Dalmia
Bharat Limited

UNLEASHING POTENTIAL

Dalmia Bharat Limited | Annual Report 2016-17

Disclaimer and cautionary statement

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion on future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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www.dalmiabharat.com

Living values. Unleashing potential.

At Dalmia Bharat Limited, we believe that the values enhance value.

Values help outperform. Values strengthen margins. Values reinforce sustainability.

Over the decades, the principal value that we have professed has often gone contrary to the prevailing scenario: in a world largely focused on enhancing value for itself, we have focused on helping unleash the value of everyone we touch.

We have not merely enunciated this value; we have consistently lived it.

And that has made all the difference.

Ananda Hazarika
drives through the Dhola Sadiya Bridge across the Brahmaputra River in Assam, saving five hours in commuting time.
A bridge made with Dalmia Bharat's cement (among other brands).

Raj Kishore
in Bokaro selects to buy Dalmia DSP confidently recommended by the dealer as being the 'next generation cement', a super premium brand made and marketed by Dalmia Bharat.

Sulabha
in Belgaum receives an appointment letter through courier appointing her as an engineer on the shopfloor of a cement manufacturing facility. She embarks a journey with Dalmia Bharat.

touch

Siddhartha
in Bengal is one of the fastest growing cement dealers, the trade's envy. He enjoys a comfortable lifestyle. He is a Dalmia Bharat dealer.

Dhanalakshmiben
in Rajkot is happy that her retirement plan is falling into place. Much of her direct investments are performing well; one company is the pride of her portfolio. Her holding in Dalmia Bharat.

Murugan
in Dalmiapuram lives in the shadow of a cement manufacturing facility. He is happy to see executives of the Company periodically seek his feedback on the quality of air that he breathes. The executives come from Dalmia Bharat.

Lakhsmi S.
in Ariyalur is sending her daughter to school. The school built toilets, strengthening her confidence to keep her daughter enrolled. The school is managed by Dalmia Bharat.

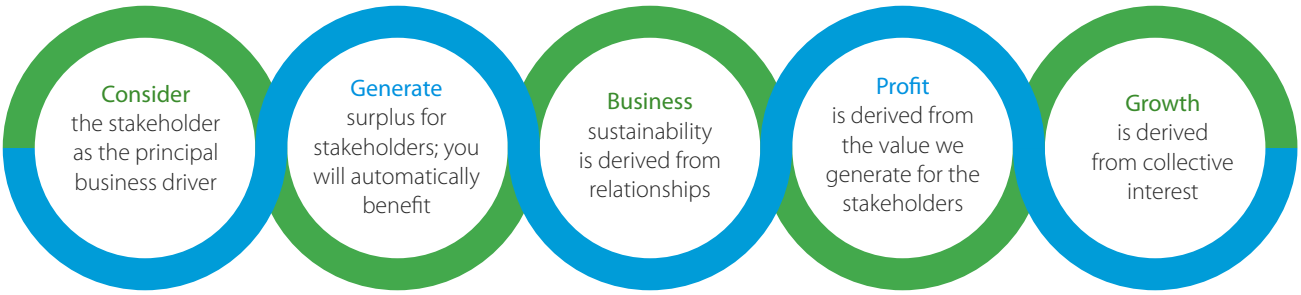
The secret of sustainable success comes down to just one word. *Connect*.

Customer
We inspired customer confidence in the use of our brands; we responded to the evolving construction needs of our customers by producing a superior cement grade, helping enhance structural quality and delivered nearest to their point of consumption

Nation
We produced cement of the right quality to catalyse nation-building; we contributed attractively to the national exchequer.

Environment
We strengthened our environmental commitment, reducing our carbon footprint to a level that is among the lowest in the global cement industry

The Dalmia Bharat Way



Connect is a philosophy through which we engage with all our stakeholders, generating enhanced value of life.

Trade partner
We created a consumer pull that enhanced throughput and revenues for our trade partners; we serviced them with a speed that enhanced their working capital efficiency

Employee
We provided our employees with an empowered workplace that inspired emotional ownership and outperformance

Shareholder
We outperformed the growth of our overall sector, generating margins and profits higher than the sectoral average, leaving enhanced value in the hands of our shareholders

Community
We extended our prosperity to our surroundings, enhancing their life quality

connect

We produced cement of the right quality to catalyse nation-building.

