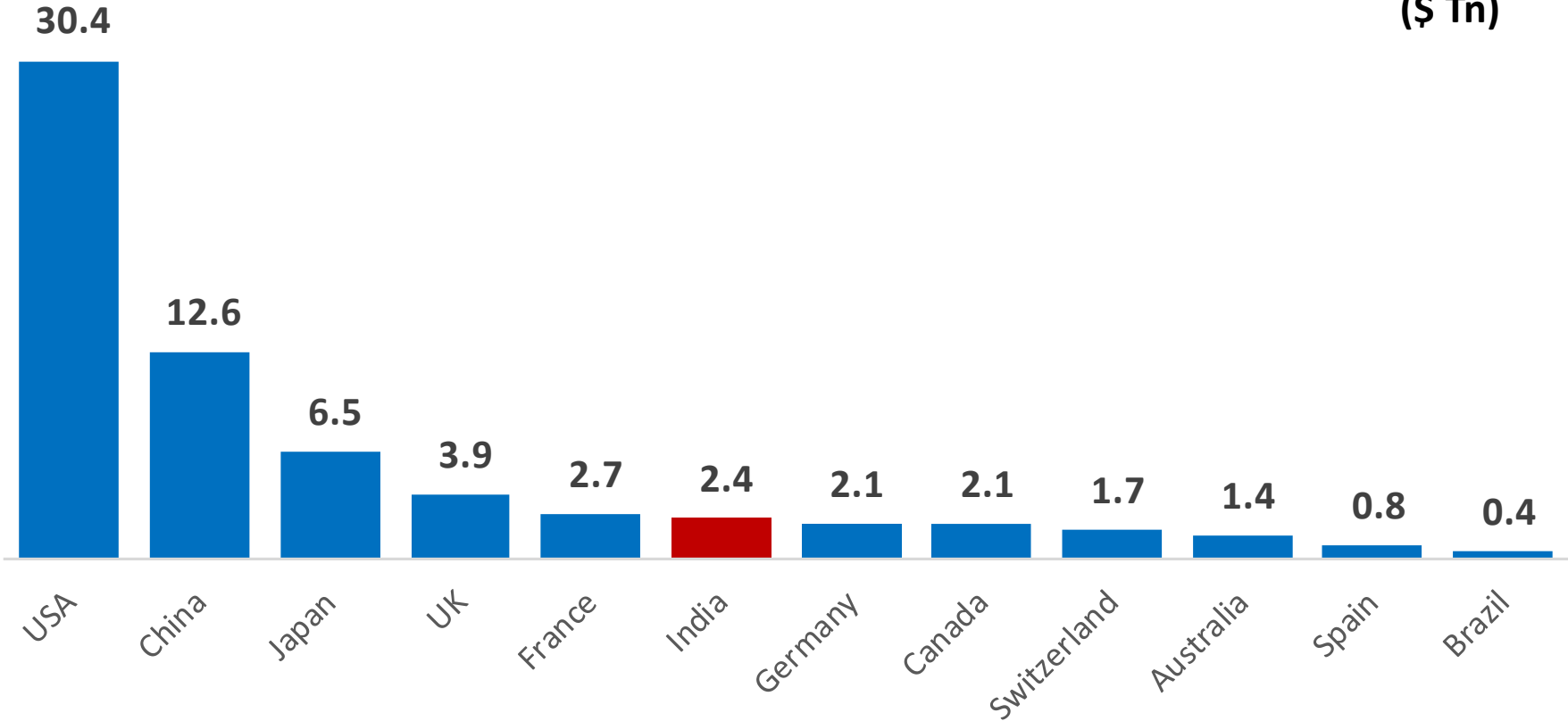
Rupee depreciated by 3% p.a. in last 25 years

Impact in 25 years

	1991	2017	Change	CAGR
GDP (\$ trillion)	0.5	2.4	5x	6%
Per capita Income (\$)	252	1622	6x	8%
Companies > \$1bn	3	330	110x	
Companies > \$10 bn	0	49	49x	
\$ billionaires		101	100x	

India – over two trillion dollar market cap

Market Cap in 2017
(\$ Tn)

