Keshav CEMENT
Shri Keshav Cements & Infra Ltd.
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Date: 18/11/2024

To,
The General Manager,
Department of Corporate Services,
BSE Limited,
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai - 400001.

Dear Sir,

Sub: Analyst/Investor call Audio Transcript for the Quarter/Half Year ended 30/09/2024

Ref: Scrip Code: 530977
Scrip Name: SHRI KESHAV CEMENTS AND INFRA LIMITED

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find attached the Earnings call transcript of Analyst/Investor Call, as conducted on 14th November, 2024, at 04:00 PM, for the quarter/half year ended 30th September, 2024.

The Analyst/Investor Call was conducted after the meeting of Board of Directors, held on 14th November, 2024.

Kindly take the above intimation on record.

Thanking You,
Yours truly,
For **SHRI KESHAV CEMENTS AND INFRA LIMITED**

VENKATESH HANAMANTSA KATWA
Digitally signed by VENKATESH HANAMANTSA KATWA
Date: 2024.11.18 12:39:55 +05'30'

Venkatesh Katwa
Chairman
00211504

"Shri Keshav Cements & Infra Limited Q2 FY25 Results Conference Call"

November 14, 2024

MANAGEMENT: MR. VENKATESH KATWA – EXECUTIVE DIRECTOR AND CHAIRMAN – SHRI KESHAV CEMENT AND INFRA LIMITED

MODERATOR: MR. JAINAM SAVLA – KIRIN ADVISORS PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY25 Results Conference Call of Shri Keshav Cements & Infra Limited hosted by Kirin Advisors.

As a reminder, all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jainam Savla from Kirin Advisors. Over to you, sir.

Jainam Savla: Good evening, everyone. Thank you. On behalf of Kirin Advisors, I welcome you all to the Shri Keshav Cement and Infra Limited Q2 FY '25 conference call.

From the management team, we have Mr. Venkatesh Katwa – Executive Director and Chairman, Mr. Srinivas sir – Senior Finance (Head).

Now I hand over the call to Mr. Venkatesh sir for the “Opening Remarks”. Over to you, sir.

Venkatesh Katwa: Yeah, thank you, Jainam, and good afternoon, everyone. I am Venkatesh Katwa. I am the Chairman of Shri Keshav Cements & Infra Limited.

I welcome and thank you for this conference call of SKCIL. We are delighted to have each one of you here and we explore and discuss the “Financial Performance” of the 2nd Quarter of FY '25.

So, before we get into the details of this quarter, I would like to give a brief overview of the company and its robust business model. SKCIL, what was known as Katwa Udyog Limited, is engaged in the manufacturing of cement and the generation of renewable power in solar. And cement is sold in North Karnataka, South Maharashtra and Goa, whereas power is sold in the entire North Karnataka region or even other parts of Karnataka.

The company has a network of over 350 distributors with around 600 retail touchpoints and around 14 solar power consumers. So, since 2018, the company has been meeting 100% of its energy requirements through renewable solar energy. The cement plants of SKCIL are likely the only ones in the country to run on 100% green power or at least we were the first company to do so, resulting in a significant reduction in the power cost, which is over 75%.

We also received prestigious awards. Amongst many, one would stand out is from Bureau of Indian Standards for three years of consistent, high-quality cement and zero product failures.

We are pleased to report a significant start in FY '25 marked by key advancements that underscore our commitment to sustainable growth and the financial stability of the company. One of the significant milestones this half year is the commission of an additional 3 Megawatts solar plant at Bisarahalli in Karnataka, which brings our total solar capacity to around 40 Megawatt. This expansion highlights our decision and dedication to focus on renewable energy and reinforces our environmental responsibility.

In addition, we also secured a good credit rating upgrade from current to IVR BBB minus stable outlook on facilities operating a total of 223 crores. These achievements reflect our focus on sustainable practices and financial strength, and we look forward to building on this momentum for continued progress and value creation for our stakeholders.

So, let me take you through the performance of Q2 and H1 FY '25. Q2 FY '25 SKCIL reported a total income of 25.36 crores, demonstrating steady revenue generation in a challenging market landscape. The company achieved an EBITDA of 3.04 crores, translating into a 12.44% EBITDA margin, reflecting our ongoing efforts to enhance operational efficiency. For the first half of FY '25, the total income reached 56.6 crores, with an EBITDA of around 11.11 crores, resulting in an EBITDA margin of 20.23 crores.

So, looking ahead, we are poised to harness further advantages from economic scale as we work towards tripling our plant capacity, achieving higher utilization rates and expanding our solar capacity. These strategic enhancements, combined with the favorable demand outlook of cements, are set to significantly bolster our performance. Our goal remains to steadfastly drive sustainable business growth and reinforce our market position with strong efforts in elevating our brand's presence and value.

