



Sagar Cements Limited

Q4 and FY'16 Earnings Conference Call Transcript

June 07, 2016

Moderator Ladies and Gentlemen, Good Day and Welcome to the Sagar Cements Q4 and FY'16 Earnings Conference Call. I now hand the conference over to Mr. Gavin Desa of CDR India. Thank you and over to you, sir.

Gavin Desa Thank You. Good Day, everyone and Welcome to Sagar Cements Q4FY'16 Analysts and Investor Conference Call. We have with us today Mr. Sreekanth Reddy – Executive Director; Mr. P. S. Prasad -- Vice President (Marketing); Mr. Rajesh Singh -- AVP (Marketing) and Mr. R.Soundararajan -- Company Secretary. We will begin this conference call with opening remarks from the management following which we will have the floor open for interactive Q&A session.

Before we begin I would like to point out that certain statements made in today's discussion may be forward-looking in nature and a note to that effect was stated in the concall invite sent to you earlier. We trust you have had a chance to receive and go through the documents and financial performance and would have a chance to go through the same.

I would now like to hand over to Mr. Reddy to make his opening remarks. Over to you Sreekanth.

Sreekanth Reddy Thank You and Good Afternoon everyone and welcome to Sagar Cements Earnings Conference Call for the quarter and year ended March 31st, 2016.

Let me start the discussions by briefly highlighting the key sectorial developments before moving to our performance during the quarter and the year. Demand activities remained for soft major part of the quarter, It was on the second-half that we witnessed a pick-up in the construction activity. Growth rate though appears strong then it is actually is partly explained by the lower base, prices on the other hand remain volatile, northern region experience the maximum variation as heightened competition and weak demand pushed the prices down in the first-half of the quarter. Prices though rebounded later in the period. The prices in south trended downwards on the back of weak demand. Prices in western region as well remained under pressure owing to soft demand in Maharashtra. Things are though appearing to gradually improving for the better with green shoots appearing in certain sections of the economy. We are hopeful that persistent efforts on the part of the government towards revising the CAPEX cycle should result in the sustained demand better pricing environment going into the future.

Moving towards Sagar's performance it has been a fairly strong year for us with improved financial performance across all parameters. In addition, we have also made significant operational progress in form of completion of BMM acquisition and commissioning of the railway siding operations.

From a financial perspective the net sales for the quarter stood at Rs. 152 crore as against Rs. 181 crore during the Q4 of FY'15. While on a yearly basis sales stood at Rs. 618 crore as against FY sales of Rs. 545 crore higher by almost 13%. EBITDA for the quarter stood at Rs. 26 crore as against Rs. 42 crore during Q4 FY'15 while EBITDA on a yearly basis stood at Rs. 96 crore as against Rs. 60 crore generated to FY'15 higher by almost 60%.

Higher operational profitability and margins were primarily on account of improved efficiencies and lower input cost. Average fuel cost for the quarter stood at Rs. 779 per tonne as against Rs. 829 during Q4 FY'15.

Freight cost per tonne for the quarter stood at Rs. 649 as against Rs. 676 during the corresponding period last year. We are hopeful of lowering freight cost even further following the completion of the BMM acquisition as BMM would now cater to Sagar's Karnataka and Tamil Nadu's market share while Sagar would now focus more expanding its reach in Maharashtra and Orissa. Further the commissioning of the railway siding will also help us to improve the rail road mix besides leading to lower freight cost. It would also help us improve volume growth by deepening our presence in the market with longer distance and also resulting in a lower inward freight cost.

PAT for the quarter stood at Rs. 15 crore as against Rs. 22 crore during Q4 FY'15 while on a yearly basis it stood at Rs. 50 crore against Rs. 297 crore. Previous year include a net gain of Rs. 276 crore following the stake sale in the joint venture. Excluding the item FY'15 generated a profit of Rs. 21 crore. From operations point of view cement plant operated at 61% utilization level during the quarter of the total sales approximately 56% of the dispatches were made in markets outside of AP and Telangana. With Maharashtra, Tamil Nadu and Karnataka being the top three markets for us during the quarter.