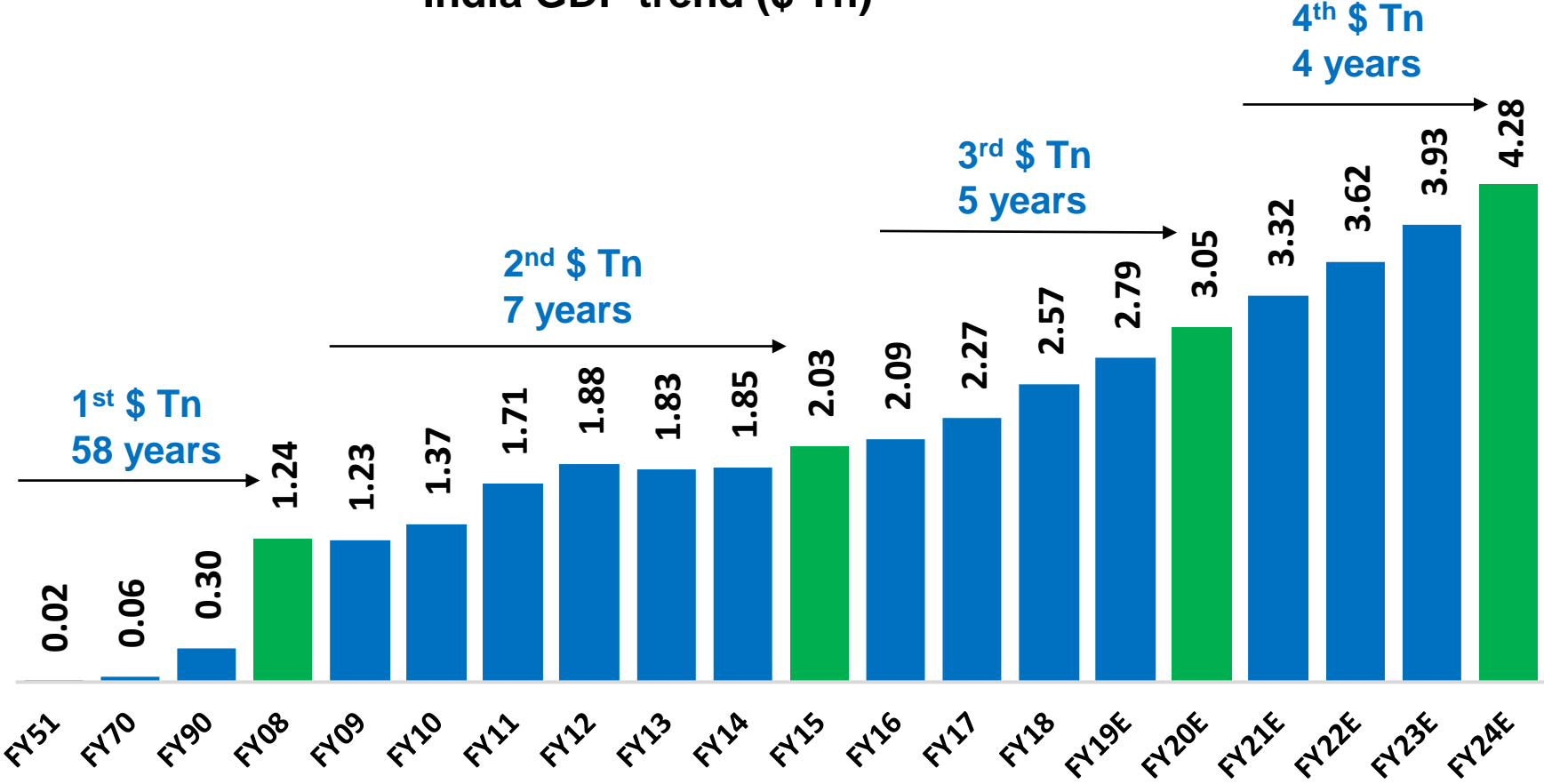


India no. 6 in Market Cap (Higher than Germany)

Source World Bank

India will add \$1T in GDP in 4/5 years

India GDP trend (\$ Tn)



GDP growth in successively shorter period of time

Source: Motilal Oswal 22nd Annual Wealth Creation Study

*Wealth gets created
Over long term*

No.	Year End	Sensex	% Returns CAGR			
			Rolling 1 Yr	Rolling 5 Yrs	Rolling 10 Yrs	Rolling 15 Yrs
0	Mar-79	100				
1	Mar-80	129	29%			
2	Mar-81	173	34%			
3	Mar-82	218	26%			
4	Mar-83	212	-3%			
5	Mar-84	245	16%	20%		
6	Mar-85	354	44%	22%		
7	Mar-86	574	62%	27%		
8	Mar-87	510	-11%	19%		
9	Mar-88	398	-22%	13%		
10	Mar-89	714	79%	24%	22%	
11	Mar-90	781	9%	17%	20%	
12	Mar-91	1,168	50%	15%	21%	
13	Mar-92	4,285	267%	53%	35%	
14	Mar-93	2,281	-47%	42%	27%	
15	Mar-94	3,779	66%	40%	31%	27%
16	Mar-95	3,261	-14%	33%	25%	24%
17	Mar-96	3,367	3%	24%	19%	22%
18	Mar-97	3,361	0%	-5%	21%	20%
19	Mar-98	3,893	16%	11%	26%	21%
20	Mar-99	3,740	-4%	0%	18%	20%
21	Mar-00	5,001	34%	9%	20%	19%
22	Mar-01	3,604	-28%	1%	12%	13%
23	Mar-02	3,469	-4%	1%	-2%	14%
24	Mar-03	3,049	-12%	-5%	3%	15%
25	Mar-04	5,591	83%	8%	4%	15%
26	Mar-05	6,493	16%	5%	7%	15%
27	Mar-06	11,280	74%	26%	13%	16%
28	Mar-07	13,072	16%	30%	15%	8%
29	Mar-08	15,644	20%	39%	15%	14%
30	Mar-09	9,709	-38%	12%	10%	6%
31	Mar-10	17,528	81%	22%	13%	12%
32	Mar-11	19,445	11%	12%	18%	12%
33	Mar-12	17,404	-10%	6%	18%	12%
34	Mar-13	18,836	8%	4%	20%	11%
35	Mar-14	22,386	19%	18%	15%	13%
36	Mar-15	27,957	25%	10%	16%	12%
37	Mar-16	25,342	-9%	5%	8%	14%
38	Mar-17	29,621	17%	11%	9%	15%
39	Mar-18	32,969	11%	12%	8%	17%
	Probability of Loss		13/39	3/35	1/30	0/25

Probability of Loss

Rolling 1 Yr

Rolling 5 Yr

Rolling 10 Yr

Rolling 15 Yr

13/39







3/35

1/30













0/25

**As holding period increases,
chances of loss reduces**

Great opportunity across Sectors







	Price CAGR 10 Yr ('07 – '17)	CAGR	x	Wealth Created ('07 – '17)
	Cement (5)	19%	6x	\$31 Bn
	Private Banks (11)	19%	6x	\$124 Bn
	Auto (16)	17%	5x	\$142 Bn
	FMCG (15)	17%	5x	\$117 Bn
	Pharma (10)	14%	4x	\$65 Bn
	IT Services (10)	8%	2x	\$109 Bn

Stock pick spreads

	Sector	Company	Sector		Company	
			CAGR	x	CAGR	x
	Cement		19%	6x	34%	19x
	Private Banks		19%	6x	22%	8x
	Auto		17%	5x	22%	7x
	FMCG		17%	5x	19%	6x
	Pharma		14%	4x	22%	7x
	IT Services		8%	2x	15%	4x