To generally speak about the cement industry, first two quarters, Q1 and Q2, have been pretty sluggish on a trail of completion of a major election in India, and then followed by monsoons.

However, in spite of these challenges, the company has increased the dispatches compared to the previous periods. So, this fiscal would again see the infrastructure in affordable rural house segment to propel the growth. The highest traction is expected from roads where the total outlay from the Ministry of Road Transport and Highways and National Highway Authority of India has risen 25% and 14% respectively year-on-year.

The top industry analysts and cement market leaders expect about 7% to 8% growth this financial year of FY '25. Considering the first two sluggish quarters on account of election and monsoon, the next quarters are expected to deliver significant cement demand due to stabilizing of Central government and try and focus to spend on infrastructure.

Pradhan Mantri Awas Yojana announced in June 2024 is a significant scheme to build around three-floor housing units. Construction provides some of the highest direct employment and will be a focus for all the political parties which will drive the growth of cement. So, based on this, we are optimistic on demand outlook and expect a strong growth in the coming years.

So, with this, I would like to, I will be happy to address any questions anyone would have had. Thanks a lot for the patient hearing and I am open for the questions right now. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Bharat Gupta from Fair Value Capital. Please go ahead.

Bharat Gupta: A couple of questions from my side. So, while we understand it's been a weak set of performance, particularly, can you just help us or give further colors regarding the EBIT loss which we have reported in the solar side as well as on the cement side?

Venkatesh Katwa: Absolutely. So, solar did not suffer any EBITDA loss or rather reduction in EBITDA, mainly because solar is consistent on generation and driving. As typically expected, solar has been giving the financial boost in the coming, for last many years, which is why we have taken up the work on debottlenecking of cement plants so that cement and solar together can run like a double-engine sarkar.

But nevertheless, coming back to solar EBITDA, for example, in Q2, we achieved a solar EBITDA of around 7 crores. However, cement gave a negative EBITDA because of a significant drop in the pricing. So, for example, in H1 of this year compared to H1 of last financial year, even though our dispatches increased by a significant 10% to 11%, the prices also decreased by around 10% to 11%.

In spite of having such a bad market and we are able to keep expanding our footprint by going deeper, that is, which is why our dispatches have gone up. But basically, which is conditions of cement dispatches all over nationally, if you look at anyone right now, has been very, very negatively impacted due to, like what I mentioned, the elections and the ensuing monsoons.

So, hoping that, assuming that 7% to 8% growth is intact based on the top analyst review by many analysts, in fact, cement specialists, we are hoping Q3 and Q4 would make up for the loss of Q1 and Q2.

Bharat Gupta: Sir, like in terms of the overall realization, which we have witnessed, so can you just quantify the number for the current quarter and for the H1?

Venkatesh Katwa: You are talking about the net realization for cement pricing?

Bharat Gupta: Right.

Venkatesh Katwa: So, in Q2 of FY '24, we have net cement realization of around Rs. 3,710, but right now it is Rs. 3,290. This is a net realization excluding everything, ex-plant, excluding, of course, taxes and any kind of logistics. So, this is what it is. If you look at it almost Rs. 400 reduction would mean that the top line has reduced by almost 12%. However, the dispatches...

Bharat Gupta: And sir, any kind of a reversal out there in Q3?

Venkatesh Katwa: So Q3, what we have seen is the price have stabilized. What we have seen as in from Q1 to Q2, the price kept sliding. For example, I will give a rough estimate, Q4, the Q4 of FY '24, price was 3,070. Q1 was 3,480, and now 3,290. So, this either has stabilized or started to show a little uptick. But it has not grown any significant as of now.

And if you look at the national news, typically this is the same pattern all the cement plants are going through. It is just that we are expecting the government to begin spending on infrastructure with a significant contributor and due to elections in Maharashtra as well as most of the, like the one of the biggest consumers in the country is Maharashtra, which is where the infrastructure stock has been stored on due to the local elections out there. But we are hoping from next month onwards at least analysts saying that Q3 will end with a good demand and Q4 is going to take an upward trend in dispatches.

Bharat Gupta: Sir, with respect to the plant commencement, so can you just give us colors like what's the update with respect to the new enhanced capacity?

Venkatesh Katwa: Sure. So, as of October 3rd, we have completed the entire plant. In fact, technically, we have completed all the civil and mechanical work. So, this new plant will require a higher power connection which is right now we are on a 33 kilovolt line.

