



SAGAR CEMENTS LIMITED

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25th July 2022

The National Stock Exchange of India Ltd.,
"Exchange Plaza", 5th Floor
Bandra – Kurla Complex
Bandra (East)
Mumbai – 400 051

The Secretary
BSE Limited
P J Towers
Dalal Street
Mumbai – 400 001

Symbol: SAGCEM

Scrip Code: 502090

Series: EQ

Dear Sirs,

Sub: Submission of transcription of Conference Call under Regulation 30 read with Part A of Schedule III of SEBI (LODR) Regulations, 2015 on Q1 FY 23 financial results

Pursuant to the above said Regulation, we are forwarding herewith the transcription of the Conference Call held by us on 21st July, 2022 in connection with the recently announced un-audited stand-alone and consolidated financial results for the first quarter ended 30th June, 2022.

Thanking you

Yours faithfully
For Sagar Cements Limited

R.Soundararajan
Company Secretary

Encl.



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MANAGEMENT: Sreekanth Reddy - Joint Managing Director

ANALYSTS: Shravan Shah
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Sunny Agrawal
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Rajesh Ravi
Amit Murarka
Vincent Andrews
Nikhil Deshpande
Keshav Lahoti
Harshit Toshniwal

Manish Valecha: Good morning ladies and gentlemen, welcome you all to the Q1 FY23 Results Conference Call of Sagar Cements Limited. We have with us from the management Mr. Sreekanth Reddy, Joint Managing Director; Mr. Rajesh Singh, Chief Marketing Officer; and Mr. R Soundarajan, the Company Secretary. We will now start the session today with the opening remarks from the management and this will be then be followed by a Q&A session. I request all the participants to be in a mute only mode during the course of the call.

I would now like to hand over the call to Mr. Sreekanth Reddy for his opening remarks. Over to you, sir.

Sreekanth Reddy: Thank you, Manish. Good Morning everyone. Welcome to Sagar Cements earnings call for the quarter ended June 30, 2022. Let me begin the discussions with a brief overview of the market in terms of the demand and the pricing, post which I will move on to Sagar specific developments. Demand for the quarter was largely benign on account of challenging inflationary environment, labor availability issues and heat wave and also unseasonal or rather season being slightly ahead in terms of the rainy season.

Overall volumes remained steady though they appear elevated on a Y-on-Y basis largely owing to a low base effect. Despite muted demand, we've had to operate in a high inflationary environment, wherein the price of raw materials remained considerably elevated, which in turn necessitated undertaking price hikes to help preserve overall profitability margins of the business. However, given the subdued demand, the industry couldn't undertake the requisite price revision, which in turn led to the profitability and margin compression during

the quarter. However, we are now witnessing softening of certain raw material prices and are hopeful that with time and with the demand picking up, we should be able to deliver better performance going forward.

Moving on to Sagar's specific developments, our revenue for the quarter stood at ₹558 crores as against ₹393 crores reported during Q1 FY22 higher by 42% on a YoY basis, largely driven by volumes following the commissioning of the new capacities. Average realizations remained largely stable during the quarter. EBITDA for the quarter stood at ₹61 crores as against ₹107 crores generated during Q1 FY22 lower by almost 43% on a YoY basis.

Margin for the current period stood at 11% as against 27% reported during corresponding period last year. Margin compression was largely owing to higher input costs. The raw material prices were fairly stubborn during the Q1, which resulted in a margin compression of almost 1,600 basis points. Loss after tax for the quarter stood at ₹13 crores as against a profit of ₹49 crores generated during Q1 FY22. Average power and fuel costs stood at ₹1,827 per ton as against ₹1,017 per ton reported during Q1 FY22. Elevated prices of coal and pet coke resulted in higher per ton cost of power and fuel during the quarter. Freight cost for the quarter stood at ₹798 per ton as against ₹764 per ton during Q1 FY22.

From an operational point of view, the capacity utilization stood at 57% on a consolidated basis during the quarter. As far as the key balance sheet items are concerned, the gross debt as on 30th of June 2022 stood at ₹1,490 crores out of which ₹1,293 crores as a long-term debt and the remaining constitutes the working capital. The net worth of the company on a consolidated basis as of 30th June, 2022 stood at ₹1,639 crore, debt equity ratio stands at 0.79:1. The cash and bank balances are at ₹282 crores as on 30th of June 2022.

To conclude I would like to reiterate that, while the near-term outlook may be slightly challenging, we believe our diversified geographical presence, improved product mix, and cost rationalization measures position us well to create a value for our stakeholders. We also remain on track towards scaling up on our business inorganically. And as mentioned during our previous call, we will be able to share further details on the same in next few months. We are cognizant of not overstretching our balance sheet in our pursuit of changing scale. And we'll continue to work towards maintaining the right balance between the two.

That concludes my opening remarks. I'd now be glad to take any questions that you may have. Thank you.

Question-and-Answer Session

Moderator: The first question is from Shravan Shah.

Shravan Shah: Thank you, sir. Sir, first is on the intimation filed on the exchanges with regards to our Board approving the proposal to submit the proposal for the acquisition of Andhra Cement, which is in NCLT. So, and then you in opening remarks you mentioned in couple of months, you will have a more clarity, but still trying to understand the basic understanding in terms of the valuation, timeline when it will be finalized, capacity existing and post the acquisition, what kind of CapEx are we looking at when we start seeing the revenue profitability? Any color would be helpful, sir.

