4th February, 2025

To

National Stock Exchange of India Limited	**BSE Limited**
Scrip Code: ACC	**Scrip Code: 500410**

Sub: Transcript of Earning Call pertaining to the Unaudited Financial Results of the Company for the Quarter ended 31st December, 2024.

Dear Sir/ Madam,

In continuation of our letter dated 20th January, 2025 regarding Analyst / Institutional call scheduled on 29th January, 2025 the transcript of the earnings conference call on the Unaudited Financial Results (Standalone & Consolidated) for the quarter ended 31st December, 2024 is uploaded on the website of the Company at www.acclimited.com. The said transcript is also attached herewith.

The Web link to access above transcript is as under - Investor Presentations | ACC Limited | India's Most Preferred Brand

Kindly take the above on your record.

Thanking You,

Yours Faithfully,
For, ACC Limited

Bhavik Parikh
Company Secretary & Compliance Officer

Encl: as above

ACC Limited
Registered Office:
Adani Corporate House
Shantigram, S. G. Highway, Khodiyar,
Ahmedabad – 382 421, Gujarat, India
Ph +91 79-2656 5555
www.acclimited.com
CIN: L26940GJ1936PLC149771

Ambuja Cements, ACC and Sanghi Industries Limited

Q3 FY '25 Earnings Conference Call

January 29, 2025

MANAGEMENT	
MR. AJAY KAPUR **CHIEF EXECUTIVE OFFICER**	**MR. VINOD BAHETY** **CHIEF FINANCIAL OFFICER**
MR. DEEPAK BALWANI – HEAD INVESTOR RELATIONS	
MODERATOR	
MR. PARVEZ QAZI – NUVAMA	

Moderator: Ladies and gentlemen, good day, and welcome to the Ambuja Cements Limited Q3 FY '25 Conference Call. 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 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. Parvez Qazi from Nuvama. Thank you, and over to you, sir.

Parvez Qazi: Thank you, Sagar. Good afternoon, everyone, and thank you for joining the call. Without much delay, I will transfer the call to Mr. Deepak Balwani, Head of Investor Relations. Mr. Deepak, over to you.

Deepak Balwani: Yes. Thank you, Parvez. On behalf of Ambuja Cements, I extend a very warm welcome to all the participants on the third quarter FY '25 earnings call. Ambuja Cements Limited is one of the India's leading cement companies and a member of the diversified Adani Group, the largest and the fastest-growing portfolio of diversified sustainable businesses. Our financial results, investor presentation and press release are now available on stock exchanges and company website.

Before we begin the call, I would like to give a short disclaimer. This call may contain some of the forward-looking statements, which are completely based on our belief, opinion and expectation as of today. These statements are not a guarantee of our future performance and may involve unforeseen risks and uncertainties.

Joining us on this call are Mr. Ajay Kapur, Chief Executive Officer; and Mr. Vinod Bahety, Chief Financial Officer. Now let me invite Mr. Ajay Kapur to share his insightful perspective on the quarterly results. Over to you, Mr. Ajay.

Ajay Kapur: Thank you, Deepak. Good afternoon to all. I extend a warm welcome to each of you for joining us in our Q3 and 9 months FY '25 earnings call of Adani Group's cement business. We continue to strengthen our position as a market leader in the cement industry. Adani Cement is getting stronger over time, focused on growth both organic and inorganic, along with emphasis on operational excellence, ESG and safety parameters.

To begin with, I would like to share some of the highlights before diving into the specifics. 200-megawatt solar power, the project in Gujarat, Khavda, has been commissioned in Q3 FY '25. 631 million tons of new limestone reserves were secured by us in this quarter. With Orient acquisition at advanced stage, the total capacity by Q4 FY '25 to hit 104 million tons. We have commissioned 8 new ready-mix plants in Q3 FY '25 thereby reaching a milestone of 100 ready-mix plants.

The consolidated quarterly Y-o-Y performance, we achieved a revenue of INR 9,329 crores, driven by strong focus on micro market management strategy, expansion of dealer network, blended cements at 82%, increase in premium products as a percentage of trade sales volume by 400 bps to 26 percentage.

Operational costs for the quarter is at INR 4,618 per ton. This is driven by a 7% decline in energy cost owing to better fuel management and strong focus on green power. The kiln fuel costs reduced by 10% to INR1.66 from INR1.84 per 1,000 kilocal. The transportation costs declined by 6% at INR1,239 per ton on account of footprint optimization. Overall, lead distance reduced by 4 kilometers to 285 kilometers. Direct dispatch to customers increased by 700 bps to 57%.

With improvements mentioned on the cost front, EBITDA stood at INR1,712 crores at a margin of 18.4% and EBITDA per ton of INR1,038. As on December 31, the consolidated cash and cash equivalents stood at healthy INR8,755 crores.

The consolidated 9 months Y-o-Y performance, the revenue at INR25,156 crores, operational cost at INR4,520 per ton, EBITDA stood at INR4,103 crores and a margin of 16.3% and EBITDA per ton at INR881. In the best interest of time, I will not discuss the stand-alone financial performance of the listed companies separately as they are available on the stock exchanges.

Now I will share with you the progress we have made on our announced long-term strategic plan. As we plan to expand our cement capacity to 140 million tons by FY '28, we are pacing well to achieve the stated target. This has also resulted into higher cash outgo as informed above. With the acquisition of Orient Cement, our operating cement capacity will go up to 97 million tons post completion of the Orient transaction.

We are on course to commence -- commission our 4-million-ton clinker unit in Bhatapara in Chhattisgarh and associated grinding units of Sankrail, Farakka, both in West Bengal, and Sindri in Jharkhand by the end of this financial year. The grinding unit of Salai Banwa in Uttar Pradesh to be commissioned in Q1 FY '26. And the brownfield expansion of Bathinda grinding unit in Punjab, Marwar grinding unit in Rajasthan to be commissioned in Q2 FY '26.