We will need a 110 kilovolt line which is supposed to be supplied by the government infrastructure which is supposed to come up 2 to 3 kilometers from our plant. That got delayed from the government side. So, that is supposed to come up about 3 to 4 months back which is what we were hoping on. So, now we were told that the issue has been resolved and the power station will come in the next one month or so.

So, once that comes up, then we will be able to start up our new machinery. Otherwise, as of now, the entire machinery as well as the kiln is ready. Only a little boxing up is going on because since we knew the delay has come in, so we are making sure the boxing up is coming to the final stages. As such the plant is ready. It's just that because of power we have to wait for some more time.

Bharat Gupta: And sir, we expect the incremental amount of revenues to come in from FY '25 onwards only. FY '26 onwards only.

Venkatesh Katwa: Yeah, we are hoping to start from Q4, but realistically, FY '26 will be full first year with the entire year dedicated to the new capacity. Otherwise, you know, please go ahead.

Bharat Gupta: So, in terms of our overall guidance of achieving a EBITDA of 80 to 90 odd crores in FY '26 and to a range of 120 to 150 crores in FY '27, so are we sticking to it currently and these numbers which you have quoted in previous calls, so that is based on what kind of a cement realization?

Venkatesh Katwa: So, that is considering the price what we had in FY '24 and taking an incremental growth at around only 3% of growth in NCR. Generally, we are very conservative when we talk about a cement pricing and little more easy on the costing. So, we have taken only 3% increase in our calculation for the price growth.

In fact, the last year, for example, the average price was around 3,800 or so, the net cement rate. Unfortunately, the first two quarters were pretty bad. So, hoping that Q3, end of Q3 and Q4, if they add up and we go back to what we have achieved in FY '24 and then take a 3%, 3.5% increase from there, about 100 to 115 EBITDA should not be very far-fetched idea.

Bharat Gupta: In a way, we are sticking with our guidance, which we have done earlier, like which we mentioned earlier.

Venkatesh Katwa: As of now, yes. Because with the top analysts giving a very good picture on the cement for next. See, typically what happens, we have seen this in the past many years back, when there is a dip in cement consumption, the capacity what is unused or rather that demand does not go off. It has to come back again in extreme high demand, as an extreme high demand case. So, a lot of projects which have been slowed down or stopped, the thing is the demand has not slowed down.

So, what happens is, for them to catch up, the demand suddenly increases. This is what we have seen in the past, generally. Typically, you know, before when the monsoon is over, we see that uptake happening. Unfortunately, not this time, but that is the trend we have seen in the past. So, we will stick with this guidance as of now.

Bharat Gupta: And sir, in order to meet out with respect to the excess amount of production which you will be doing, so have we hired any kind of, like what has been the hiring in the overall sales force and in terms of addition to the net distributed network, so can you give further colors like how you are planning for ramping it up at the earliest?

Venkatesh Katwa: Sure. As of now, in fact, we have already hired additional sales and marketing people. In fact, we have begun to hire it from beginning of Q2 itself, which you can see the employee benefits and everything has taken uptick.

What we are doing in spite, see, if you look at the national character on the cement consumption, it has gone down. In our case, it has gone up. The dispatches have gone up with such a stiff resistance of market. We are just hoping that once the market opens up and the demand shows up, then there is a very high trajectory of growth. So, as such, now we are meeting a lot of new people, new dealers, connecting with the institutional buyers.

Since most of the government contracts are not being done right now, but we have got clearances from various departments. Quality departments have given clearances to our cement supply when there is a project going on. So, such things are happening, but like I mentioned, the moment there is an uptick, it will all start panning out.

Bharat Gupta: Last question, if I am allowed. Sir, with respect to the gross debt, it has increased to 35 odd crores at a time when we are yet to commence our operations in a way. So, do we expect a further increase in the overall leverage position going forward once the new capacity comes in? And can you give us an idea about the debt repayment schedule?

Venkatesh Katwa: Sure. We are talking about a debt of 235 crores, right?

Bharat Gupta: Right.

Venkatesh Katwa: Which has reduced to around 223 crores as of September. And as such, first couple of years, we will continue to service the debt as per our repayment schedule. But once we have enough profits generating and cash generating, management will look forward to cutting down on debt and prepayment so that the debt burden will start coming down.

Bharat Gupta: So the actual repayment of the full long-term debt, it will start in which fiscal year? If you can provide some clarity with respect to it?

Venkatesh Katwa: So, all the debt that we have, except the one which we have taken recently for this CAPEX, is being repaid since last, from whenever. Actually, we started taking debt in 2017 and the last debt we took was in 2023. So, the debt which we have taken in 2023, which is for this CAPEX, will begin the repayment from October 2025. So, we are still one year down to go for that. Otherwise, every other debt, I think from now 7 to 8 years, it is supposed to get over. Some debt will get, for example, the debts what we have taken in 2017, will get repaid in next 6 to 7 months now.

