



# SAGAR CEMENTS LIMITED

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

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**Symbol: SAGCEM**  
**Series: EQ**

**Scrip Code: 502090**

Dear Sirs

**Sub: Conference Call on Q2 and FY 22 financial results**

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We are forwarding herewith the transcription of the Conference Call held by us on 28<sup>th</sup> October, 2021 in connection with the recently announced un-audited stand-alone and consolidated financial results for the second quarter and half-year ended 30<sup>th</sup> September, 2021.

Thanking you

Yours faithfully  
For Sagar Cements Limited

  
R. Soundararajan  
Company Secretary

Encl: a.a.



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**Sagar Cements Limited**  
**Q2 FY22 Earnings Conference Call Transcript**  
**October 28, 2021**

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**Moderator:** Good afternoon ladies and gentlemen, we welcome you all to the Q2 FY 22 results conference call of Sagar Cements Limited. We have with us from the management Mr. S Sreekanth Reddy, Joint Managing Director, Mr. K. Prasad, CFO, Mr. Rajesh Singh, Chief Marketing Officer and Mr. R. Soundarajan, the company secretary. I would now like to hand over the floor to Mr. Gavin Desa of CDR for his opening remarks and then we can move on to the concall. Over to you, Gavin

**Gavin Desa:** Thank you. Good day everyone and a warm welcome to Sagar Cements' Q2 FY22 Analyst and Investor Conference Call. Manish has already introduced the senior management on the call.

We will begin this conference call with opening remarks from the management following which we will have the floor open for an interactive Q&A session. Before we begin, I would like to point out that some statements made in today's discussions may be forward-looking in nature and a note to that effect was stated in the con call invite sent to you earlier. We trust you have had a chance to go through the result communications and documents.

I would now like to handover to Mr. Sreekanth Reddy for his opening remarks. Over to you, Sreekanth.

**Sreekanth Reddy:** Thank you Gavin. Good afternoon everyone and welcome to Sagar Cements' earnings call for the quarter ended September 30, 2021.

Let me begin the discussion with a brief overview of the market – in terms of demand and pricing trends post which I will move on to Sagar specific developments.

Demand and subsequent volumes remained steady across our key markets during the quarter. Pick up in housing and infrastructure activities helped us to sustain the volume momentum during the quarter. In terms of the overall sales mix, non-trade demand was healthy as various central government infra projects gathered momentum. Trade

sales were expectedly a bit low, owing to the heavy rains across most parts of the country and very specific to the markets that we operate. Realisations as well were relatively steady across our key markets. However, we were compelled to undertake price revisions to offset the impact of significantly rising input prices. Resumption of economic activities, conclusion of the monsoon season and subsiding of the Covid cases should result in improving the overall pricing environment and also the demand.

Going ahead, we remain positive on the business and believe the steady demand from housing, industrial and infrastructure provides strong visibility both in terms of demand as well as the pricing trajectory.

Moving on to Sagar specific developments, we are pleased with our performance during the quarter, wherein we delivered a healthy revenue growth of 13% over the previous year. Revenue growth was largely owing to the strong underlying demand in housing and infrastructure activities across our key markets. Realisations as well, were largely stable on the back of steady demand. Operating profit margins during the quarter were expectedly on the lower side given the sharp surge witnessed in the key raw materials and also one of events like, we actually have undertaken the maintenance activity across the units that we have during this time. As guided earlier, prices of pet coke, coal, diesel continued their significant up-trend in turn denting the overall profitability of the business. While price hikes were announced by most of the industry players, the extent of the price revisions weren't commensurate enough to help offset the overall impact of the input prices so far. However, we are able to minimize part of the pain owing to our prudent cost management and procurement policy.

Moving on to operational highlights, another positive development was that, On October 27, 2021 i.e., yesterday, Satguru Cement Private Limited, (subsidiary of the Company) has commenced the clinkerization process at its newly implemented integrated cement plant of 1 MTPA capacity in Madhya Pradesh. As informed earlier the cement grinding & the dispatches commenced on August 15, 2021. This along with Odisha project which is expected to be commissioned by middle of December 2021, will not only help us improve our volume growth during second half of the current financial year, but will also help us in rationalizing our freight expenses and diversifying our sales outside our existing markets.

Average power & fuel cost stood at Rs. 1,313 per ton as against Rs. 844 per ton reported during Q2 FY21. Elevated prices of coal and pet coke resulted in higher per ton cost of fuel for the quarter. Freight cost for the quarter stood at Rs. 795 per ton as against Rs. 769 per ton during Q2 FY21. Profit after tax for the quarter stood at Rs. 21 crores, as against profit of Rs. 50 crores reported during Q2 FY21.

What we would like to state here is, there has been a policy change for us, we are no more considering the incentives, part of our P&L, and at the same time making the provisions for the past, because of receipt of the incentives are not been upto the mark in terms of timeliness, so we started making the provisions appropriately in this regard.

