Date: 19/08/2024.

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 ended 30/06/2024.

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 16th August, 2024, at 03:00 PM, for the quarter ended 30th June, 2024,

The Analyst/Investor Call was conducted after the meeting of Board of Directors, dated 14th August, 2024.

This is for your intimation and records.

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

VENKATESH HANAMANTSA KATWA
Digitally signed by VENKATESH HANAMANTSA KATWA
Date: 2024.08.19 17:53:08 +05'30'

Venkatesh Katwa
Chairman
00211504

“Shri Keshav Cement and Infra Limited

Q1 FY '25 Earnings Conference Call”

August 16, 2024

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

MODERATOR: MR. JAINAM SAVLA – KIRIN ADVISORS

Moderator: Ladies and gentlemen, good day and welcome to Shri Keshav Cement and Infra Limited Q1 FY '25 Earnings Conference call hosted by Kirin Advisor. As a reminder, all participant lines 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 has been recorded. I now hand the conference over to Mr. Jainam Savla from Kirin Advisors. Thank you and over to you, sir.

Jainam Savla: Thank you. On behalf of Kirin Advisors, I welcome you all to the Shri Keshav Cement and Infra Limited Q1 FY25 conference call. From the management team, we have Mr. Venkatesh Katwa, Executive Director and Chairman, Mr. Vilas Katwa, Managing Director. Now I hand over the call to Mr. Venkatesh sir, over to you, sir.

Venkatesh Katwa: Okay. Everyone can hear me, right?

Jainam Savla: Yes, sir.

Venkatesh Katwa: So, good afternoon everyone, a warm welcome to this conference call for Q1 FY25. Welcome and thank you for joining the conference call of Shri Keshav Cement and Infra Limited. We are delighted to have each one of you here as we explore and discuss the financial performance of Q1 FY25 of Sri Keshav Cement and Infra Limited.

So before we dive into the details of this quarter, let me offer a brief overview of our company and its robust business model. Shri Keshav Cement and Infra Limited, which was formerly known as Katwa Udyog Limited, is engaged in manufacturing of cement and generation of renewable power and distribution of cement and power in the state of Karnataka. The cement plants are located at Bagalkot district in Karnataka and solar plant is located at Kopal district in Karnataka.

The company supplies cement in North Karnataka, coastal Karnataka, Goa and some parts of Maharashtra. The company has a network of 350 cement distributors and over 600 retail sales points and over 14 solar power consumers. Since April 2018, the company has been meeting 100% of its energy requirement through renewable solar energy.

The cement plants of SKCLs are likely the only ones in India to run on 100% green power, resulting in almost 80% or 90% reduction in the power costs. We received a prestigious award from the Bureau of Indian Standards recently for achieving a consistent high-quality cement production with zero product failures. As far as the rating is concerned, the company's rating has been improved from BB plus with a stable outlook to BB plus with a positive outlook.

We are delighted to share some positive updates regarding our capital expenditure, the capex plan, which is aimed at de-bottlenecking, expanding and modernizing our capacity. The new cement plant is set to be commissioned by the flag end of Q3 FY25 with construction completion target in the end of November or beginning of December 2024, resulting in a total capacity of 1 million tons per annum. Solar generation capacity will be enhanced by 3 megawatts and we have commissioned another 3 MW in Aug 14, 2024.

And the power generation will increase by around 45 to 48 lakh units, which is roughly about 8% to 9% increase upon fully being commissioned. For a strategic position, the company to increase its market share to its existing 250 plus to 300 kilometer radius by expanding our rural network and supplying to larger clients. We also plan to enhance our capacity utilization to 60% in FY26, 70% on FY24 and higher thereafter.

60% is what we are talking on the capex capacity. So currently we have reached 70% for current capex. So we are definitely very excited to announce the commissioning of the 3 megawatt at Bisarahalli in Koppal, Karnataka.

So our total solar capacity has increased from 37 megawatt to 40 megawatt. This expansion marks another significant step in our journey towards renewable energy in the region. Reinforcing our commitment to sustainable growth and long-term value creation.

Our commitment to excellence is reflected in recent accomplishments, including recognition from Bureau of Indian Standards to be implemented in the highest quality estimate. The strategic capex initiatives combined with reduction in the cost of fuel and power consumption are aligning favourably, setting the stage for promising growth prospects for the remainder of FY25 and beyond. The company aims to reach a million ton capacity, like mentioned earlier, by end of Q3 FY25 to technically major improvements, which will help us to pay off the major debts.

The power will be used for self-consumption and currently about 35% to 40% of the power is used for self-consumption and 65% Sold. But with the capex, almost 95% of the power generation will be used on self-captive use. So let me take you through our performance for Q1 FY25.

In Q1 FY25, the company has reported a strong financial performance with consolidated total income reaching about INR31.24 crores. The company achieved an inflation EBITDA of INR8.06 crores, reflecting a robust EBITDA margin of 26.5%. PAT stood at about INR1.78 crores, resulting in a PAT margin of 5.71%. Additionally, the EPS for the quarter was INR1.14 paisa. So looking ahead, we anticipate additional benefits on an economy of scale as we triple our plant capacity, achieve higher utilization rates, and enhance our solar capacity.

These improvements, coupled with a robust outlook for cement demand, will further enrich our performance. Our aim is to ensure sustainable business growth and strengthen our market position with a continuing focus on expanding our brand. So as we approach our question and answer session, I wish to convey my sincere gratitude to all our stakeholders.

Your unwavering support and active involvement has been integral to our growth story, playing a crucial role in our success. We genuinely appreciate the significant contributions each one of you have made. With this, I am pleased to open the floor for any questions and answers.

Once again, thank you for your presence and ongoing support.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Manan, an individual investor. Please go ahead.

