



23rd October, 2024

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001.
Scrip Code: 532538

The Manager
Listing Department
The National Stock Exchange of India Limited
"Exchange Plaza", Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051.
Scrip Code: ULTRACEMCO

Sub.:

Transcript of Q2 FY-25 Earnings Conference Call of UltraTech Cement Limited ("the Company")

Ref.:

- a. Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")
 - b. ISIN: INE481G01011
-

In terms of Regulation 30 of the SEBI Listing Regulations 2015, please find attached transcript of the Q2 FY-25 Earnings Conference Call conducted after the meeting of the Board of Directors of the Company held on 21st October, 2024, for your information and record.

The same is available on the website of the Company viz. www.ultratechcement.com

Thanking you,

Yours faithfully,
For UltraTech Cement Limited

Sanjeeb Kumar Chatterjee
Company Secretary and Compliance Officer

Luxembourg Stock Exchange
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and US90403E2028

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and USY9048BAA18



UltraTech Cement Limited



“UltraTech Cement Limited
Q2 FY '25 Earnings Conference Call”
October 21, 2024

**MANAGEMENT: MR. ATUL DAGA –CHIEF FINANCIAL OFFICER –
ULTRA TECH CEMENT LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to the UltraTech Cement Limited Q2 FY '25 Earnings Conference Call. We must remind you that the discussion on today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with the risks that the company faces. The company assumes no responsibility to amend, modify or revise any forward-looking statement on the basis of any subsequent development, information or events or otherwise.

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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Atul Daga, CFO of the company. Thank you, and over to you, Mr. Daga.

Atul Daga:

Thank you. Good evening, everybody, and welcome to this Earnings Call today. This quarter, I believe, has turned out as expected. Pre-election slowdown followed by a slowdown in April, June, with elections and then monsoons, which have been intense in most parts of the country and also the longer duration of monsoons this season. Some parts of the country have been witnessing rains as of now also.

All of this put together has resulted into UltraTech's capacity utilization at 68%, delivering a 3% growth in volume terms. Good monsoons is not good for the short term but results in a good season for rural markets in the long run with improved cash flows, thus we envisage and expect good rural demands in the coming seasons.

Agricultural production for both summer and winter crops is likely to be higher as reflected by the sowing activities during summers and increasing water reservoir levels, which bode well for the winter season. We have to also keep in mind global events, which have an impact -- which do not directly impact our business because it's domestic, but global events being of the nature that they are can always have an indirect impact, ocean freights to name one of the key elements, which can go up and impact our input costs.

China has introduced a stimulus package. We have not yet seen the big impact on the global markets, but I'm sure there will be some positive, some negative out of that. Let me come to the burning question of all quarters, fuel costs. Our high-cost fuel contracts have almost come to an end with a very small impact left in Q3. You would have noticed pet coke ratios have gone up 54% this quarter and rupees per kcal has dropped to INR1.84 from about INR2 in the last quarter, a decline of almost 8% Q-o-Q.

The most important factor would be demand, which we need to keep an eye on. Urban Housing has been doing well so far as has been visible from the growing number of registered projects across the country. We believe that new infrastructure project orders will start gaining

momentum, although it has been a subdued start from Q1 and during the quarter in the reporting, we believe that things have started moving and awards have started picking up.

589 kilometers of road projects have been awarded by NHAI and MoRTH, though lower on a year-to-year basis. During the quarter, various projects approved to improve country's infrastructure have come to light. Some of them are Chennai Metro, INR63,000 crores; Mumbai ring roads, INR58,000 crores, Pune ring roads, another INR42,000 crores, the PMGSY for INR70,000 crores, out of which INR62,000 crores is for roads, central government approval for Bangalore Metro Phase 3, approval for Thane integrated metro rail project and so on and so forth.

So, the list will keep on increasing, we are very confident that there is not going to be a slowdown. These are just few announcements, as I mentioned. With government's continuous thrust on infrastructure, investment outlay is estimated to increase to about INR75 trillion over the next 5 years, increasing to 1.6x from investments of INR47 trillion over the last 5 years.

Housing launches are continuously growing at double digits since last 3 years. Urban population in the country has increased from 26% in 1990 to about 36% in 2024. And we believe that the pace of urbanization will continuously accelerate further. Urbanization is going to lead to increase in demand for housing across all categories, affordable, mid-level, luxury, ultra-luxury.

Also, we have to keep in mind that this is forming a low base. This quarter is forming a low base, which will generate good growth in percentage terms. We are also seeing improvement in demand in the commercial space, which is represented by commercial offices, warehouses, data centers and the likes.