As far as the key balance sheet items are concerned, the gross debt as on 31st of March 2016 stood at Rs. 193 crore out of which Rs. 124 crore is long-term and the remaining constitute working capital. The net worth of the company as on March 31st, 2016 stood at Rs. 553 crore, debt equity ratio stands at 0.22:1, cash and bank balances were at Rs. 4 crore as on 31st of March.

That concludes my opening remarks. We would now be glad to take any questions that you may have. Thank you.

Moderator

Our first question is from the line of Anshuman Atri from Haitong Securities.

Anshuman Atri

My question is regarding the growth expectations for various markets as well as for Sagar and BMM for the next year going forward. And second question is in terms of the cost benefits of various initiatives which are being taken by the company and outlook for coal as well as freight going forward.

Sreekanth Reddy

Yes, let me start with the growth opportunities for the states that we operate sir, our outlook for all the states for the current year we expected 5% to 7.5% incremental demand increase between Andhra and Telangana, Tamil Nadu we expected it to be negative, Karnataka we expected it to be flattish and Maharashtra also more or less on similar lines. On toto we expected or we expect the overall year to remain very similar to what it has been in previous year for us that is the outlook that we have given out quite some time back and we are holding with that even at this point of time. Now coming back to the cost elements, the usual outlook that we take for the cost is only on a six months kind of a scale and for next six months we do not expect a significant changes to happen in most of the input items primarily the energy side which is on coal as well as the freight though there have been small

increases that have happened on the diesel and also the pet coke as well as the coal prices in general have moved up by almost 2% to 4.5% but we have more or less covered our self-up to at least middle of this year. Going forward our belief is that there is may not be a significant change in the overall cost elements that is the outlook that we internally believe.

Anshuman Atri

Okay. And one last question is on the margins given that you are seeing improvement in the main market which is AP and Telangana. So can we see these margin improvements next year?

Sreekanth Reddy

It is on two count sir, one the outlook for the demand more or less as I stated is expected to be growing in these two states but on an overall kind of market we believe we are be more or less on a flat trend. Now coming back to the margin as I stated the input cost remaining where they are with all the CAPEX planning that we have done over the last few years they started showing the results. On that count we do believe the margins are expected to go up marginally up but not significantly altering on that, it is too early for us to count on it. On a pricing front, what we have seen is we have seen that last quarter that is the Q4 for most part of the quarter the prices were actually trending down. And only middle of May we started seeing the prices going up given this trend we believe that price if we have to compare with the last year to the current year our outlook for the pricing is more or less very similar to how it has been last year. So given that scenario except for the marginal expansion in the margin purely happening because of the efficiency account, we do not expect it to happen in any other direction.

Moderator

Our next question is from the line of Ujwal Shah from Quest Investments.

Ujwal Shah

Sir, in terms of each of these markets where you are present are not we seeing a good growth traction now post the 4Q has the demand sustained in April and May as well, first? On AP and Telangana side basically has the demand started moving in terms of Amravati capital as well irrigation project that has come up in Telangana are we seeing that kind of traction? And considering that Tamil Nadu elections are now behind, can we see demand reviving in that market as well?