Manan: Yes, thank you so much for this opportunity. Can you hear me?

Venkatesh Katwa: Yes, man. We can hear you.

Manan: Yes, yes, yes. Really pleased to hear the results and congratulations. I've been an investor for quite some time. So, yeah, I just wanted to... I just had three questions. So, I wanted to understand that we said that we have around some more than 350 clients or something. So, did we win any new clients this quarter? Can you name some of them?

Venkatesh Katwa: I wouldn't have the names right off my desk. If I had this question, probably I would have gotten them. But typically, you know, all these 350 retail dealers are within the area of these 200-250 kilometers. I will have to really check the records to see who has been actually added to that list.

Manan: Okay. So, how many were added this quarter that you don't have as of now?

Venkatesh Katwa: No. And I wouldn't think this quarter was a very good quarter to add any cement dealers because of elections and everything else. The cement market was pretty depressed. It was almost a buyers market.

Manan: Okay. Second question would be that, you know, for the past few quarters, we are saying that we have more than 600 retail touch points. So, like, are we increasing on that front or like, like this quarter, like, did we increase this quarter as well or no? Because, you know, for the past few quarters, around 600, I wanted to know.

Venkatesh Katwa: So, typically, what happens is when we have the dealers in a certain area, certain geographical location, it may not be possible to add another dealer in the same location unless we have an, because it is like, you know, having our own two dealers compete among ourselves. So, there is a general rule that if the dealer is as small as someone consumes just like 10 to 20 tons per month, I'm talking about the smallest of the dealer, the rock bottom, 20 or 30 tons or maybe 50 tons a month. It is a small village.

There is no scope for us to add another over there. Unless, even if we add it, it is not going to increase our sales. Rather, it will get divided between two retail touch points. So, what we intend to do when we are talking about the capex plan is, basically, we will start hitting on to the bigger dealers. Currently, we are not able to supply to them because we are not able to give longer vision on the pricing and the quantity. Apart from that, we also start supplying to major, you know, non- dealers like institutional consumers and the government contracts.

We have got clearance on most of the government project works or wherever they apply. But again, because of long-term, you know, pricing required and long-term, the kind of quantity required and, of course, the deep discounts, we were not able to operate earlier which we can operate after the Capex come into place. But there is a continuous effort.

We have increased the sales force and we have increased our outreach. We are talking to new people. It is just as a phase, we are going through that process right now.

Manan: Okay. That was really helpful. So, okay. I wanted to just follow up on this. So, let us say we commission our 1 million ton capacity and everything. So, how many distributor clients are we aiming for and how many retail touch points are we aiming for? Like, sort of, like, going how much want to go further like how much from 600 to 700, 800, like from 300 to 400 like this can you say?

Venkatesh Katwa: So, figuratively, it might be very difficult to, comprehend a certain numerical number. But what I can tell you is, for example, if we reach out to places like Pune, Pune, one or two dealers is sufficient. They will have sub-dealer network and which we do not count among these numbers.

So, one or two dealers will be more than sufficient to pick up almost like, you know, 20%-25% of the new capacity. Similar with Bangalore also. So, what we are aiming at is going deeper with the existing retail outlet.

So, for example, I have a small dealer in some place which is doing about 50 tons. We will have to provide a marketing and a sales support for him to increase from 50 to 100 tons. That we can do with the higher EBITDA margins and higher cash flow generation after the capex, which we are not able to right now. So, numerically speaking, we may not look at going farther or whatever. We are more thinking of going deeper, increasing our market share. Since our brand is known in this 200 to 300 kilometer radius from our plant.

Manan: Okay. And are we seeing any traction from Andhra Pradesh, Tamil Nadu, Telangana this side are we getting some orders?

Venkatesh Katwa: No, the nearest from the border for state is Goa and Maharashtra. We are settling out there. Telangana would be too far for us because then you are across the cement cluster area. Then, you know, yes.

Moderator: Thank you. Our next question is from the line of Tushar from Yogya Capital. Please go ahead.

Tushar: Hello, sir. Thank you for the opportunity. I have a question. So, considering the consolidation that is going on in the southern industry right now, modern players need somewhat of a capacity of around three MTPA to make economic sense and to be able to compete on prices. So, how do you plan to survive if bigger players price themselves more aggressively going forward?

Venkatesh Katwa: So, two aspects are going to help us. One, our plant is located close to the consumer market. Basically, most of the larger plants are not close to the consumer market. They are, you know, housed in the area where the plenty of limestone is available, where all the major cement plants are located together. For example, if we have to supply to Goa, our logistic cost to Goa is about, say, about INR1,000 approximately. They have to spend more than INR2200 just to reach to the same location. So, I already have a location advantage. Plus, We have a renewable power, which is generating power at less than INR2. Whereas, most of the larger cement plants, even if they have their own waste recovery in the thermal power plants, the fuel price is still very high.

So, there is a huge delta for me to recover from that. Because of these two factors, we are able to not only survive, we are able to, have significant inroads in these kind of markets. And consolidation, I have noticed, when the number of players are reduced, it does bring certain kind of price discipline in the market.

So, I feel that a consolidation would rather give a better margin to us rather than other way around. In short-term, yes, it is going to be a challenge because the larger players want to capture the share. But then, when all the smaller players are eaten up by these big players, we are going to see a lot of pricing discipline, which is going to be a great benefit to us.

So, again, our location advantage is unbeatable. Our power cost is unbeatable. And with the modification that we are doing right now, on EBITDA per ton margin, we are going to be at par with them. There are going to be customers who will always buy certain branding for certain pricing all the time.

So, I hope that -- and our capacity is not very significant. It is just 1 million tons. So, you know, I would have been really worried if I had a 5 million ton plant where, you know, selling such a large figure should be a challenge. But within, I would say within 300 km radius, almost 30 million tons to 35 million tons of cement is consumed. So, 1 million tons would not be very significant for that area.