Moderator: Thank you. The next question is from the line of Manan Vandur from Wallfort PMS. Please go ahead.

Manan Vandur: I have one question. It's about our CAPEX which we have done and you also said that...

Venkatesh Katwa: I think I lost the connection.

Moderator: So, the next question is from the line of Kunal Tokas.

Kunal Tokas: So, I believe we have a kiln capacity of 1.8 million tons and you are planning for the future, so you have made it higher than the cement capacity. So, my question is, sir, if you want to increase the cement capacity which the kiln can support, how much additional CAPEX will it require?

Venkatesh Katwa: So, basically the correct way to put it is, currently the kiln is of the capacity which can produce about 1.8 million tons of cement, slag cement, basically PSC cement. So, right now we will be underutilizing the kiln because to utilize a kiln, we will have to add the crushing capacity and once we add the crushing capacity and the kiln capacity, the machine is ready. It is just that we have to have an ability to feed higher quantity.

As such, we have enough to feed right now with the current project to reach about 1 million tons cement capacity what has been projected for this CAPEX. Now to reach to 1.8 million tons, all that I would do is add more crushing capacity and then more grinding capacity, of course, to make sure we reach 1.8 million tons.

The best part about it is we don't have to change the kiln, the cooler, nothing. We just have to add an additional machinery on either side for which the land also is available, and the power what we will receive now also is sufficient to take care of that CAPEX. So, that we will be taking up once we stabilize this existing plant for at least around 60%-70% capacity utilization.

Kunal Tokas: So, by the beginning of FY '27, I believe?

Venkatesh Katwa: Timing would be hard to guess. Assume that FY '26, FY '27 goes off maybe the most optimistic would be around FY '28.

Kunal Tokas: FY '28?

Venkatesh Katwa: Yeah.

Kunal Tokas: So, you are implying that by FY '28 only you will be able to get to 60%-70% capacity utilization of this 1 million tons that you have put up?

Venkatesh Katwa: Yes, as per what we have reported to the banks and everyone, that is the target we are achieving. Not necessary that we will have to wait for that long. 1 million tons is not a huge capacity for us which will face a significant challenge. The company is poised, in fact, to try to achieve that 70% as soon as possible. But realistically, it might take maybe a year-and-a-half to 2 years.

Kunal Tokas: And compared to the CAPEX that you incurred to put up this 1-million-ton capacity, compared to this, how much more CAPEX would be required to go from 1 million to 1.8 million? I mean, if you can give a relative proportional number?

Venkatesh Katwa: So, as on today's cost, it should not take more than 100 crores additional.

Kunal Tokas: You already have the kiln, right?

Venkatesh Katwa: Correct. But still we will have to, let's say, we have an existing crushing section. Another crusher we will need to make sure that we feed enough into the kiln. And another grinding equipment which will be around 80 to 100 crores. But there is a guesstimate which I am making. The realistic figure will happen once we do the engineering.

Kunal Tokas: 80 to 100 crores?

Venkatesh Katwa: Yes.

Kunal Tokas: And sir, because of this unutilized kiln capacity, are you incurring any significant fixed costs to maintain this capacity or no? Something that might be dragging down your P&L?

Venkatesh Katwa: No, not at all. So, these kilns are fixed for this capacity range what we have discussed. So, only thing we are using the lower end of the capacity. Otherwise, if I have to stick to the lower end of the capacity, this kiln will continue to be a suitable one.

Kunal Tokas: And after you reach an optimum utilization for the 1-million-ton capacity, will you be utilizing your entire output from the solar assets?

Venkatesh Katwa: No, maybe around 95%. About 35-36 Megawatt we will utilize. Still 4 to 5 megawatt will continue to remain spare.

Kunal Tokas: 4 to 5 megawatt will continue to remain to be sold in the open market?

Venkatesh Katwa: Sold. Correct. Yes.

Kunal Tokas: I guess that was my question, sir. I will come back if I have any more.

Moderator: Thank you. The next question is from the line of Manan Vandur from Wallfort PMS. Please go ahead.

Manan Vandur: So, the first question was that even as you said that there was some delay from the government for power thing to come in. So, even as you said that it might take around a month to come in.

Venkatesh Katwa: Yes.

Manan Vandur: So, can we expect full ramp up by January?

Venkatesh Katwa: Absolutely.

Manan Vandur: Of course, not the whole capacity utilization, but the start of it.