Sreekanth Reddy

Yes, now the question about each of the states performance of the last few month sir, I think if I have to compare with the month of March has been exceptionally good for most of southern market especially with AP and Telangana. Usually March cannot be compared with any other month. But the trend line if you have to see more or less it is remaining very similar to other than FY'16, FY'16 was an exceptionally low year comparing month on month with what is happening this would not be a good sign because the base was very-very low for FY'16. Now if you have to look at month of April compare with the previous April months in the earlier years, it is more or less very similar. But if you have to compare with March it cannot be compared as I told you for south March demand was approximately around 6.6 million. From there our reading of April it has come down to 5.7 but it is similar I mean usually from March to April it starts trending down but if you see standalone March it is in line with the previous March that we have seen earlier but significantly higher compared with FY'16 April. Coming to Tamil Nadu now the election is done but usually our previous experience is that whenever the election is done the first six months usually remains subdued post that six-month scenario we start seeing the revival of the investment cycle coming back. But our overall year outlook for Tamil Nadu has been more on a negative tone. Primarily because Tamil Nadu has been growing for last five years very steeply so, if I have to compare with last year there has been a drop so, looking at trend revival in Tamil Nadu I think it would take the current financial year for us to come out of that negative trend before it starts moving upward.

- Ujwal Shah** Okay. And sir, in terms of BMM so, what are the cost measures which we believe will be undertaken in this current year and which would aid the margin?
- Sreekanth Reddy** As far as BMM is concerned sir, just on record, the BMM plant is a six stage preheater reasonably new the overall plant efficiency is good. Compared with the previous year to this year one significant change, though we have seen some of those benefits even during the last quarter of last year the limestone mine has become operationalize, so with that the margin on a year-on-year on a quarter-on-quarter significantly different because earlier we use to buy limestone now it has been mined internally that it self contributes close to around Rs. 250 to Rs. 300 as a minimum to the margin sir.
- Ujwal Shah** And sir, in terms of railway siding what kind of benefits we would get because of that cost benefit?
- Sreekanth Reddy** See the railway siding even in our earlier statement we are expected to derive maximum benefit out of the inward freight moment. At this point of time we are not significantly moved much of the material during the few months of this current quarter as and when it happens we expect the coal is expected to move from port to the plant per month on an average we are expected to get a crore rupees benefit out of that.
- Ujwal Shah** Per month you said, sir?
- Sreekanth Reddy** Yes.
- Moderator** Our next question is from the line of Nitesh Jain from Axis Capital.
- Nitesh Jain** Sir, I have one question, can you share the current cement pricing levels in some of the big cities like Hyderabad, Bangalore and Chennai for Sagar Cement basically?
- Sreekanth Reddy** Yes, for Sagar Cements the Hyderabad is soaring anywhere from 270-280, this is the wholesale price in Hyderabad. Chennai we are around 350 to 365. Bangalore we are at 360-365.
- Nitesh Jain** Okay. And Kerala basically we are not there.
- Sreekanth Reddy** In Kerala our presence is very minimal sir so....
- Nitesh Jain** So basically sir, whatever cement losses happened in the cement prices in last few months particularly Andhra and Telangana state so, the entire thing has been now recouped or covered.
- Sreekanth Reddy** Yes, we are probably another to Rs. 20 to Rs. 25 lower compare to the last year highest prices, sir.
- Nitesh Jain** Okay, sure. And secondly, sir, you have given quite muted guidance or the tone is negative on Tamil Nadu in particular. So any particular reason why you are not very I would not say very negative but slightly negative on the demand growth for Tamil Nadu any particular reason which we think?
- Sreekanth Reddy** Yes, Mr. Jain, our outlook for the year even last year when we have mentioned, I do not think it is negative but it is in line with the current trend that is happening. The reason being that Tamil Nadu if we have to see the base impact, base impact unlike the overall south the base impact is very high in Tamil Nadu, so keeping up

the same growth trends it could not sustain last year so we believe it would take some time before it comes back to normal. Having said that of course the state just completed the elections and usual trend is immediately after the election for first six months during the first part not much of investment cycle is to be seen. The budget and all was also for a very short till the new budget comes I do not think there is a lot of lot can be expected out of the state this is what is our internal believe. Probably in the next budget the investment cycle could kick starts for it to start coming back to the growth outlook for us to be as positive we were earlier, I think it would be another six months before we can turn positive on Tamil Nadu.