Tushar: So, can you please repeat that? How much is the consumption demand in your area?

Venkatesh Katwa: About 30 million tons to 35 million tons.

Tushar: That's annual?

Venkatesh Katwa: Yes, yes. In the 300 km belt, we are already looking at a significant type of motion.

Tushar: Okay, sir. As you mentioned that a lot of bigger players are acquiring smaller players. So, like, what are your thoughts on it? And what are your plans regarding this?

Venkatesh Katwa: So, as such, we don't have any specific plans. We have been approached by some larger plants for having some kind of a partnership. But it hasn't concluded in any kind of a confirmed deal yet. But, at some point in time, if there is a business sense for us to partner with them, either in the form of white labelling or anything similar to that, companies will be open to looking at it. Otherwise, I feel that consolidation is, at some point in time, is going to help smaller companies like us. So, a price point would be a great benefit for us.

Tushar: Okay, sir. The prices have fallen a lot recently, especially in the southern region. So, how long do you expect this trend to go on for? And how will this affect your revenue growth and profitability going forward?

Venkatesh Katwa: So, definitely the price reduction has had a huge impact on my Q1 results. In spite of my capacity utilization going up from 62% in Q1 FY '24 to 70% in Q1 FY '25, in spite of this 8%

jump or 800 basis points jump, the revenue has remained stagnant and it has hit the PBT only because the prices have reduced by over 12%. So, I'll give a general math.

We use a word called naked cement rate. Naked cement rate is the price at which it leaves the gate of the plant. It excludes any kind of logistics outside the gate. It excludes any kind of taxes, anything. So, what is net realized within our gate of the plant? I will give an example. It used to be 3,950 in Q1 FY '24. It is now 3,475 in Q1 FY '25. Almost 12% dip in the pricing.

So, 12% dip in the pricing is almost like INR500 per metric ton. So, for about 62,000 tons what we have dispatched, losing top line here is like losing bottom line itself. If you look at the basic math, we lost almost 3% on top line, which would have reflected in the bottom line just because all other costs would remain intact irrespective.

So, yes, the Q1 has been impacted by, in spite of higher dispatches, we got impacted by lower pricing. So, regarding south, yes, there is still a challenge. But, again, in the past, if you look at the history, whenever there has been a depression in the prices, it has eventually averaged out better compared to the previous years.

It has been a system, if you look at the last 5-year data. So, similarly, if that holds true, we are expecting the cement to turn around in the first week of October, or maybe last week of September.

Tushar: Okay, so I have one more question. Is there any cement plant or facility in a 300 km radius near you? Because as you mentioned before that you have vast supplies of limestone near your facilities, but there don't seem to be any buyers, any cement buyers for them. So, why is the reason for that?

Venkatesh Katwa: So, there are a couple of other plants, but they have their own captive mining. We are the only plant in that region where we have mines, but we are not able to extract it because of legal challenges with the surface rights of the land. That's a different subject. As of now, since we have taken over the plant, we are purchasing limestone from 20 odd small to medium mining organizations, and we are the only buyers.

They do sell limestone to some other plants a little far away, but limestone for that, those plants like steel and other plants, they are used as some kind of a catalyst or an additive, not as the main raw material. But for cement, limestone being the main raw material, we buy the bulk of it, and we are the only buyers in that area right now.

Tushar: Okay, and as you mentioned, there are a couple of plants in your area that have their own mines. So, are they Tier 3, Tier 2 plants like you, or are they bigger players?

Venkatesh Katwa: They are bigger players. They are Tier 2 players. One is JK and one is Dalmia. So, they are located within 20 km radius from us.

Tushar: Can you please repeat that last part again?

Venkatesh Katwa: There are two cement plants which are of Tier 2 level, within a radius of about 25-30 or maybe about 50 km.

Moderator: Our next question is from the line of Amit Dubey from Newberry Capital. Please go ahead.

Amit Dubey: Thank you for the opportunity. So, my question was regarding the consolidation part. So, I just like to know, if you get the opportunity to sell out the business, or you get any buyers, at what valuation would you be comfortable selling it? And one more question is regarding the debt. So, at what debt to equity in future you are targeting? Because we would like to be flexible with the finances, right? So, is there any target that you want to seek out in debt to equity to be comfortable?

Venkatesh Katwa: Sure. So, first, at the valuation, at what valuation we would like to exit, is really a very difficult question to answer because we haven't got any such suggestion. Basically, what is happening is even when we are exposed by a larger plant, it hasn't gone to the level of discussing the financials. I feel that as an organization we can continue to grow. I don't see a very specific advantage in selling out the plant. Rather, we would keep adding more capacity as and when we keep growing and try to take our capacity at a very high level.

Apart from this location, we can add more facilities in other areas. But if you ask me at what valuation we would quit, I don't even have a ballpark figure. If there is a good price, management is always going to consider it in the best interest of the shareholders.

So, regarding debt, if you look at my debt profile, it is less than INR200 crores, which we feel is very comfortable. But yes, once this capex goes online, one of the main reasons we are doing the capex is to improve the EBITDA margin of cement. For example, last year we did an EBITDA per metric ton of INR200, whereas in this year Industry is averaging about INR1,000. This is mainly because our power consumption is almost 50%-60% higher than the industry standard and even the fuel consumption is also 50%-60% higher than the industry standard.

Once that has been arrested, this cost saving itself will translate into adding about INR800 EBITDA per metric ton, which means typically we will reach between INR900 to INR1,100 EBITDA per metric ton at par with what we see in the industry. So once we come to that level, there are going to be sufficient cash flows. Unless there are new plans, we will be utilizing those funds to cut down on our debt. So does that address your question, Amit?