The Kalamboli unit expansion in Maharashtra and Dahej grinding unit expansion in Gujarat, Jodhpur Penna grinding unit, Krishnapatnam grinding unit to be commissioned in Q3 of FY '26. Further clinker unit of 4 million tons at Maratha in Maharashtra and grinding unit at Warsaliganj in Bihar are also expected to be commissioned by the end of FY '26, enabling us to reach 118 million tons capacity.

We have also identified 14 additional grinding units for which land acquisitions and statutory approvals are under process, which shall enable us to hit 140 million tons by FY '28. For all the new facilities of 4-million-ton clinker line in Bhatapara, the overall project progress is at 78%. All major equipment has been received at the site and erection is in progress. Expected completion is Q4 FY '25.

For its corresponding grinding units at Farakka and Sankrail in Bengal, the overall project progress is at 87% and 82%. Major equipment has been received at site and expected completion of these units in Q4 FY '25.

For the new facility of 4-million-ton clinker line at Maharashtra, Maratha, contract has been awarded to EPC vendor, 72% of major equipment ordering has been done by the EPC partner

and 34% civil work has been completed. We expect completion by Q3 FY '26. These Kiln lines will have 42-megawatt of waste heat recovery and provision for utilizing 30% AFR.

For the new 3-million-ton clinker line at Jodhpur, which is of Penna, 85% civil work has been completed and major equipment ordering done. We expect completion by Q3 FY '26. For new facilities of 2.4 million ton grinding unit at Salai Banwa in UP, 50% civil work has been completed, and 47% delivery of major equipment has been received at the site. We expect completion by Q1 FY '26.

Major equipment ordering for roller press at Bathinda grinding unit, fly ash grinding and blending system at Kalamboli and grinding unit at Dahej in Gujarat has been completed and all the 3 projects are under execution. Contracts awarded for grinding unit at Marwar Mundwa in Rajasthan and Warsaliganj in Bihar to EPC vendor, and both projects are also under active execution.

Now I shift my focus to share some of the key initiatives being undertaken for becoming a cost leader in the cement industry. Securing major raw material at cost competitive prices and efficiency and productivity improvement capex will help further reduce cost by 8% to 10%.

First, let me discuss the steps we have taken to lower our energy costs. Our waste heat recovery capacity at the time of takeover was 40 megawatts which we are now targeting to increase to 218 megawatts by March '25. Currently, the WHS capacity is at 197 megawatts. We had earlier announced our investment in 1,000 megawatts RE, which is expected to get commissioned by FY '26. On this account, 200-megawatt solar power at Khavda in Gujarat has been commissioned in Q3.

Both WHRS and solar power would ensure that 60% of our power requirements are -- of the planned 140 million tons would be through green power. However, on clinkerisation, the share of green power will further rise to 83%. This would help in reducing the power cost by around INR100 per ton by FY '28.

As previously explained, to meet our requirements, we aim to have captive coal mines. As a result, we are bidding for coal mines in the auctions being conducted by the government. A higher share of coal from captive mines and the opportunity to buy imported pet coke will further lower our fuel cost.

Driven by better fuel management and structural initiatives, our power and fuel costs have decreased 7% to INR1,262 per ton in Q3 FY '25 from INR1,355 per ton in Q3 last year. These initiatives include better fuel mix and increase in share of green power. The share of green power in power mix has increased to 21.5% from 15.8%.

The second cost item is freight and forwarding. There are three focus areas for cost reduction here: reduction in lead distance, warehouse footprint optimization and rail road mix optimization. We are targeting to reduce the lead distance by about 100 kilometers. Primary lead distance in the current quarter is 265 versus 268 and secondary lead distance is 46 versus 53. This has been done by improvement in direct dispatch, which is up by 700 bps from 50% to 57% and our network optimization.

To further optimize our cost in logistics, we have ordered 11 GPWIS rakes, of which 11 have been delivered and running in approved circuit. These rakes will enable cost-efficient clinker movement from mother plants to the clinker grinding units.

In addition to these, we have also ordered 26 BCFC rakes for safe and cost-efficient transportation of fly ash from thermal power plants to our facilities. Of these 26 BCFC rakes, 5 rakes have been delivered and another 4 are expected to be delivered before March '25.

Because of these initiatives, our logistics costs have been reduced by 6% to INR1,239 per ton in Q3 FY '25 from INR1,322 per ton in Q3 FY '24. To secure our limestone supplies in Q3 FY '25, we have won bids for another 2 mines having reserves of 631 million tons, one in MP and one in Karnataka.

In our ESG commitments, we are taking multipronged actions to meet our ambitious commitment to net zero by 2050. As a step closer to this goal, we recently partnered with Finland-based Coolbrook to implement its proprietary zero-carbon heating technology, cutting fossil fuel use in manufacturing.

To promote the circular economy, we used waste-derived resources, like fly ash, slag and waste gypsum to substitute mineral resources. We also use alternate fuels, such as municipal, industrial, agricultural and plastic wastes, to replace fossil fuels. In Q3, we used 4.8 million tons of waste-derived resources, which otherwise would have been dumped into the environment.

Water stewardship continues to be a focus area for our business. Our efforts on rainwater harvesting and recharge and other water conservation initiatives continue to keep the company multiple times water positive.

In the last quarter, the 2 companies created societal values for more than 4.75 million people by contributing to fields like health care, education, employment and sustainable livelihoods. The efforts and initiatives have resulted in improvement of ESG ratings (DJSI, CDP, Sustainalytics, MSCI). We continue to partner with global national agencies like UNGC, WEF, AFID, GCCA, BEE, etc., to further advance our journey towards sustainable and responsible business practices.

Coming on the industry outlook. The improved consumption demand in housing and infrastructure segments and increased government spendings are poised to reverse the tepid 1.5% to 2% cement demand growth during H1 of FY '25. This demand is expected to grow by 4% to 5% in FY '25, meaning H2 should be much better than H1, further supported by pro infra and housing budget in the 2025.

Ambuja Cements is well poised to benefit from these trends. The anticipated rebound in demand supported by government initiatives is likely to enhance cement sector performance in the coming quarters. Ambuja Cements will continue to grow at a faster speed than the industry.