Cement sector in India

India - the largest profit pool of opportunity

		Capacity (MnT)	Top 5 Market Cap (\$bn)	Volume change*	Price change*
USA		98	50	-2%	2%
India		462	47	6%	5%
China		2800	34	6%	-1%
Thailand		108	20	2%	0%
Indonesia		106	14	7%	4%
Russia		60	N.A	-1%	4%

*Last 10 years CAGR
Sources- JP Morgan research & Bloomberg

Cement Sector ROCE during 2007-2017

ROCE	Min	spread	Max
1 Year	9%	25	34%
5 Year moving average	11%	17	28%
10 Year moving average	13%	10	23%

Investor Returns in Cement (Top 5 stocks)



Entry timing	Exit after 5 Years	Exit after 10 Years
Peak Bull Market (Mar-06 & Mar-07)	15% Exit in March-11	19% Exit in March-17
Normal (Mar-01 to Mar-11) (except Peak Bull & Bear mkt.)	19%	26%
Bear Market (Mar-09 & Mar-03)	35% Exit in March-14	33% Exit in March-13

Rising entry barriers

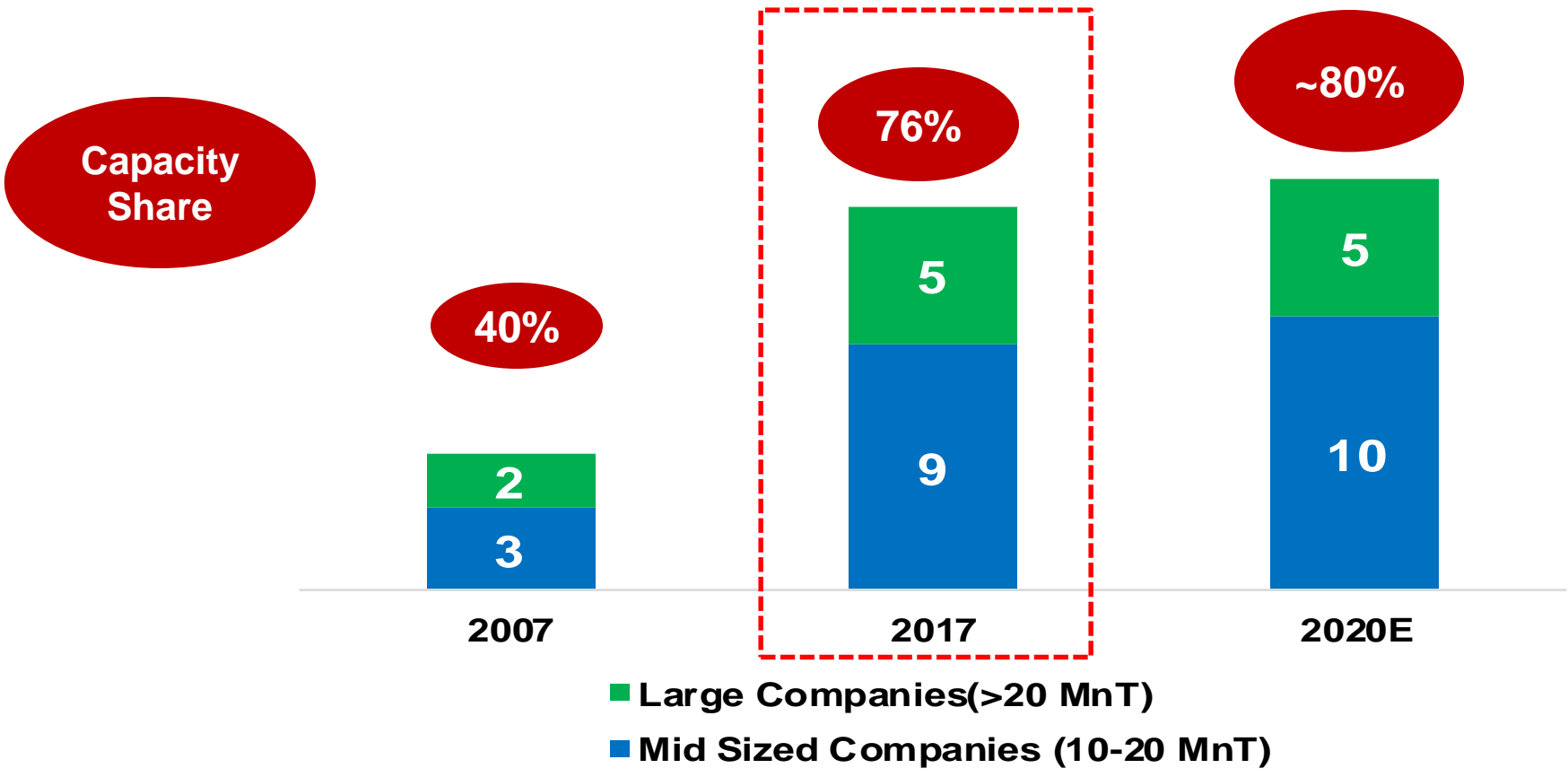
Factor	Earlier	Now	Impact	Change
Limestone access	Allotment	Auction	Consolidation	2015
Land Acq. Law	Govt.	Private	Supply Squeeze	2013
Credit Availability	Easy	Selective	Consolidation	2017
Insolvency Law	Difficult	Quick	Consolidation	2017

Visible impact of scale on Profitability

FY17	EBITDA Margin	PAT Margin
Industry	17.8%	6.7%
Companies > 20 MnT	20.4%	9.3%
Companies < 20 MnT	14.6%	3.4%

Players having scale and efficiency have higher margins.

Further consolidation is expected



As mid sized players gain scale, rational pricing behavior is expected.

Capacity share of >10 MnT will be 80% by 2020.

