FLSmidth India
– a corner stone in FLSmidth’s strategy

Anders Bech, CEO FLSmidth India

Anders Bech

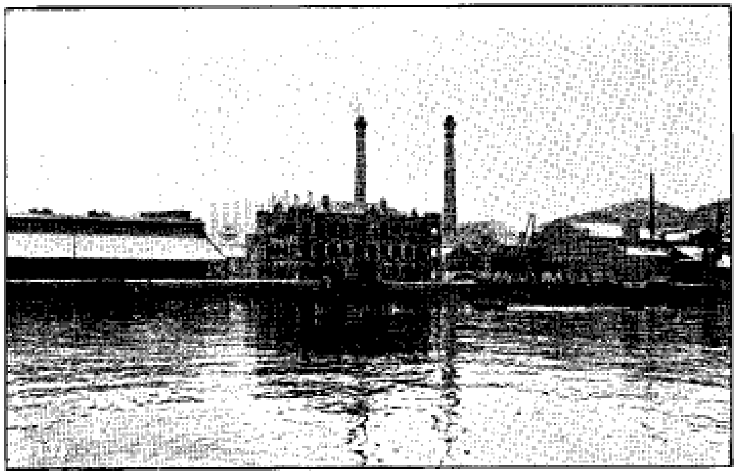
- **CEO, FLSmidth India**
- Joined FLSmidth in 1987
- Previous positions in FLSmidth:
  - Managing Director of FLSmidth India in Chennai (2004)
  - Managing Director of Ventomatic in Italy (2001)
  - Managing Director of FLSmidth Brazil in Sao Paulo (1996)
  - Manager of FLSmidth Thailand in Bangkok (1993)
  - Assistant Site Manager at Siam City Cement in Thailand (1991)
  - Sales Manager FLSmidth Denmark (1990)
  - Project Manager FLSmidth France in Paris (1988)
  - Employed as sales engineer in FLSmidth Denmark (1987)

FLSmidth India – a corner stone in FLSmidth's strategy

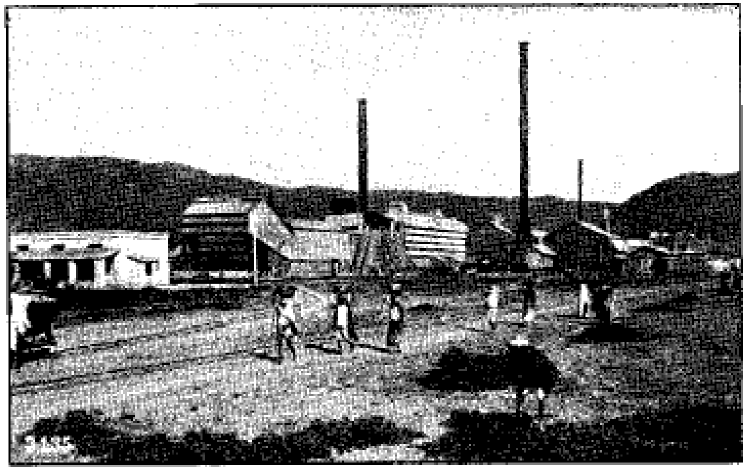
Agenda

- FLSmidth's history in India
- The off-shoring process
- Present set-up in FLSmidth India
- The local Indian market
- The future global role of FLSmidth India

F. L. SMIDTH & C^O., L^TD. LONDON



Cement works near Hongkong, China.



Cement works at Lakheri, British India.