To conclude, as I mentioned earlier at multiple occasions, Adani Cement will benefit from accelerated growth, lower costs and group synergies, all of which will contribute to lead the market and achieve sustainable performance in the near future. The pace of capex has increased, which will help to achieve targeted growth ahead of time.

With this, now I hand over to our CFO, Vinod Bahety.

Vinod Bahety: Thank you, Ajay ji. Good afternoon, ladies and gentlemen. Good to connect with all of you at a very important junction in our journey of growth. During our earlier discussions and various presentations, we have been highlighting on the key areas of growth, cost leadership, ESG and stakeholder value creation. We continue to positively progress on this journey.

While the past 27 months since we acquired the Holcim stake, that was somewhere in September '22, the growth was fuelled with acquisitions. From March quarter onwards, you will find more and more growth coming from the organic side. Ajay ji has already given you synopsis of the various projects and the status. Details are further available on the Slide number 26 and 27 of the presentation, which has been uploaded. We should be hitting Century million tons, 100-plus million tons in March quarter and followed by going up to 118 million tons by end of FY '26, followed by 140 million tons to be achieved by 2028, which is a very clear visible plan.

The organic growth will not only add to the overall capacity but also help us increase our market share and foremost be great in terms of adding in our cost leadership journey since the new capacities, which is almost 45-50% of our current base, will be highly efficient in capex, opex, green power and railway infrastructure.

In December 2023, if you remember, we have indicated a cost reduction target of INR530 per ton, wherein we aspire to achieve and reach to INR3,650 per ton by FY '28. And we are going well on this route with investments being committed.

For example, we had announced 1,000 megawatts of RE power last year, and I'm glad to share, which we are going to discuss more in our Q&A, 200-megawatt has been up and running in December '24, and this will keep added more out of the 1,000 megawatts, with each passing quarter. And by June '26, we should be completing the entire plan of 1,000 megawatts.

I'm also excited to share our foundation work on digitization of the entire value chain from quarry to lorry, which has gone extremely well, which will bring more efficiency in operations and also become an important catalyst of our growth and EBITDA expansion.

Some of you must have already experienced the CNOC, what we say is the Cement Network Operating Centre set up in the headquarters in Ahmedabad, and we are adding more and more features to our digital platform with every passing day. I have said before, this century-old industry is getting younger and efficient by the day. I'm glad that Ambuja is making strides and leading on this important transition phase.

Our balance sheet is getting stronger by the quarter. I'm glad to share that we have achieved a net worth of almost INR63,000 crores, which was in April INR51,000 crores, so almost up by INR12,000 crores. And we remain nil debt and with the highest rating of AAA. Ambuja's tangible assets, most importantly, out of this net worth, the tangible assets are almost 75% of the net worth and in our press release also, we have highlighted 15% of this net worth is comprised of cash and cash equivalent.

Thus, while the industry is at an exciting time, Ambuja is at the cusp of growth and EBITDA margin expansion led by cost leadership and stronger balance sheet, which will be a key factor in the overall stakeholder value creation.

And with this, I would now pass on the call again back to the coordinator.

Moderator: Thank you very much. Our first question comes from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Yes. So just on the operating performance, frankly, like adjusted for incentives, it seems like quite a weak quarter operationally and in terms of EBITDA per ton, it's only INR537 per ton, if I just remove the onetime incentive in the numbers. So just wondering why the performance has dropped so much sequentially like it is lower realization as well as higher costs, so just wondering about the numbers here.

Ajay Kapur: Yes. So good question. So, if you see, we have done well on the volume growth. Overall, I think our volume has grown by 17%. However, as you know, we also have now volume of Penna and Sanghi in the overall consol volumes. So about 1.4 million tons is coming out of Sanghi and Penna.

And also, the cost structures of both the companies are currently under the phase where we are launching various initiatives to reduce cost. The capacity utilization also of these two entities is still sub-40%. So, I think some part of that cost is obviously now coming into the consol cost of Ambuja and ACC. Besides that, there were 4 big plants of Ambuja, and ACC, which were under shutdown during this phase.

And some of those plants, whether it was Wadi and Kymore for ACC, Maratha and Rabriyawas for Ambuja. Some of them were going in for retrofitting of coolers upgradation and 1 or 2 plants were for routine maintenance. So, I think as a result of that, there was more drawdown from the inventory. So, you also have inventory impact, and also about INR100-150 impact because of the newly acquired assets, which are currently under ramping-up phase.

My estimate is in the next financial year, both the assets should go up, I think Sanghi earlier and Penna because it's also in the market where it takes time to ramp up. But both of them should hit 70% plus utilization levels in the next financial year. And thereby, with our initiatives on costs that we have launched, I think we should start seeing this coming down. So, this is more of a one-off rather than a standard.

Vinod Bahety: A couple of points, Amit, so that it will also pre-empt for other questions as well. See, when we compare Y-on-Y, this is like first full-fledged quarter which will have Sanghi, Penna, Asian and Tuticorin assets. So, like if you compare, say, December '23 versus December '24, December '23, Sanghi was just consolidated for hardly 15-20 days of operation because in December'23, we achieved the closing of Sanghi.

And even for the September'24 quarter, Penna was only for partial period of the quarter, when we acquired in somewhere, 16th of August, it got effectively consolidated. So only 1.5 months was there for September'24 quarter. So, Q-on-Q or Y-on-Y, whatever you take, this is the first

quarter where all these 4 acquisitions, Sanghi, Penna, Asian and Tuticorin, are getting consolidated. Therefore -- you will compare it with this background as well.

Second point, while I don't understand like in terms of how people would look at it, but incentives are very much part and parcel of this business. And with every investment which is being made is entitled for incentives. Even as we speak, for example, like as an Ambuja consol, we are sitting on a larger incentive bucket of almost INR4,500 crores to be received in due course.