Moderator: Our next question is from the line of Bharti Patel from SCD Consultancy.

Bharti Patel: Hello. Bharti here. Sir, can you please tell us about the production and sales volume for Q1 FY '25?

Venkatesh Katwa: Definitely. So our production for Q1 FY '25, I just wrote down the figures here. So production is around 63,000 and odd and sale is about 63,772. This was in Q1 FY '24, it was 55,991. So you will see that there were 8,000 Tons jump in the sales. But in spite of that, the top line remained very single because of the -- almost 12% jump in the sales quantity, but 12%

reduction in the sales price, which is why it did not see any impact on the top line or the bottom line.

Bharti Patel: Okay, sir, understood. And what is the current capacity and capacity utilization in the business?

Venkatesh Katwa: So right now, my capacity utilization for Q1 is 70% and the capacity itself is about 0.35 million tons.

Moderator: Our next question is from the line of Aditi Roy from Patel.

Aditi Roy: Congratulations, sir, and thank you for giving me the opportunity.

Venkatesh Katwa: Sure.

Aditi Roy: Does Karnataka market has the capacity to absorb the rise in the cement industry considering the competition in the market?

Venkatesh Katwa: Sorry, I think I missed the question part. Come again with the question.

Aditi Roy: Does Karnataka market has capacity to absorb the rise in cement production considering the competition in the market?

Venkatesh Katwa: Yes. Typically, when we say Karnataka, it's the southern zone. As of now, we are over capacity across all the regions. And southern zone has been much more higher than the other regions. But we are at the northern tip of the southern region, which means that our outreach is going into Goa as well as southern Maharashtra. Not all our cement is sold in Karnataka.

So in spite of the higher capacity available and the huge capacity expansion, we are closer to the consumer market compared to most of the capacity expansion that is taking place. So in Karnataka, most of the expansion is taking place in the cement cluster, which is known as Gulbarga region. But in our region, where we are located, the only capacity expansion is done by us. And since we are closer to the home market or the consumer market, we are not likely to foresee any kind of resistance from the larger plants, unless there is a little bit of pricing, which we are able to compete with them.

Aditi Roy: And sir, I have another question. Can you please explain our leadership network in increasing FY '25?

Venkatesh Katwa: So when you say leadership network, I am not able to understand the question. Dealership?

Aditi Roy: Yeah. Dealership, sorry.

Venkatesh Katwa: Yeah. So typically what has happened is, we are already focusing on increasing our market reach by reaching out to the existing customers. We have hired a few people to reach out to areas deep in Maharashtra, going a little south in Karnataka. And as such, we have hired some experienced people. But right now, we are only focusing on getting to know them. We have already supplied some sample products or beginning to send some cement in that region.

But since we do not have enough capacity and the logistic cost is going to be too heavy, with the current EBITDA margins, we are a little restrictive in what we can achieve. So once this capex comes into play, our cost of production goes down, there is a huge scope for us to start digging deep and expanding our current market share from the existing areas as well as adding new areas. So that is the kind of plan which we are implementing right now. And we are very confident it will go successful and we should be able to achieve our required targets with these kind of opportunities.

Moderator: Our next question is from the line of Bharat from Fair Value Capital. Please go ahead.

Bharat: Sir, a couple of questions from my side. So when you refer that there are a couple of companies who are also operating in a similar league, where they have capacity near our facility. So can you help us understand what will be the overall kind of production levels which happen by both the companies, JK and Dalmia, in the region?

Venkatesh Katwa: So right now, I think both of them put together is about 5 million tons. And ours is going to be 1 million tons. So together, we are about 6 million or maybe 6.5 million tons, as I see of it right now. So they have been in a similar capacity for the last three to four years. I have not heard about any kind of capacity expansion going on out there right now.

Although, I would not commit on saying what is happening because unless it comes out in the media, we will not be able to find out. Nevertheless, even 5 million tons in such a market, I would not say it's going to be -- it's not very huge. If you look at Gulbarga, I think they will have a capacity of more than 100 million tons between many large plants over there. With this 5 million tons, we are pretty confident that together we can serve these markets.

Bharat: And, sir, with respect to the overall supply, which we do, like in the 250-odd kilometer radius, what will be the overall level of consumption of cement out there in the vicinity?

Venkatesh Katwa: So an approximation at 300 kilometer radius from our plant would be consuming around 30 million tons. So, for example, the whole country is consuming about 375 million to 370 million tons last year. And ours is -- in the 300 or 350 kilometer radius, more than -- based on per capita consumption, it is estimated that about 30 million tons is getting consumed here.

Bharat: With respect to the guidance, like you mentioned, 900-odd will be an EBITDA figure for certain -- I think from FY '27 onwards, we will be able to enjoy this particular margin. So in a way, with respect to 1 million ton capacity, it can lead to INR90 crores EBITDA, if my understanding is correct. Whereas you tried to mention in previous calls that the EBITDA overall for FY '27 can reach near about INR120-odd crores to INR150-odd crores. So can you help us understand the discrepancy out here?

Venkatesh Katwa: Absolutely. So when I say EBITDA per ton of cement, for example, when I calculate the EBITDA per ton of cement, it is typically on the basis of excluding the benefits of solar energy. So when I am calculating EBITDA right now, when I say INR200 per metric ton, it is exclusively for cement vertical without taking into consideration the benefits of solar energy.

For example, the last year, EBITDA was around INR42 crores. Out of that almost INR35 crores-INR36 crores EBITDA was due to solar, hardly about INR5 crores to INR6 crores EBITDA belonged to cement. So that INR35 crores EBITDA what we are earning in solar will continue to accrue. So when I must have told INR90 crores EBITDA, it must be purely for cement, and then you have to add about INR35 crores of EBITDA what solar will generate. So overall on the financials, you will see INR100 crores EBITDA.