Sreekanth Reddy: Yeah, good morning, Mr. Shravan. I'm sure you as indicated earlier, board gave us the approval for participating in the resolution plan. But it is too soon for us to comment on the realization front and as well as the additional CapEx as and when it is appropriate, we'd be more than happy to come back to you on that front sir. It's very strategic for us. So, it is too soon for us to comment on the -- any of the questions that you have asked at this point of time. I'm sure you will appreciate that decision.

Shravan Shah: I understand sir, but...

Sreekanth Reddy: On the timeline sir -- on the timeline, as indicated by the current resolution professionals' team, the resolution plan needs to be submitted before 18th of August, should get all the clearances and all somewhere around end of September to early part of October. So, now from whatever little diligence that we have done, it looks like it might need a three-months kind of maintenance related issues before we could start. I mean this is what I can broadly indicate at this point of time.

Shravan Shah: Okay, so once by September if we get the clarity and we get the asset then in after three months the maintenance we can start seeing the revenue flowing in that's the -- how one should understand?

- Sreekanth Reddy:** Yes, sir. I think that that's our internal understanding sir, that's the likelihood that it should take three months max on getting it into the production, getting into it.
- Shravan Shah:** Okay, and then in terms of the size, the capacity would be 2.5 million ton grinding?
- Sreekanth Reddy:** Yeah, it is 2.6 million, it is a 2.6 million with 1.8 million at the integrated plant and grinding capacity.
- Shravan Shah:** And the clinker is how much sir?
- Sreekanth Reddy:** Clinker is 1.65 million.
- Shravan Shah:** 1.65, okay. Now coming to the operational aspect. So, any change in terms of the first coming on the volume per se, so, last time we said we are looking at 5 MTPA volume for this year.
- Sreekanth Reddy:** The outlook remains sir. The outlook remains as you had seen even in Q1, we are very close to that. For outlook we took a realistic view so it still remains at 5 for the current year.
- Shravan Shah:** Okay, so the incremental volume as we mentioned last time it would be from the new both the assets that would be the giving the group for this year?
- Sreekanth Reddy:** Yes sir.
- Shravan Shah:** Okay. Now coming on the pricing and then I will ask on the costing. So, pricing, if you help us in terms of it's good that we had better realization this quarter on QoQ front. Despite our channel checks we are seeing a slightly lower growth. So, in which states broadly we how much increase we have seen and now post the June, how do we see the pricing any correction we have witnessed and what's the expectation?
- Sreekanth Reddy:** Sir, the realization grew for us on a quarter-on-quarter at 5% sir. Fortunately, the realization did not move downward, though unfortunately it remained stable and it did not cover the inflationary kind of input prices, but it remained stable. We believe that even in the current quarter it might look in a similar kind of a structure, though we are expecting a marginal kind of an increase, but it is too soon. We are just done close to 20 odd days into this July month sir. And as you know that this quarter is one of the offseason for us, it's a rainy season,

good that it is raining well for a long-term, but on a short term it definitely is impacting the business.

Shravan Shah:

Okay, and now on the costing front sir, particularly on the power and fuel costing. So, broadly, how much further are we expecting our costs to increase this quarter? And also, the second question is in our presentation, if I look at the imported coal prices on QoQ front, what we mentioned is kind of a flattish and current price of imported coal, as mentioned in the presentation is kind of a 70% high versus our understanding is it is -- it has increased throughout April, May, June. So, wanted your understanding on that?

Sreekanth Reddy:

Sir, I think the prices were fluctuating, especially the pet coke has come down by 10%, though it is at the middle to end of June month sir. As you would have seen it dropped by 10%, but unfortunately moved from 7,000, 8,000 odd to 25,000 and came down and settled at 22,000 as we speak. The good news is that it is trending downwards, so by how much and all it is too soon. Coming back to the imported coal sir, though we are not aggressively procured any of the imported coal, it looks like there is a small reduction.

But I think what we have indicated is definitely not the spot prices. But the average kinds of a consumption kind of a pricing is what we have taken sir. Spot prices look to have come down a bit. It again varies from place to place. And the sourcing points like Indonesian, Australian, and in South African. Domestic coal for us remained fairly stable, though the availability is a question because during the monsoon time, some of the mines get flooded. So, it could probably take some more time before it gets restored.

Yeah, we are good on the stock. So right now, yeah for the next couple of months, we do have the inventory. But during this quarter we don't expect major material movement. So, we are good on even on clinker inventory as well as other inventory sir.

Shravan Shah:

So, on total costing per se for the second quarter?

Sreekanth Reddy:

We are expecting it to be flat sir. We are expecting it to be flat.

Shravan Shah:

Okay, that's the good news that now we don't expect further increase in the coal prices.