And even the earlier incentives, which have been in arrears, which will be received. Therefore, if you see even September, there has been an income of incentive for the past period. And likewise, the good thing is that at least these cash flows are now coming back to the balance sheet, which were lying somewhere, the working capital was getting blocked.

So therefore, given the legacies of these companies, good thing is the business is able to resolve many of these cases because the next question will also come in terms of the direct taxation where we have also added some of the provisions back and on -- both on the direct tax and the indirect tax, lots of efforts are going on to basically set the disputes and resolve them and bring the money back into the balance sheet. So, incentives plays an extremely important role in the overall business.

Amit Murarka: And -- but realization is also down Q-o-Q. So, I was a bit surprised with that also because we know that there were price hikes in December, and January. I mean industry has seen improvement, but here both ACC and now even Ambuja has reported a Q-o-Q drop?

Ajay Kapur: So, as I mentioned, 1.4 million tons of sales in this quarter that we've reported is coming out of markets and also consolidated of performance of companies, which earlier were almost operating at 0% utilization in the base period. So south, Penna is almost 1 million tons. And the prices in south are more depressed. So that is also having an impact. The December price increases happened towards the mid of December, and you will see impact of that in the Q4.

Amit Murarka: Sure, sure. And just quickly, could you provide the MSA volume also in the quarter, both ACC, Ambuja?

Ajay Kapur: Sure. So, the MSA volumes for this quarter were total about 4.5 million tons overall, more or less equal for both the companies.

Moderator: The next question comes from the line of Navin Sahadeo from ICICI Securities.

Navin Sahadeo: So just to be a little more specific because on the -- if we exclude the incentives, I mean, you did explain that incentives are part and parcel. But if we just try to like exclude the incentive, significantly, there has been an increase in other expenses in particular. The variable cost per se is reasonably okay. But we are seeing significant increase in the other expenses.

Even the employee cost sequential increase is very much understandable. So, wanted to just understand how much of it could be one-off in nature here? Because sequentially, there is an increase of almost INR330 crores in that particular line item. So just wanted to get a sense, is

there any one-offs here? Or this is more like a maintenance run rate that we should see because we have periodic maintenance at other kilns also?

Vinod Bahety: Navin, good observation. And this also has the same reference to what I highlighted. When you compare again Y-on-Y, there is a sharp jump on other expenses on account of, a: because of consolidation of say, Penna, Sanghi and other assets here. And therefore, the fixed overheads of those companies will get consol here, number one.

Number two, there have been a higher consumption of stores and spares and on account of shutdown of some of the kilns, which also we had informed about the plant shutdowns and all. So, some of these kilns like Marwar, Rabriyawas, it has gone through. And especially like for Penna, just to keep it up and running, Ganeshpahad and Tandur also we incurred some of these efficiency investments.

And I'm so happy that the investments have started giving very good results because Penna kilns are operating at very good capacities. And on top of it, if you see the volume growth 17%, that also has been on account of, say, a good level of, say, investment on the branding and marketing, which has seen a higher investment this quarter.

And with this market share, which has been sustained and captured more with these investments, I'm sure this will yield much more better expansion of EBITDA given that Sanghi, Penna, Tuticorin all will now start delivering sizable volumes with the foundation work which has been incurred for this quarter. I mean, it is a highly operating leverage business. So, like the investment which go in one quarter will start yielding sizable returns being an operating leverage concept in the coming quarters.

Navin Sahadeo: Yes, helpful. And second, just a question was on the MSA volume. Ajay ji did mention that total volumes we got from Sanghi and Penna together is about 1.4 million for the quarter. How much would be Sanghi out of that? I mean, if you could just break up.

Ajay Kapur: 0.4 million would be Sanghi and I think -- 0.5 million is Sanghi and 0.9 million is Penna.

Navin Sahadeo: Correct. So -- yes, yes, sorry, you did mention about that. So, Sanghi per se, I just observing some numbers because in Q4, March quarter, it had did almost 8 lakhs, and 0.4 million is very similar to what we saw in Q2 also. So is it still in the ramp-up phase because that's -- all said and done, it's a 6 million ton -- 6.6 million tons clinker and 6-million-ton cement. So, Is it still being highly underutilized? Are there challenges there of evacuation? How should one look at it?

Ajay Kapur: No. So, Navin, very good question. As I mentioned in the previous section, Sanghi has two kilns. We have already completely done cost optimization and shutdown optimization of one kiln. Second kiln, as I speak to you, is currently shut down, and we are taking all major repairs and maintenance.

One of our power plants is also under shutdown and also being taken into full repairs and maintenance. The 37% is the Sanghi cement utilization for this quarter, which was 22% same quarter last year. And in the sequential previous quarter, it was 23%.

So, in the market, the growth is coming in, however, at a slightly lower pace. But I'm very confident that with all these repairs and maintenance, which was very much needed, I think by March end, these assets should start delivering almost 80%, 85% utilization. So, there is no issue on evacuation. There's purely issue on maintenance, and that's also some of the money which has gone in this quarter in our shutdown expenses.

And Penna, I like to mention what my colleague, Vinod, just mentioned, the clinker utilization of Penna is as high as 78% already. However, the cement utilization is sub-40%, which it takes time to ramp up because, mind you, both Sanghi and Penna, we have transited to Ambuja and ACC brands, which are obviously selling in category A versus the previous brands, which were selling in category B and C.

So obviously, that needs substantial investments in the market. We are also putting more troops on the ground, so that needs more hiring in the front-line sales and then brand and distribution investments.

Moderator: The next question comes from Ashish Jain from Macquarie.

Ashish Jain: Sir, firstly, on growth. So, if we look at the volumes of 16.5 million tons adjusted for Sanghi and Penna because I think they were not there in the base quarter, then the growth is much tepid at around only 6%, 7%. Is that how we should look at it? Or do you think there is something missing here?

Ajay Kapur : Ashish, thanks for asking that question. The way to look at it is the utilization of Ambuja and ACC, if I remove the others, is near 80%. Last year same quarter, it was 76%. So, we have -- the industry in the quarter 3, we believe should have grown around 5%. So, the traditional volume that we have, where there is no new capacity, it has grown at about 7%, which is slightly higher than the industry growth. And wherever we are having new capacity, we have grown much more at 11%. So, I think that's a mix. It's a very logical mix.