Venkatesh Katwa: Absolutely. Absolutely. See, in fact, there is a station known as Chandragutti Bhanu Station, which was supposed to come up close to our existing plant where we were supposed to draw 110 kV line. And these substations are not very difficult to make. It is just a couple of months' project for the government. It was supposed to come up about 6-8 months back. But then there was some kind of delay which got set in and they say by mid of December should come up. The moment it comes up, they will throw a line to us.

So, once that comes up, great. Otherwise, they are working on to provide alternative to us, which means on existing line, they will increase the capacity and allow us to use to certain capacity where our entire plant can run. But for now, we are waiting for that kiln to run. But to address your question, yes. In all aspects, January will be the month where we will have a higher capacity to operate.

Manan Vandur: And there would have been a drop in production, right, due to the plant shutdown, because we would have shut down our plant for some time so that the additional capacity would have come in?

Venkatesh Katwa: So, typically what is happening is, even though our production utilization, as we showed, is less, but it is less because of the less sales. It is not that the kiln is giving less production. So, as of now, what we will be doing is, once we are close up to operating the new kiln, we have to make some hook up, like, change the feeding from old kiln to the new kiln. So, when that comes, we will be doing that, but then there will be a 15-day shutdown, and we will have enough clinker to grind cement and sell it. So, there won't be any disruption in the dispatches, if that is the answer you are looking for.

Manan Vandur: Yes, okay. So, that shutdown has not happened yet.

Venkatesh Katwa: Not yet. So, we will take a shutdown 15 days before the hook up is going to take to the new kiln.

Manan Vandur: And the last question is around how much volume was sold in this quarter and as compared to the same quarter last year?

Venkatesh Katwa: Definitely. So, this quarter, you want quarterly figures or H1 figures?

Manan Vandur: Quarter figures, sir.

Venkatesh Katwa: I will give both if you want. Like, the quarter is around 52,000 this quarter compared to 49,300 in the earlier quarter of the previous Q2. If you look at half yearly, around 115,000 tons compared to 105,000 tons in the H1 of FY '24. Now, the biggest issue is that compared to H1 of FY '24 to H1 of FY '25, the price has reduced drastically by around 11%-12%, even though dispatches increased by around 10%.

So, this is what I would be telling you. Even in this bad market, if we are able to reach higher dispatches and more taking into market share because we increase the number of sales force and other things, I am pretty positive that once the market opens up, there is going to be a very good trajectory that we are going to look at.

Moderator: Thank you. The next question is from the line of Yashwanti from Kojin. Please go ahead.

Yashwanti: This is Yashwanti from Kojin Investments. Sir, I just wanted to understand, you know, however the victim margin is moving up. Last year, for the whole year, we recorded around 32% grade increase and 64% expansion. Then Q1, again, it has come down to 26%, and now in Q2, we have seen 12.44%. I am sorry if you have already explained it in your opening remarks because

I couldn't join in that time. But what kind of an outlook as an investor we can foresee going forward?

Venkatesh Katwa: Definitely. So, the concern is on the EBITDA margin is what I understand.

Yashwanti: Yes. So, from 32% to 12%, a sharp dip.

Venkatesh Katwa: Yes, it is very, very less compared to what we did in the region of 30s in earlier quarters, like Q1, Q2 of FY '24. There is no doubt about it. But unfortunately, EBITDA becomes a derivative of the pricing. Typically, most of the raw market prices either remain intact or they have risen in time of the inflation. But the pricing going 10% has impacted EBITDA drastically, which is why the EBITDA margins have gone down.

The only reason whatever EBITDA we have got, which is what you see is basically because of our intact solar vertical, which has remarkably shown the production also increasing as well as the pricing remaining stable, which is the nature of that particular industry. But as the prices, if the prices continue to grow, like what has been anticipated by top analysts, we will see the EBITDA margins coming to around in the 30s figure very soon. And then with the new CAPEX, we should be getting close to more than 35% to 36% as the whole project is based on the objective of reducing variable costs.

Yashwanti: But then, what kind of timeline do you expect for going back to 30 or 35%?

Venkatesh Katwa: I am hoping if the price increases as predicted by analysts, we should do this as soon as in Q4 itself. There is no reason why we should hold on to that.

Yashwanti: But if the price dip is seen only in the Karnataka because we have a major presence over there or it is across India?

Venkatesh Katwa: No, typically if you look at all the cement, this thing, typically this has been seen nationally. South is more impacted, definitely yes, because there are larger plants here. But typically this has been a national character if you look at all the different plants here.

Yashwanti: And sir, in case if the price remains in the same level or further dips, what kind of a pressure we can see on EBITDA margin? Is it going to be compensated by the solar contribution?