Talking about our own growth plans, our expansion projects are on track, and we will commission another 8 million tons of capacity in H2, taking us to 157 million tons of capacity by the end of fiscal '25. And as per our announced organic growth plans, we should be reaching 184 million tons of capacity by FY '27 in India. Onto the acquisitions. RAK White, a white cement company, which we had invested in a couple of years ago became a subsidiary with effect from 10th of July this year.

The results of RAK White have been incorporated in our consolidated financial statements. The cement business of Kesoram that is under acquisition. The transaction is in its last phases with the NCLT hearing scheduled on 25th October and 12th November for Kesoram and UltraTech, respectively. We hope that there are no delays in these processes. And this being the last step, the transaction should see a conclusion in Q4 FY '25. With respect to the acquisition that we had announced for India Cements, we are awaiting CCI approvals for the transaction, after which the open offer will be launched.

Let me come back to the efficiency improvement program we had talked about, I think, a couple of quarters ago. Our efficiency improvement program is very specific, precise and measurable. We started tracking this program from the close of fiscal '24 and let me reiterate the various line items included therein. WHRS capacity we had ended the financial year with 278 megawatts.

Currently, we are at 308 megawatts and we'll reach 450 megawatts by fiscal '27 end. Renewable energy capacity, we were at 612 megawatts at the beginning of the year, we have reached 681 megawatts as of now, and we will be reaching 1.8 gigawatts by fiscal '27. Clinker conversion ratio is again on track from 1.44 to 1.54 by FY '27. Alternate fuel mix is set to rise from 5% at the end of fiscal '24 to 15% at the end of fiscal '27.

Lead distance, as already we have spoken about, has started dropping, and we will see further drop and definitely reach about 360 kilometers by fiscal '27. Over and above that, there are smaller areas like power consumption reduction, efficiency improvement in operations, operating leverage. All of them will be delivered in each year step by step.

And to summarize, UltraTech today is at 150.66 million tons of capacity. March '25, we should be reaching about 159 million tons of capacity. By the end of Q2 fiscal '27, we should be touching around 180 million tons of capacity, wherein I'm not including the acquisitions in progress and anything in future. All the efficiency improvement programs that I've talked about will be delivering delta gains on the expanded base. And this is what, to my mind, is a sustainability agenda for us.

With that, I don't have anything else to add further in this commentary, and I hand it over for questions. Over to you.

Moderator: The first question is from Amit Murarka from Axis Capital.

Amit Murarka: So the first question is on the fuel cost. So you had guided for a normalization of fuel cost by the Q3. And it's good to see a sharp drop in Q2 itself. So could you help understand like in Q3 or by Q4, what could be the expected fuel cost when you kind of normalize back to the spot cost level?

Atul Daga: It should drop further, Amit. And as I mentioned, on an average, we would have a consumption of, give or take, 3 million tons of fuel between coal and pet coke. It's not just the cost of purchase, but the fuel mix also is equally important. And you would have noticed that we have gone up on pet coke significantly, which will keep on going up further. What will the number be like, difficult for me to give you an exact estimate, but we will be going down south only.

Amit Murarka: Sure. And also on your cost. So I see that there's a sharp jump in employee costs. I know you do annual increments from Q2, but it's almost a 24% Q-o-Q jump. So is there any one-off, one-time bonus or anything like that?

Atul Daga: Yes, there have been one-time bonus or extra bonuses, which were given during this period. So our average increase should be around 9%, 10% and over and above that would be one-off.

Amit Murarka: Okay. And lastly on other expenses as well, like last quarter, you had said that you had higher marketing spend. But the other expenses, at least on a per ton basis have gone up another INR100. So how do we think about other expenses now?

Atul Daga: Other expense, right.