Ashish Jain: Okay, okay. Sir, secondly, looking at the numbers, so I understand your point on consol numbers. But if I look at Ambuja standalone also, that also is showing a significant jump in costs both on a sequential basis and very flattish cost on a Y-o-Y basis. So other expenses bit, I think, is what you explained in terms of repair and maintenance and all which includes Ambuja facility as well. But apart from that also looks like costs have inched higher on both sequential and Y-o-Y basis. Can you...

Ajay Kapur: So, what happens, Ashish, this I think I'll address for others also who'll come in the queue. I mentioned this last time also. Increasingly, we have to look at Ambuja as a consol balance sheet because when Ambuja does its business, it looks at the -- we cannot look at some of parts. We look at the whole.

And at a whole level, we try and optimize each area, for example, Penna assets immediately in the first quarter of -- second quarter, we have taken it to 78%. Whereas the Sanghi, we have not been able to take because of some plant-related issues. So, I would rather focus on overall Ambuja cost because that's the way I look at the balance sheet now.

Vinod Bahety: Yes, just to like to take that clue also, Ashish, like as also we have disclosed in -- let's go to Slide number 17 of the presentation. You will see that the raw material cost has gone up on account of purchase clinker. Now between the companies, Ambuja standalone says purchase, but on a consol it gets eliminated. So therefore, as rightly said by Ajay ji, we will have to look it on a consol, else you'll find little aberration in some line items.

Ashish Jain: Got it, got it. That helps. Sir, just one last question. So, Sanghi and Penna volumes are flowing both in ACC and Ambuja or it's largely Ambuja where they are flowing in?

Ajay Kapur: That's true. What we follow is whichever brand has a bit of brand value in the market, we position that as a lead brand. But in some markets, both the brands are lead brands. So, this is more to acquire market share at a highest possible price. That's why I said, sum of parts, it would be very difficult for me to answer. If I look at consol, that's the best way to answer.

Moderator: The next question comes from Raashi Chopra from Citigroup.

Raashi Chopra: Just coming back to the sequential pricing question someone had asked earlier. If I just remove the incentives, it appears that the pricing is about flattish sequentially. But then if I move the one-off from the incentive, it appears that the sequential incentives have declined. Can you explain that, please?

Vinod Bahety: No. So, Raashi, I'm sure you're looking at consol numbers, and on a consol number, if you see, last quarter, for example, we had incentives coming for one of the plants for the previous period, which is for the Sankrail. Now if you remove that also, say, closer to INR135 crores, if I remember, and then you will see that the numbers which you will find is almost INR100 crores between both say September and say for that matter for December also.

However, as I said, now, for example, the way we are focusing on all these incentives, you will find some of these items of the previous years, which will keep building on and which is also actually going to help me to release the working capital. So, to summarize, Sankrail was in the previous quarter. This time, it is for the Himachal, which is disclosed in the notes of the financial statements as well.

Raashi Chopra: Sorry, what was the Sankrail amount in the previous quarter?

Vinod Bahety: Ballpark around INR130 crores to INR135 crores.

Raashi Chopra: So, if I have to just take normalized incentives for you, not based on prior period accruals, what would that be like on a per ton basis?

Vinod Bahety: It would be on increasing trend now. Historically, say, it was around, say, INR100-odd crores of incentive per quarter, almost INR400 crores for a year. But this will actually now start moving up to INR600 crores, INR650-odd crores prospectively with new capacities coming in and giving the benefit of incentives. So yes, INR400 crores to INR500 crores in the past and now INR600 crores to INR650 crores and prospectively going further up.

Raashi Chopra: Okay. Secondly, on the cost side, I think I just missed some of the breakdown from Mr. Kapur on what are all the cost savings would be. Like logistics, I think you mentioned was INR100. What were the other components on the cost savings going forward from here?

Ajay Kapur: Raashi, I mentioned about coal costs coming down. I mentioned about Khavda 200 megawatts green which got commissioned in Q3. I think you will see the full effect of that coming in Q4, but still better effect coming in first quarter of next year because it takes time to stabilize. As I speak to you, we have almost reached full potential of 200 megawatts in the last week of December -- sorry, January.

So, I believe in February, March, I should see a much better impact of the Khavda 200-megawatt Green project. Waste heat recoveries are further going up. So, I think that you'll see in time to come, the cost improvement. Freight, we continue to be best in class amongst the large cement companies. If you look at benchmarking also, our drop in freight and forwarding cost will be the best.

With the investment, as I mentioned in my opening on bulk cement wagons for fly ash, as they start coming in every month or every quarter, this will continue to further improve our fly ash cost. So, I think increasingly, what Vinod mentioned in the beginning, our end-state target is to drop down the total cost to about INR3,700-3,800 over the next couple of years, that's the target.

Raashi Chopra: And this target still holds despite the Penna, Sanghi, putting all of that together? So, these are on a consolidated basis?

Ajay Kapur: Yes. So, Penna, Sanghi were under-invested in some areas like waste heat in Penna. Sanghi line 2, we have already ordered or about to order the Waste Heat Recovery System. All these initiatives, plus the additional 800-megawatt green, which is currently approved by the Board and currently under active investment.

And all the other initiatives that I mentioned, plus the entire Indian Peninsula Sea network that we are going to do through ships, both from Sanghi and then from Penna. I think all this is going to help us become lowest cost.

Raashi Chopra: Understood. Just one last question from me. On the capex side, it's INR8,000 crores for this year, the target?

Ajay Kapur: Yes. I think our number for the full year should be around INR6,800 crores to INR7,000 crores.

Raashi Chopra: And 9 months, how much is that?

Ajay Kapur: I think 9 months, we are around INR5,500 crores, if I'm not mistaken. Around INR6,000 crores.

Vinod Bahety: INR6,200 crores to be precise, which we have achieved so far, and we are well on our target for the financial year.