Nitesh Jain Sure. And sir, lastly I have one last question, can you share some feedback on the new capital city of Andhra, I am sure your marketing people must be closely tracking this area so what kind of physical progress which has happened so far like has the secretariat building started coming up or are they making plan or example road from the Airport to the Amravati has been build or any progress, any physical progress which you can share which has happened since we are close to that area?

Sreekanth Reddy Mr. Jain from last time when you have visited the capital to now the only difference is that the new capital work is under the secretariat or the temporary secretariat work is under progress. Beyond that I do not think there is any other work that is happening on ground because the final approval the NGT approval and everything is not yet in place.

Nitesh Jain Okay. Even the road from the Vijayawada Airport to the capital city that is also not taken off?

Sreekanth Reddy Noting can move sir; I think NGT has still not given the final clearance but it is expected to happen but still it is not yet on ground.

Moderator Our next question is from the line of Jaspreet Singh Arora from Systematix Shares & Stocks.

Jaspreet Singh Arora Sir, on slide 19, where you are sharing our state wise dispatch trend so Andhra and Telangana on a consol basis we are up while Karnataka is down, so just wanted to check with you if this case of realignment or this was the trend in 4Q in these respective states and therefore...

Sreekanth Reddy I think it is more to do with the trend very specific that has happened during the quarter and especially during the month of March.

Jaspreet Singh Arora Sure, so please correct me if I am wrong. So was March a month where the dispatch growth in all the states specifically in Andhra was in excess of what 20%-30% on a Y-o-Y basis?

Sreekanth Reddy Yes, now let me give you that number there is no bearing but let me give you March FY'15 AP, Telangana put together was around 1.3 million. If you have to compare with March FY'16 it is at 2.34 million.

Jaspreet Singh Arora 2.3 million against 1.3 million

Sreekanth Reddy Yes, sir, so that is the significant jump that has happened during those but if we have to compare that with Karnataka and Tamil Nadu Yes, of course it was from Karnataka from 1.4 million it moved to 1.7 million, Tamil Nadu more or less remain same from 1.91million it move to 1.94 million there is also more or less there is drop so we followed the same trend during that quarter and more or so in March

that is reason why our AP and Telangana numbers during the quarter look to be slightly surged but that is more to do with the Q4 that has happened that is a very specific event that has happened during those months.

Jaspreet Singh Arora Okay. So March specifically beyond being the year end of that sort anything specific to push this volume so much...

Sreekanth Reddy Our internal assessment, again it is only our assessment is that I think it is an year end rush and because a lot of accumulation of budgetary allocations for some of the projects was due for alliance so there was a knee jerk reaction for some of the departments both in AP and Telangana for them to consume the budget they ended up initiating those projects sir, those are the usual demand drivers like the low cost housing and the large ticket irrigation project none of them have contributed to a significant demand during those months.

Jaspreet Singh Arora Okay. And any ball park idea how has been you have highlighted but just in terms of absolute figures how has April and May been against this 2.3 in March?

Sreekanth Reddy If you have to April from March it has... you are looking specific to the state or...

Jaspreet Singh Arora Yes, against 2.3 in AP Telangana...

Sreekanth Reddy It has come down to 2 million in April sir and in May it has come to 1.7 million.

Jaspreet Singh Arora Which is more of the long-term....

Sreekanth Reddy This is a normal trend, that is how the normal trend would happen so which is good but you cannot compare with the last year number's.

Jaspreet Singh Arora But against last year it would still be in the double-digit.

Sreekanth Reddy Yes, if I you look at April 2016, it is at 1.3, sir compare with 2 million in FY'17 but if you have to compare with April of 2015 to FY'17 more or less the number of trends remain same.

Jaspreet Singh Arora Okay. So you are saying these are months of low base which are kind of catching and over a period of time it would normalize.

Sreekanth Reddy Yes, sir that is what our internal believe that is the reason why we believe our outlook for the entire south is more or less flat.

Jaspreet Singh Arora Sure. And in terms of the results there was no purchase of stock and trade and that is because we have now 100% consolidated the BMM capacity.