- Sreekanth Reddy:** At least for one quarter we can keep our neck out sir. Beyond that, again, is a challenge. But for the next quarter, we believe it is going to be flat for us.
- Shravan Shah:** Okay. A couple of data points, first trade share for this quarter was how much?
- Sreekanth Reddy:** 65 sir.
- Shravan Shah:** Okay, it remained the same.
- Sreekanth Reddy:** Our market mix and the product mix did not change to an extent. So, it remained fairly stable, because we do have decent exposure into the Andhra government volumes.
- Shravan Shah:** Okay. And lastly, on the debt as last time mentioned that, at operational net debt, we were looking at 8.5...?
- Sreekanth Reddy:** This debt is inclusive of the debt that we have borrowed for the acquisition. So, if you remove sir, it remains close to that number. The interest cost looks to be elevated at this point of time. But as you know, yeah, we are posting the interest cost, but once the acquisition is concluded, I think it will get capitalized sir. So that's the position for us. The net debt for excluding the potential acquisition, we still remain sub-800 that's what we have indicated and that position remains fairly there.
- Shravan Shah:** Okay, thank you and all the best sir.
- Sreekanth Reddy:** Thank you.
- Manish Valecha:** Thank you. One question from my side, sir. So in terms of coal inventory and current coal procurement from Singareni, what is the price that we are currently getting in that and what would be the inventory cost?
- Sreekanth Reddy:** Yeah, the inclusive of inventory cost, it is at ₹2 per 100 Kcal Manish, so that remains fairly stable there. The only variable in this is again if we have to go for far of mine in this thing it could marginally go by maybe 1 to 4 paisa, but the average holding cost for us on the -- is sub ₹2 for every 100 Kcal.

- Manish Valecha:** Got it sir. And, sir on the -- any comment on the Russian coal that is coming in, has started coming in -- it's almost 20% cheaper is what we understand. Is that coming on the Southern side also or is it only?
- Sreekanth Reddy:** Yeah, we have seen some of the coal hitting Vizag Port, at least in our operational area. We have seen it is ranging anywhere between \$165 to \$170 on a landed, on a shipped basis to the port, yeah, which definitely looks like is discounted to the other coals. But we have not sourced any of that, because in our case, it would still be a lot more expensive than the domestic coal. So, we are yet to try the Russian coal Mr. Manish.
- Moderator:** The next question is from Sanjay Nandi.
- Sanjay Nandi:** Yeah, good morning sir.
- Sreekanth Reddy:** Good morning, Sanjay.
- Sanjay Nandi:** Sir, just to mention like we have an inventory for like couple of months going forward. So, like the same pressure will be there for next months as well sir, because we are having a high cost inventory of the coal. So, the same thing will continue for the next quarter, right?
- Sreekanth Reddy:** Yeah, it would remain very similar sir, because our challenge is more on pet coke, because we are using 100% pet coke for our Madhya Pradesh plant.
- Sanjay Nandi:** Okay.
- Sreekanth Reddy:** And we are using limited pet coke, though we are using some pet coke in both Gudipadu and Mattampally, but that is limited that is putting some pressure, but the domestic coal is fairly stable. So, but during this quarter the volumes may not be as high. So, we should be good to tide over the situation given the scenario we think that the cost should remain flat from Q1 and Q2 should be very, very similar Mr. Sanjay.
- Sanjay Nandi:** So, sir if the -- like the price drop, which we can see from the pet coke and the international coal as well like 10%, 15% kind of drop from the peak. So, what kind of benefit will be occurring like from which month that will be occurring sir like mostly in the Q3 or in Q4?
- Sreekanth Reddy:** Sir, we typically average it out sir. So, I think the real this thing we should get from middle to end of Q3 onwards.

- Sanjay Nandi:** Middle to end of. And the full thing will come from Q4 onwards, right sir?
- Sreekanth Reddy:** That's the assumptions.
- Sanjay Nandi:** Okay. So, what is the pricing scenario, obviously because of the monsoon things, but...?
- Sreekanth Reddy:** Right now, I can give you up to 15th of July pricing sir, like Bangalore price have moved up by ₹5 to ₹10 per bag. Chennai remain more or less flat with for us it increased by ₹5. Sholapur remains flat. Pune remains flat. Berhampur there is a slight drop not slight it is around ₹10 drop. Bhubaneswar is again a ₹10 drop. Coming back to Telangana, yeah, it's more or less flat. Hyderabad again we have seen a ₹5 increase. North Coastal AP that is Vizag increase is around ₹5. Central Coastal again is a ₹5 increase. Rayalaseema remain flat sir, I mean this is what is our observation. Again, this is only into the 15 days we are talking of from June exit till 15th of July sir.
- Sanjay Nandi:** And sir what is the net debt pending in the books, is it ₹1,200 crores?
- Sreekanth Reddy:** Yeah, ₹1,208 crores this includes the ₹500 odd crores that we have borrowed for the acquisition Mr. Nandi.
- Sanjay Nandi:** Okay, so ₹1,208 is a net debt figure including that?
- Sreekanth Reddy:** Around ₹1,200 sir.
- Sanjay Nandi:** ₹1,200.
- Sreekanth Reddy:** Yeah, ₹1,208 to be precise.
- Sanjay Nandi:** ₹1,208 right. So, it includes the ₹500 crore thing, which you have borrowed?
- Sreekanth Reddy:** Yes, sir. Yes.
- Sanjay Nandi:** Okay. So, what from the repayment structure like going forward?
- Sreekanth Reddy:** Sir, it's a long tenure debt is what we are sitting on there. So, we have structured, but we'd be very happy to share the tenure for each of the loan. Yeah, we have multiple loans sir, each of them has their own tenure. But for us, it's a long-drawn kind of a schedule sir.