- Management:** Maintenance cost is the one...
- Atul Daga:** Okay. In the printed accounts because all the maintenance costs are included in other expenses. This being the quarter for maintenance, that is where you will see other expenses always being higher as compared to remaining quarters.
- Amit Murarka:** No, no, I know, but I thought that Q1 was a bit elevated because of some one-off marketing spend...
- Atul Daga:** No. So Q1 had that one-off expense, which will not be there now or in future. This quarter, we had maintenance shutdown costs, which are part of my other expenses.
- Moderator:** The next question is from Raashi Chopra from Citigroup.
- Raashi Chopra:** So could you just tell us a little bit on pricing in the sense that what's happened after the quarter?
- Atul Daga:** How come I missed on the favorite question for everybody? Prices have been improving, whilst the average for the quarter will be a misrepresentation of things going forward. August to September also we saw improvement in prices and September to October also, the prices have been steady. So we have seen an improvement of -- from INR347 was August exit to about INR354 currently.
- Raashi Chopra:** And on average versus the 2Q?
- Atul Daga:** So one sec, the Q2 average was about INR348, which is now INR354.
- Raashi Chopra:** Got it. And in this quarter, the other operating income seems to have moved up sequentially. What is that attributed to?
- Atul Daga:** Yes, there were plant incentive which kicked in, long overdue.
- Raashi Chopra:** Okay. So this should continue?
- Atul Daga:** No. This was again -- there will be small portions left, but not forever. Maybe 1 or 2 more quarters, we might see additional incentive income.
- Raashi Chopra:** Okay. And on -- the last question on India Cements, the CCI approval is awaited. Is there any sort of delay or I mean...?
- Atul Daga:** No, it's a normal process. So there was first query list which was received, which we have responded to on the 12th of October. There might be one more list of queries. If it comes in, otherwise, nothing else. So they ask a lot of questions around details of markets and where we are selling, where India Cements is selling, etcetera.
- Raashi Chopra:** So likely closure within this fiscal?
- Atul Daga:** Yes. Within this fiscal, the content level is very high.
- Moderator:** The next question is from Prateek Kumar from Jefferies.

Prateek Kumar: Yes, sir, my first question is on pricing or profitability versus volumes. So our current quarter EBITDA per ton is like sort of probably 4, 5 years low on a quarterly basis at least. So is there a point where you as a company or industry probably like look at the profitability versus volumes? Or how should we look at going forward?

Atul Daga: Demand is the key for any industry. So if demand is good, everything falls in line. So we would fundamentally focus on how India is shaping, how India is growing in the next few years. And I guess, the hypothesis of 7% to 8% growth is still there, will be there and India will deliver that growth, which means we will deliver that growth higher than that. So I think maybe I have not answered your question fully. If there is growth, obviously, there will be profitability.

Prateek Kumar: Yes of course, growth will be in the profitability, but like your whole cost-saving initiatives, say industry cost, payable cost coming seems to already more than passed to the consumer. Historically we have, as an industry, like looked at better profits generally. It seems there is a significant deviation from there and even unlike for second half, not sure how much EBITDA per ton we are looking for improvement overall. But maybe a related question, like if there is a prolonged slowdown in demand, do we really relook at our organic expansion plans at all? Or like how should we look at capacity expansion...?

Atul Daga: No, no, no. So these 1 quarter, 2 quarter slowdowns will not impact our underlying hypothesis of growth. We are not slowing down on our growth agenda. That's very clear because we don't get disturbed by these 1 quarter, 2 quarter upsets. Fundamentally, we need to believe that India will deliver a 7%, 8% CAGR growth. That is happening, and that is why I downloaded some data, which I read out just now on various projects which the government has started announcing, rural markets have started growing.

Rural housing has started growing. If you're looking at a short-term window, then good monsoons, which have depressed cement sector this quarter will be a positive gain for April, June quarter when crop harvesting takes place. And which we are already seeing right now, rural demand, the FMCG sector is positive about rural demand. We are seeing a positive trajectory in rural demand also.

Prateek Kumar: Okay. And one other question is on white segment revenues, which like sort of slipped 10% year-on-year this quarter. Any specific reason there?

Atul Daga: I'm sorry what?

Prateek Kumar: The white segment revenues was like lower year-on-year by around...

Atul Daga: Putty prices were depressed. Putty prices have taken a beating this quarter.

Prateek Kumar: Okay. Is that continuing? Or like is it expected to revive?

Atul Daga: No, no. I think they have stabilized. We have not seen decrease in prices as of now.

Moderator: The next question is from Rahul Gupta from Morgan Stanley. Please go ahead.