Replacement cost moving up



	2006	2018
Acquisition	\$79/T (Ultratech and L&T)	\$125/T (Ultratech & JP)
Green Field	\$62/T (Dalmiapuram, Dalmia)	\$130-\$140/T (New Greenfield)
EBITDA/T required	~Rs.650/T*	~Rs.2,000/T**

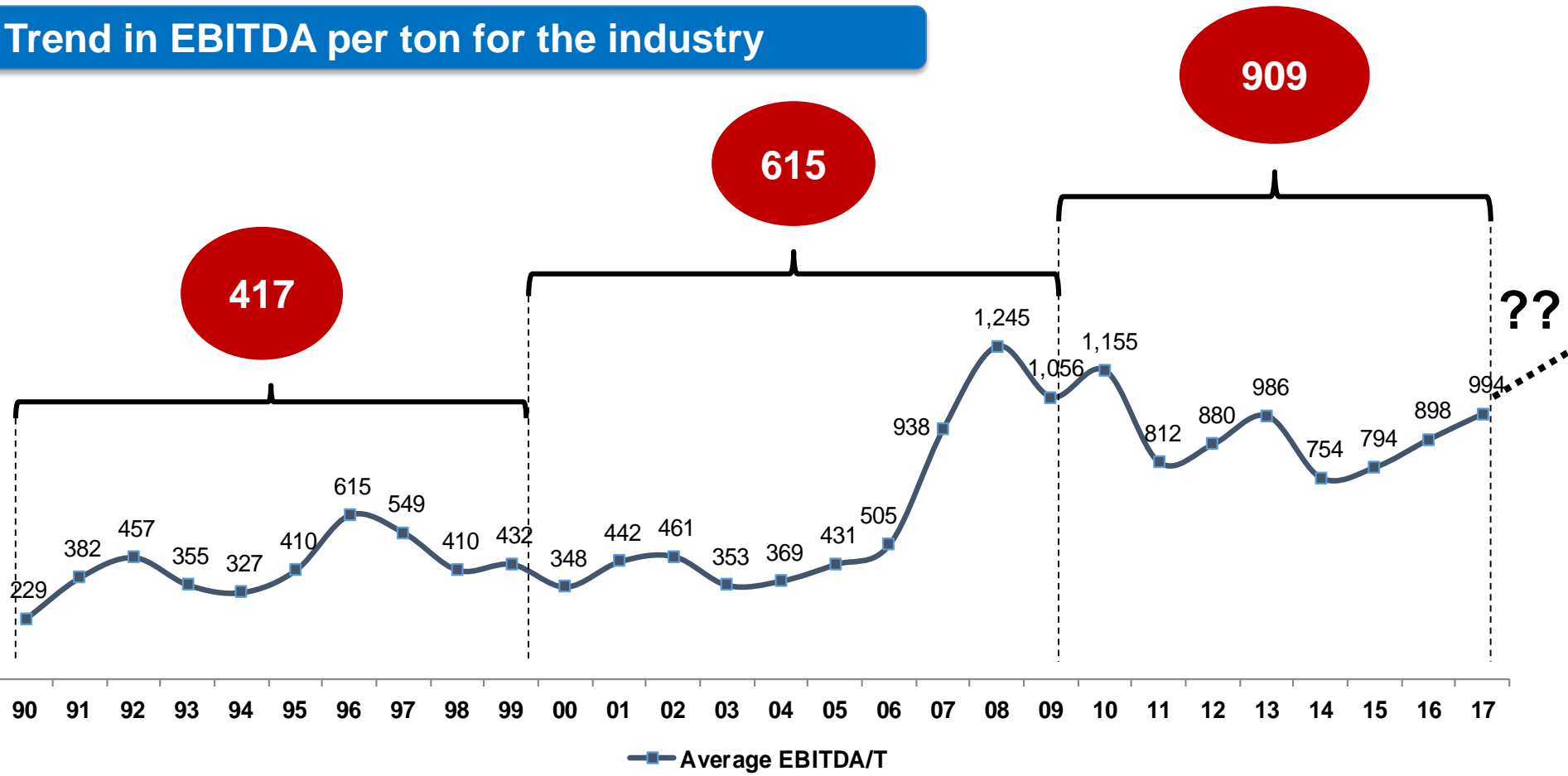
*(Capex -\$70/t, CU-80% ROCE 10%)

** (Capex \$135/T, CU-80%; ROCE 10%)



Industry profitability improves with consolidation

Trend in EBITDA per ton for the industry



Average EBITDA/T
(Top 5 stocks, Rs./T)

Next 10 years

Demand Growth

Period
(‘07 – ‘17)

6%

Period
(‘18 – ‘28)

8%

- Infra
- Affordable Housing

Supply Growth

11%

4%

- High entry barriers
- Credit squeeze

Price Growth

5%

?

- Consolidation
- Higher replacement cost

Share Price CAGR

19%

?

EBITDA Growth

8%

?