Sanjay Nandi: Long drawn, okay, got it, got it sir. So as of now that's from my side sir. I'll join back in the queue sir. Thank you so much sir.

Sreekanth Reddy: Thank you.

Moderator: The next question is from Sunny Agrawal.

Sunny Agrawal: Thanks for the opportunity. Sir, I would like to understand the overall demand supply scenario especially given that the Government is under pressure I mean to garner tax revenue, so they make alternate some CapEx at one end. And on the other end our guys like UltraTech, Adani, cement they had announced the aggressive expansion plan over next project from a medium to long-term perspective, through from rise on demand. Thank you.

Sreekanth Reddy: Sir, I think the cement demand for a short term might look a bit challenging, though it's still growing, but it's growing at mid to low single-digit kind of a number. But long-term looks promising sir. So most of the announcements that are coming, I think they are to cater to the medium to long-term kind of a demand.

So, our belief is it is still 24 to 28 months away. So, by that time, we are more than hopeful that we should have completed the elections and we would have been into the next running of it. Our past experience is, the demand shoots up year, year and a half or two years before the election. So that's what most of us are gearing up for. And the medium term to long-term looks promising sir. Historically, the cement demand doubled every 10 years.

So, if it has to double 10 years, I'm sure we will be falling short of the capacity. So, for some period there could be optically looking like an excess kind of a supply. But we are reasonably confident that on a medium to long-term horizon, the gap should actually narrow down or the demand probably should shoot slightly ahead of supply. I'm talking of all India sir.

But if you look at some regions, especially South I think for next 10 years, probably the supply is going to be more than the demand. But again, the problem with our sector is that yeah -- we have much higher nameplate capacities, which could be true on the grinding, but the real clinker and the conversion factor would probably may not be as high as it looks sir. So that might optically make people think that we are having too much of supply.

But in reality, the gap may not be more than 10% to 15% sir. As we speak, which we are more than hopeful that over five to 10-year horizon, the gap should narrow down even to a low single-digit is what we think that's what probably is making the -- some of the sectorial players to invest and be prepared to handle that kind of a situation is what we strongly think we started upon.

Sunny Agrawal: Thank you sir.

Sreekanth Reddy: Thank you.

Moderator: We have the next question from Amit Srivastava.

Amit Srivastava: Yeah, thank you sir for the opportunity. Sir just wanted your thoughts on our newer capacity we just come up on our Jeerabad and Jajpur. So how is the ramp up in terms of the volume as well as the profitability? Because if I look at the standalone number, the EBITDA per ton is 650 plus where the console is little lower. So, it's indicating that these units are not yet contributing in a full phase. So, how we are looking at in our future six months now, nine months was the -- or actually ramp up will happen in terms of the profitability and what is the thought process over there and when it can happen in terms of the profitability? Yeah that's it.

Sreekanth Reddy: Yeah, good morning, Amit. As you have rightly said, the two assets are in ramp up phase. We are doing an average 40% capacity utilization slightly more than 40% capacity utilization at Jeerabad. Yeah, it's close to 46% capacity utilization at Jeerabad on the volume front. Yeah, the -- on the technical side the plant has touched 100% capacity utilization only during the second fortnight of June with the coal and everything the thermal consumption and everything also getting full-fledged. The full-fledged wastage recovery also got commissioned during the last week of June.

So, that should help us mitigate on the cost side. And once this offseason is over we are more than confident that the ramp up at Jeerabad should be much faster than what we initially indicated or expected. Going to the Jajpur sir, Jajpur just started, so the average capacity utilization is sub 10% as we speak. We were waiting for some of the approvals for some of the products that is the composite cement and all, we just received the adhoc permission from BIS for that particular product.

So, with all these approvals coming in, I think post this season, yeah, we are more than hopeful that we should reach to 35% to 40% capacity utilization in that particular asset. I think once these two assets slowly start getting back to normal, the real margin would start getting reflected.

As you have rightly said, the standalone numbers are much higher, there has been a drag because unfortunately, these things did not ramp up in time. Though, we have indicated that the ramp up could take for the second half, internally, we are hoping that it should have happened slightly before. But in the current year, we are more than hopeful that both the operations at both these assets should stabilize and start contributing rather than being a blank sir.

Amit Srivastava: Yeah, it's helpful sir. Second sir, just on a follow-up of 5 million ton which we have guided, so there mostly we are taking it the growth of incremental whatever we are looking at is from the newer capacity ramp up?

Sreekanth Reddy: Yes, sir. I think we indicated even earlier that 3.6 million, would at the best become 3.7 million the assets here. And the rest around 1.3 to 1.4 million has to come from those two assets. They are comfortably in a position to do that. So, we don't see that as a challenge.

Amit Srivastava: Yeah, so if the South growth will be better, then we can get further upside on that?

Sreekanth Reddy: Yeah, but as indicated, sir. Being the industry player, if you look rationally and logically, yeah, there are some ramp ups and there are some commissioning that has happened in this region. Growth is in as low single digit in South. So, it would be very unfair for us to assume that we'd be growing when market itself is growing at a slower pace. So that's one of the reasons why we've clearly indicated that we expect it to be flat for the areas that we operate. And the incremental volume is coming from places where we have just commissioned. That could be a bonus, which we are not expecting either.