Sreekanth Reddy Yes, we trading of cement right from the day we start consolidating or rather BMM become a wholly owned subsidiary starting of 1st of September.

Moderator Our next question is from the line of Avinash Nahata from Aditya Birla Money.

Avinash Nahata My first question relates to the coal cost. So if you look at the entire financial year 2016 your coal cost has the indigenous part has move from 5,000 in the first quarter to 3700 back to 4,500 it is pretty volatile whereas, if you look at the imported coal cost it has been around at 5,700 for the last three quarters, just explain this.

- Sreekanth Reddy** See domestic coal, if you have notice that our consumption of domestic coal is very-very insignificant. The price movement has happened because we were not sourcing the 100% of our indigenous coal from Singareni alone. We started buying coal finds which are slightly of a better grade from third-party sources though the quantity that we have used is very-very insignificant. Bulk of our coal consumption happened only on imported coal sir, the price is in line with the trends that remained very stable so, the average procurement cost for us also remained on a similar kind of trend. Domestic usage is insignificant sir though the trend tries to be slightly deceptive it is primarily because we did buy some coal finds from a third-party source that actually influence or else Singareni coal prices there was no moment for the whole of last year.
- Avinash Nahata** Okay. And just to talk about how much our institutional sales not sold through retail dealer network.
- Sreekanth Reddy** That is what we call as a non-trade sale, sir. Non-trade sale would roughly constitute around 25% of our overall sales.
- Avinash Nahata** 25%?
- Sreekanth Reddy** Yes, sir. It is not just institutional but it is something which we have probably not used our trade network, it is a direct sale.
- Avinash Nahata** Yes, direct sale is what I refer to.
- Sreekanth Reddy** It is around 25% of our total sales, sir.
- Moderator** Our next question is from the line of Rashesh Shah from ICICI Direct.
- Rashesh Shah** Sir, just one question. what is our EBITDA per tonne for the BMM and for Sagar Cement?
- Sreekanth Reddy** For the whole year or you are looking at the quarter sir?
- Rashesh Shah** For both.
- Sreekanth Reddy** Yes, it is around Rs. 600 for Sagar, sir.
- Rashesh Shah** And for BMM, sir.
- Sreekanth Reddy** Yes, it should be in the range of Rs. 850 to Rs. 900.
- Rashesh Shah** Okay. Is there further room left for EBITDA per tonne expansion as far as Sagar Cement is concern or it will normalize at this level?
- Sreekanth Reddy** Our internal assessment is that it more or less would remain in same platform though there is a possibility for small improvement in BMM but at Sagar our internal assessment is it is more or less remaining in the same number because our exposure to Maharashtra & Odisha is there where the price corridor still remains to be under stress.
- Moderator** Our next question is from the line of Prateek Kumar from Antique Stock.
- Prateek Kumar** Sir, my first is with regards to your reporting, so would you be reporting quarterly consolidated numbers because...