Venkatesh Katwa: So, even in spite of having this kind of bad pricing, it is the solar which is making sure that cash is building up to take care of all other expenses. But nevertheless, we have seen the price plateau by mid of September or beginning of September, we have seen the price plateauing. It has not gone down any further. So, we know that this is the bottom what every cement plant can go beyond which there is no scope for anyone. So, it is just a matter of time before which it starts taking upwards stage. And even if it has to delay, for our company we have a strong solar vertical which will definitely lead us to this period of short-term crisis.

Yashwanti: Sir, in H1 profit EBITDA for 11.11 crore, what is the solar contribution coming to it?

Venkatesh Katwa: What is what coming to it? Solar component?

Yashwanti: Solar contribution EBITDA.

Venkatesh Katwa: Contribution of solar in H1, is it?

Yashwanti: Yes, in H1 of EBITDA. So, EBITDA reported is around 11.11 crore, of which how much is coming from solar and how much is coming from cement?

Venkatesh Katwa: Just give me a minute here because I think 11.11 crore was mentioned for, one second.

Yashwanti: H1.

Venkatesh Katwa: H1, right?

Yashwanti: Right.

Venkatesh Katwa: All right. So, typically solar EBITDA is around, I would say, hold on, let me, give me a minute here. The solar EBITDA is around 14 crores, and the cement EBITDA is negative, which is why we have seen 11.11 crores.

Yashwanti: In case of third quarter, what was the price in November, I mean the current month we have seen in the cement and what was in the 1st Quarter of the current year? The cement prices?

Venkatesh Katwa: You are talking about quarter 1 FY '25 or FY '24?

Yashwanti: I just wanted to know like what is the current ruling prices, maybe at November or maybe at October end you are witnessing in Karnataka? So, this is the place where we actually get all the dispatches of the cement. And what was the price at the start of the year, that is the 1st Quarter of the current year?

Venkatesh Katwa: So quarter 1, the price is around Rs. 3,480 or Rs. 3,470 in quarter 1. Quarter 2 average is Rs. 3290. So, we are seeing Rs. 3,300 range in October as of now, October and even November. So, it has kind of plateaued since last three months. We are just hoping to get it back to normal. For example, last year the average price was around 3,800. Even if you add another Rs. 500 to the top line, your EBITDA will add another 15 crores to the EBITDA for us. For around 250,000 into 500, it will add around 12.5 crores EBITDA, which we lost due to lower pricing.

Yashwanti: And what is the likely chances that our EBITDA may move from 12% which has been reported in the quarter in Q2 to until what extent it can go down? It is very unlikely, but in that case, what can be the fall we can expect?

Venkatesh Katwa: Likelihood of going down does not appear to show any signs right now, like I mentioned last 2, 2.5 months, there has been a plateau in the cement pricing. In fact, anything we see, there could be a little increase, but not below this. All that I can say is if the top analysts' predictions come true regarding cement, the cement should see in the range of 3,700 to 3,800 in Q4. But that is something what analysts are talking about. We are not sure how it actually will pan out in reality. So, if the prices continue to be like this, we will be in the range of 12% EBITDA. We will continue to be in the range of 12% EBITDA.

Yashwanti: So, that is where we can see at least it will not fall down from 12%.

Venkatesh Katwa: Yes.

Yashwanti: And how has been the coal and the Petco because we shifted to the Petco still because the coal prices were higher, but then after shifting we also seen that the Petco prices were also higher. So, how is it seen? Are we seeing an improvement in the Petco prices?

Venkatesh Katwa: Petco pricing have reduced little bit last month in October. Otherwise, in Q2, the Petco pricing will be pretty stable, but if we compared to previous years, of course it has come down not very significantly, maybe a little bit, but overall if you look at all the other raw materials, the increase in the cost of other things have grown up with the inflation. But Petco price have relatively remained same. We are hoping that Petco price will continue to go down now because last two months it has shown price going down.

Yashwanti: And sir, any debt repayment we could do in the Q2?

Venkatesh Katwa: Yes, we have the regular debt payment around I think month, quarterly debt payment is around 6 crores which we have continued to service it on time.

Yashwanti: And sir, my last question, as we are seeing there is a difference in the cement prices, so are we holding our expansion plan or it is running on the time?

Venkatesh Katwa: No, the expansion from our perspective, from the point of project perspective, we have completed the project. Something which is external to our condition is holding up the commissioning. But nevertheless, we have got assurances from the department that most likely by mid of December or maybe at the most end of December, we should be through with that. And they have also assured us in case we are getting further delayed, they will provide an alternative arrangement in the existing line itself. So, both the discussions are going on.

Yashwanti: And what is the current capacity utilization currently in the first half or maybe at the end of the November?