Amit Srivastava: Yeah. Thank you, sir.

Sreekanth Reddy: Thank you, Mr. Amit.

Moderator: The next question is from Himanshu Yadav.

Himanshu Yadav: Thanks for the opportunity, sir. Could you just provide some comments on present pricing situation? I mean, we understand that monsoon months, obviously, the demand is seasonally weak. But in terms of, if we see some fuel cost reduction coming in and food prices decline, do you think these will be absorbed by the companies of players in the industry. I mean, is there any, are you seeing any pressure in terms of passing on those reduction in prices to the end user?

Sreekanth Reddy: Yeah, Mr. Himanshu, I think end users are getting the best of the benefit, even at such a high inflationary kind of a thing, the realizations did not move up much. Now, will it come down the realizations will it come down when the price is coming down. I think only time will tell. But our belief is as you'd have seen, the margins have actually come down by less than half of what normally the industry has delivered.

So, it's a function of time, sir. But we internally believe that the realizations should go up for us to sustainably survive in this particular market. That's what we internally think. And we strongly believe that it has to move up to catch up with the inflationary kind of the thing. Though the prices, the input prices looks to come down, but as told you, as told earlier, yeah, there were sub ₹7,000, ₹8,000 per ton for each of the coal sir. They are almost 3x more than what they used to be exactly a year back.

So, and they are coming down slowly. So, there is a huge pressure on that. Till it normally stabilizes sir, I don't see further reduction in prices. We believe it has to move up for us to survive. That's what is our thinking and belief. And we seriously hope for that to happen.

Himanshu Yadav: Thank you very much sir.

Sreekanth Reddy: Thank you.

Moderator: Thank you. The next question is from Shravan Shah. Please go ahead.

Shravan Shah: Hi, sir, two questions. First, in terms of the blended cement, slowly we are inching up to now at 50%. So last time we said 60% that we are targeting. So that remains the same?

Sreekanth Reddy: Yes sir. Because as indicated earlier sir, the ramp up at Jajpur as well as Jeerabad should help us achieve that numbers, should help us achieve that number.

Shravan Shah: Okay. Second, just wanted to understand this time, it's good that our lead distance has come down from 283 odd kilometers to 268 kilometers. But in terms of the freight cost per ton has increased 3% odd. So, is it fair to assume that the entire fuel costs increase is already there and now we can start seeing slightly higher reduction in the freight costs per ton?

Sreekanth Reddy: Sir, we did indicate that objectively we intend to be less than 300 and slowly inching towards 275. Yeah, with the reduction of lead distances, it is logical to assume that the overall freight costs should come down. But some of the tollages and some of the transport contractors had to be, we had to compensate for their overheads with these inflationary pressures. What you're seeing is only the diesel price alone sir, but there are other inflationary pressures even for them for their manpower and the other tollage costs and everything is going up.

Yeah, we do expect the savings, but the bigger saving in our case is the strategically reducing the lead distance sir, that should be proportionately start impacting as long as the fuel and other inflationary prices remain constant. We should see a saving, but at this point of time, the other inflationary costs other than fuel are also got adjusted, but we strongly think that if all the things remain stable, the freight costs should definitely come down for us.

Shravan Shah: Okay. Other thing is in terms of this quarter, we have seen a significant increase in other income from ₹4 odd crores to ₹12 crore plus, so is it the extra debt that we have raised? We maybe have partially used as treasury gain.

Sreekanth Reddy: Sir, it's a mix of many things, but these are one-offs sir, these are one-offs. So, these are not something which you should factor. Yeah, these are one-offs.

Shravan Shah: Okay, got it, got it. And second sir a broader thought in terms of normally what our strategy is to keep on doubling the capacity.

Sreekanth Reddy: Every 10 years sir.

Shravan Shah: Yeah, every 10 years. So now with Andhra Cement would be there, so we would be 10 plus capacity. So, what's the next plan and when can we see that?

- Sreekanth Reddy:** Every 10 years it would double sir. Every 10 years if we -- earlier indicated was to become ₹10 million by 2025 and ₹20 million by 2035 that remains sir, that narration remains for us.
- Shravan Shah:** Okay, thank you sir.
- Sreekanth Reddy:** Thank you.
- Moderator:** The next question is from Rajesh Ravi.
- Rajesh Ravi:** Yeah. Good afternoon. Could you share me regional break up broadly sales in South, East and Central together and West in a broad percentage, because just wanted to understand your realization from whatever assessment you were earlier discussed and shared, East market you have seen strong pricing. West and South the prices has been both flattish to, a few markets have seen pricing improvement. So, where is this 5% realization growth coming in from?
- Sreekanth Reddy:** Mr. Rajesh, I broadly tell you what the real numbers.
- Rajesh Ravi:** Yeah, broadly, yes.
- Sreekanth Reddy:** See our Telangana contributes close to 27% sir, AP contributes 31%, Karnataka 6%, Maharashtra 6%, Tamil Nadu 12%, Orissa 7%, Madhya Pradesh 9% and other states remain at 1%, which broadly is in line with what we have done even during the last year same time sir as a percentage.
- Now specifically going to the realization which moved up. Yeah, the Orissa is the only place and the other contributed quite significantly, the places where we were slightly negative were in Karnataka and Tamil Nadu sir, rest everything remain flat or positive. Yeah, we have seen 6% gain in Maharashtra, but what you should be mindful of this Mr. Rajesh, is that it also is to do with the product mix change, because from earlier there is a shift. The distances would have changed, the things would have altered. So broadly, I think we will be happy to share those sensitive details.
- Rajesh Ravi:** Sure, sure. So, it is more to add with your increasing share of trade, sorry blended cement sales?
- Sreekanth Reddy:** No, no blended cement typically it might put downward pressure in terms of realization margin, it could be flat or positive. But there

probably could have been some sale, higher sales noticing in certain segments where the contribution could have been higher.