From an operational point of view Mattampally plant operated at 51% utilization level while Gudipadu and Bayyavaram plants operated at 80% and 57% respectively during the quarter.

As far as the key balance sheet items are concerned the gross debt as on 30<sup>th</sup> September 2021 stood at Rs. 914 crores out of which Rs. 774 crores as a long-term debt and the remaining constitutes the working capital. The net worth of the company on a consolidated basis as on 30<sup>th</sup> September 2021 stood at Rs. 1,334 crores. Debt equity ratio stands at 0.58:1. Cash and bank balances were at Rs. 128 crores as on 30<sup>th</sup> September 2021.

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

**Moderator:**

Thank you, we will wait for a moment for the question que to assemble anyone who has a question, they can signal by raise of hands. We have the first question from Shravan Shah. Please go ahead.

**Shravan Shah:**

Hi sir. So, firstly, a couple of things first, why we were confident that we will be Odisha unit, we will be starting by September and now we are postponing by almost a quarter. So, what are we trying to time it and what's Why the delay and I think most of the capex is done. So, why the delay?

**Sreekanth Reddy:**

Yeah, good morning, I think the delay is primarily because of this strong situation that actually happened. So that hampered during the monsoon. Yeah, we could not work for 15 days. The site is almost ready. So, I don't think that there should be any further delay than what we have already indicated. The last finishing works which were more outside, yeah we could not progress as per the plan, because the monsoon impact was very very severe, but for that, the entire plant is already needs reasonably complete shape, barring a few small minor works that have to happen on the clinker silo top and as well as the cement silo top, we could not progress because of the monsoon. Yeah, those are all the finishing works that are there and we have cautiously indicated middle of December, but we are more than hopeful that by end of this month, we should be in a good shape to commence the operations itself.

**Shravan Shah:**

So in terms of the volume guidance that we were saying 3.6, So any downward revision to that?

**Sreekanth Reddy:** No sir, I think we are reasonably sure of the outlook, the volume outlook still remains at 3.6. Yes, just for your distinct. We have already done 1.73 million for the first half. So 3.6 is definitely doable is what we strongly think. So outlook remains same.

**Shravan Shah:** Yeah. So now on the pricing and the cost upfront so how much till now in October, we have taken a price hikes and how much more needed and on the cost front also. So everybody knows the Pet coke, coal situation. So how much more at our level in terms of per tonne, we can see a further increase. So that's the other question.

**Sreekanth Reddy:** Yeah. Now, coming back to the cost side, there are two elements one is the diesel price hike. I think that so far from a quarter to quarter, I think there has been a 4 to 4.5 percent rise in the diesel price hike, that got impacted even on the freight side. So, if the trend lines remain, so, freight is expected to move up by in a similar kind of a band. Now, more specifically on the thermal side. For us, if you have seen, we ended up using the entire imported coal that has been with us in the inventory. So we are no more left with the imported coal and we are not doing any procurement action on the imported coal side. Yeah we continue to use the pet coke if you have seen in the last quarter, yeah, we ended up almost at 60% Pet coke. So, going into the Q3, we believe that pet coke will come down to 50% and the coal would be the balance and majorly it would be domestic, I think we are expecting the domestic coal to be anywhere between 40 to 45%. Mostly on the power and fuel costs, we are we are expecting from Q2 to Q3, an increase of only 50 rupees. Primary reason being that we are fully switching over to the domestic coal sir, yeah, we are fully done procurement for the Q3. So the impact is only on the pet coke side. For us there is not much of an impact so far on the domestic coal. So the domestic coal usage, we believe that the potential increase on the power and fuel is going to be only 50 rupees from Q2 to Q3 and if similar trend continues on the domestic coal, likely that we might still end up with a 50 rupees increase from Q3 to Q4 is what we think. But that again depends on the diesel price movement sir, because freight, the inward freight is also going to play a role on the overall kind of landed costs of the Coal.

**Shravan Shah:** Okay, on the pricing front, how much we have taken a price hikes and how much more are needed.

**Sreekanth Reddy:** See, I think how much more is needed, I think the sky is the limit sir, let me address what we have achieved so far. From the exit price of September to the current month. Yeah, Bangalore, we could increase by 45 to 50 rupees per bag, Chennai has been 35 to 40, Hyderabad has been 40 to 45, Vizag is 35 to 40, Sholapur is around 40 rupees, even Pune though it's a very small market for us. Yeah, the increase is at 40 rupees. Yeah, this effectively on a net basis, sir, would have covered the potential kind of a cost pass through so far that has happened. Any cost increase from here on should help us

go back to a better margin kind of a regime. But with this price increase, we are more or less again, I'm specifically talking of Sagar because of the domestic coal availability. With this price increase, Yeah, it's kind of an effective pass through. Our struggle is only on the freight side. Sir, I think from here on, the price increase should be directly proportional to the freight cost increases and the fuel cost increases from here on. We have been reasonably successful to cover the ground so far and we hope and wish that the power and fuel costs don't move up beyond what they have already done. With that hope, we more or less could cover the escalation on the power and fuel side, the other inflationary things, we are hoping that should be covered with the potential price increases that are likely to happen going forward.