Raashi Chopra: Sorry, INR6,200 crores for 9 months and INR7,000 crores for the full year?

Ajay Kapur: No, no. I think then it will be about -- sorry, INR8000 crores not INR9,000 crores

Vinod Bahety: For the full year, it is closer to INR9,000 crores. And so, another INR2,200 crores will go for this quarter. And that's precisely like because a lot of these 4-5 facilities, which are like in the last leg, again, to refresh, Sankrail, Bhatapara, Marwar, then we have Sindri, and then we have one more, Salai Banwa and all. So, like there's now a good level of say momentum coming in terms of the capex program. So almost INR2,000 crores to INR2,500 crores will be for the March quarter.

Moderator: The next question comes from Rahul Gupta from Morgan Stanley.

Rahul Gupta: Earlier during the call, you mentioned that around INR4,500 crores incentives could be received over a period of time. Any idea over what time period can we expect these incentives?

Vinod Bahety: Rahul, as per the approved schemes, this should come within next 7 to 9 years.

Rahul Gupta: So, is it safe to assume that you would see additional around INR500 crores every year on top of INR600 crores on the expanded capacity?

Ajay Kapur: I would put it ballpark, yes.

Moderator: The next question comes from Indrajit Agarwal from CLSA.

Indrajit Agarwal: One question. On Penna and Sanghi, what is the current cost differential versus our traditional capacities, ballpark?

Ajay Kapur: So, Sanghi, because it is currently not running in full load. So, I would say it's at least about 10% to 15% higher than Ambuja cost. Penna would be also the same. So, we expect 10% to 15% -- 15% maybe reduction in the cost of both the companies on a per ton basis.

Indrajit Agarwal: So, once you have undertaken all your initiatives, can the costs of these companies come in line with your target of INR3,650 or there will be some cost disabilities still there in these two acquired assets?

Ajay Kapur: Okay. So basically, if you see the end state INR3,650 has two major cost buckets, one is your cost of production and one is your logistics cost, largely, these are the biggest buckets. Now depending upon the market, some plants will be even lower than this and some plants will be slightly higher than this because the plants in North, for example, in hills, will have a different cost structure because of the hill rates of per ton per kilometer.

And the plants which are sitting on road-based markets, they have a different cost structure. I think this is an average of the company. Some of the Penna plants, for example, the ones which are located close to big cities like Ganeshpahad, Tandur, I think they would end up at a very low cost.

And maybe one-odd plant might be slightly higher, it all depends on because we also have kilns, which are vintage kilns. We can improve it through solar, we can improve it through waste heat. At this moment, Penna doesn't have any alternate fuels. So, we have to make some investments to make the kilns capable of taking alternate fuels.

On an average, all our kilns range from 10% to some of them at 25%. The moment I bring in 10%, 15% or 20% alternate fuels, which the cost is less than INR1 versus traditional fuel of INR1.60, INR1.70 in that part of the country, you can see a substantial savings coming out of there. So, I think Penna plants and Sanghi -- Sanghi, in fact, I believe in time to come, will be one of our lowest cost operations.

Moderator: The next question comes from Prateek Kumar from Jefferies.

Prateek Kumar: I have a couple of questions. First question is on your cash flow, your current cash and cash equivalent, INR8,800 crores. So, what is the expected outflow for Orient in Q4? And what is the expected like sort of closing cash? Will we like sort of move to like a cash neutral position by end of FY '25?

And my other question is regarding cost. So, like versus the INR3,650 cost targeted, what is the cost we had in Q3 for this year -- I mean, basically the current quarter?

Vinod Bahety: Okay. On the first question, Prateek, in terms of the expected outgo for Orient, that is ballpark around INR4,000-odd crores, which will be there. And what is your second question?

Ajay Kapur: Cost. So, I think the cost I answered already in the opening, and you will also find it in the deck that we have loaded. It's closer to INR4,600 and end state is INR3,700, INR3,650-odd.

Prateek Kumar: Okay. So INR1,000 swing from current quarter on the back of both new plants, old plants. Is that what we are looking at?

Ajay Kapur: Yes. We have a clear road map, and we can connect offline as well, take you through details.

Prateek Kumar: In Orient's INR4,000 crores cash flow, so INR8,800 crores, nothing is accounted as of now, right?

Vinod Bahety: Yes, except like whatever you have to deposit with SEBI for the escrow and all, that has been done. Otherwise, when the transaction gets consummated, the promoters will be paid off.

Prateek Kumar: And this includes open offer as well, open offer values?

Vinod Bahety: No, that will be separate. That will follow through, post this quarter, in the middle of next year.

Prateek Kumar: Okay. So that will be next year. Okay.

Moderator: The next question comes from Jashandeep Singh Chadha from Nomura.

Jashandeep Chadha: Sir, my first question is largely on cost. Correct me if I'm wrong, Sanghi has better thermal consumption than I think Ambuja consol prior to the acquisition. I just want to understand how much time and capex will it take to bring Sanghi and Penna to Ambuja's cost structure and operational efficiency. And out of the INR530 per ton cost saving target that you have given, how much of it would have already been realized? That's my first question.

Ajay Kapur: So basically, two things have happened. Some cost has been already realized in the Ambuja ACC balance sheets. However, with the acquisition of new companies, which, as I mentioned already, for the sake of repetition, are still under stabilization phase, an asset to give you its full efficiency and all KPIs needs to operate at 80--85%. Currently, one asset is sub-40%, one asset is sub-50%. As we ramp both of them to 80%, you'll start seeing the cost numbers that we are talking, number one.

Number two, all the initiatives, which is like waste heat in Sanghi Line 2, which we have now ordered, it takes about 12 months to come in. So, I think in the next financial year, you will see that impact coming in. So, I would say a ballpark figure of closer to INR1,000 crores between the 2 entities in various initiatives is what is needed, which is very much in our cash flow plan going forward.