Rajesh Ravi: Okay.

Sreekanth Reddy: And what you have to be mindful sir, the AP government supply prices have gone up.

Rajesh Ravi: Okay.

Sreekanth Reddy: Yeah, it has gone up by ₹15 per bag or ₹16.

Rajesh Ravi: Okay. So that is a major contributor.

Sreekanth Reddy: Yeah ₹15, it is ₹15.

Rajesh Ravi: Yeah, ₹15.

Sreekanth Reddy: That alone is not, but that also did contribute.

Rajesh Ravi: Yeah, yeah that also contributed. Okay. And second is in terms of the demand number, your assessment, the monthly assessments indicates that south market is showing strong traction, even if we look beyond FY21 or '20?

Sreekanth Reddy: Sir the problem is not with the demand sir, the problem has been with the lackluster demand. So, it's on and off, that actually is creating the pressure on the market. So whatever order that is coming into the market, once it is not there for couple of days, people tend to pick up at whatever is the price, that indirectly is putting the pressure. So, we don't see a big challenge with the demand. As long as you see the way we see it, customers expect it to ramp up very fast, but it has been very stable sir. It has been very stable.

Rajesh Ravi: Okay. And sir when you talk about subsidiaries, currently, only these two are your subsidiaries, right? The Jeerabad and the Jajpur units?

Sreekanth Reddy: Yes sir.

Rajesh Ravi: And the rest, both the Bayyavaram and the Gudipadu amalgamated?

Sreekanth Reddy: No, Bayyavaram was always the part of the asset. So, the Gudipadu got merged last year sir.

- Rajesh Ravi:** Yes, yes, yes. Okay. So, when we look standalone number, we are just excluding these two new units?
- Sreekanth Reddy:** Yes sir.
- Rajesh Ravi:** Okay, great sir. So last question on the costing, while your presentation you're saying that sequential Q2 costs are much higher in terms of imported coal prices shooting up 70% plus or not. You're still expecting your costs to be flattish Q-on-Q?
- Sreekanth Reddy:** These are two things separately, Mr. Rajesh. We don't use imported coal at all, we have just indicated the imported coal prices in general. We are not using any of it, Mr. Rajesh.
- Rajesh Ravi:** Okay. Okay. So, because of your usage of pet coke and domestic coal, you're expecting.
- Sreekanth Reddy:** To remain flatter, because there is some saving that we have already started seeing, but it might be back ended, may not be in this quarter, but it means subsequent quarter. We expect it to be flat. We don't -- we're not expecting it to move higher or come lower, expecting it to be flat.
- Rajesh Ravi:** Okay. And sir one last question, these two new entities at EBITDA level and by -- on what utilization, you're expecting them to breakeven at least at EBITDA level?
- Sreekanth Reddy:** Sir it's a complicated question, Mr. Rajesh. It is to do with the realization. Yeah, so it is not just the utilization alone, but if realizations move up even at a lower capacity utilization, it should. But our experience is that at Jeerabad even a 50% capacity utilization should help us be EBITDA positive. But it will be close to around 40% capacity utilization. That's what if everything remains same.
- Rajesh Ravi:** Okay. So Q4, you are expecting those numbers to be achieved?
- Sreekanth Reddy:** We are hoping for that, Mr. Rajesh.
- Rajesh Ravi:** Okay. Great sir. Thank you. I'll come back in queue.
- Sreekanth Reddy:** Thank you.
- Moderator:** Sir, the next question is from Thanasha on the chat. After some recovery seen in June '22, how has the demand been in July '22? Has

there been any improvement, also if you could give some regional flavor?

Sreekanth Reddy: Yeah, now the demand related issue. It's a very seasonal issue Mr. Manish. I'm sure you appreciate that they cannot be compared month on a month for at least for this season. As seen, it's too soon. But if I have to compare with June to first 15 days of this July, yeah, it definitely drop because season is on. So as indicated though, for a short term, it looks difficult.

But for a long-term from an economy perspective, it looks very, very promising because the rains are much higher than normal is what they have indicated. And all the reservoirs are almost close to the full couple of months ahead of time. So that's a good sign for agriculture and the economy. But for the short term, it looks challenging, because it started raining good 15 days to 20 days ahead of schedule. That is what is making the demand numbers look lower. But that's the season I mean.

Moderator: The next question is from Amit Murarka.

Amit Murarka: Yeah, hi. Good morning, everyone. So just my question is again on par fuel. So from the slide, I can see the numbers are higher than the first quarter numbers. So just wanted to check like, understanding that was there is that the pet coke has come off, like from a level of \$250 to \$220 odd. So why is the spot prices showing higher than the prior quarter?