Venkatesh Katwa: So, for example, compared to H1 of early and compared to H1 of now, there is an increase. But I can give, in Q1 the capacity utilization was 69% and Q2 capacity utilization was 57%. But if you look at the Q1 and Q2 of FY '24, capacity utilization was 62% and 54%, which has increased to 69% and 57%.

Moderator: Thank you. The next question is from the line of Tushar Vasuja. Please go ahead.

Tushar Vasuja: I have a couple of questions. So, recently we are seeing even more consolidation in the South and we did talk about it in the last call. So, has there been any update in that? Has it been approached by someone else or something of that sort?

Venkatesh Katwa: No, I could not hear the last part of your sentence. Come again.

Tushar Vasuja: So, has any other bigger player approached you of some deal or some terms or something of that sort?

Venkatesh Katwa: No, not right now. We have not had any kind of direct request from anyone so far.

Tushar Vasuja: So, would you be willing to sell or would you be open to that?

Venkatesh Katwa: I would say like as a cement division, if there is something which is going to come in the perspective which will help improve the shareholders' wealth, yes, the management will always look at it in a positive manner. In fact, there are some opportunities like, you know, since our plant is located close to the consuming market, we provide certain advantages what major plants do not have. So, those things span out.

There are possibilities where some major plant might come to us to do some kind of white labeling for their product, which is definitely a possibility. But that would happen once our plant gets 100% commissioned and then we would take the discussion to the next level. But that is something which we feel could be a good plan out to utilize our capacity for the first couple of years, where our own brand capacity utilization will be around 50% to 60%. That's something management is thinking of.

Tushar Vasuja: And sir, you previously mentioned that your region has an annual demand of about 30 million tons and the capacity serving that region being around 6.5 to 7 million tons per annum. So, is the supply-demand gap still there because I am not able to wrap my head around these numbers because it is such a sizable demand-supply gap that it should invite new capacities in the region, right?

Venkatesh Katwa: No, definitely yes. But then, what I mentioned was, I must have mentioned about 300-350 kilometers radius. So, that comes like almost a significant portion of South Maharashtra, significant portion of North Karnataka. By that population density, the projection was around 30 million because average consumption of cement on per capita basis in FY '24, it was 260. So, assuming about 280 now, that is the kind of outlook.

So, what I meant to show is, we were very close to these areas compared to the major plants. But there are major plants who would be supplying in our areas. So, what does it mean that the kind of location advantages we have, the major plant would not have that. So, having said that, with the kind of sluggish cement market that we are seeing, lot of major plants are cutting down on the pricing and reaching all the way to the areas that I mentioned.

So, let me give you an example, the tier 1 brand which was almost selling at almost upwards of Rs. 400, Rs. 410, if you remember last time these prices, they are selling at around Rs. 300 right now. When you say Rs. 300, I tell you how it pans out. So, Rs. 300, if you take off the taxation, the net realization becomes 234 and for the major plants, they spend about Rs. 50 to Rs. 60 rupees as transportation. So, they are getting a net realization of not more than 3,400 to 3500 as of now.

For example, let's take an example Goa. Now for the closest major plant for Goa, for a tier 1 brand is around say 500 kilometers and based on our discussion with the logistic firms, the logistic cost is around Rs. 99. So, if you are selling cement at 6,000 and you take off the taxes and take away 1,900, you are, let me give you an example here. So, they are selling cement almost at the naked cement price in the range of Rs. 2,800 to reach the Rs. 300 pricing per bag in a place like Goa, where we are getting much higher naked cement price because again we are closer to the Goa market. Our transportation cost is like around maybe Rs. 800 to Rs. 850 compared to theirs about Rs. 1,900.

So, having said that, because of the sluggish demand, there is lot of rush from other areas coming here and selling, but once that will evaporate the moment there is some kind of expenditure coming from the government and also the housing sector. So, everyone will go back to their original home market so that everywhere there is going to be an uptick in demand for producers like us.

Tushar Vasuja: So, you explained the fact that for tier 1 players to sell in Goa, they have to spend a lot more than you, that naked cement prices are way lesser than you. So, it should attract more capacities and more CAPEX in your area. So, are there any current major capacities or something like that going in the region around Goa, Maharashtra and Karnataka?

Venkatesh Katwa: No, I think there are some disconnect. So, come again with the question please.

Tushar Vasuja: Yes, sir.

Venkatesh Katwa: How would it help us?

Tushar Vasuja: Sir, as you mentioned that for the closest tier 1 plant to Goa is around 500 kilometers away and we have more trade advantage. We have more advantage compared to the tier 1 plant. So, it should attract more plants to come up in the similar area to better serve that region, right?