Jashandeep Chadha: And my second question is on realization. So, is Ambuja still selling Penna and Sanghi brand? And is that the reason why per bag realization has dropped because there's a mix of now category B and C products? Is my understanding correct?

Ajay Kapur: I will tell you; 2 things have happened. Number one, South markets also are very largely OPC-led markets. If you see traditional Ambuja ACC, they sell very high ratio of blended cements, largely trade segments. But if you go down south, Bangalore, Hyderabad, Chennai, many of these markets have a very strong OPC, which is B2B segments. So, the volume -- some of it has also gone in that segment, number one.

Number two, the entire volume of Sanghi is in ACC and Ambuja. So, I don't think that's a worry. There's a cost is an issue. Whereas in south, the overall price player itself is depressed. I'm sure you've seen the results of all the companies who have announced south-based results. It already reflects the price which is depressed in that part. And 1 million of our sale is in south from Penna.

Jashandeep Chadha: And sir, that is under Penna brand, right?

Ajay Kapur: No, no, that is under Ambuja and ACC brand. But please understand if the overall market price is depressed there, so even if I sell Ambuja and ACC, while it will sell at the highest end of the market, but the market itself is depressed. That's why I asked you to look at the results which have announced of a few south companies, and you will see how much of price decline they have taken.

Moderator: The next question comes from Jyoti Gupta from Nirmal Bang Institutional Equities.

Jyoti Gupta: This is in sequence to the question just asked, when we say north region and west have actually reported double-digit growth. And if I look at the market share in terms of presence per capacity, we should have actually taken benefit of the north and west region, the way UltraTech has taken, while UltraTech also has a pan-India presence and south despite being depressed, the EBITDA per tons have actually improved because of better realization.

So, my worry is that we are seeing depletion in our realization per ton. Of course, with Penna and Sanghi gearing up to Ambuja brands, we might see but if this prolongs for another 1 quarter,

maybe for us to actually command premiumization could be -- do you think could be a challenge?

And I believe all your costs have actually been now accrued in the third quarter. So therefore, fourth quarter should look better -- on the per ton basis, the numbers in fourth quarter should be better off. And of course, volume, we will again see a very high-volume growth in fourth quarter.

But if again, our realization per ton decreases, at least it should stabilize or be higher because we should again take benefit of the north and the central region if the southeast remains depressed. And 1 million ton in Penna is not such a big amount, I mean, compared to 15 million tons, 15 million what we have sold. I think that benefit should have come, which is not reflecting in the numbers? So

Ajay Kapur: Yes. So, I think you have made -- you're asking me some questions, but more than that, you have made some comments. So, I'll not respond to your comments. I'll try to respond to your -- because I've already responded to most of the comments that you have made already.

For your one statement you made, whether quarter 4 will look better, it's a forward-looking statement. I can only tell you that prices have increased in the December month and also, we are seeing the same trajectory in Jan, number one.

We are in the process of stabilization of the new assets. 1.4 million tons out of 16.5 million tons is 11% growth. A large part of it coming from assets where the cost structures are higher. And I think that depresses the price. I also mentioned about B2B segments where we have to participate.

Wherever our existing brands exist, we continue to be on the premium end. The share of premium products of the trade have seen the highest increase. And I think as a company, we are now nearing 27%. And that focus continues. So, I think in time to come, you will only see Ambuja ACC and the associate brands, whichever become part of the game, will only have a better price premium, will have better premium products, and you'll also see a much more improved EBITDA per ton going forward.

Jyoti Gupta: That will be great because I hope that fourth quarter is far better in terms of EBITDA per ton than what we have seen this quarter. And why don't we actually merge all these companies rather than looking at it on a stand-alone basis? That is my another comment, in fact, suggestion.

Ajay Kapur: Already, we have announced one set of transactions to merge some entities, including Penna Cements, Adani Cementation and Sanghi. So, if you see out of all the entities, we've already announced 3 entities, which is currently under regulatory approval stage. We are very hopeful that in the next financial year, this whole transaction should get consummated, and you will have only limited entities going forward.

Moderator: The next question comes from Ritesh Shah from Investec.

Ritesh Shah: Two quick questions. Sir, how are you looking at the industry supply curve, incremental supply additions, say, for FY '25, '26, '27? The reason is more to understand from a pricing perspective, given there is so much of supply, how are you looking at the marketplace.

Ajay Kapur: So, Ritesh, I would answer it in a little different way. Today, India is -- I think by the time we finish this current financial year, we will hit more like 450 million, 460 million demand and maybe closer to 700 million total capacities, of which the capacity which can produce cement would be 100 million tons lower.

Now if India grows at about 8%, so 8% on 450 million or 500 million is close to 30 million tons, which basically means you need to add 2.5 million tons additional volume either from the existing, the base or add new capacity. I think at 300 per capita, India being the second largest market, GDP still sub $3,000, inching towards $5,000 in the next couple of years.

All this will translate into more housing demand, more infra demand, which is largely led by government. And I think the commercial demand about 15%, all of them will have their own growth trajectory. The question is if the industry does not responsibly add new capacity today, which is totally private sector investments today and totally based on free competition, consumers will end up paying prices which will be much, much higher.

So, I think it's in the interest of the nation that you build cement at a lower cost, you are able to produce cement at a lower cost. And the companies which are able to command brand premiums like the ones fortunate for me to run, Ambuja, ACC, which are top end, which command at least INR30 to INR40 premium over the category B, C players, I think this is a good place to be in.

There will be times when demand supply does not match. Unfortunately, current year H1, the demand after growing a very healthy 7%, 8% for the first time went almost flattish. And that, alongside the new capacity creation, created a short-term sentiment pressure, which I believe will get adjusted because nobody will be able to manage the investments without requisite returns. And I think that's why the price situations will remain better in time to come.

Ritesh Shah: Sir, that's helpful. But would it be possible for you to qualify what is the expected industry level additions that you are looking at internally? So, for '26, '27, based on our numbers, we are looking at 50 million tons plus and hence, the rate what you indicated at 8% won't be adequate to cover up for incremental supply, which puts some pressure on pricing profitability in the near term. So, is that fair? Or you're looking at it in a different view?