Wealth Creation

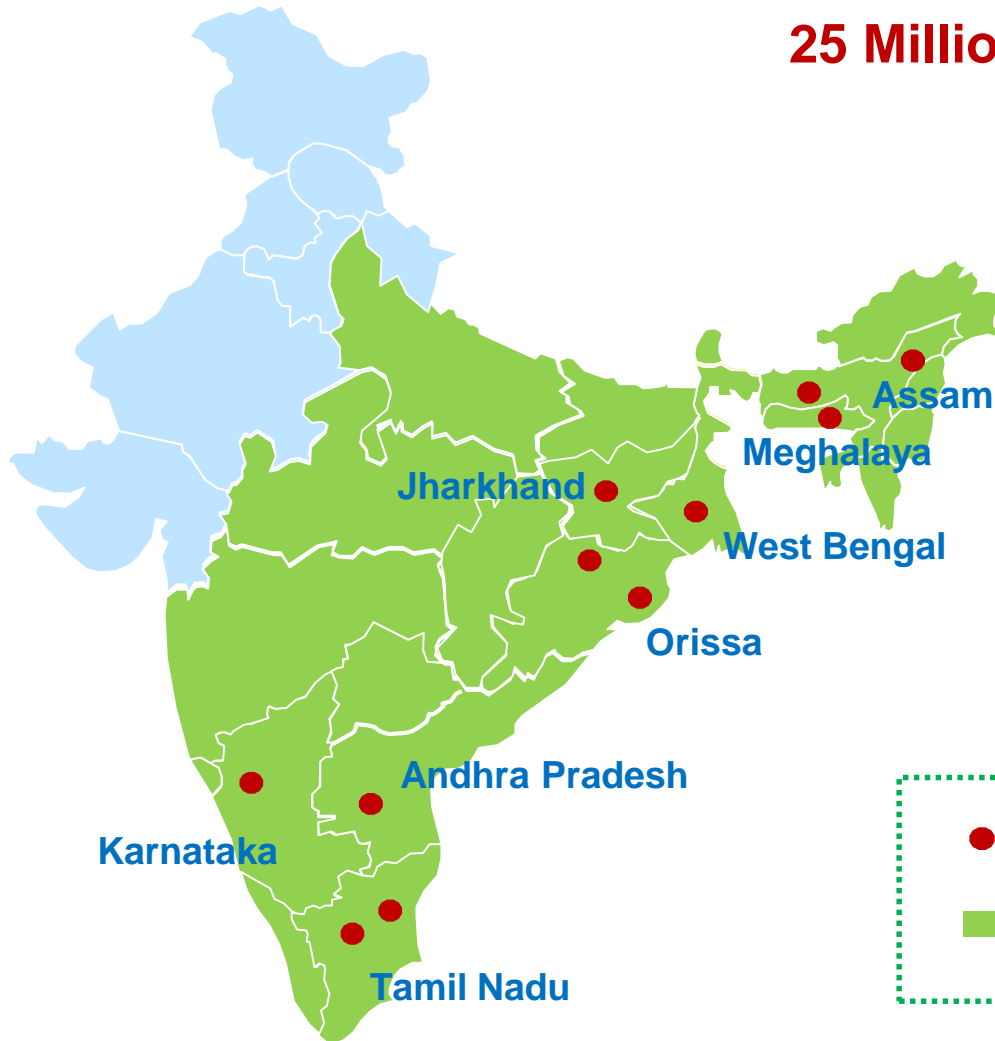
\$31
Bn

?