Venkatesh Katwa: I got it. So, yeah. So, it is not technically possible because we have a small capacity of 1 million tons. Maybe 1 million, 2 million tons that limestone belt area can have maybe, there are about two other plants there, like for example, which is having a capacity of 2 million tons. There is not really so much of, it is not a limestone belt where the larger plants can have like 10 or 15 million tons capacity.

So, if you have to have a capacity of that large size, they have to go to the nationally available mine space, which in Karnataka is Gulbarga. For Rajasthan, it is like near the Beawar region. Even in Andhra Pradesh, it is Tandur region. The very places where the dense cement plants are there. For example, Gulbarga might be having 30 plants over there. All located within 20-30 kilometers radius or may be like 50 kilometer radius.

So, it is not possible for very, very large plants to come in my area. In fact, we ourselves cannot expand to a size of 10 million tons in the existing capacity. So, that disadvantage is there for that location. For a small capacity like us, it will work out.

Tushar Vasuja: And sir, coming to the solar part of the business. So, what was the per unit cost of electricity that is sold in Q2 FY '25 compared to Q2 FY '24?

Venkatesh Katwa: Q2 FY '25 to Q2 FY '24. So, in Q2 FY '24, we sold average selling price around Rs. 6.36. Now, it has come down to 6.09 because in Karnataka, the price of power has been reduced by 50 paise because of the sudden election promise. And it is hoping that there is a realistic expectation this price will go up again in April 2025 which is when there is going to be an uptick in solar pricing too.

Moderator: Thank you. The next question is from the line of Kunal Tokas from Fair Value Capital. Please go ahead.

Kunal Tokas: First, just two quick questions. First, you said that your guidance for FY '26, EBITDA guidance was based on cement prices for FY '24. Now, cement prices have fallen a lot and if they stay at 3,300 for FY '25, how will that affect your EBITDA and PAT guidance for FY '26?

Venkatesh Katwa: So, assuming that the price what we have will continue to remain as it is.

Kunal Tokas: Yes.

Venkatesh Katwa: So, of course, then we will not be able to reach the 100 to 120 level that we projected based on FY '24 figures when the price increased at the range of 3%. So, 3,300, then you are talking about EBITDA level of around maybe just a rough calculation taking off around Rs. 700 out of your pricing would mean at 50% or 60% capacity, maybe the guidance will be around 60 crores.

It will still be higher because once the new kiln starts, we will have a better production and production at a lower cost because the whole idea of this CAPEX is to reduce your fuel consumption, power consumption. So, assuming 3,300 is the price that will stay in FY '27, you are talking about EBITDA of around 62, 65 crores. Almost 50 crores will be shaved off just because if we assume that there is no price at that time.

Kunal Tokas: But you also have some operating deleveraging, right, because of….

Venkatesh Katwa: Much higher operating leverage because once my price of production goes down, everything else, because with a better cash flow, we can do better marketing sales, improve and try to recapture or rather capture the market shares.

Kunal Tokas: And your this plant I assume will be depreciated on a straight-line basis?

Venkatesh Katwa: The cement plant?

Kunal Tokas: Yes. So, I am trying to get down to the PAT figure from the EBITDA figure. So, how much would you say your interest and depreciation expenses would be for next year? Because you have the debt, and you have the property plant and your equipment figure right now.

Venkatesh Katwa: I will try to break down this and answer in a couple of points. So, if EBITDA is supposed, even with these prices, if EBITDA reaches around 60 to 65 crores, my interest plus repayment will be around 40 crores, 40 to 42 crores. That is the projected based on our repayment structure. And the next question you asked was for?

Kunal Tokas: Depreciation.

Venkatesh Katwa: No, depreciation will be on straight line for the sake of book depreciation. Yeah, the point what I wanted to mention was we have around 90 to 100 crores carry forward loss in the income tax books which means that at least 3 to 4 years we will not have regular income tax. So, we are hoping that next 4 to 5 years we will continue to pay income tax at the MAT level. So, that is going to be an additional saving or rather advantage this balance sheet would have for next 4 to 5 years.

Kunal Tokas: What was the figure that you mentioned, sir? I missed it.

Venkatesh Katwa: Since we have invested in solar, there is almost 90 to 95 carry forward depreciation loss in the income tax books, which is why next 4 to 5 years we may not have actual income tax rates to be paid. So, we will continue to pay on a MAT level, which is 15% for next 4 to 5 years.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Jainam Savla from Kirin Advisors for the closing comments.

Jainam Savla: Thank you everyone for joining the Earning Conference call of Shri Keshav Cements & Infra Limited. If you have any queries, you can reach us at research@kirinadvisors.com. Thank you everyone for joining the conference call. Thank you.

Venkatesh Katwa: Thank you, everyone. Have a nice day, everyone. Thank you.

Moderator: Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.