Ajay Kapur: I'm sure when you do your models as part of your analyst reports, you don't put 100% capacity of any company in year 1, right? You ramp it up, if 50 million is coming, if you can take 40% to 50% coming in year 1, then you're already removing 25 million to 30 million, which will come most likely at different months during the period and full effect of that will come only over the next 2 years. So, I think that's what has happened in the past. That's what is going to happen in future also.

Ritesh Shah: Sure. Sir, my second question was, how do you look at the industry cost curve? We have given a bold number of INR530. We are actually walking the talk over there. So one is, how do you

see this cost curve for rest of the industry? Will we be on the left-hand side of the cost curve given the initiatives that we are taking, which puts possibly us on the pole position?

And secondly, if one had to marry that with the lease expiries come 2030, how is Ambuja, ACC placed versus the rest of the industry? Will our cost curve inflation be lower than the rest of the industry, which will still ensure that we are better placed on the cost curve?

Ajay Kapur: So, let me answer the first one, which is more to do with me. See, I cannot comment on whether I'll be in the pole position versus others. Every company, I'm sure, is working very hard. What we are doing, we have stated very clearly quarter after quarter in all our website posts of our analyst calls, I think you'll see this very clear number.

There are clear initiatives, whether it is logistics, whether it is power and fuel, whether it's other fixed costs, whether it is brand building and marketing and whether it is going green. As I mentioned, we'll hit 83% green. That will reduce my power cost to INR3.50. And that's a substantial reduction from the current grid cost of INR8.

Likewise, with own coal mines over the next couple of years, it takes time because many of the coal mines are underground mines. The coal cost itself will drop down, and it will take me out of the vagaries of day-to-day bidding and buying out in auction premiums.

So, I think that I think INR500 is a very clear visibility because it's directly. Each initiative has an action, it has a capex, and it has an opex. What others will do, I cannot comment. I would continue to believe that in the next 5 years, Adani Cement would not just be the lowest cost in India, but perhaps it will compete with the lowest cost in China, which is the world, first part.

Second part regarding 2030, yes, there are a few plants for us, which will have some residual limestone. They would be, in Maharashtra one plant, in Madhya Pradesh one plant, and I think mostly in Chhattisgarh one plant and in Himachal one plant. We are making a lot of initiatives, speaking with the government. IIndustry is also working through various forums, NITI Aayog, etcetera. A little early in the day to comment, but I think who knows. We might also get some respite from the government for that.

Moderator: The next question comes from Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: My first question is on the cost reduction target of INR3,650, INR3,700 over a few years. Is it possible to give some bridge or some road map as to what would be year 1 and then year 2, year 3, some rough numbers?

Ajay Kapur: I think if I'm looking at, you can say about INR100 next year, another INR150 following year. And then I think a large part of the cost will come towards the end when coal mines start coming in. See there are other initiatives of waste heat, solar power, as I mentioned, Vinod mentioned, so 800 megawatts green will happen. The entire waste heat program will get over in the next 12 months. The entire alternate fuel journey will also get over in the next 24 months.

The overall ramping up of newly acquired assets and bringing them at par with our structures will happen. Mind you, our number of locations, we'll add almost 40 new grinding units over

the plan period when we hit 140 million, 150 million tons. With more units, the logistics cost of 100 kilometres that I mentioned, and each kilometre is PTPK INR4.

So, if you take another INR100 from there, so I think a large part of it will come around 2026, '27. And the last piece would be the coal mines, captive coal mines. The years when they come, you suddenly see a drop of INR0.30, INR0.40 in the coal cost. And I think that's where you'll see a sizable savings.

Vinod Bahety: But good thing is, Sumangal, that this will be progressive, like so every passing quarter, you will find the benefits of these investments yielding the savings on the cost, and we are going to be more highlighting it with each of the press releases. So, you will find the positive developments every passing quarter.

Railways, Ajay ji highlighted that each quarter, we are getting at least 2 to 4 rakes. Then we are also getting new capacities of renewables with every quarter, WHRS, AFR. So, it is not back ended. It is going to be well laid out over the next 2, 3 years. But yes, major impact is when the coal mines will start giving the captive coal, that will be a game changer.

Sumangal Nevatia: Understood, sir. Sir, and this is more at current commodity prices, right? Or we are also expecting some commodity price deflation, diesel price reduction or something of that sort?

Ajay Kapur: I think there will be a standard inflation of 2% to 3% but we have seen over the last few years, both energy and fuel has been more stable. And also going forward, if globally green is the new norm, you will find a little bit of surplus availability of some of these fuels. So, I think -- I believe there will be less inflation on that count.

Sumangal Nevatia: Understood. And just one last clarification on the capex. Next year, are we expecting the INR7,000 crores, INR8,000 crores kind of further increase or something on FY '26, if you can comment?

Ajay Kapur: I think if you allow us to come back in the full year call, I can give you a much better idea because we would have finished current year. See, what the projects we are already building, which I announced already, that capex will anyway flow.

As I also mentioned, there are about 10-12 grinding units for which active work is going on. That will also come in. So, while I have a number, but I'd rather wait for the financial year to get over, that's the right time for us to come and make a commentary in the next quarter. I hope you understand.

Moderator: Ladies and gentlemen, we would take that as the last question for today. I now hand the conference over to the management for closing comments.

Deepak Balwani: Yes. So, before we end, let me remind you that the playback of this event will be available on the company website in a short while. I hope most of the questions have been answered. If you have any unresolved queries, please contact us. Thank you, Parvez and Nuvama team for organizing this call. Thank you.

Ajay Kapur: Thank you, all.

Moderator: Thank you. On behalf of Ambuja Cements Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Note: This transcript has been edited to improve readability

Ambuja Cements Ltd

Registered office: Adani Corporate House Shantigram, S.G. Highway Khodiyar, Ahmedabad – 382 421 Gujarat, India
Ph +91 79-2555 5555; www.ambujacement.com; CIN: L26942GJ1981PLC004717