- Rahul Gupta:** Atul sir, I have one broad question, which may not be a near-term thing. Just want to understand one thing, you have been continuously surprising positively on realization versus what we see on pan-India prices. If I compare numbers for the last quarter, your trade segment has not changed much. So what drives UltraTech's continued delivery on realization versus the industry? Just to understand this better.
- Atul Daga:** So I think this is a complement for us. Thank you for that. Rahul, it all boils down to us being building solutions, provide -- or us being top-notch in quality, us being able to meet our customer requirements with our strong dealer network footprint. And being consistently brand A player, we have maintained our positioning, brand positioning, our quality parameters, never compromising over there, which is helping us deliver whatever we are delivering.
- Rahul Gupta:** Sir, just a follow-up on this. Is it fair to say that apart from being a preferred brand, you being a pan-India player helps you cushion some of the regional disturbances on prices? Or is it a more...
- Atul Daga:** Certainly, it does. Pan-India presence, the diversity of our physical presence comes to our advantage as well as disadvantage. So when, let's say, there is an imbalanced movement in one particular region, that will have an overhang on our results. But luckily, as we are growing forward, our own capacity would be balanced across all regions. That will help us to be a really diversified player and will not get impacted by any regional imbalances.
- Moderator:** The next question is from Sumangal Nevatia from Kotak Securities. Please go ahead.
- Sumangal Nevatia:** Sir, my first question is on industry demand. Is it possible to share your sense, what would have been the industry demand growth in second quarter? And in your presentation, we see a lot of down arrows across regions. Is it possible to give some color as to some regional color and in our growth, I mean it looks like we would have grown in some region, and we would have seen some decline. So some region-wise color specifics will be very helpful, sir.
- Atul Daga:** So Sumangal, all India, I believe the demand would be negative or zero or between minus 0.5% to 1%. As for specific regions, I wouldn't have exact percentage colors, but the direction which we have indicated our basis, whatever information we have but till we have competition results declared, we will not be able to comment on that.
- Sumangal Nevatia:** Okay. But sir, east and south, I mean there are a lot of down arrows, I mean a firm decline on our volumes in these 2 regions or...?
- Atul Daga:** We have grown.
- Sumangal Nevatia:** Okay. Got it. Sir, second question on the fuel cost versus what we are doing at around INR1.85. I mean I understand that trajectory is downwards and difficult to, say, guide on the time line. But just for our understanding, at the spot level of pet coke say around \$95-odd, what would be the cost? I mean, of course, time line will depend on inventory, but some...
- Atul Daga:** No. So from our INR1.84, we could drop 10 points further. As for current prices, I think it has plateaued. We'll have to wait and watch the global events on how markets shape up, not seeing too much of volume in terms of supplies taking place at these levels.



- Sumangal Nevatia:** Okay, understand, understand. And just the last one. I mean for India Cements, we are expecting the CCI by about November end or December?
- Atul Daga:** No, it's difficult for us to comment. Typically, after we have responded through their queries, it could take 2 months, it could take 3 months, depending upon any further queries.
- Sumangal Nevatia:** Okay. But based on the queries, do we see any risk or any?
- Atul Daga:** No risk. It's only a matter of time. These are, I would say, statistical questions, which CCI also needs to be sure about by analysing the way they ask questions that there is no consolidation or there's no monopolistic situation in any micro market. That is what they analyze, so we don't foresee any challenge in getting the approvals. It's a process one has to follow.
- Sumangal Nevatia:** Thanks Sir, all the best.
- Moderator:** The next question is from Parth Bhavsar from Investec.
- Parth Bhavsar:** Sir, I have 1 question. So we are adding approximately 15 million tons this year, and we have acquired Kesoram and India Cements. So going ahead in a situation where the demand is not strong so would we go after market share gains? Or how would we go about the market share?
- Atul Daga:** And so our game plan, long-term game plan is always profitable growth. I think these two would sum up what we want to do. We want to grow. We want to deliver profitability also.
- Parth Bhavsar:** Okay. So you would like holdup your pricing like just in case and you won't go after market share?
- Atul Daga:** Why I would drop prices, it's day-to-day business. So tomorrow, God forbid, if there is a war, then anything could happen. So as of now, given the status quo, we expect the demand should start rising. And I'm still looking at double-digit growth for H2, which will deliver our numbers. And you will see improvement in profitability.
- Moderator:** The next question is from Shravan Shah from Dolat Capital.
- Shravan Shah:** Yes. Sir, double-digit growth for us for H2 and for industry, how much we are looking at for H2?
- Atul Daga:** I think we will deliver better than the industry.
- Shravan Shah:** Okay. Okay. Got it. And is it possible, sir, in terms of the 68% utilization for second quarter, can you break it down region-wise for us, how was the utilization?
- Atul Daga:** Would be average plus/minus here or there.
- Shravan Shah:** Okay. And capex for full year, last time we said INR8,000 core to INR9,000 crores so...
- Atul Daga:** We will spend that money. We are on track. We will spend that money.
- Shravan Shah:** For next year also the similar run rate one can look at?