But one thing I will tell you, typically when we discuss on EBITDA at a particular time, let's say when we were discussing this on Q1 of FY '24, that time the pricing of cement was around INR4,000 and it was expected to go to INR4,200 or INR4,300, based on the general understanding on past five years CAGR. So based on that, at 70% capacity utilization, you would reach around INR85 crores to INR90 crores or maybe INR80 crores on cement plus INR35 crores EBITDA. So in a nutshell, assuming that price will continue to grow at the inflation to a certain level what we have seen in the five years in FY27 yes. With cement and the solar we should be able to reach around INR120 crores EBITDA without any doubt.

Bharat: Sir, my understanding is that we will be utilizing 95% of the overall power consumption itself for the capital. So, I think the benefits of solar was likely to – the benefits will likely to go down. But, in a way what you are referring is incrementally it will be there INR35 odd crores which we are currently generating that will be there and that will be reflecting in the EBITDA from FY27?

Venkatesh Katwa: So, that is only for example to do an apple-to-apple comparison. Right now, I am generating around INR1400 EBITDA per metric ton you should check my balance sheet my entire EBITDA. For example, my first quarter, my total EBITDA is around more than about INR8.8 crores. I am just giving an example for about 63,000 tons of dispatch I am showing an EBITDA of INR1400 per metric ton.

But that would not be accurate because out of that INR1400 most of the benefits have come because of solar. Even though I am consuming solar 95 to 90 assume I am consuming 100% of the solar energy. Power I am going to get free of cost, but when I was mentioning INR900 to INR1000 EBITDA per metric ton that is assuming power at the market price. So, based on that we were targeting about INR900 to INR1000 because that would be a correct apple-to-apple comparison with the other companies, but no other company has got 100% renewable power on their system.

So when I was saying 900 to 1,000 EBITDA per metric ton at 70%, 75% consumption we are likely to hit about 75-80 based on what I see right now plus INR35 crores EBITDA of solar will add to the figure just because the market price of the solar at that particular point in time will lead to addition of this. If I don't do that, it will automatically become 100 to 120 otherwise also and I hope I am able to make you understand why I am differentiating these two.

Bharat: All right sir. Got it. And the last question is sir recently there has been a ruling from the Supreme Court in regard to the imposition of tax. So, for our industry where we procure a large amount on the limestone front, so don't you think there will be a pricing point faced by the industry going forward if the Karnataka state government imposes a tax further on the same?

Venkatesh Katwa: Tax on what?

Bharat: Like on the mineral front, on the mining front. So, for those companies who are backward integrated to a greater extent so they will be facing some sort of a headwind coming in from the tax authorities if the imposition is being done because it will be backdated from 2005?

Venkatesh Katwa: So, if you are talking about royalty, it is going to be applicable to everyone generally and till date, generally we have not seen anything happen retrospectively. So, if there is something in future most of these taxations are common whether you are captive or non captive. Of course captive does have an advantage, but then limestone itself does not part of significant cost proportion in your manufacturing cost. It will be surprising, but by volumes limestone is 95% of your volume in cement.

When it contributes to cost, it is less than 15% and almost 77% is controlled by power and fuel which is where we are addressing our issue. So, if there is some additional tax which is going to be likely to come to us, of course there is going to be some impact on the company, but I am assuming that the tax will be applicable to all the mineral extraction irrespective of whether we are buying it or consuming it from our own resource. Typically in the past, this is how it is working the royalty or any kind of tax is applicable irrespective of whether you are selling it or you are extending for yourself.

Bharat: And sir a last bit in terms of the overall capacity which is there so 1 million tons is definitely where we are looking forward, but beyond which do we have any scope of further expansion within the particular area or are you also evaluating out opportunities for the stabilization of it? So, any roadmap which we have for the next 5 years?

Venkatesh Katwa: So, as of now we are settling for this 1 million tons of course with the kind of kiln that we have purchased this time where basically replacing the kiln which was not part of our original plan. So, the new kiln is designed in such a manner that tomorrow if we have to do any kind of additional expansion on Brownfield expansion it can increase to about 1.8 million tons by simply adding another grinding and crushing equipment, but as such to be honest, we haven't decided on that yet but sometime in the future we will take it up.

When we will take it up I do not have an answer nor do we have a roadmap as such. For now, we are sticking with completion of this project and making sure that our debt starts coming down before adding new capacity in cement as well as in solar, but there is definitely a plan from the management side to increase capacity in both the verticals.

Bharat: That's it from my side, sir. Thank you so much.

Venkatesh Katwa: Thanks a lot Bharat.

Moderator: Our next question is from the line of Amit Dubey from Newberry Capital. Please go ahead.

Amit Dubey: I just wanted to know about the outlook what you think about this fall in prices. Do you think it is temporary or it will take a lot of time to get back? As we are in a higher interest rate environment once the interest rate eases will the prices go back to normal or what is your outlook on that?

Venkatesh Katwa: Amit, I could not hear the question because I felt there was a lot of echo. Can you go a little slower maybe like the last question also had a similar challenge. I could hear a few words, but not a sentence in full.

Amit Dubey: So one was on the outlook. The cement prices that have fallen do you think it is a temporary issue or it will you expect the rate comes back to normal. Do you see prices going up?

Venkatesh Katwa: Definitely yes. You are talking about the pricing. Without any doubt Amit the pricing has to improve going forward. Cement industry has seen this kind of dip many times in the past also and no one has sustained for long with this kind of pricing. Pricing is pretty bad you have seen this across all the plants all over India. It is mainly because we had a national elections going on in Q1 and Q2 was completely – Q2 started off with a lot of monsoons.