CEMENT PLANTS EQUIPPED WITH MACHINERY FOR THE MANUFACTURE OF PORTLAND CEMENT ACCORDING TO

THE DRY PROCESS

F. L. SMIDTH & Co.'s SYSTEM

THE DRY PROCESS

F. L. SMIDTH & Co.'s SYSTEM

Name of works	Rotary kilns	
	Number	Length
1902. Portland-Cement-Fabrik Rüdersdorf, R. Guthmann & Jeserich, Kalkberge-Mark . . . . *Germany*	1	22 m
Stá Ama Fabbrica de Calce Cementi de Casale Monferrato, Venezia . . . . *Italy*	2	22 m
1903. Portland-Cement-Fabrik Rüdersdorf, R. Guthmann & Jeserich, Kalkberge-Mark . . . . *Germany*	3	22 m
Hartmann & Co., Cement-Werke, Leopoldsthal, Grossgmain, *Austria*	1	22 m
Société Anonyme des Ciments Portland de Lorraine, Strasbourg, Works at Distroff . . . . *France*	2	22 m
Portland-Zement-Fabriks-Aktiengesellschaft "Szczakowa", *Poland*	1	26 m
1904. Portland-Cement-Fabrik Ingelheim am Rhein A. G., Nieder-Ingelheim a. Rh. . . . . *Germany*	2	22 m
P. Macfadyen & Co., Madras . . . . *India*	1	22 m
Cement Works Briansk, Zaigrajewo . . . . *Siberia*	1	22 m
Green Island Cement Co., Hongkong, Portland Cement Plant at Gin Drinker's Bay . . . . *China*	2	26 m

FLSmidth's history in India

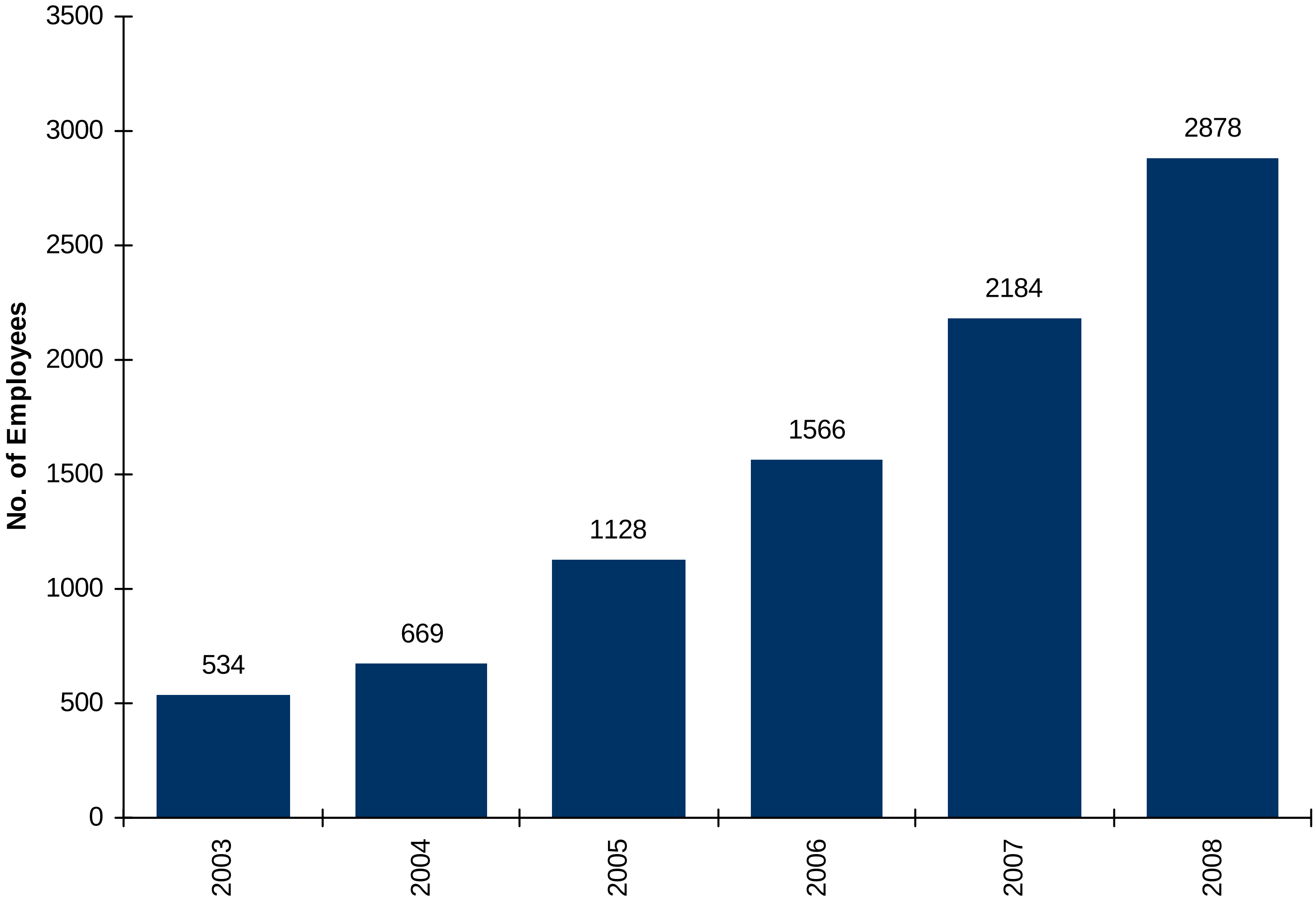
1964	FLSmidth establish license agreement with L&T for supplies in India.
1984	Fuller Company of USA establishes joint venture with KCP Limited of Chennai.
1997	Fuller takes 100% control of Fuller–KCP that changes name to Fuller India and FFE Minerals is established as a separate legal entity.
2001	FLSmidth acquires Bhagwati Designs in Mumbai.
2004	Fuller India is named FLSmidth India and the license agreement with L&T ceases to exist.
2006	FLSmidth Private Limited is established.
2007	The Cement and Minerals activities move into FLSmidth House in Chennai.
2009	Merger of legal entities in Cement, Minerals and Design with effect from 2008.