- Sreekanth Reddy** Yes, sir, we would be doing it start from this Q1, you will start getting the consolidated quarterly numbers standalone BMM, standalone Sagar and the consolidated numbers.
- Prateek Kumar** Okay, and secondly, on you said you have exposure to Maharashtra of course, so in line with pick-up in pricing in AP market, we have seen some pick up in Maharashtra market as well. So what is your outlook there I mean I mean in general Maharashtra pricing move in tandem with the AP pricing but if you are seeing like AP pricing picking another Rs. 20 - Rs. 25 that should also help this Odisha and Maharashtra as well.
- Sreekanth Reddy** I wish they were aligned in similar platform but in the past it has never behaved so, going forward I do not see a reason why it should behave same. I think each is a standalone market, currently at least for last couple of months we have not seen a significant pricing changes in Maharashtra at least for those markets where we operate because we are not there in Mumbai and Pune. Our market at the maximum would stretch itself up to Kolhapur.
- Moderator** Our next question is from the line of Amol Kotak from Principal Mutual Fund.
- Amol Kotak** Sir, I just wanted to know what has been the cumulative price increase from the month of March.
- Sreekanth Reddy** See I think nothing much has happened during the month of April, the first increase has happened middle of May. Again it is different for different-different places. What we have seen is almost Rs. 50 increase has happened in Hyderabad, around Rs. 15 in Bangalore and Rs. 10 in Chennai and most of it has happened during the middle of May sir.
- Amol Kotak** Sir, there was one more hike which we were looking in first week of June has that happened?
- Sreekanth Reddy** Probably we will get to know sir, I think what happens is from announcement for it to really get fructify in the market usually there is a lag of week to 10 days so we are going through that, so all of us intend to get back to the best of the pricing for last year still there is a gap that catch-up I think the trend is looking up but we are yet to reach to that. So during the first week of June probably we will get to know in another two days to three days' time and we will be happy to update you on that as and when it happens.
- Amol Kotak** Okay. Sir, you also mentioned the Sagar EBITDA per tonne, I miss that number. Can you please share?
- Sreekanth Reddy** Yes, it is around Rs. 600 for the last quarter.
- Amol Kotak** While the market is there any volume targets would you give for current year?
- Sreekanth Reddy** Our outlook for the current is flattish as last year, sir.
- Amol Kotak** Okay. And so what would be the CAPEX for the current year?
- Sreekanth Reddy** See the maintenance CAPEX as indicated would remain Rs. 5 crore at Sagar and another Rs. 5 crore at BMM sir other than that we are also pursuing a waste heat recovery plant it is a 6 megawatt waste heat recovery plant with a CAPEX of around Rs. 65 crore.

- Amol Kotak** So have we started work on this?
- Sreekanth Reddy** Yes, we have kept the orders for it, sir, I think the ground work just started, the project is likely to take 18 months from now for the completion.
- Amol Kotak** Okay. And sir, broadly if you could just share the sales mix for the current year consolidated basis.
- Sreekanth Reddy** I think trend lines would remain more or less very similar to what we have discuss in our presentation for the whole year. If you look at our Page #19 in our presentation AP, Telangana is around 40, Karnataka is around 11%, Tamil Nadu is at 15%, Maharashtra is almost at 20%, Odisha is 10%, that would be the more or less our expected volume mix into different states and at the consolidated level.
- Moderator** Our next question is from the line of Dhruv Bhimrajka from Crescita Investment Management.
- Dhruv Bhimrajka** For FY'16 what is the amount of CAPEX that has been initiated or completed by the company?
- Sreekanth Reddy** We have not started anything CAPEX during FY'16 we just concluded most of the things which we have initiated in FY'14. So we have not done any specific initiated any project during the last year.
- Dhruv Bhimrajka** Okay. And any CAPEX plans for the next year I think I am repeating the question but I have joined the call late.
- Sreekanth Reddy** See except for the regular maintenance CAPEX of Rs. 5 crore at Sagar and another Rs. 5 crore at BMM other than that we have also initiated a waste heat recovery project it is a 6 megawatt project. Rs. 65 crore CAPEX we initiated that, that is expected to be completed 18 months from now.
- Dhruv Bhimrajka** Okay, 18 months from now and it has been funded by internal accruals or any amount of debt has been taken for it?
- Sreekanth Reddy** So far we have not drawn any debt sir, though we might take debt over a phased manner the current planning is to complete the project in internal accruals.
- Dhruv Bhimrajka** And will it reduce the power bills of the company?
- Sreekanth Reddy** Yes, sir, it is a 6 megawatt so similar kind of an offset can be expected. Once it is fully operational, we expect it would contribute a minimum of Rs. 10 crore EBITDA to the bottom-line.
- Dhruv Bhimrajka** Rs. 10 crore EBITDA contribution?
- Sreekanth Reddy** Yes, sir.
- Dhruv Bhimrajka** Okay. And what type of energy will be like is it a hydel power plant, what is it?
- Sreekanth Reddy** No, it is a waste heat recovery system.
- Dhruv Bhimrajka** FY'17-FY'18? And any projections on the numbers going forward, the top-line EBITDA levels for