- Atul Daga:** Yes. Because after concluding this year, we would have almost 20 million tons of expansion to complete, which will see its regular outflow.
- Shravan Shah:** Okay. And in terms of the cost saving that previously we have talked about around INR300-odd per ton. Definitely, we have also given in terms of the line item-wise but how much we have already achieved this year and next year possible, if you can say how much more cost reduction from here on we can look at?
- Atul Daga:** Yes. So instead of doing on a quarter-to-quarter basis, it is not logical and I'll explain that to you. We will definitely showcase at the end of the year, what the achievement has been. And now to come to the point why each quarter is not relevant because for example, lead distance, we have reduced substantially.
- But being monsoons, lead distance went up 1 kilometer or 2. Does that mean that I have lost? No. The downward movement in lead distance is ongoing, and we will reach our targets. So at the end of the year, we will publish the performance against the targets which I spoke about, I was vocal about each and every number. We will publish our performance at the end of the year.
- Moderator:** Next question is from Navin Sahadeo from ICICI Securities.
- Navin Sahadeo:** Two questions. So, while we are awaiting regulatory clearances at both Kesoram and India Cements deal, is there any initial assessment done as to the capex that may be required at both these entities to bring the quality of the plants at par to our operating standards?
- Atul Daga:** So, after CCI approval for Kesoram was received, we have done our deep dive, and we will invest in WHRS for Kesoram. And there will be other minor capex program, which will be undertaken. Rupee terms might be INR400 crores, INR500 crores over a period of 2 years to bring it up to the level of performance of UltraTech. As for India Cements, nothing as yet. We will follow the law. We will await CCI approval before we start engaging with them.
- Navin Sahadeo:** Understood. And I'm assuming that the yearly targets that you have given -- and thank you so much for giving that, but it gives us more conviction to build in that -- those kind of cost savings. The yearly target that you have given for waste heat recovery, I'm assuming they are not...
- Atul Daga:** I think I -- let me pre-empt you, it does not include the acquisitions.
- Navin Sahadeo:** Understood. And sir, second is just a clarification. Did you mention that the current pet coke at the current low levels of pet coke prices, not much transactions are happening?
- Atul Daga:** Correct.
- Navin Sahadeo:** So, is it because the seller is not willing to or we are expecting further decline? How should one look at...?
- Atul Daga:** If the seller was willing for a decline -- waiting for a decline, there is a problem, we want because we are regular consumers. So, we will keep buying. So there seems to be a possibility that prices might go up. That is why sellers might be holding on to their inventories and offers.

- Moderator:** The next question is from Ritesh Shah from Investec.
- Ritesh Shah:** Hi, sir. Thanks for the opportunity. Couple of questions. Sir, first at industry-wide, what is the sort of capacity additions that you are expecting say this fiscal and next two fiscals?
- Atul Daga:** Full year, we would see about 30 million tons of capacity this year out of which UltraTech would be 50%. Next year, again there should be 30 million tons and UltraTech being a main driver for that growth.
- Ritesh Shah:** Sir, earlier you had given a number of 35 to 40. So is it a few companies are scaling back to your knowledge, how should one read into this?
- Atul Daga:** No, not scaling back, there are delays. So it might not get commissioned on time is what I meant, Ritesh. That's why the number gets scaled out.
- Ritesh Shah:** Okay, that's helpful. Sir, my second question is you have indicated on sustainability bond, I think the prior one the coupon was at around 2.8%. Is it possible that you can break up that number of less than 7.25% into hedging cost and the actual coupon?
- Atul Daga:** Sure. Saurabh, do you want to give that?
- Management:** Yes. The cost of the bond is -- the hedging cost is about 3%. The total cost of the bond including the spreads around 4%.
- Ritesh Shah:** Sir, I could not hear, sorry.
- Management:** So the spread including the SOFR is around 4%. The hedging cost is around 3%.
- Ritesh Shah:** That helps. And sir, last question.
- Atul Daga:** And since you touched upon it, I feel so glad or thrilled about it that the domestic market borrowing cost would be about 7.5%. So, UltraTech is capable of raising dollar-denominated debt fully hedged at very competitive prices.
- Ritesh Shah:** Yes sir. Sir, last question, you emphasized a lot on cost. My basic question was, do you consider discount as a cost. And the reason to ask is if I look at that number over a 5-year CAGR, the number has increased very, very steeply at almost 19% CAGR which probably is a reflection of competitive intensity in the marketplace. Sir, any thoughts on this particular variable and would you not consider it as a cost as well?
- Atul Daga:** Discounts normally get netted off from selling prices and there are some promotion expenses which would be in other expenses. So I don't know where you're -- where are you picking this number up from, but it will be good if you can catch up with Ankit separately to -- and while you can do that, but I can assure everybody that our sales promotion spends or discounts will not vary -- would not have varied over a longer period of time.
- Ritesh Shah:** Sure sir. I will connect with you on this separately. Thank you so much for the answers. Thank you.