About Dalmia Bharat

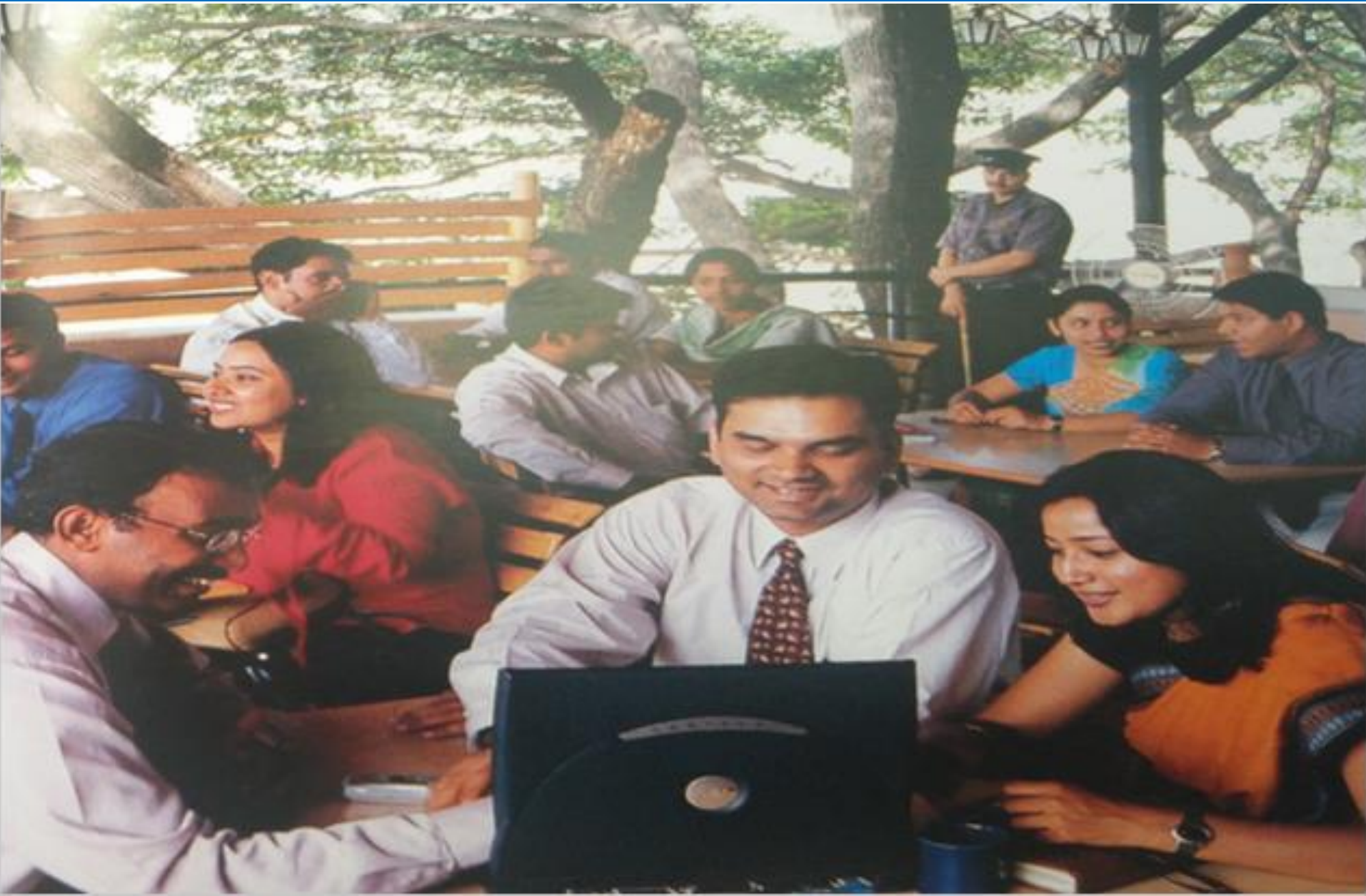
Fourth Largest Cement Company in India

25 Million Tonnes of cement capacity



Revenue \$1,300 Mn
EBITDA \$300 Mn
Market Cap¹ \$3,900 Mn

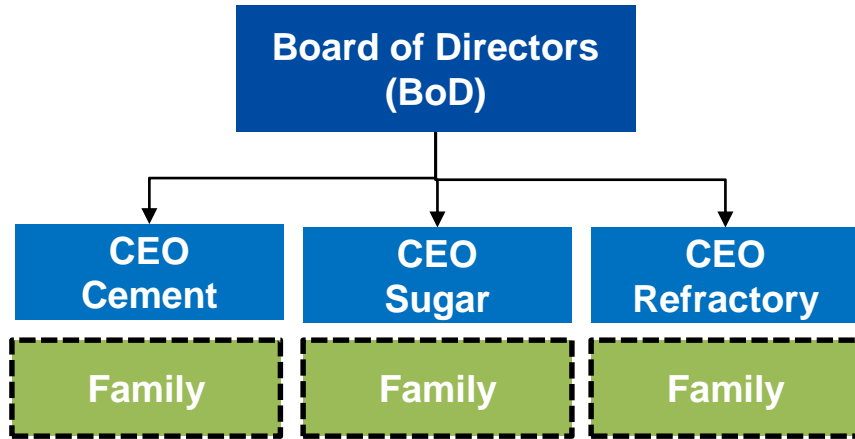
- 11 plants in 8 states
- Our serving markets- 22 states