**Shravan Shah:** Sir, last clarification on the pledge shares and debt guidance that we were saying around net debt of 800 odd crores. So are we maintaining that?

**Sreekanth Reddy:** Yes, sir. I think our stance has been very clear that we would still be maintaining our net debt sub 800. Now very specifically to the pledge share, sir, I think it's part of the promoter family, not the core promoter family. Yeah, for their own personal requirement, they have pledged, it is not from the core promoters, it is an extended family of the promoters.

**Shravan Shah:** Okay, Thank you and all the best sir.

**Sreekanth Reddy:** Thank you.

**Moderator:** Thank you. The next question is from Mangesh Bhadang, please go ahead.

**Mangesh Bhadang:** Hello, sir. My question is on the debt side again. So the peak debt you had mentioned, I think 800 to 850 crores and we are closer to that and just before the board meeting, I think you had tried to pass on a resolution for increase in debt or issuing the debt. So the purpose of that, for the repayment this year.

**Sreekanth Reddy:** Mangesh Yeah, we don't borrow debt to repay the debt. Let me as a policy clearly state that the primary purpose of potential debt increase is primarily to augment the potential kind of acquisition and, and forward capex, if any, and these are of minor nature, sir. I mean, it's an ongoing thing that we keep doing it. Yeah, the idea of raising debt is not to repay the existing debt.

**Mangesh Bhadang:** So this was not for the existing capex. It was for the future one, that's the thing.

**Sreekanth Reddy:** Yes.

**Mangesh Bhadang:** Okay and in terms of demand, sir, if you can just throw some light on demand, specifically in AP & Telangana, how it is shaping up? So what are your expectations in the second half and overall growth in FY22?

**Sreekanth Reddy:** Yeah, Mangesh when it comes to the demand, I think as mentioned earlier, even in my opening remarks, the demand has been study, we struggled to service the demand during the Q2. The good news was that monsoon was heavy. But unfortunately, we could not service during that time, because of the number of rainy days and the quantum of rain that we have received in the footprint areas of our market was very, very strong. So we could not service the entire demand, demand has been fairly steady. Our problem with the government demand, especially in Andhra and to some extent in Telangana has been extremely strong. Our only concern was about the payment related issues on the government side. So once that get eased up, we are reasonably confident of the demand outlook for these two states.

**Mangesh Bhadang:** And Sir lastly, you mentioned that given the usage of domestic coal, the incremental hike in power and fuel costs would be up to 50 rupees per tonne for you. And given the kind of price hike we have seen in October, you think that we can go back to say, closer to Q1 levels of EBITDA per tonne?

**Sreekanth Reddy:** See, I think our outlook indication still remains as what we have started with, we are confident that the volume outlook of 3.6 million is definitely achievable. And similarly above 1,000 rupees EBITDA per ton, we strongly think is possible. Because if you'd have seen, even the full H1, yeah, we are very close to that number. So I don't think there would be any change, any price hike from here on, we strongly believe, may not significantly alter the margins, but it should be a pass through in terms of the cost. Yeah, if you see the last year margin was close to around 31 to 32%. Yeah, we shall hope, we would be close to that. But can we increase the price to match up with that? I have my reservations. But I think good point is, I think our customers and the market is responding positively for any cost increases, I think the price is more or less aligned to ensure that it's a pass through. So that itself is a very good situation. So given that scenario, we are very sure that with this kind of a volume outlook our EBITDA, absolute EBITDA should be very close to of last year, that itself is not a bad number. But anything higher than that, I keep my fingers crossed. We are hoping for it. But I'll keep my fingers crossed.

**Mangesh Bhadang:** Okay. Thanks a lot.

**Sreekanth Reddy:** Thank you.

**Moderator:** Thank you. The next question is from the Amit Murarka, please go ahead.

**Amit Murarka:** Yeah, Hi, good afternoon. Just on power and fuel like, these have been kind of moving, see fluctuating a lot. So currently, is the pet coke cheaper than imported coal. After all this sharp jump.

**Sreekanth Reddy:** Yeah, I think, Mr. Amit, I would strongly encourage you to look at slide 9 in our presentation, were we did indicate, the current level of pricing. In our case, it's not just the imported Pet Coke. But we do have the domestic pet coke available for us, see from this year. On a landed basis, the current pet coke is at \$300. The imported coal is at 245 to \$250.