There was an attempt by the cement owners I would not say out of any kind of grouping or whatever typically a Tier 1 brand increases the price by INR1000 per metric ton everyone follow. They did try to do that. but within a week it started collapsing back mainly because there is no consumption at the bottom level because of elections in Q1 and monsoons in Q2.

Once they are all settled right now the government is back in the saddle. Basically the government is focusing on adding 3 crores houses, the infrastructure with the kind of unemployment noise that has gone through the country. There is an expectation by the industry that the government will focus on a construction industry which apparently generates the highest employment and with this we are expecting the general consumption to improve. A little pull from the market will be for the pricing.

I am very confident that by the end of September we should be able to see some recovery in prices to normal and even better and one more thing in the last many years if the last 5 years if you look at it average pricing has always been on the higher side compared to the previous year. So even though we lost the pricing in quarter 1 and quarter 2 if the previous trend has to continue Q3 and Q4 are likely to be extremely good.

Amit Dubey: Thank you.

Moderator: Thank you. Our next question is from the line of Tushar from Yogya Capital. Please go ahead.

Tushar: Thank you for the opportunity again sir. I have a couple of questions. Can you please guide what your consolidated EBITDA per ton will be after the expansion in FY26 and FY27 and also please provide a breakup between an apple-to-apple cement EBITDA per ton and including solar?

Venkatesh Katwa: Basically when we do an apple-to-apple comparison when others are using manufacturing cement from either thermal power production or purchase from the discoms. There is not much of a cost difference today's with the kind of coal price going up. So assuming that as a base a good industry is generating about INR1000 to INR1100 EBITDA per metric ton. With the same statistic if I do not assume that we do not have a solar because we are generating about INR200 per metric ton so there is a huge gap of INR800.

So once that is recovered due to this capex what we are doing right now we may not reach INR1100 like the largest industry, but we are pretty confident to reach around INR900 to INR1000 EBITDA per metric ton. So once that reaches we become at par with the industry. In addition to this so we will have an EBITDA for another Rs. 35 Crores from solar itself, but since we are entirely consuming it to ourselves we are going to add another INR 200 to INR250 PMT EBITDA based on that.

So our total EBITDA is going to between INR1250 to INR1300 including the benefits of solar. So that is the target or that is the ballpark what we are kind of looking at.

Tushar: Okay sir. And sir in your previous calls you have guided a per ton fuel consumption of around 750 to 850 kilocalories post this expansion whereas the industry standard is around 650 kilocalories per ton. So any reason why even after modernizing your plant your per ton fuel consumption will be more than industry standard?

Venkatesh Katwa: Industry is not exactly 650 but the best industry must have reached about 680 or so but on average industry standard is about 700 to 750 I would say. And I think that I have heard about it the top class industry they have reached about 680. Maybe I don't know how I may not have the figures but it's typically 700 to 750 we would be reaching between 750 to 850 maybe higher because of economies of scale.

So our cement even though we are putting the best equipment it's like you are making tea in a small pot as opposed to a big pot. This is always the big pot because the tea is more tasty or something like that. So when you have a much larger scale some benefits are going to accrue with that which we will not get the benefit of. So that's the reason there is going to be a difference of maybe 50 to 100 kilocalories.

Tushar: Okay sir. And sir you recently commissioned a 3 megawatt solar power plant so what are the terms for the payment because you mentioned something about your supplier paid for it or something of that sort. Can you please mention the terms?

Venkatesh Katwa: Terms from what?

Tushar: Terms of repayment.

Venkatesh Katwa: Terms of repayment to the bank?

Tushar: Sir you mentioned that the 3 megawatt solar addition that you have done recently the entire process was financed by your supplier not by you.

Venkatesh Katwa: Correct. You are right. So repayment is for 5 years. And we have to pay from I think since we commissioned this month we would be starting to pay from next year onwards on EMI basis.

But we have done part payment to them only for the balance amount there is a repayment structure.

Tushar: Okay. And sir what was the total cost for this project?

Venkatesh Katwa: The total cost for this project was around INR13.57 crores.

Tushar: Okay. And sir what is the absolute amount of annual subsidy that you have received and how will it shape up going forward?

Venkatesh Katwa: So the only subsidies we have received from the government is what is known as an interest free loan. But unfortunately we are not able to use that to our benefit because against that loan we have to give a bank guarantee to the government. So the bank guarantee we have issue, we have issued by the bank with 100% margin. So technically the loan has come to us but it has been deposited to the bank for the sake of bank guarantee.

We are in the process of getting that released by getting a bank guarantee sanction. It might take a while but we don't know how long but once it happens even if bank gives us a bank guarantee sanction with 25% margin 75% of it will be released. So out of INR22.46 crores of interest free loan sanctioned by the government around INR18.5 crores have been received. The balance will be received in the next 6 to 8 months.

Tushar: Okay sir. Also there was some mention of some billing charges and transmission charges that were being waived off. Can you please talk a bit about that?

Venkatesh Katwa: So technically our plant basically has been installed before 2018 which means that for 10 years there is no billing and banking charges. And the second plant was installed in 2022. For that plant for 10 years there are no transmission charges and certain other charges have been excluded.

Now what we have added to the existing transformer itself which means that in 5 years there is a certain amount of degradation in what has happened to the plant. Generally when I look at the observation of the plant we have not reached the full capacity based on the possibilities on the PV modules. So whatever gap we have seen to that extent of the gap we have added more of the capacity.

So technically we have ordered only 3-megawatt capacity by which our peak capacity will be within the limits sanctioned by the government. And we are expecting almost 45 lakh units to be generated out of this.

Tushar: Okay. so one last final question. While going through the annual reports I had an observation that salaries of some of the employees seem pretty low considering their past employment and total experience. So I am just trying to understand how do you retain them? Like am I missing something from this?