*We rewrote
our Operating System*

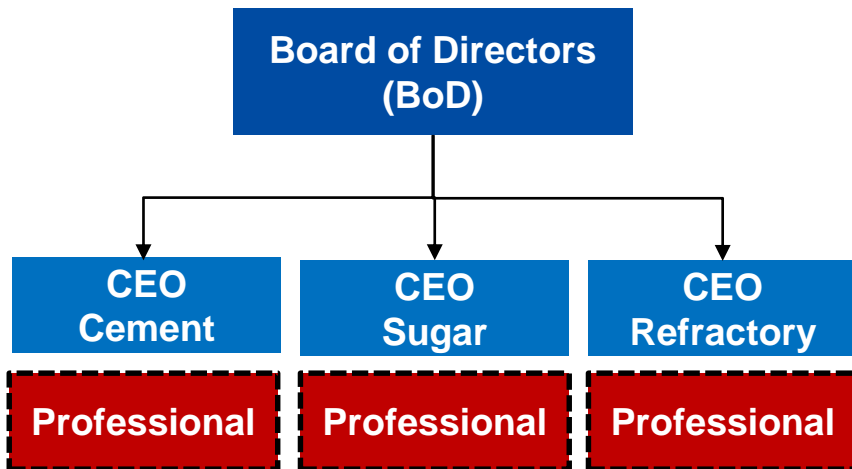
2006



Family Lead

Family role as SBU Heads

2018

Professionally
Lead

2 Corporate Structure

2006

Dalmia Cement (Bharat) Limited

**Diversified
Conglomerate**

- **Cement**
- **Sugar**
- **Refractories**

2018

**Pure play
Companies**

**Dalmia
Bharat Ltd.**

- **Cement**

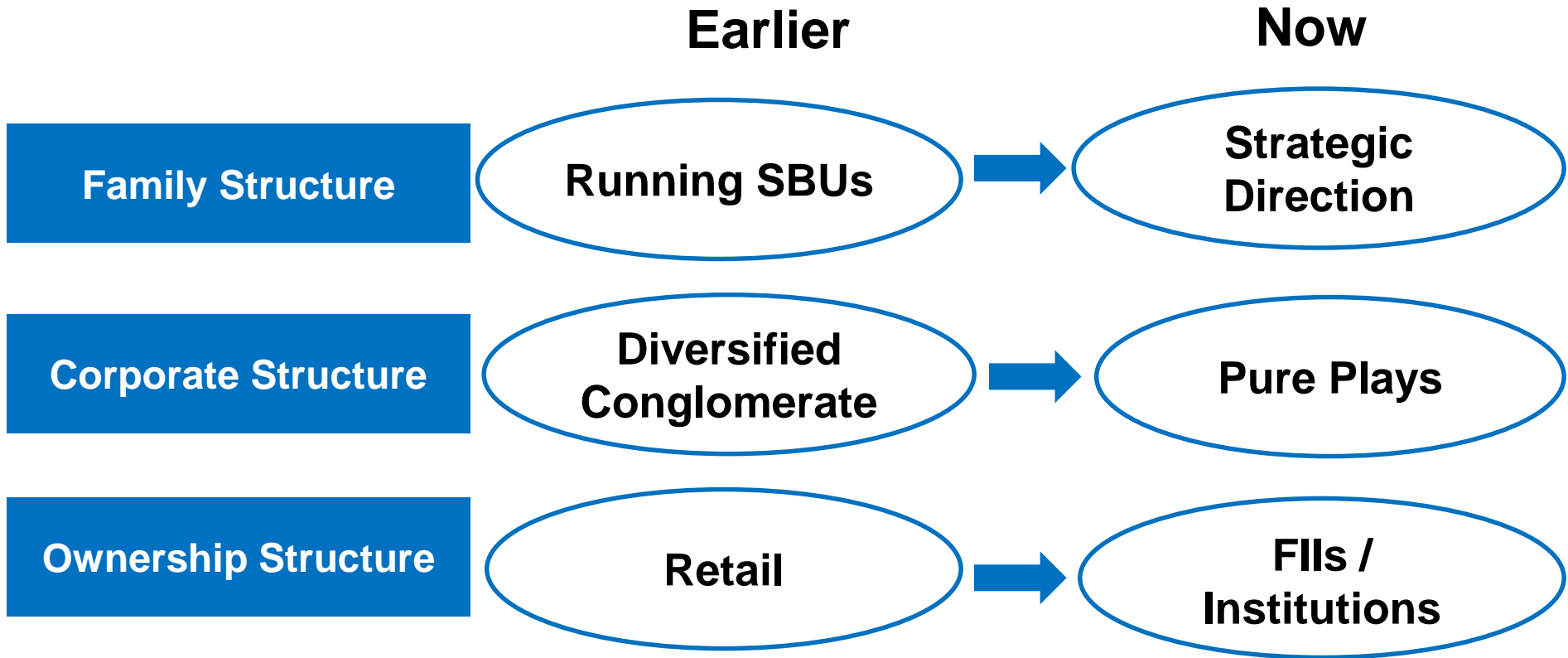
**Dalmia
Bharat Sugar**

- **Sugar**

**Dalmia Refractories
Ltd**

- **Refractory**

Particulars	2006	2018	Change
Promoters	45%	54%	9%
Retail	47%	19%	(28%)
FII/ MF	8%	27%	19%
Total	100%	100%	



*The Result of
Rewriting our OS....*

Impact of re-writing our Operating System

**10 yr
CAGR**

32%

32%

37%

**Capacity
21x**

**Revenue
21x**

**EBITDA
33x**

2006

1.2 MnT

\$60 Mn

\$9 Mn

2017

25 MnT

\$1,300 Mn

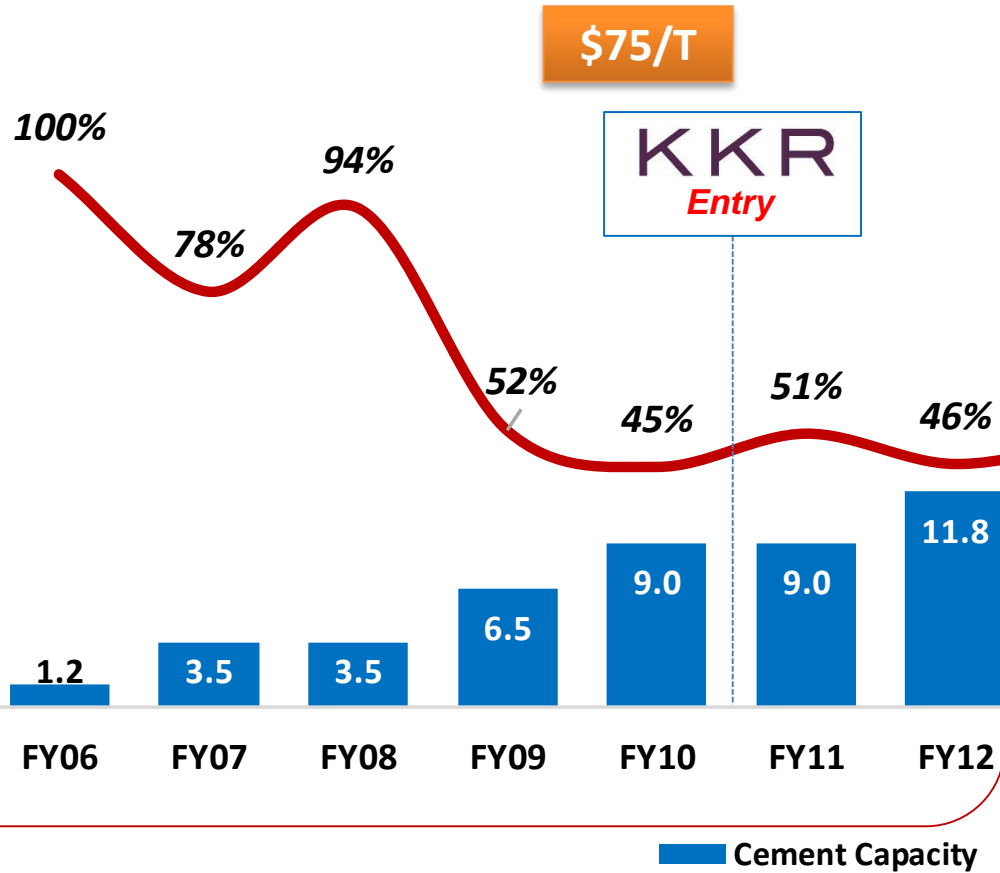
\$300 Mn



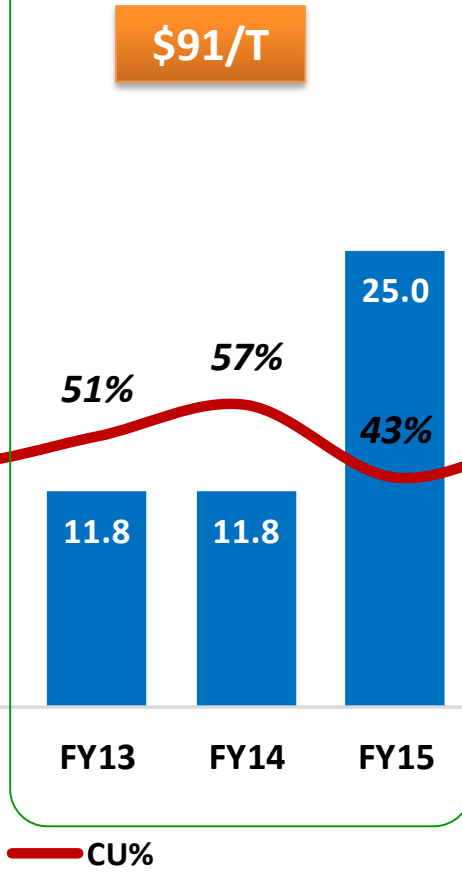
*Our Value
Creation Model*

1 Investment Timing

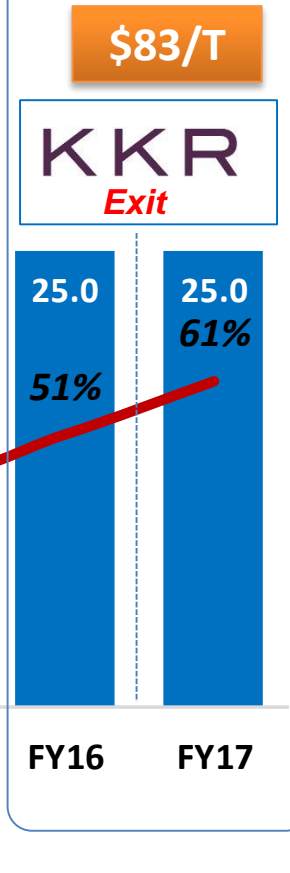
Organic Expansions - South



Consolidation & geographical diversification








Total



Build in good times, Acquire in distress

2 Sharp focus on profit margins

EBITDA/T (Rs./T)