- Moderator:** Thank you. The next question is from the line of Sanjay Nandi from VT Capital. Please go ahead.
- Sanjay Nandi:** Hello. Thank you for the opportunity. Sir, can you please share the regional utilization for our company across different regions?
- Atul Daga:** As I had mentioned earlier with an average of 68% almost all the locations would either be at 75% or 65% in that range only.
- Sanjay Nandi:** Okay. Got it. And what has been the clinker utilization for our company for this quarter, sir?
- Atul Daga:** Clinker utilization, I think it remains strong. Just one second. Do we have it here?
- Management:** 70%.
- Atul Daga:** 70%, yes. 73%.
- Sanjay Nandi:** Okay sir. That's it from my side. I will come back in the queue. Wish you a very Happy Diwali in advance.
- Atul Daga:** Thank you. Same to you.
- Moderator:** Thank you. Next question is from Sukant Garg from Equible Research. Please go ahead.
- Sukant Garg:** Sir, my question is regarding guidance on the further acquisitions that the company is in plan with. So after India Cements, what kind of acquisitions the company is looking into as of now?
- Atul Daga:** Acquisitions are always opportunistic. So I really cannot comment on that.
- Sukant Garg:** No. I want to say, are there any in the pipeline as of now currently?
- Atul Daga:** I really can't comment on that.
- Sukant Garg:** Okay. No problem. Thank you. Most of the questions were answered again.
- Moderator:** Thank you. Next question is from Prateek Maheshwari from HSBC. Please go ahead.
- Prateek Maheshwari:** Thank you for the opportunity, sir. Sir just wanted to ask you if there is anything to call out in your cash conversion. So I just saw that your year -- versus last year, your cash conversion has dropped to some 65%. And I think the main reason has been the decrease in your trade payables and other liabilities. So is there -- is it a seasonal thing or is there any change in terms? I just wanted to understand that?
- Atul Daga:** Cash conversion means operating cash flow, EBITDA to OCF. Yes, operating cash flow. Yes, operating cash flow was lower because of July, September, we have built our inventories slightly receivables go up. It's typical of July, September quarter and we will start seeing positive OCF going forward.
- Prateek Maheshwari:** And sir, anything on the trade payables decline and other liability, we saw similar thing, similar trend with the other peer as well. Is it related to your fuel as well?

- Atul Daga:** One second, I'm just checking. It's normal, I think so there's no abnormal trend. My credit -- I think this question was asked earlier also by somebody. Has my credit terms changed? No, our credit terms are standard. There might be some payments for capex creditors which might have increased, but I don't see any adverse situation in our OCF.
- Prateek Maheshwari:** Okay. And sir, just wanted to understand on the second half demand driver so would you see that the infra increasing and so the non-trade share increasing?
- Atul Daga:** You see, H2, you will see infra, you will see rural growing, infra growing, urban markets continue to grow.
- Prateek Maheshwari:** So very similar to your 1H drivers in terms of trade, non-trade?
- Atul Daga:** Yes.
- Prateek Maheshwari:** Got it sir. Thank you so much for the opportunity.
- Moderator:** Thank you. Next question is from Amit Murarka from Axis Capital. Please go ahead.
- Amit Murarka:** Hi, thanks for the opportunity again. So given that we are very close to now Kesoram integration, could you provide a brief overview of 1H financials of Kesoram?
- Atul Daga:** 1H financials. I think they declared their results.
- Amit Murarka:** Yes, but they didn't have the cement in that.
- Atul Daga:** No, no, I'll share with you. They delivered volumes of about 1.7 million tons. EBITDA per ton on cement was INR264 per ton. On a capacity utilization of 74%.
- Amit Murarka:** EBITDA per ton was only INR264 you...
- Atul Daga:** INR264.
- Amit Murarka:** And also, what will be the rebranding strategy there now?
- Atul Daga:** I think once we step into that asset, then only we will want to move forward on rebranding, if at all. We will tell you about it as and when we step into it.
- Amit Murarka:** So, I believe by Q3, I think we should be able to kind of include that in our numbers also.
- Atul Daga:** Yes. So NCLT hearing as I told you about the dates, now it all depends upon NCLT hearings taking place. Once -- the process is once the hearing is done, order is passed, might take 15, 20 days to get the printed order, which has to be filed with the registrar of companies to conclude and then we step in big bank. It could happen in October, December quarter, sailing with January, March seems to be definitely happening.
- Moderator:** The next question is from Rajesh Ravi from HDFC Securities.