**Amit Murarka:** Also, like on this clinkerisation, that started so congratulations for meeting the timelines there. But like how was the like, situation on that front like given the way the costs are Central Market is obviously you have also been seen the flow of materials from someone Southern states.

**Sreekanth Reddy:** Sir, I think, this is similar to the markets that we operate. Sir, I don't think it is something very different. Fortunately, the price hikes probably may not optically look like how it has been in the other markets that we service. But I think the current price increase should offset the cost increases also.

**Amit Murarka:** Got it. Thank you.

**Moderator:** Thank you, the next questions from Indrajit Agarwal. Please go ahead.

**Indrajit Agarwal:** Hi, Mr. Sreekanth, thank you for the opportunity, you mentioned that you will increase the proportion of domestic thermal coal. Sir, just want to check what kind of grades you're getting over there in terms of domestic thermal coal, and is it good enough to be used in our kilns.

**Sreekanth Reddy:** Sir, just to remind you, a few years back probably a decade back up to that time, we were not looking at any imported coal nor the pet coke sir, it was purely dependent on the Singareni coal that we were using it. Unfortunately, the quality of the coal deteriorated over a period, but we had to do some adjustments to our mix designs. So, for the Q3, our outlook is that, it should be 50% domestic coal with the 50% of Pet coke. So, that is what our mix design is meant for, but our Kilns are capable of absorbing 100% of this domestic coal also, because we have material which can, the mix design can be made to suit 100% of the domestic coal and primarily when we are talking about domestic coal, in our case, it's all Singareni.



**Indrajit Agarwal:** Sure, Thanks, that is helpful.

**Sreekanth Reddy:** of course, with Satguru getting operational, even there, we do have an FSA, that probably would be coming from the subsidiary of Coal India, but that could be a very small portion. We do have pet coke agreement even with the IOCL, Baroda.

**Indrajit Agarwal:** Two more questions on power and fuels on my side. So what is the typical inventory that we maintain both for domestic and imported? Because you already have your entire coal booked for Q3? So is it more like three months or how should?

**Sreekanth Reddy:** Sir, usually our stated this thing is we look at 90 days as our inventory, but we could not move so much during the Q2 because we were not, we never had such a strong good feeling about the price increases. So, we did not go aggressively that got reduced to 60% and we ended up using the high cost imported coal. But as such, we have 60 days forward kind of inventory when it comes to very specific to domestic coal, our idea is to take whatever comes by. So, we should go back to more than 90 days kind of inventory in due course of time. Q2 was tough, purely, because during the monsoon most of the collieries also could not supply at that point of time, because some of the you know it gets flooded and this season. And coupled with that, last one and half month, you know most of it got diverted to the power plants. Rightly so, the current inventory is at 60 days, but over the next few weeks, I think we should go back to the 90-day kind of inventory position in various plants of ours.

**Indrajit Agarwal:** Sure, thank you. One last question. Several of your peers have increased the alternate fuel or green fuel usage, we are still at about 3% kind of energy,

**Sreekanth Reddy:** Mr. Indrajit, I would encourage you to look at our integrated report. See, it's not an apple to apple comparison sir, our disclosure is on TSR it is not on percentage of alternate fuel. So I think we are we are probably at par or better than most of my peers. And its long way. So we are more than hopeful that we should be surpassing all the best practices that can happen on that particular factor. See the compassion in our disclosure is on TSR, that is the thermal substitution rate or the equivalent is always a challenge because you end up using something which is of a lesser calorific value, but its voluminous as a percentage it looks very high. But the real metric there is to look at the TSR.

**Indrajit Agarwal:** Sure, thank you very much. That's all from my side.

**Sreekanth Reddy:** Thank you sir.

**Moderator:** Thank you The next question is from Mangesh. Please go ahead.

**Mangesh:** Sir, the question is on Andhra cement. So, in case if you have looked at that asset for acquisition purpose, just wanted to know your thoughts on the capacity the or the quality of assets and the limestone life that they have?

**Sreekanth Reddy:** Yeah, let me put it like this Mr. Mangesh, we definitely looked at that asset with lot of interest. But unfortunately, the process did not suit us what they have initially started off. So we did not end up bidding for it. But I believe now that debt assignment has happened to one other ARC. Yeah, we are keenly looking at what is likely that is going to happen post that event, if it comes back into the market, we would definitely be very keen to relook at it. Now let me address the question that you've asked first about the quality of the asset. Yeah, the quality of the asset. It's a split location plant sir. So there is an integrated plant in Dachepalli. There is a grinding plant in vizag. Dachepalli unit, yeah part of the diligence, fortunately, we had a chance to visit and do the diligence tour in the first step. Yeah, the Dachaepalli unit is in a very, very good shape Sir, it's a very good quality asset. Of course, like any asset it needs, I think improvement is always a continuous process. So but as is, where is I think the asset is of a very very good quality, it roughly has around 150 to 180 million tons of limestone resources. A lot of investment went in the past, for it to be upgraded, might need some little investment for it to further get aligned. Going back to the other, it's a 1.55 to 1.6 million tonne clinkerisation unit, with the 1.8 million tonne grinding capacity, we see there is a good scope for some improvement there, with optimization itself and debottlenecking. The other asset is a vizag grinding station. It's a 0.8 million ton grinding station sir, it's with ball mill. But the asset quality is good, though it's old, but it's a ball mill. So we cannot compare with the assets that we have, as you know that our assets are relatively new and a lot more sophisticated. From a vizag grinding perspective, Yeah, we may have to relook at and retrofit the asset to align with the quality of the asset that we generally target for but the Dachepalli unit which is the bigger of the asset, I think it's in a very very good shape.