India

FLSmidth Designs

FLSmidth House

No. of employees in Cement, Minerals & Designs



Why off-shoring?

Cutting cost!?

YES,- but more importantly

Ensuring resources!!

Organisational initiatives

- Converted the organisation into 5 layer structure using capability model
- Work level capability test of all managers – Modified Career Path Appreciation (MCPA) - for capability assessment
- Use of Occupational Personality Questionnaire (OPQ32) – for behavioral competency assessment and definition of training needs
- Assessment of functional competencies
- Define carrier paths
- Performance pay system through balanced score card
- Group & team leaders as HR line managers
- Building trust and encouraging employees through participation

Training

- 6 months training programs for graduates
- 2 to 24 months training programs of team leaders and managers in Denmark or USA
- Continuous training of all engineering levels by Danish, American and Indian staff
- Frequent visits by global product and project managers
- MBA courses for “Stars”

Employee participation initiatives

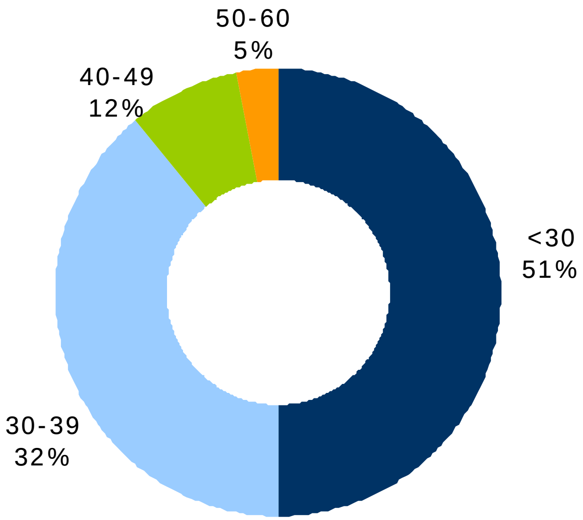
- Cross-organisational committees for HR process implementation
- Focus group for designing and evaluation of employee satisfaction survey
- Employee suggestion scheme focusing exclusively on ideas or suggestions for making work life pleasant