Dalmia Bharat brings to the sectoral reality a dynamic complement

Low manufacturing cost
Improving capacity utilisation
> Prudent fuel substitution
> Low operating costs

Superior realisations
Stronger brand
> Market leadership
> Superior terms of trade

Robust Balance Sheet
Lower debt cost
> Declining Net Debt: EBITDA
> Superior cash flows

Timely acquisitions
Eastern India acquisitions
> Efficiently managing plants
> Improved viability

Environment compliance
Move to greener inputs
> Lower costs
> Industry statesmanship

Dalmia Bharat is the fourth largest cement major in India > Increased capacity from 1.2 MnT to 25 MnT in a decade > Highest EBITDA per tonne among sectoral majors > Among the lowest costs of debt in India's cement industry > Profitable growth

Nation
- Proactive capacity creation
- Capacity creation in under-provided regions
- Addressing core infrastructure projects

Shareholders
- Operational transparency
- Attractive market capitalisation growth
- Focus on profitable growth

Customers
- Brand-driven product offtake
- Quality products
- Timely service

Employees
- Extensive delegation and empowerment
- Personal and professional development
- Fair and equitable wages / contracts

Communities
- Commitment to enhance community welfare
- Environmentally safe operations
- Generating sustainable livelihoods

Society
- Contribution to exchequer
- Driving employment
- Skilling people in complementary areas

Environment
- Extra-statutory approach
- Attaining water neutrality
- One of global cement industry's lowest carbon footprints

Dalmia Bharat. Unleashing the potential of everyone we touch

Unleashing everyone's potential made unbelievable things happen at Dalmia Bharat

At a time when the broad Indian cement industry declined by 1%, Dalmia Bharat grew volumes 20% in FY17

At a time when incremental sales became imperative, Dalmia Bharat reported the highest volume growth in FY17

At a time when margins were under pressure in a challenging business such as cement, Dalmia Bharat reported the highest EBITDA per ton (among the five largest cement companies)

At a time when realisations were subdued, Dalmia Bharat reduced its net debt-to-EBITDA from 3.8x to 2.8x

At a time when a cost-push threatened margins, Dalmia Bharat reported one of the lowest costs of production in the industry among peers

At a time when brand clutter increased, Dalmia Bharat launched an even more value-added super-premium Dalmia DSP brand

At a time when diesel costs increased, Dalmia Bharat reduced logistics cost due to benefits accruing through digitisation

At a time when pet coke prices increased, Dalmia Bharat switched to different pet coke varieties 15-20% cheaper than the prevailing market price

At a time when it would have been reasonable to believe that cost moderation would not sustain, Dalmia Bharat reduced power consumption per tonne of cement produced to among the lowest levels in the industry

At a time when it became imperative to enhance perception, Dalmia Bharat simplified its corporate structure

At a time when the country's economic growth slowed and marketing cement became increasingly difficult, Dalmia Bharat enhanced its market share in all markets; it entered new markets like UP, MP and Maharashtra

At a time when increased water-stress affected the country, three Dalmia Bharat plants turned water-neutral with a target to turn completely water-neutral in the future

At a time when consumer sentiment was affected for an entire quarter, Dalmia Bharat generated an EBITDA per tonne of ₹1258 and strengthened PAT by 81% to ₹345 cr

At a time when it was imperative to enhance investment productivity, Dalmia Bharat generated more than 60% of revenues from plants acquired in the last five years

At a time when debt cost management became imperative, Dalmia Bharat moderated its average debt cost by 50 bps in FY17 as compared to the previous year

This is how we unleashed the potential of our various stakeholders

Nation

We sold 15.3 MnT of cement (incl. clinker) in FY17 as compared to 12.8 MnT in FY16.

We provided more cement to drive the country's growth

Customer

We serviced 21 states in FY17, 3 more than FY16.

We provided a large number of customers a better cement quality translating into robust construction

Shareholder

We were valued at ₹17,488 crore (market capitalisation) as on 31 March 2017 as compared to ₹7,096 crore as on 31 March 2016.

We enriched the holdings of our shareholders