**Mangesh:** so, we already have a presence in the same region. So and with relatively lower utilization. So what would be the idea behind looking at that asset?

**Sreekanth Reddy:** Mangesh, it's a more a consolidation of the market. The asset comes at the right value, we would be very happy to get it, that has been the core aspect of it. Like any market we have been open for all the markets, the idea is we are only avoiding putting up a greenfield or brownfield for at least for next three years in south. So, if any asset is available in south we have been always keen. So, it was part of that thinking that we looked at this particular asset, the interest in that asset is subject to the cost of acquisition also Mr. Mangesh.

**Mangesh:** Yeah, okay. Thanks a lot Sir.

**Sreekanth Reddy:** Thank you.

**Moderator:** Thank you, anyone who has a question, may please signal by raise of hands. The next question is from the Rishith Shah, please go ahead.

**Rishith Shah:** Yes, sir. Sir, you said there is a plan shutdown and maintenance impact was during Q2 So, can you just quantify how much impact was there in this current quarter?

**Sreekanth Reddy:** Yeah, the absolute impact is around rupees five crores.

**Rishith Shah:** okay and sir since the new capacities has commissioned and another capacity is coming in the December quarter. So, have we seen some cost impact in the current quarter pre-operative expenses and so, just want to know that?

**Sreekanth Reddy:** I think it is aligned sir, I think it is perfectly aligned, because the commissioning just the clinker commissioning just happened, it is on dot in terms of our internal expectation. So, there has not been any changes in that regard as far as the Satguru, coming specific to Jajpur sir, the impact is very, very marginal, because most of the capex is done. So, there is a moratorium to balance it out. So, we are not expecting any major changes to happen on the capex side related, on the opex side for both these projects, it is very much in line and as per the plan.

**Rishith Shah:** Q2 cost of production is 3,612 rupees. So, how much rise we expect in Q3 considering the fact that the current imported coal price on per kcal is 2.94 rupees as per your presentation and Q2 exit rate was 1.58. So there is almost an 80% increase.

**Sreekanth Reddy:** Yeah, Mr. Rishith as I indicated, our estimation with the current inventory and the weighted average cost of power and fuels that we have, yeah we are expecting a 50 rupees increase on the account of per tonne on the account of power and fuel from Q2 to Q3. Q2 was tough from a perspective of the operating leverage was very low and at the same time we ended up consuming the higher cost of fuel that is the entire imported coal we had to use, because we were aligning the mix design to suit with the 50% pet coke and 50% domestic. So, we could not have made a recipe which was theoretically it was possible but technically it was difficult. So, we ended up using the high cost inventory during the Q2 itself. So, the very positive development is we are expecting only a 50 rupees' potential increase for the Q3 on Q2 Sir on the account of power and fuel. We are better cost management to happen in Q3 versus Q2.

**Rishith Shah:** Okay, and sir, as you said we have taken price hike of 40 to 45 rupees per bag in October month. So, can we expect 1,000 rupees EBITDA per tonne from next quarter onwards considering after taking the impact of cost increase?

**Sreekanth Reddy:** Sir, as I mentioned, we got 750 rupees EBITDA per tonne for the last quarter. Yeah, on an average of 40 rupees across the board increases happened. So you have to net off the GST and all. For the entire year outlook remains, as stated before 3.6 million tonne and above 1,000 rupees EBITDA per tonne. That remains fairly doable.

**Rishith Shah:** Thank you sir and all the best.

**Moderator:** Thank you. The next question is from Prateek Kumar, please go ahead. Prateek, please unmute your line and go ahead.

Will wait for a moment and Anyone who has a question, may please signal by raise of hands. The next question is from the Navin Sahadeo, please go ahead.

**Navin Sahadeo:** Good afternoon Sir. Yeah. Sir just one question from me. You said of course, the industry has already taken a very handsome price hike and if at all, there is a further cost escalation. There will be further price hikes as well. So in the south market, typically where it is like, you know, there is a lot of like, you know, non-infrastructure demand or may I say housing demand. So, in your opinion at what level of demand starts facing some sort of postponement or pressures because of the price hikes in the cement space? That's my only question.