No.	Company	10 Yr Avg.	FY17
1		979	969
2		939	797
3		808	615
4		1,015	1,072
	Average	935	863
5		1,050	1,258

+12%

Greater than
Average

+46%

Greater than
Average

Mkt Cap. (\$ B)	EV/T (\$)
16.7	200
7.1	229
4.4	120
8.7	294
	211
3.9	157

3 Develop capability to integrate acquisitions

**Market
Share**

Pre Acquisition

9%

Post Acquisition

14%

**Margin
EBITDA (Rs/T)**

Pre Acquisition

182

Post Acquisition

1,226

4 *Disciplined risk management*

Loan tenor

14 years

Culture

Proactively seek
opposing views

Governance

Risk management
at board level

The background consists of several overlapping, semi-transparent geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. The shapes are angular and layered, creating a sense of depth and movement. The overall composition is abstract and modern.

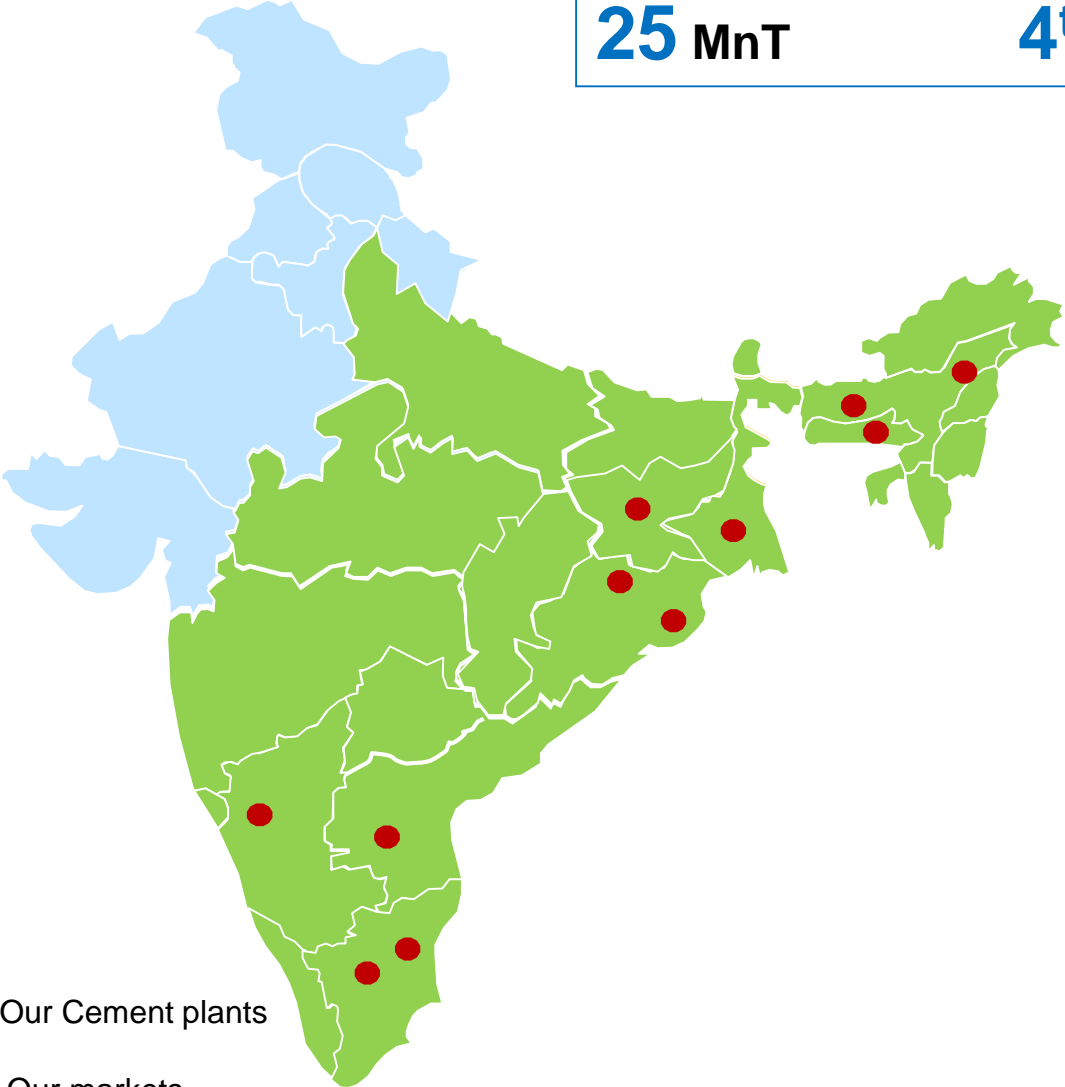
Future of Dalmia

Continue building scale

25 MnT

4th Largest

11 locations



As a % total installed capacity

Current - 6%

Future - 10%

● Our Cement plants

● Our markets

CO₂ emissions Kg/ton of cement



Lowest carbon footprint in the cement world.

Note: * As per the GNR data published by CSI in 2017

**Entrepreneurial
DNA**

Innovation

**Long term
thinking**

Empowerment

Humility

Finally...

***As is a tale,
so is life...***

***Not how long it is,
but how good it is,***

Is what matters!

***- Seneca
(Roman Philosopher)***