Venkatesh Katwa: No. Typically all these employees whom we are seeing are locally from the local village itself. In that region -- see cement plant is a very capital intensive industry which means that we have a systematic computerized system in place.

So it is not even now the entire system is managed by computer operations which means that we need only couple of highly skilled people otherwise a basic supervision will be good enough to run the plant. Yes. so typically it is a very small town around there it is not very big and there are lot of other benefits like in-house benefits there is a stay provided within the plant so lot of things do not show up in the salary itself. So we are able to manage with that right now.

Tushar: Would you decide to assume that this is somewhere around the industry standard and not much low compared to that?

Venkatesh Katwa: In this region, yes.

Tushar: Okay. That answers all of my questions. Thank you, sir.

Moderator: Thank you. Our next question is from the line of Vinod Gupta an individual investor. Please go ahead. Hello sir.

Vinod Gupta: Congratulations sir. Thanks for giving me this opportunity. So sir my question is increasing EBITDA margin of 26.5% in Q4 and FY '24. What is the contribution to EBITDA and EBITDA margin expansion?

Venkatesh Katwa: After expansion you are saying right?

Vinod Gupta: Yes sir.

Venkatesh Katwa: Last year I think we averaged around 30% so this quarter is 26.5% only because the prices reduced by nearly 12%. So that ate away most of your EBITDA but then after capex we are expecting between 36% to 35% EBITDA margins. The whole reason of doing this project is to cut down on the variable cost. So that is going to add your EBITDA quickly.

Vinod Gupta: Okay sir. And my another question is can you bifurcate cement and solar EBITDA margin and help us to contribute to EBITDA margin expansion?

Venkatesh Katwa: Yes. So for example this quarter out of INR8.8 crores EBITDA total EBITDA solar EBITDA is around INR8.10 crores and cement EBITDA is only INR75 lakh. So this quarter out of INR8.85 crores EBITDA total EBITDA, solar EBITDA is contributing INR8.1 crores and cement EBITDA is only INR75 lakh. That is mainly because of high fuel and power inefficiency. So this is how the bifurcation has been made.

Vinod Gupta: Okay sir. Thank you, sir.

Moderator: Thank you. Our next question is from the line of Manan, an individual investor. Please go ahead.

Manan: Yes sir. Thank you for the opportunity again. I just had a few more questions. Did we face any payment disruption because of general elections and also the monsoon season being so has debtor days has there been any increase in receivables?

Venkatesh Katwa: Nothing significant. I don't think so we had any major issues during the elections because we are not supplying to any government organizations which we want to do it after capex. We didn't see any disturbance or disburses during those times.

Manan: Okay. And sir, will we keep on adding our solar capacity even after our 1 million ton capacity addition?

Venkatesh Katwa: General feeling is that management is going to keep adding effort in both the directions, Cement as well as Renewable. How much and when only time can tell. Because a lot of discussion happens then we will have to make certain provisions for the land, the financing, the funding and everything. So the best answer I can give to this question is yes, the management will look into expanding the cement as well as renewable power as we keep going in time.

Manan: Okay. And the 35% to 37% EBITDA margin that you said should come in around FY '27?

Venkatesh Katwa: Yes. Some of it we should be able to see in FY '26- '27. Because this year and almost if we start the planting by November-December. So by Q1 of FY '26 we should be able to see some beginning of that maybe not as much. But FY '26 should be able to see that kind of high jump.

Manan: Okay. That's good to hear. And last question would be sir, I don't know that much taxes and all. I just wanted to understand that our tax rate has been a little erratic. So like isn't there some guidance on the tax rate in FY '27, something like that?

Venkatesh Katwa: Why would you say that our tax is erratic? So what has happened in our plant is we have a huge depreciation carry forward from solar investment. See, solar investment is one industry where the asset return ratio is extremely low.

Government is promoting solar because the best way they can promote it is by allowing us to go for very high level of depreciation. So in my classic case, what has happened is since our depreciation is loaded in our income tax, our tax rate, we are presently giving tax only as MAT rate and for next several years it is going to be MAT itself since we have a depreciation loss of around INR100 crores in the books. So the real income tax will come maybe after like four to five years.

Maybe that is the purpose you are seeing the tax rate is uniform like earlier. So it is going to be similar next year, next year, maybe three to four years. After that, once our depreciation is completely used up, we would look into uniform income tax rate.

Manan: And that would be around like general '24, '25, '26?

Venkatesh Katwa: Correct.

Manan: Only this much, sir. Thank you so much.

Moderator: Thank you. Our next question is on the line of Aman, an Individual Investor. Please go ahead.

Aman: Okay, sir. I had a question regarding our debt. I just wanted to understand what is the debt we carry on our books as of today? And what kind of repayment plan are we looking at for the same?

Venkatesh Katwa: So debt appears for the top line that we are doing, the debt appears high mainly because most of the debt is coming from investment in solar energy, which is not generating revenues. So, for example, now we have taken a new debt of around INR80 crores for the new capex. Excluding that debt, had we not done the capex, our debt profile would have been around INR125 crores.

Out of the INR125 crores, almost INR90 crores to INR95 crores is attributed to solar. The cement debt is going to be only about INR30 crores, INR35 crores. I am talking about the term liabilities, excluding any working capital liability. So our debt profile, even though it looks a little extended, it is still digestible only because of this solar energy, what we are getting, our EBITDA margins are very high.

You will never see this kind of EBITDA margins in any cement plant. You look at all the top class cement plants, their EBITDA margins are hovering between 10%, 12%, but we are touching around 35%, mainly because we are having this benefit of renewable power. So as we complete the capex, there is going to be decreased cash flow, like I said, some part of it will go towards increasing capex in both, the balance will go to earlier closure of debt and reduction of debt. So that's the plan, basically.