Key Learnings
- off-shoring to India

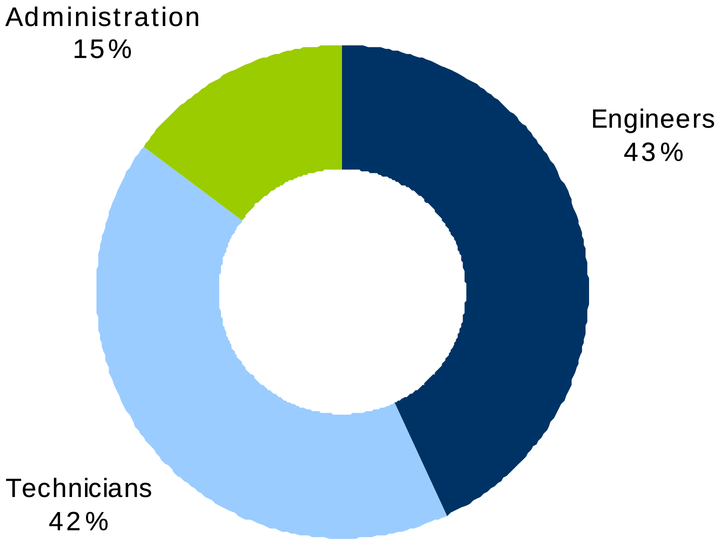
- Total commitment from top management
- Setting expectations clear from off-shoring partners
- Be realistic about available capability
- Joint ownership in training
- Timeliness and quality of output
- Consistent & continuous communication between management and employees
- Proactive approach to change