- Sreekanth Reddy** We usually give the volume outlook but we generally do not talk of the top-line or the bottom-line.
- Dhruv Bhimrajka** Okay. Because this year it has been around 14%-14.5% jump and so we can expect the EBITDA margins to continue at these levels.
- Sreekanth Reddy** That is what we are hoping.
- Moderator** Our next question is from the line of Abhishek Shah from Valcour Capital.
- Abhishek Shah** Just wanted to check with the regulatory hurdles currently I mean in terms of land, etc. so, just wanted to check how much time does it take for sitting a Greenfield cement plant currently would it be three years - four years - five year?
- Sreekanth Reddy** Sir let me rephrase the question there are no hurdle. Around five years it would take to put up a Greenfield plant.
- Abhishek Shah** Okay. And sir, would you expect say if it takes five years to set up a Greenfield plant with the opportunities that we have you expect a lot of consolidation to happen in the coming quarters or coming years in the industry?
- Sreekanth Reddy** Our internal belief is most of the time people talk of the consolidation, I think it is a very specific case-to-case kind of an issue and our internal understanding is that most of us would expand based on a market wise kind of scenario.
- Abhishek Shah** Okay, got it. Sir, and just one thing if someone wants to start a Greenfield plant what is the minimum capacity for him to start to make it viable or it can go as low as 1 million tonne also.
- Sreekanth Reddy** See it I think it is very location specific sir, again if somebody wants to put up a plant in the exiting clusters I think people again it is again from case-to-case it would vary but in general people talk of at least a minimum of 2 million if it's in an existing cluster.
- Moderator** Our next question is from the line of Devang Bhatt from ICICI Direct..
- Devang Bhatt** What I have seen in your standalone, your long-term borrowings was Rs. 105 crore which has increased to Rs. 295 crore so there is an increase of Rs. 190 crore and you have paid around Rs. 540 crore for BMM right?
- Sreekanth Reddy** Yes, sir.
- Devang Bhatt** So for that where else would be the entry for BMM?
- Sreekanth Reddy** See from Sagar perspective what we have done to BMM is it is a Rs. 540 crore enterprise value transaction that we have done. The way it is structured it is Rs. 300 crore debt at BMM and a Rs. 240 crore contribution from Sagar in two part – one is around Rs. 80 crore equity and the Rs. 160 crore contribution quasi equity on a preferential basis.
- Devang Bhatt** Okay. So where it will be reflected in your consolidated because it is not that detailed?
- Sreekanth Reddy** Sir, currently it is reflecting as an ICD loan sir, it is an inter-corporate deposit from Sagar to BMM.