Aman: Right, so, we need about INR190 crores, INR200 crores of debt on the book as of now, right? That's correct.

Venkatesh Katwa: That is including the new debt that we have taken for the capex, whose operations have not come into place. Yes, but you are right.

Aman: And the interest that we are paying out every quarter is in the range of about INR4 crores, INR4.5 crores, approximately. Is that the amount one can expect to go forward? I mean, is there any scope of the debt increasing or the interest expenses increasing going forward?

Venkatesh Katwa: You are talking about quarterly interest rate, right? Quarterly interest?

Aman: Quarterly, yearly, whatever. So, you have taken on this debt for the expansion for the solar power plant, etc. To very simply put the question is, will the debt increase going forward or would it now go on a downward trajectory, thereby interest rates or interest payments also every quarter as your new plan starts working? I am guessing it will only go down going forward.

Venkatesh Katwa: Absolutely. So, if you look at, since the expansion has taken place now, if you look at the last 2 or 3 years of our finance curve, it has shown a downward trend. So, like FY '22, my finance cost was around INR19.2 crores. Then it came down to INR18.7 crores. So, again, last year it came down to INR16.9 crores. So, this year, this year it could bump up a little bit because of the capex. But yes, there is always a general trend. If you look at last 3 years, you will always see the debt is going down because we are repaying always on time.

Aman: Got it. And how many years have you factored in to sort of pay off this debt?

Venkatesh Katwa: So, the longest debt is that we have taken for solar and that will take probably another 8, 9 years. So, typically, from what I see, our first, like sudden debts of Termloan 1 and Termloan 2, we will be completely repaying it by, some of it by beginning of next year, some of it by mid of next year.

So, we are going to, the amount of cash flows that we will save on repaying this debt of 3 debts, what is going to happen, is almost equal to the repayment scale of the new debt, what is going to come up in the books. So, if you look at the math, our actual cash flow is going to remain fairly constant, whereas the revenue and EBITDA and profitability will increase.

So, for example, my Termloan 1, which is Termloan 1 and Termloan 2, together, I pay around INR50 lakh as a repayment per month or INR6 crores per year. And then I have a GECL loan for which I pay around INR5 crores. So, this put together is about INR8 crores to INR9 crores debt repayment, which will get over by March 2026. So, that eventually will be replaced by the new debt and repayment of this, what I have taken. So, only for FY '25, the repayment and debt will go up. After that, it will start going down drastically.

Aman: Understood. Thank you. This is helpful. On the EBITDA margins you suggested, it will be between 36% and 37% once your new plant sort of starts working. The effect of this you suggested would be fully seen in starting FY '26 itself. So, for anything new to scale up, is this a realistic expectation that within weeks or months, it will start giving you this kind of margins?

Venkatesh Katwa: So, which is why I didn't mention that we may not be able to see that in the first quarter itself. There could be some, like Teething issues and all the things. So, overall, that's a direction we are going. If not 35%, maybe we will be in the range of 34%, 35%. But eventually, we will have to get there. So, then the whole objective of this capex is to cut down your variable cost significantly. So, ultimately, it has to impact on the positive side of the EBITDA itself.

Aman: Two quick questions. One is around the demand. You suggested in your previous call that, 1 million capacity added is not a big number. So, looking at the kind of government initiatives we have, the infrastructure development that is going on, in your reckoning, you feel that this demand will be absorbed easily within the radius of the markets that you serve in over the next few years?

Venkatesh Katwa: Absolutely. So, you are right. This is a typical thing. 1 million ton is still not a very large capacity. So, with this 1 million ton, what I am adding to myself is increased margin, which means that I have a deeper pocket to reach out for better sales and marketing programs, better marketing reach, supplying to the larger dealer network who would like to consume at a higher rate, and giving better discounts.

So, we are pretty confident as a management that cement itself will be initiated by the government and due to the fact that it is just 1 million ton, the sales should not be a major challenge in coming days.

Aman: One last question, sir. I believe you have a landholdings of about 260 acres. Is that understandable well?

Venkatesh Katwa: So, landholding is, you are talking about existing land where we have a different plan?

Aman: The land the company holds is about 260 acres. I remember listening on about this on some other call. Is that actually?

Venkatesh Katwa: Absolutely. So, let's see. So, we have 42 acres and around 15 acres from cement plants. We have 160 acres. So, yes, 215 acres is what it is showing me. So, typically that is what it is. It is what it is there. Maybe not 260, but 215 to 220.

Aman: Okay. 220 acres. And what would be the value of this land, sir? Just trying to understand just for my understanding in these regions.

Venkatesh Katwa: The market value is going to be extremely high because both my cement plants are located right on the highway. In fact, one cement plant which we have on the first plan, which is what we call the plan what we have taken in 1995, there is a township coming around there. And we haven't done all the valuation internally.

But all these lands, they are completely for industrial use. I wouldn't be able to tell you an exact figure, but I can give an approximation like. So, one plant to whatever we have 40 acres, is right on the highway. They're going to make it a big four-lane highway, about 40 acres. It is easily going to cost, the price is around INR1 crore per acre over there.

And that 15 acres, what we have in plant one, around the same price. This 160 acres is what we have for a solar plant. The value is around 25 acres per acre. The max is maybe around INR100 crores.

Aman: Super. This is great to know, sir. Wishing you all the best. The company is set up for some exciting times ahead. So, look forward to seeing this grow further. Thank you so much.

Venkatesh Katwa: Thanks a lot, Aman.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. And now in the conference, over to you, Jainam Shalva, for closing comments.

Jainam Savla: Thank you, everyone, for joining the conference call of Shri Keshav Cements & Infra Limited. If you have any queries, you can write us at research@kirinadvisors.com. Once again, thank you to the management team and participants for joining the conference call. 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.