Distribution of employees in India

By age



By education

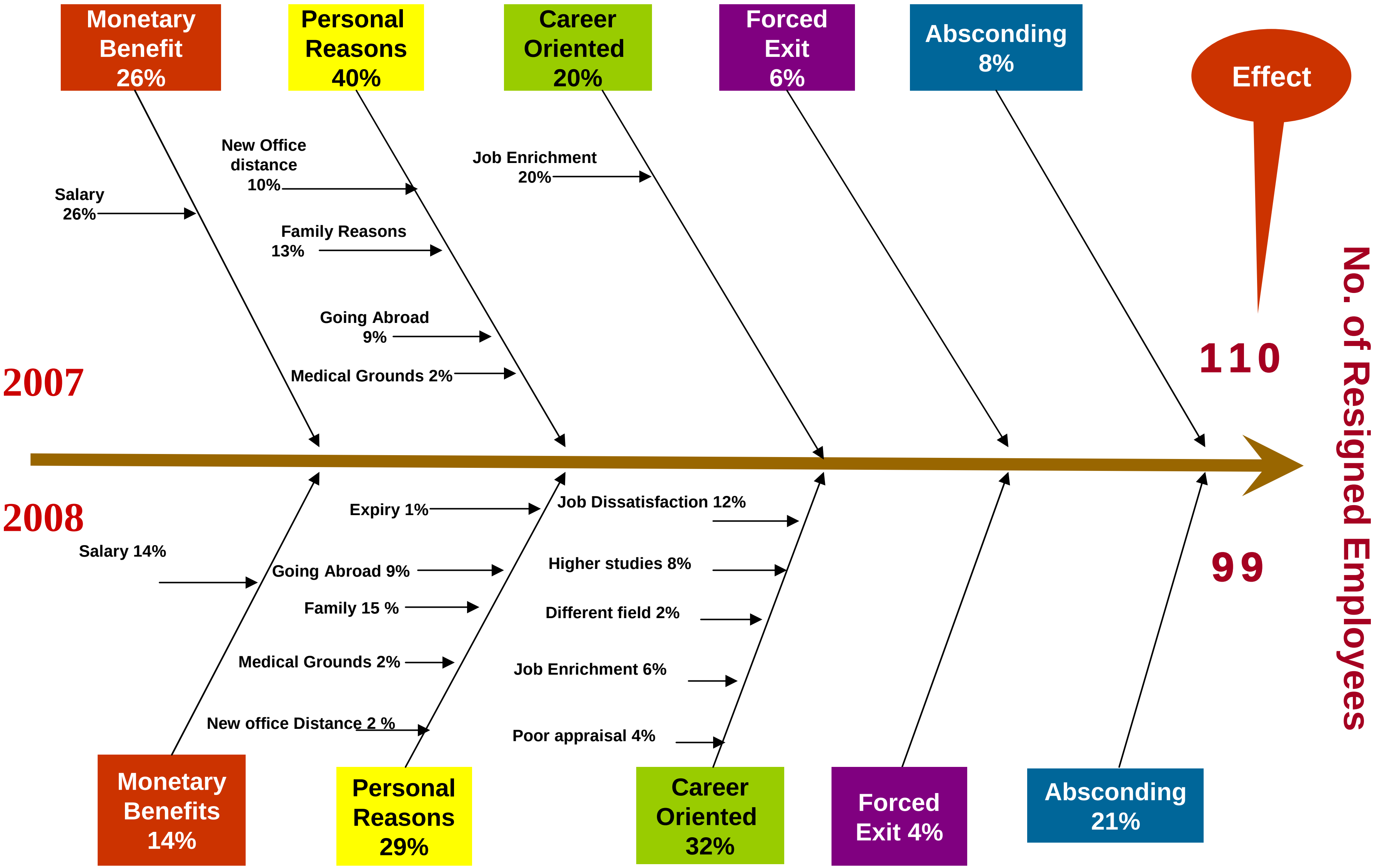


Attrition in India

Engineering	10-30%
Information Technology	15-30%
IT Enabled Services	20-35%
Pharmaceuticals	15%

Attrition in FLSmidth India

2004	14.0%
2005	9.0%
2006	12.0%
2007	9.6%
2008	8.0%


Monetary Benefit 26%
Personal Reasons 40%
Career Oriented 20%
Forced Exit 6%
Absconding 8%
Effect
Salary 26%
New Office distance 10%
Family Reasons 13%
Going Abroad 9%
Medical Grounds 2%
Job Enrichment 20%
2007
110
No. of Resigned Employees
2008
99
Salary 14%
Expiry 1%
Going Abroad 9%
Family 15 %
Medical Grounds 2%
New office Distance 2 %
Job Dissatisfaction 12%
Higher studies 8%
Different field 2%
Job Enrichment 6%
Poor appraisal 4%
Monetary Benefits 14%
Personal Reasons 29%
Career Oriented 32%
Forced Exit 4%
Absconding 21%

Continue to improve competencies!

Training initiatives

71 engineers

Indian Institute of Technology-Madras, Chennai

"Continuing education program" –Six months of weekend technical education for 35 mechanical engineers & 23 electrical engineers commenced in July & September 2008 respectively. They would get certified shortly. Similar program for 13 chemical engineers commenced in November 2008.

48 managers

Loyola Institute of Business Administration, Chennai

Three & half months of management education with customized modules on leadership, business & strategic management for the 1st batch of junior & middle managers concluded in December 2008. 22 of our employees came out in flying colors as LIBA certified leaders. The next batch will get certified in April 2009

171 employees

University of Cambridge

English certification courses ESOL (English for speakers of other languages) offered by Cambridge University to enhance the English skills of our employees for a period of 3 months was delivered under 1) Beginner Level – KET (Key English Test) for 60 employees;
2) Low Intermediate Level – BEC – (Business English Certification) Preliminary for 29 employees
The next batch commenced in February 2009 with 82 employees

Benefits of off-shoring to India

- We have build up a cost efficient organisation operating in state of the art office facilities
- Fortunate timing made it possible for us to profit better from a booming market
- Productivity within same competency areas on par with our western peers
- Our strong presence in India is very much appreciated by our Indian customers