- Devang Bhatt** Okay. So it will be reflected in loans and advances of yours?
- Sreekanth Reddy** Yes, sir.
- Moderator** Our next question is from the line of Sanjay Nandi from Ratnabali Capital Markets Private Limited..
- Sanjay Nandi** Sir, can you please share me the total consolidate production number and the standalone number for the March 2016 quarter?
- Sreekanth Reddy** It is 454,701 in Sagar sir, as a standalone.
- Sanjay Nandi** And for the consolidate number sir?
- Sreekanth Reddy** Yes, it is 608,973 sir.
- Sanjay Nandi** Okay. And sir, you have just mentioned from that right now going ahead from that Sagar plant you are just focusing on the Maharashtra and Odisha market, right?
- Sreekanth Reddy** Yes, sir.
- Sanjay Nandi** And so in the current scenario the Chhattisgarh market is developing a lot so, do you have any plan to catering in those market including Odisha?
- Sreekanth Reddy** See Chhattisgarh even now we send sir but it is a very-very small quantity around 1,500 tonnes to 2,000 tonnes is what we usually sell in Chhattisgarh market but by freight it is very far sir so, it will be only reached to a point where it makes sense to us but beyond that we generally do not reach.
- Sanjay Nandi** Sir, what is your freight cost per tonne for serving from Hyderabad to Orissa market sir?
- Sreekanth Reddy** Yes, from Mattampally plant to Orissa market it is close to around Rs. 1,500 per tonne sir.
- Sanjay Nandi** Okay. And sir, right now your consolidated debt is at about Rs. 383 crore including of short-term and long-term borrowings, right?
- Sreekanth Reddy** Yes, sir.
- Sanjay Nandi** All right. So do you have any plan of cutting it down in the coming fiscals?
- Sreekanth Reddy** See it is a debt which is structured for a very long-term sir, it is structured with an NCD from IFC and all which is 10-year tenure for which we have two-year moratorium and we just took the debt end of March so, we have a long way to go. So we would follow the path sir, bulk of the debt in that has come from IFC as an NCD to the company.
- Moderator** Our next question is from the line of Vivek Maheshwari from CLSA.
- VivekMaheshwari** Sir, my first question is on this DMF levy one of the companies to understanding has bid quite aggressively in East India. What are your thoughts on structurally what happens from here on now that we have precedence wherein the bidding amount is quite a lot from a limestone mine perspective, any thoughts on that?

- SreekanthReddy** No, I think similar trend should be expected everywhere because now that somebody has taken a call one location I think all the state governments would be aggressively pursuing similar kind of an option as and when the bidding process will start.
- VivekMaheshwari** And what would be I mean obviously the cost goes up quite a bit so thus far limestone cost was much smaller thing in the larger scheme of overall cash cost given that power and fuel and freight was much bigger but this also pushes up the limestone cost quite a bit. So how should we think about it?
- Sreekanth Reddy** Yes, if you look at the raw material cost other than the energy cost in the overall kind of thing it is still relatively a lower portion sir, but whatever is the impact it is going to have but I am sure as long as it remains same for the industry I think it will be a pass through.
- VivekMaheshwari** I see so you think it will be a pass through. Because I was just thinking sir, it limits the upside potential from a margin perspective because if you pass on this then essentially you are capping the margins to some extent or else cement prices have to move up quite a bit?
- Sreekanth Reddy** It is true with any cost. If you know in last five years the energy cost has more or less doubled, same trend is also expected to happen on the raw material side. It is not like the earlier margins were 20 which has become 10 but even then the margins were 10, even today with energy cost more or less doubled over the last five years I would not say the margins have been protected but it is more or less in similar trend so if any cost element goes up in short-term definitely it puts pressure on the margin but on a longer run I am sure it gets calibrated and the margin protection is expected to happen as in any other industry we are....
- VivekMaheshwari** And you have given a good snapshot about different states from demand perspective can you give your views on what is happening in Maharashtra because of the drought right now hopefully the monsoons are around the corner so that should help but as of now is there too much of pressure that you see in the state because of water shortage?
- Sreekanth Reddy** See I think Maharashtra is kind of mixed bag because bulk of Maharashtra demand these actually contributed by the urban scenario rather than the rural one I mean that has been the historical kind of thing. Like Pune and Mumbai together constitute close to 60% of the Maharashtra market in terms of cement demand. Now when you narrow down and try to see the urban to rural kind of thing I think urban market is almost 75% of the Maharashtra market. Now, given this scenario in terms of the drought definitely I think there are these forward months where the water shortage was there it did impact in terms of the demand.
- Moderator** Thank you, sir. As there are no further questions, I would now like to hand the floor over to the management for closing comments. Over to you, sir.
- Sreekanth Reddy** Thank you. We would like to thank you once again for joining on the call. I hope you got all the answers you are 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 will be more than happy to discuss them with you. Thank you and have a good day.