**Sreekanth Reddy:** Yeah, Mr. Navin, even in the past, we did mention, the cost of cement, or the cost of cement in the overall kind of in housing is very, very insignificant. Sir it is, in fact, less than 2%. I'm not talking of 1%, It could be even less than that. So given the influence of the overall cost of cement in the construction, this price hike definitely should not influence their decision for postponement. I mean, irrespective of what the price of cement, the other building material or all the commodity prices. I mean, if you have seen, I am sure you're tracking most of the other commodities, relatively cement, unfortunately, never caught up with the inflationary track, it still remained behind the thing. But generally, since it's a bulk commodity, and it is a commodity, which actually people need right from the first groundwork all the way to the finishing, people get overwhelmed with the voluminous nature of the cement, but fortunately, it doesn't really impact the pocket of their sir. I mean, we probably if you look at a mid-range house, one luxury TV probably should be much more expensive than the overall cost of the Cement sir and I'm not trying to exaggerate it's a fact sir, because it's theoretically if you look at it, yeah we consume, I mean, it's a 15 kg per square foot is the consumption of cement and you multiply with whatever price that you can imagine and try to go back and work out.

**Navin Sahadeo:** I appreciate that.

**Sreekanth Reddy:** I don't think any deferment; cement price should not really influence the deferment sir. But unfortunately, the other construction material, if they go beyond the thing, it might, but definitely not on the account of cement pricing is what we think generally. Directly, if you look at it sir, I don't think we are touching the historical high prices, in spite of such a very difficult scenario, the cement prices barely very close to the historical highs, but they never cross the historical high prices even now.

**Navin Sahadeo:** Understood and just one more question, if I may, South as a region we have seen like, you know, been on negative demand side for I think over two years now. I mean, of course, FY 19 was stupendous, much ahead of the all India growth, but 20, it was much below the industry, I mean, all India growth, even 21, because of COVID, the impact was far higher, right, even as we speak, south in the first half probably may have fed a little poor versus the rest of the regions. So going ahead now, can we see some sort of normalcy coming back, can we expect the above industry, or above average growth rate in the second half, or maybe over a period of next one year? Or do you think there is still, demand triggers are still missing down the region?

**Sreekanth Reddy:** I think the current outlook that we have, again, has been anywhere between 3 to 5% for the entire south to grow. We think it could be higher than that, but definitely not lower than that. Now, it's a relative kind of thing where you have a better infrastructure kind of a thing. The progress tends to be slower on the infrastructure side. But housing has been a single biggest influencing factor in this region, especially in the markets that we operate and they continue to grow. So, given that, we internally think that the South demand should definitely grow in the current year, anywhere between 3 to 5% is what we think. In the next couple of years, it should be higher than this but not lower than this. Except for some states. You know, the election definitely influences the demand for that shorter period. But medium to long term, we still think that South could be very close to the double-digit growth on an average CAGR for a 5 to 10-year horizon we think it will definitely be very close to 7.5 to 10%.

**Navin Sahadeo:** Appreciate sir, thank you. Thank you very much.

**Moderator:** Thank you. The next question is from Pratik Kumar, please go ahead. Pratik, you may unmute your line and please go ahead. Will take the next question from the Dhiral Shah, please go ahead.

**Dhiral Shah:** Yeah, good afternoon sir and thanks for the opportunity. Sir, my question is again pertaining to the south cement utilization. So, what is the average cement utilization in South India for the industry as a whole?

**Sreekanth Reddy:** Logically it should be anywhere between 55 to 60%.

**Dhiral Shah:** Okay and Sir, any big capacity addition in coming years, let's the next two to three years in South India.

**Sreekanth Reddy:** See right now, we only go with the announcements. As in the public domain, I think the Ramco's integrated plant at Kalavatala, which is part of the Yerraguntla cluster is due for commissioning, I think end of Q3 and there is a grinding plant of Chettinad in Vizag, that just got commissioned, and it's public hearing for both NCL and Deccan, grinding plants in Vizag. So, these are any new orders that have been placed? I think we will exactly know weeks from now, but so far these are the things which are in the public domain.

**Dhiral Shah:** Sir, in terms of capacity, how much it would be?

**Sreekanth Reddy:** Sorry, can you repeat the question?

**Dhiral Shah:** In terms of total capacity, how much it would be including Ramco, Chettinad, NCL and Deccan?

**Sreekanth Reddy:** The new this thing, I think the grinding plants of Chettinad is 2 million. Deccan I think is close to 1 million and same is the case with NCL Sir.