FLSmidth House

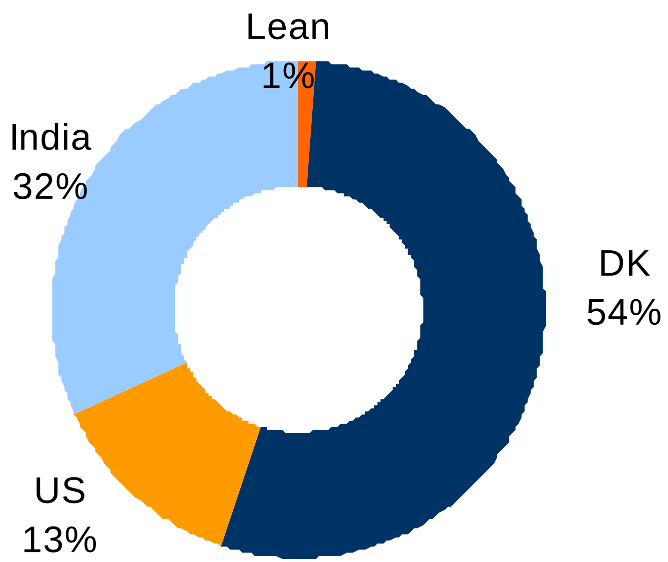
A green building

…and green powered

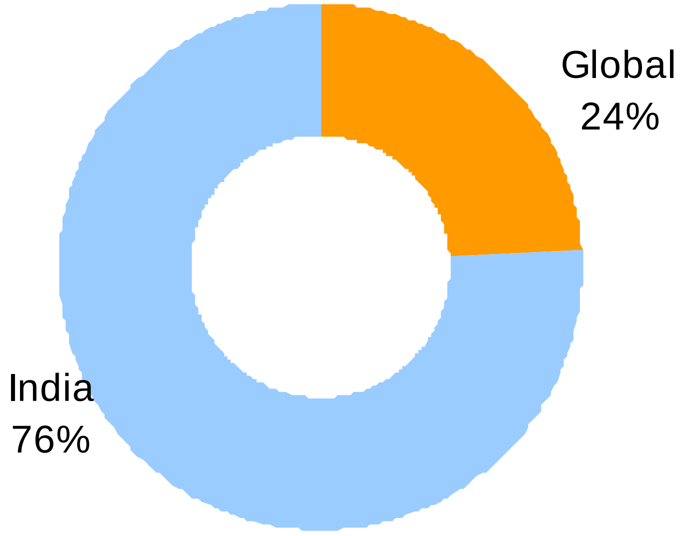
1,65 MW of Green Power

Utilisation of Chennai engineering hours in 2008

Cement



Minerals

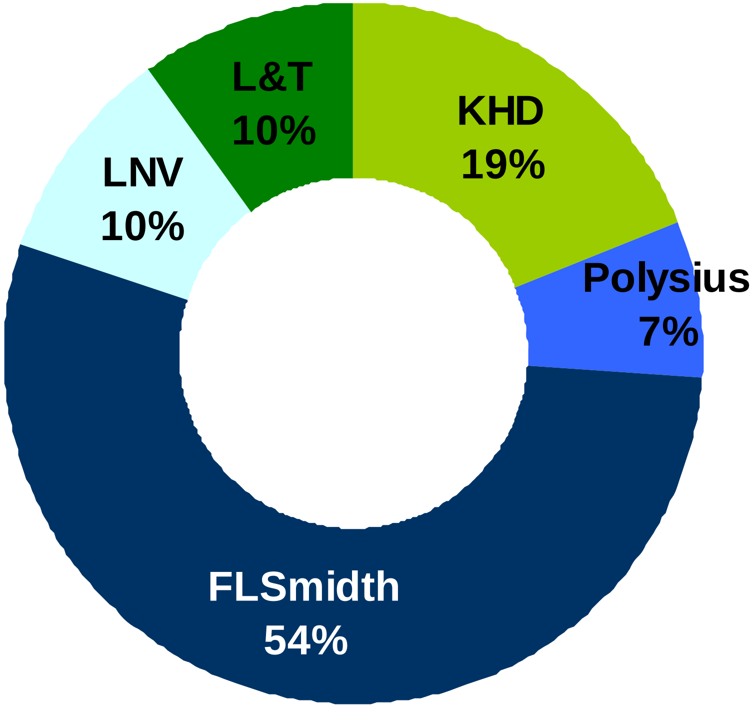


The minerals business in India:

- **Serves virtually all industries outside cement**
- **Full service provider including total turnkey plants since 1997**

Vedanta Aluminium Ltd.

Cement pyro market share in India in 2008



Customer Services continues to grow

- All competences available and used globally
- Pro-active service programs
- Specialized maintenance and trouble shooting services
- FLSmidth training Institute
- O&M launched
- Production started in FLSmidth Foundry

FLSmidth Foundry

- Production of steel castings started in December 2008
- Heat resistant casting products for pre-heaters, kilns and coolers will be produced