Rajesh Ravi:

My question pertains to the cement -- margins. If I look at the blended and reported number INR725 is already multi-year low performance. If I exclude the contribution from RMC white cement and the other operating income, this number would be closer to INR600. So as an industry leader, if that is operating at, say, close to INR600, where do we see a bottom in terms of the pricing and -- because why I'm talking about this, everyone, including you and other major players.

You're all talking about INR200 to INR400 cost reduction happening over next two years. In that context, what is the certainty of these prices recovering to a respective level of, say, where margins on the cement business turns up north of INR1,000?

Atul Daga:

First and foremost, INR600 is a wrong analysis.

Rajesh Ravi:

Anything between INR600 and INR650.

Atul Daga:

So from a INR732, it might come down to somewhere around INR700 if you have to -- or INR710, INR720. Not more than that because the -- if you look at the percentages, the overall percentage of RMC or anything else is very small. And as far as other incomes is concerned, that's part and parcel of the business. It is -- for example, fiscal incentive, it's a regular phenomena for cement industry. It will be there. So it's regular. I wouldn't want to say to call it out as one-off.

Rajesh Ravi:

Agree. No, my point is, for you, you're one of the most significant players with better brand positioning. If you have to operate at such low levels, why should the prices not go up? And obviously when you're giving those numbers, other will also be reporting similar numbers. So where we were looking at INR1,300, INR1,400 margins for the industry, how should that shape up?

Atul Daga:

Rajesh, we will talk about the same thing. I'm noting down your questions and we'll talk about it at the end of next quarter results. Then your question will change totally. So, the point is cement industry, you cannot measure on a quarter-to-quarter basis. It's a long-term play. When an asset is being built, it does not get built in one quarter. This quarter -- and I have been telling all investors that not to -- well in advance before this quarter started also that this quarter is going to be depressing.

How depressing or how low that I would not be able to gauge whilst beginning of the quarter. But yes, it was -- everybody knows the way the monsoons have been this quarter, it impacts dispatches. It has been -- the intensity of monsoons has been highest this year as compared to several years, which, for us, it was impacting dispatches. It was increasing our costs, which will not be there in Q3, Q4, and Q1 next fiscal.

And good part is we will -- we are already seeing positive traction from rural markets, which will -- which should be very positive in the coming months. So my guess is whilst we have -- looked at INR732 as a bottom this quarter, we'll bounce back. Very confident.

Moderator:

Next question is from Ashish Jain from Macquarie.

- Ashish Jain:** Sir, my first question is on your capacity additions so while -- if I look at the regional breakup of the capacity addition, it's heavily skewed in favor of South and Eastern India and some of the acquisitions, which we will do which are not factored there are also South, West centric. So how do we plan to grow market share or volumes in North and Central, where I guess you're operating at very high utilization and not much capacity is there in terms of the current pipeline at least?
- Atul Daga:** So, for North, you will see organic capacity addition as part of our Phase 4 in future years. And Central being central by itself, and I'm seeing the chart that you've already seen, we have got about 5.7 million tons getting added in the next couple of years in Northern market. And this is what I -- in fact, in one question I had clarified Ashish, our diversity is our biggest strength if you look at it, 30 million to 35 million tons average, we will have in all the regions.
- South was having a low weightage in terms of our overall capacity balancing roughly 20 million tons. And if I go back in history, we were at 20 million tons of capacity for a very long time. Yes, the two acquisitions India Cements, as and when it gets completed is South dominant. It has a small capacity, which will get added in to north. And Kesoram is South, you rightly said South and West. So we are balanced.
- Ashish Jain:** No sir, I completely get that. My only point was that while we are getting balanced mix from a capacity point of view is in my view, worsening because share of weaker profit markets are -- is actually going up based upon this number at least, I was...
- Atul Daga:** But Ashish, if you look at the announcement by the CM of Andhra Pradesh, within 3 years, he wants to complete Amaravati City, the kind of development which is taking place, I heard from my marketing colleagues, the kind of development of new townships and cities that is taking place, you will have huge amount of demand growth in South markets also.
- Ashish Jain:** Sir, secondly, some of the optimism you shared for, let's say, second half profitability, is it fair to assume that a large part of it, if it comes through will be price-led and normalization of seasonal cost. The normalization of seasonal cost is well understood, coal and all is not a major tailwind, I guess, from...
- Atul Daga:** So Ashish, pricing is -- if I look at, as I mentioned, August to September, September to October, I already see a delta of 200 per a ton minimum.
- Ashish Jain:** Yes, so basically it's price-led, right, because on the cost side...
- Atul Daga:** Yes.
- Ashish Jain:** Okay, thank you so much.
- Moderator:** Thank you. The next question is from the line of Sanyam Chhangani from JPMorgan. Please go ahead.
- Sanyam Chhangani:** Yes. Just wanted to ask whether -- what is the current limestone capacity for UltraTech and like do we -- what is the expiry schedule like in the next 2, 5 years, how many limestone?