**Dhiral Shah:** Okay, okay. Thank you so much.

**Sreekanth Reddy:** Thank You.

**Moderator:** Thank you. The next question is from Ashish Jain, please go ahead.

**Ashish Jain:** Hi Sir, Good afternoon, sir. Firstly, on coal means what is the status on coal supplies from Singareni because you indicated you know, 50 - 60% usage of domestic coal, are we kind of getting that supply already or this is?

**Sreekanth Reddy:** we have been getting the supply but for the last one and a half month, were we had to struggle, one because of the weather and the other because they were made to the priority as the power sector sir, even in the slide we did indicated you that we have 6 lakh tons of linkage with them for over next 12 months. So we are more than hopeful as the season improves and some amount of relief starts coming from a power sector. Yeah, we are more than hopeful for us to get as such we are, we have one and half month kind of a forward stock for the domestic coal lying in our yard sir.

**Ashish Jain:** Okay. So coal availability will not be a problem, fine.

**Sreekanth Reddy:** I think in our case, I mean, very specifically, I think availability was not an issue. It's only an issue of the cost both the domestic and imported. I think that is the case even for most of the players who are relying on imported. I think imported coal or pet coke is available, but it's only a question of at what price it is available.

**Ashish Jain:** The secondly on price hike you indicated the hikes in South what's the sense on the pricing in Orissa, because clearly it's the market which is incrementally a growth driver for you.

**Sreekanth Reddy:** See, I think though, we are targeting it, we actually started indicated to the market that we are looking at similar kind of a thing sir, but what we have achieved is only 15 rupees per bag

**Ashish Jain:** okay. Got it.

**Sreekanth Reddy:** Mind you, sir, we are only into the trade, our non-trade reliance is very very low, I believe, the pressure is still on in the non-trade side.

**Ashish Jain:** Right. And sir, lastly you know, after these two expansions which should get over by December, anything on the organic side that we are thinking, planning to take up from the next two - three-year point of view.

**Sreekanth Reddy:** See on the organic side, specially the Brownfield site for next two to three years, we are not trying to add up pressure to the existing markets, but from a preparatory side. Yes, Gudipadu for the next line, the public hearing is due on the 16<sup>th</sup> of November. But we don't intend to quickly start it, but we are preparing the work for ourselves.

**Ashish Jain:** Got it Sir, thank you so much. Thanks a lot and best of luck.

**Moderator:** Thank you. The next question is from Pratik Kumar, please go ahead.

**Pratik Kumar:** Yeah, Hi, Good afternoon sir. Sorry, I was not able to unmute. My first question is, how does the domestic coal pricing on a kcal basis compares to international coal? Currently export pricing?

**Sreekanth Reddy:** Yeah, Pratik, I would encourage you to look at the presentation what we have shared on slide 11. We did indicate sir, yeah just to give you a quick, Yeah, important pet coke is at 2.95 rupees per kcal and imported coal is at 3.33 rupees, the right now the Singareni coal for which we have the linkage, is at 1.50 rupees per kcal sir.

**Pratik Kumar:** Okay, no, sorry, I meant, I mean, isn't domestic? I mean, Singareni Coal is also, I mean, aren't they looking for any price hikes aligning their prices with the imported?

**Sreekanth Reddy:** Good question Mr. Pratik, but I have no answer to that, I wish it remains the way it is. So, historically, they have never aligned with the imported coal pricing sir, if you just three months back, if you have to look at it, the imported coal was half or near half to the singareni coal. same was the case with the pet coke. So, our belief is that they may not take such a difficult kind of a pricing way where you know people will start looking at the other arrangements, if you have seen the industry moved away from most of the domestic coal, because of the quality of the supply and at the same time it is expensive.

**Pratik Kumar:** And like yourself or other manufacturers also maybe talking to the Singareni coal more than what they usually do.

**Sreekanth Reddy:** Sure, sir, I think that is the case. I mean, there is no exclusivity, it doesn't need rocket science to figure it out. I think that is the case Mr. Pratik.

**Pratik Kumar:** And Sir, just one question on pricing. So, you mentioned about I mean, I think most manufacturers are now indicating of price hikes. So, there is I mean, while initially in October, there was a nervousness if they will go through or not, it seems they have gone through. So, I mean, price is also reverse sometimes in November, December, because of year end phenomenon of companies. Is it something which we can anticipate or we are now like looking for even more hikes from here and not reverse?