Sreekanth Reddy: Yeah, they are what they are sir. We have not done anything there. That's what we have indicated about what the spot prices are, that's what we have indicated in our presentation. When it comes to our own consumption sir, they are blended, that we do it on a weighted average. So, they're trending down, but by the time the low cost pet coke, or relatively low cost pet coke, it will be middle to end of Q3.

Amit Murarka: Right. And does this cost that you indicate also include that 10% custom duties is the landed cost?

Sreekanth Reddy: Perhaps all the landed cost at each of our sites.

Amit Murarka: Right, right. And I just missed the geographical breakup that you shared of your various states...

- Sreekanth Reddy:** I would share that with you, Mr. Amit. Yeah, it's optical, so I'm sure it will be a challenge for me to read out, but we'll be more than happy to share those numbers.
- Amit Murarka:** Okay, sure. Thank you.
- Moderator:** The next question is from Vincent Andrews.
- Vincent Andrews:** Sorry, it was muted. Good morning, thanks for the opportunity. I have only one question. See the net debt currently it is at ₹1,208. So, what will be the repayment for this including the addition that you have taken for FY23 and '24?
- Sreekanth Reddy:** Yeah, it will be very close to ₹195 crores would be the principal repay off. Repayment would be close to ₹195 crores, Mr. Vincent. But it is structured in a similar way for next seven, eight years sir. So, our net debt at this point of time is ₹1,208 that includes ₹500 crores of money that we have borrowed for the acquisition Mr. Vincent.
- Vincent Andrews:** Okay. So, one more question. So, for the Andhra Cement, I just want to confirm, the clinker capacity is at 1.65 and grinding capacity is at 2.6, right?
- Sreekanth Reddy:** Yes sir. See these are as indicated by the RP sir, which of course our people did do the technical diligence. So, yeah, it is at 1.65 million clinker, 1.8 million ton grinding at the integrated plant in Dachepalle in Guntur district of Andhra Pradesh and 0.8 million ton grinding capacity in Vizag in Andhra Pradesh.
- Vincent Andrews:** Okay, again out of this ₹48 crore interest cost in this quarter, how much it will be getting capitalized after post-acquisition?
- Sreekanth Reddy:** Sir, I think let me give you the precise numbers in due course of time and in an offline. Yeah, we are expecting that these trends to continue for even for into Q3 once the asset -- any of the asset that we are targeting to acquire, then it'll get capitalized sir. In such time I think this would exist in the book.
- Vincent Andrews:** Okay.
- Sreekanth Reddy:** Yeah, I think close to around ₹15 crores would come from this additional borrowing of ₹500 crores for acquisition, Mr. Vincent.
- Vincent Andrews:** Okay. Thank you. That's from my end. Thank you.

- Moderator:** Thank you. Sir, a couple of questions from the chat box from Mr. Pradeep. What is the fuel mix domestic coal and pet coke ratio?
- Sreekanth Reddy:** Sir, it is 70:30 sir, it is 70% domestic coal and 30% pet coke.
- Moderator:** Thank you. Sir next question is from Nikhil Deshpande. Has the entire 500 acquisition debt fully drawn, and have you received the ₹350 crore from Premji?
- Sreekanth Reddy:** Yeah, it's fully drawn as far as the acquisition funding is concerned. And we received the entire ₹350 crores from the Premji for their equity participations. Yes, we did receive both.
- Moderator:** The next question is from Keshav Lahoti.
- Keshav Lahoti:** Sir your other expense have decreased by ₹100 million in this quarter. I think it's more to do with the ramp up of the new plants. So, is it fair to assume now in this quarter there is no one-off expense and other expense?
- Sreekanth Reddy:** Sir, as you have rightly said the most of the ramp up has already completed. Some of the -- one-off expenditure is pertaining to the legal, pertaining to the acquisitions and on. Yeah, more or less we have done with most of them sir, but even if they are, they should be very, very marginal.
- Keshav Lahoti:** Okay. One more question from my side. The fuel mix in Q2 will also be stable?
- Sreekanth Reddy:** Yes sir, I think we are more or less expecting. Yeah, there could be a small change where the domestic coal could slightly come down, pet coke could go up, because we are trying to manage the moisture. So, typically pet coke could be a better choice. So, we might see a slight increase in pet coke utilization, but by few basis points only sir. If that it could be shifting by a few basis points. That's it.
- Keshav Lahoti:** Okay, thank you. That's it from my side.
- Sreekanth Reddy:** Thank you.
- Moderator:** The next question is from Shravan. Please go ahead, Shravan.