- Atul Daga:** Next 2 years, no expiry. FY '30, there will be a couple of mines which will expire, our limestone reserves are long-ended. We have more than around 10 billion tons of reserves all India put together. So we're not really worried about it.
- Sanyam Chhangani:** Okay. And what kind of bids do we expect to place in the coming 2 years to 3 years, let's say, for further additions in limestone reserves?
- Atul Daga:** It all depends on where the limestone mine auction is taking place. What is the reserve. What is the market potential, what is our intention of growth in that market place. Accordingly, we'll make our bidding strategy, cannot be done at this time because the government has also not announced long-term or, let's say, 3 year, 4 year plans of mine auctions. They happen on a day-to-day basis.
- Moderator:** Thank you. The next question is from Rahul Gupta from Morgan Stanley. Please go ahead.
- Rahul Gupta:** You mentioned that 30 million ton capacity would get added each in this year and next year. And you also mentioned that there have been some delays. Just want to understand, are there structural issues...
- Atul Daga:** Not our side, delay is not our side.
- Rahul Gupta:** No, I understand that. I'm asking more from the industry perspective. And the reason I ask this question is because if I look at industry outside large players, even normalized profitability levels would make almost impractical to add capacity. Sir, does this mean that you will see accelerated market share gains even on organic capacity addition basis? Or how should we look at the industry dynamics from the next 2, 3 years' perspective, given how profitability levels are?
- Atul Daga:** You asked the question and answered it yourself. What can I say?
- Rahul Gupta:** Sir, so let me ask the question differently, sir. Is there a risk that capacity expansion delays may happen structurally for the industry over the next 2 years?
- Atul Daga:** Really cannot comment about the capability and ability of competition to execute their expansion. But whatever I knew from ground realities, I told the forum.
- Rahul Gupta:** Okay. Thank you so much.
- Moderator:** Thank you. The Next question is from Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Sir, most of my questions are answered. If you could just give a sense for the first 20 days of October, what has been the kind of demand pickup that will be helpful for us to get confidence in the third quarter demand number, please?
- Atul Daga:** Pulkit, like several other industries, cement also plays up big time in the third quartile of the month, the last 10 days is bigger. And as of now, it's not a decline or a dramatic improvement. It is steady build-up.

- Pulkit Patni:** Sure, sir. But the last couple of weeks will be impacted by Diwali. So looks like it will be only post-Diwali...
- Atul Daga:** October month yes sorry, I should have mentioned that. Glad you did that. October month will be a slow month, because Diwali is also happening here, Diwali, Dussehra, Durga Puja, this Puja, that Puja, all the Puja is happening here. So this month will be slow. But which creates a pent-up demand, which creates a backlog. November, December onwards, it should be very buoyant.
- Pulkit Patni:** Thank you, sir.
- Moderator:** Thank you. The next question is from Jashandeep Singh Chadha from Nomura. Please go ahead.
- Jashandeep Chadha:** Sir, most of my questions are answered. Just 1 question, before that a clarification, you said that in this quarter, UltraTech also paid onetime bonuses over and above the usual bonus that you pay in second quarter. And excluding that, the employee cost would have increased 10% quarter-on-quarter. Is that understanding right, sir?
- Atul Daga:** Yes.
- Jashandeep Chadha:** Okay. And sir, my question is largely on the Tamil Nadu limestone auction. Has there been any update?
- Atul Daga:** Nothing. No update there.
- Jashandeep Chadha:** Thank you, sir, most of my questions are answered. Thank you for this.
- Moderator:** Thank you very much. We'll take that as the last question. On behalf of UltraTech Cement, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.