**Sreekanth Reddy:** So I think I see what will happen to price, I wish there was a trendline and the trendline remains the way we think but it has never remained in the past. But given the scenario, the cost increase across the board, we think reversal of what is happened in October, looks highly unlikely. I mean, but in our business, as I keep telling, less of rationality and more of you know, market shares and also sometimes what goes up, typically comes down. But any further higher price hikes from here, I think it is primarily related to further cost pressures only, I mean, beyond that, still there is a gap, see, I can only speak for myself, in our case, with this price hike, more or less we have, we could recover. But again, freight is something which is an ongoing thing. But if you look at, majorly at the industry side, I think another 15 to 20 rupees gap still exists. So, to that extent, we think the prices should sustain and fluctuate from there on, reversal from here is suicidal for the industry. But in the past, we definitely had those tendencies, but nothing can be ruled out. But given the environment now, I think, reversal of October what is happened in October, what we have achieved so far reversal from here looks slightly unfeasible. So, given that scenario, we think, reversal may not happen from here, from here on, if we attempt for a very high price hike with the objective of getting something in that in the marketplace, some kind of volatility could be expected on account that is for potential kind of further price hike that we are going to take from



here. Yeah, but not for what we have taken so far. That's what we think, internally, we strongly believe that might be the case.

**Pratik Kumar:** Thank you. Sir, thanks for the response.

**Sreekanth Reddy:** Thank you.

**Moderator:** Thank you, anyone who has a question can signal by raise of hands. So, in the meanwhile, if I may ask a couple of questions.

Sir, one thing that you mentioned that the six lakhs tonne of inventory from Singareni and how long this can last for our internal for inventory?

**Sreekanth Reddy:** See, if we have to go with the mix that we have, recipe that we have done for the Q2, Sorry for the Q3 and Q4, I think this 6 lakh tones, with the combination of pet coke should last us for over 12 months from now, Mr. Manish.

**Moderator:** In terms of cost inflation, we are looking at only 50 rupees to Q2?

**Sreekanth Reddy:** Mr. Manish, Caveat there is this so far the domestic coal prices remained in control. So, if they remain I think the 50 rupees' factor is primarily on the account of the freight is what we are trying to factor because we have locked in but the locking is for the volume, the price is still an open ended kind of thing in the agreements sir, given that we strongly believe that this kind of a mix, even if they increase with the delta of price increases, we don't see it crossing more than 100 rupees in our case on power and fuel account. So bulk of the price increases actually strong probably compared to the larger peers or people who have come with the results so far. Probably we are ahead of curve, but from here on it looks very stable for us.

**Moderator:** And the second question is on Satguru cements, how's the initial response there in terms of volumes and as well as acceptability in the market?

**Sreekanth Reddy:** I think our volumes have been fairly controlled sir, the position has been fairly strong the acceptability has been very good. So we have done close to 15,000 tones so far, but nothing much can be concluded with this limited volume. But one of the best things is that yeah, the acceptance of the brand and the company has been overwhelming. So we strongly think that we should not face any major problem from a ramp up side.

**Moderator:** Thank you sir, that's it from my side. The next question is from Sanjeev Singh, please go ahead.

**Sanjeev Singh:** Good afternoon, sir. I just have one question in the slide you have given Pet coke price at around 22,000 rupees, that translates into I think around \$300 per ton, but whatever we have heard that it was around \$220 in the peak, it went to \$250. So, what does it include in the procurement price?

**Sreekanth Reddy:** See most of the people get carried away with the FOB prices sir. In our case, it's on the landed basis. So that's one of the reasons why we have given it in INR because it has the handling charges, It also has the freight to reach the site, it also includes all the taxes and associated things, it's all in cost sir.

**Sanjeev Singh:** Okay, it includes the transportation cost to your plant also, right?

**Sreekanth Reddy:** Yes, to the various locations wherever we use, it's not one, it's multiple sites. So, this includes the freight costs, this includes all the taxes and duties, this includes the handling cost also sir.

**Sanjeev Singh:** And just one thing, can you give some trend on recent how demand is panning out recently, so, like some people are talking about that demand has taken a hit in the south region. So in last few days, so, any comment on that?

**Sreekanth Reddy:** No, let me give you some comfort on the demand side sir. See, if you look at Q1 to Q2 realization, the effective drop in our case is only 4%. Now, that drop is primarily on account of the freight costs, there is a matching freight cost increase has happened. So demand was not bad sir, we could not service the demand because of the weather. Now, it's a relative term. So for somebody who ever is servicing certain segment, if they would had got impacted? Probably they but the average trendline is the demand has been fairly good. It's a fluctuating time. If it rains at some places, obviously you cannot service but the demand could drop. But the general trend has been it's not a bad demand trend line, it could be better but as such it is not bad sir.

**Sanjeev Singh:** okay sir. Thank you.

**Sreekanth Reddy:** Thank you.

**Moderator:** Anyone who has a question may unmute your line and go ahead please. So as there are no further questions, we would like to now conclude the call.

**Sreekanth Reddy:** We would like to once again thank each one of you for joining and taking interest in talking to us. I hope you have got all the answers for the questions that you were looking for. Please feel free to connect our team at Sagar or CDR should you need any further information or clarifications, we will be extremely happy to discuss on that.

Thank you once again. Have a good day. Thank you Mr. Manish for all the support.  
Thank you. Have a good day.

**Moderator:**

Thank you. Thank you, sir. We may now conclude.