- All development done with Magma software, spectrometry and ultrasonic testing ensuring top quality products

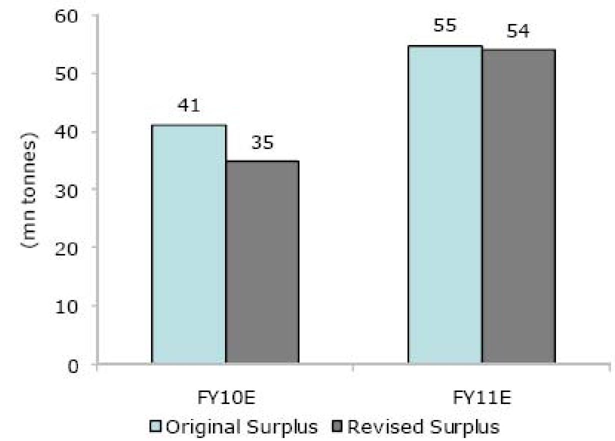


The cement market?

Yet, surplus in FY10E and FY11E to remain…

Edelweiss
Ideas create, values protect

- Lower demand growth of 8% factored vis-à-vis 10% earlier, in line with the downward GDP revision to 7.4% in FY09E and 6% in FY10E.
- Accordingly, utilisation rate expected to drop to 85% in FY10E & 80% in FY11E.



Demand-suppy projections

	Million tonnes	FY08	FY09E	FY10E	FY11E
	Effective capacity	166	193	232	266
	Capacity addition	7	27	39	34
	Increase in effective capacity (%)	4.4	16.1	20.0	14.8
	Total supply	**166**	**193**	**232**	**266**
1	Domestic demand	163	177	191	206
	growth (%)	9.8	8.3	8.0	8.0
2	Exports	6	6	6	6
	Total demand (1+2)	**169**	**183**	**197**	**212**
	Absolute surplus/(Deficit)	**(3)**	**10**	**35**	**54**
	Capacity utilisation (%)	**101.7**	**94.6**	**85.0**	**79.7**