- Shravan Shah:** Hi, sir, in terms of the CapEx, last time we said it is only the ₹30 crores. So that remains the same or any change?
- Sreekanth Reddy:** Yes sir. That remains the same sir. That remains the same. The maintenance CapEx has been sub ₹30 crores.
- Shravan Shah:** Okay. And just on the tax rate front for the full-year on the P&L front in...
- Sreekanth Reddy:** We should be under MAT sir.
- Shravan Shah:** Okay. So, this is including the deferred tax we are seeing or?
- Sreekanth Reddy:** Yes sir, it's inclusive, because with the merger of Gudipadu, I think we are back to the MAT and yeah.
- Shravan Shah:** Okay. Thank you.
- Sreekanth Reddy:** Thank you.
- Moderator:** The next question is from Harshit.
- Harshit Toshniwal:** Just one question from my end the thermal fuel costing we have mentioned in our presentation, do we follow first in, first out methodology?
- Sreekanth Reddy:** We do the weighted average.
- Harshit Toshniwal:** Okay. So the 30% domestic pet coke which we use, what is the price at this point of time?
- Sreekanth Reddy:** Yeah, it is 2.71 for 100 Kcal Mr. Toshniwal.
- Harshit Toshniwal:** So our inventory cost and weighted average cost, which we are having right now is largely same.
- Sreekanth Reddy:** Yes, it has to be. Yeah. That's correct. The shift, we only happened the reduction only happened during the last fortnight or the last week of June, Mr. Toshniwal. So real impact would be felt only as mentioned in the middle of next quarter.
- Harshit Toshniwal:** Got it. And sir if I may ask how many months of coal do we -- how many months of fuel, do we carry as inventory?

- Sreekanth Reddy:** Yeah, at 100% capacity utilization sir, we have domestic coal for two months and pet coke for around 45 days. We don't operate at 100%. So that would translate to three months.
- Harshit Toshniwal:** Got it. Sure. Thank you, sir.
- Sreekanth Reddy:** Thank you.
- Harshit Toshniwal:** And one more thing if I may ask. So that 10 million ton is something if Andhra plant goes along with our plan, then that 10 million ton is something which are going to be there even in FY23 end itself. So just want to understand that the ₹500 crore additional funds, which we have, is that largely going to get consumed for this capacity or...
- Sreekanth Reddy:** Yes, I think what you should look at is this money was earmarked for the acquisition sir. So, and that's the debt probably at the best it could go up by another ₹100 crores more that should, that we should start reflecting at 10 plus million tons for close to ₹1,500 odd crores on a higher side, that includes working capital and everything.
- Harshit Toshniwal:** No sir, I didn't get the last part. So basically, we reached 10 million ton by end of FY23 itself. And a large part of debt which we have the ₹500 crores?
- Sreekanth Reddy:** Exactly, it's going to remain the same sir that we are already sitting on the debt for the potential acquisition. So that numbers could not change, but the capacity would change.
- Harshit Toshniwal:** Understood. Got it, got it, got it. Thank you, sir.
- Sreekanth Reddy:** Thank you.
- Moderator:** So, the next question is from the Abhishek Lodhiya. Is the demand elastic to change in price, because we have seen higher volume at highest prices? So, does lowering price help to push volume?
- Sreekanth Reddy:** Sir, these commodities influence on the overall cost of construction meet house or any other project is very, very limited. Historically, we have never seen higher price compressing the demand or vice versa. The lower price is accelerating. What we have seen is only if at a very higher inflationary kind of a pressure on the building material, some small deferment is what we have seen, but we have never seen any correlation vis-à-vis to price to demand, we have never seen any

inversely kind of a correlation or a positive correlation. We have never seen any of that in the past.

Moderator: Thank you, the next question is from Amit Murarka.

Amit Murarka: Yeah. Hi, just on the fuel sourcing bet like, generally I remember in the past, you mentioned that during monsoons, you generally raise your inventory holding and what you said that is, as of now, you would have two months of inventory. So, is there a change in strategy?

Sreekanth Reddy: No, we have not changed anything in our strategy, Mr. Amit. Since the inflation has hit us hard for last three quarters, yeah, we are not aggressively procuring it, because and we always think that once we buy if prices come down, it would impact. So, we slowly have reduced from six months to three months now.

What we have indicated is at 100% capacity utilization. So, which we are not doing either way. So, this actually is very close to 3.5 to 4 months of our fuel requirement. Yeah, we did reduce it from six months to close to four months or 3.5 months that we have done because of the very high cost and very volatile kind of pricing regime on those fuels. Yeah, we would be very happy to revert back to that six months as soon as we see some stable kind of a pricing on the fuel side, Mr. Amit.

Amit Murarka: Sure, that's fair. Understood and also on Singareni like given that the alternatives are so much more expensive, what kind of or what is a periodicity of this agreement you have with Singareni in the next six months?

Sreekanth Reddy: Sir these are FSAs which are long-term, but agreement needs to be entered every year. So, everything is in place for us for the fuel supply.

Amit Murarka: Okay. But the pricing can be revised when...

Sreekanth Reddy: Sir pricing is dynamic. FSA is perpetual, only for the supply sir, it has nothing to do with the pricing. Pricing is very dynamic. There is no agreement for the price.

Amit Murarka: Sure sir. Thank you.

Moderator: Thank you. Anyone who has a question may indicate by raise of hand. As there are no further questions, I'd now hand over the call to Mr. Reddy for his closing comments. Over to you sir.

Sreekanth Reddy: Yeah, we'd like to once again thank you for joining on the call. I hope you got all the answers you were looking for. Please feel free to contact our team at Sagar or CDR should you need any further information or you have any further queries. And we'd be more than happy to discuss them with you. Thank you and have a good day. And thank you, Manish.

Moderator: Thank you sir. That concludes the call. You may now disconnect.