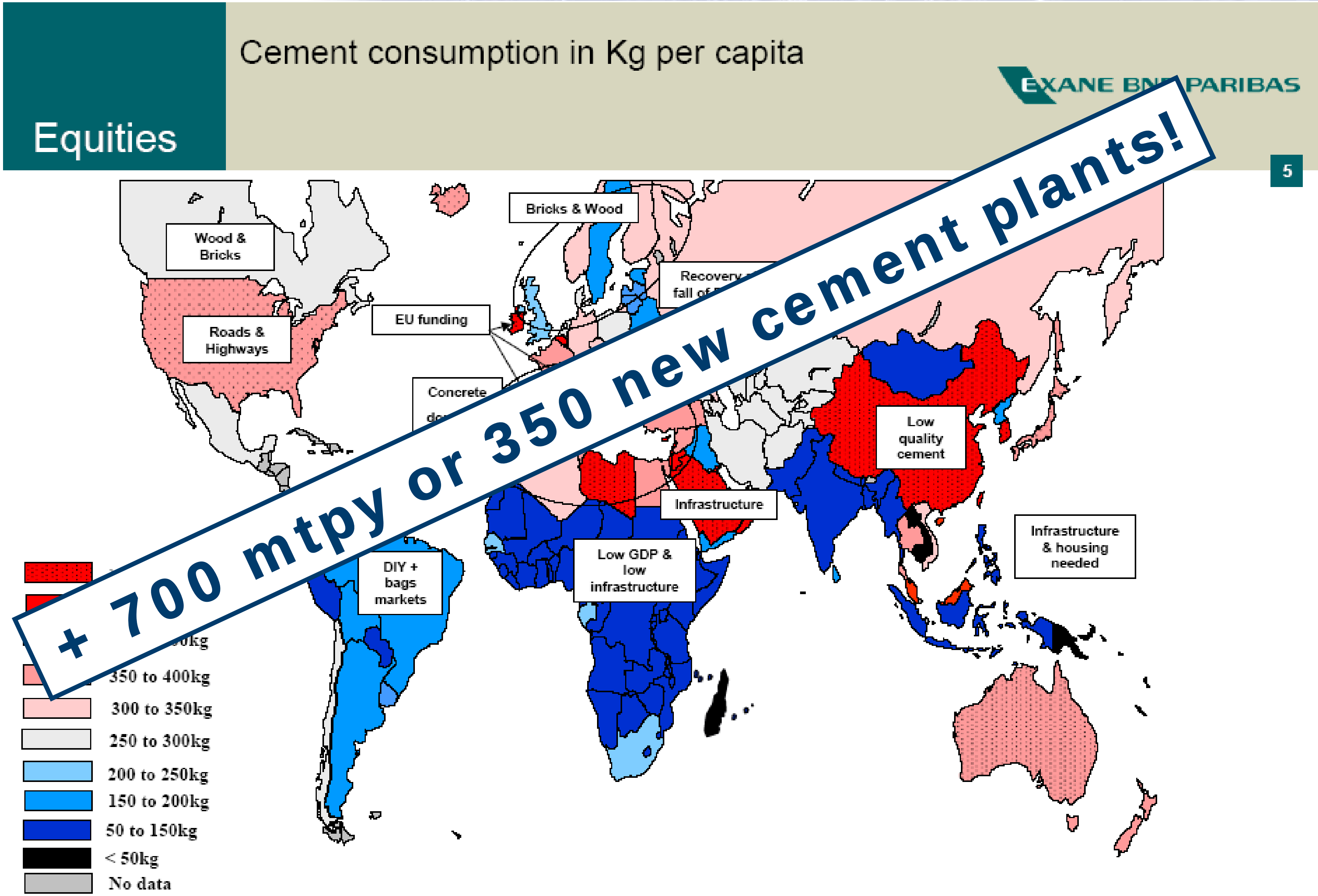
Source: Edelweiss research

Our supply timelines factor in 50% utilisation level for a new capacity for the first two quarters post commissioning.

Surplus, though lower, remains significant at 15% in FY10E (19% earlier) and 20% in FY11E (20% earlier).

4

Still very low consumption compared to China!



The future role of the Indian office

- Continue to increase engineering order execution in all areas
- Continue to grow the global back-office functions related to e.g. contract management, procurement and customer services
- Continue to build up the global IT function in Chennai
- Continue to assist product centers in product development
- Increase involvement in R&D projects
- Take good care of an important local market

Questions


Design
Build
The preferred partner
of the cement and
minerals industries
Operate
Maintain
Capital Market Day London 16.03.09
FLSmidth