NUVOCO VISTAS CORP. LTD.

NUVOCO Shaping a new world

Ref. No.: Sec/20/2024-25

May 7, 2024

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001 Scrip Code: **543334** Scrip ID: **NUVOCO**	**National Stock Exchange of India Limited** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Trading Symbol: **NUVOCO**

Dear Sir/Madam,

Sub: Transcript of Investor and Analyst Conference Call on the Audited Standalone and Consolidated Financial Results of the Company for the financial year ended March 31, 2024

Further to our letter no. Sec/11/2024-25 dated April 23, 2024, letter no. Sec/16/2024-25 dated April 30, 2024 and letter no. Sec/18/2024-25 dated May 2, 2024, please find enclosed the transcript of the Investor and Analyst Conference Call held on Thursday, May 2, 2024 on the Audited Standalone and Consolidated Financial Results of the Company for the financial year ended March 31, 2024.

The same is also made available on the Company's website at www.nuvoco.com.

This is for your information and records, please.

Thanking you,

Yours faithfully,
For **Nuvoco Vistas Corporation Limited**

SHRUTA JATIN SANGHAVI
Digitally signed by SHRUTA JATIN SANGHAVI
Date: 2024.05.07 18:19:24 +05'30'

Nuvoco Vistas Corp. Ltd. MUMBAI 70

Shruta Sanghavi
SVP and Company Secretary

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"Nuvoco Vistas Corporation Limited Q4 & FY'24 Earnings Conference Call"

May 02, 2024

MANAGEMENT: **MR. JAYAKUMAR KRISHNASWAMY – MANAGING DIRECTOR, NUVOCO VISTAS CORPORATION LIMITED**
MR. MANEESH AGRAWAL – CHIEF FINANCIAL OFFICER, NUVOCO VISTAS CORPORATION LIMITED
MS. MADHUMITA BASU – CHIEF MARKETING, INNOVATION, NORTH SALES & BUSINESS DEVELOPMENT, NUVOCO VISTAS CORPORATION LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Q4 & FY'24 Earnings Conference Call of Nuvoco Vistas Corporation Limited.

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 risk that the company faces. The company assumes no responsibility to publicly 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Madhumita Basu – Chief Marketing, Innovation, North Sales and Business Development of the company. Thank you and over to you.

Madhumita Basu: Good afternoon, everyone, and thank you for joining us to discuss our Fourth Quarter and Full Fiscal Year 2024 Results.

Before we delve into our performance details and look ahead with optimism, let me briefly address the broader macroeconomic environment. The recently released GDP numbers surprised strongly on the upside. Real GDP expanded at a six-quarter high rate in Q3 FY'24 at 8.4%. Economic activity gained momentum in February 2024 after witnessing a slight moderation in January. GDP growth for Q4 FY'24 is expected at 7.2%. It is now believed that estimates for FY'24 will be exceeding and a rate closer to 8% may be clocked. GDP growth is likely to remain robust at 7.4% during FY'25.

Bank credit to the agriculture sector continues to register double-digit growth, reaching its highest level since the COVID-19 pandemic during Q3 FY'24. Bank credit to housing sector continue to grow in double-digits.

India is likely to experience above normal rainfall in 2024. A good and normal monsoon should significantly address inflation and stimulate farming.

All these factors augur well for the cement demand.

Looking internally now at Nuvoco's Performance for the Year-ended 31st March 2024:

We are delighted to report a strong performance in FY'24 amidst volatile demand environment. The company recorded an EBITDA of Rs.1,657 crores and a profit after tax of Rs.147 crores, marking the highest levels of profitability since FY'22, the same year we launched our IPO. This clearly underlines effectiveness of our strategic initiatives and operational efficiencies.

Despite demand challenges, we stuck to our strategy of value over volume, premiumization, geo mix optimization, brand strengthening and cost optimization.

Deconstructing the realization and EBITDA per ton further, it is important to note that the accrual of incentives from Panagarh facility was stopped from April 2023, while incentives from Rajasthan plant ended in June 2023. These plants have contributed approximately Rs.60 per ton as incentives in FY'23. The cessation of these incentives makes the quality of our EBITDA growth and margin expansion even more commendable.

Needless to say, our robust EBITDA growth in FY'24 is a clear indicator of our operational excellence and unwavering commitment to cost efficiency and strategic intent of value-led growth. The company's robust EBITDA performance paired with a notable reduction in debt by Rs.384 crores YoY to Rs.4,030 crores, has resulted in a significant achievement, bringing the net debt-to-EBITDA ratio to 2.4x. Furthermore, this reduction in debt aligns with our historical trend of net debt reduction, emphasizing our continuous focus on deleveraging.

When it comes to cost efficiency, we are happy to report significant reductions in operating costs, particularly in the areas of power and fuel and raw materials.

Our strategic initiative, Project Bridge 1.0 aimed at enhancing efficiency has yielded a notable reduction of Rs.30 per ton in operating costs since its implementation in Q2 FY'24.

At this juncture, let me also brief you on quarter performance related to the three major cement cost elements. Power and fuel costs reduced 4% quarter-on-quarter due to efficient sourcing and optimization of fuel and power mix coupled with decline in pet coke and coal cost. Raw material cost per ton decreased 2% quarter-on-quarter, mainly due to decline in slag cost. On the slag front, I would like to reiterate that Nuvoco continues to be better placed due to its long-term supply agreement. Distribution cost per ton declined quarter-on-quarter due to operational efficiencies and logistics.

In our ongoing commitment to premiumization, premium products have maintained a critical role within our portfolio, significantly contributing to 37% of the company's cement trade volumes in FY'24, registering an increase from 36% in FY'23.

To further enhance brand equity, we unveiled various marketing campaigns during the year such as "*Seedhi Bat Hai, Duraguard Microfiber Khaas Hai"* and *"Concreto Uno Kaafi Hai*".

As part of IHB-driven rural reach program, we introduced engaging brand activation activity, “Sabse Khaas Sarpanch”, showcasing the impactful stories of Sarpanches contributing to village development.

We introduced DuraGuard F2F, a premium composite cement into the markets of West Bengal and Jharkhand. In addition to this, we extended our premium cement variants ConcretoUno to the Jharkhand market.

We also rolled out the new cement packaging design with Nuvoco logo prominently placed on the front side of the cement packs. The new design will highlight a much stronger bond between the company and its brands, reinforcing confidence in all our partners and customers.

Moving on to the cement demand:

I will now focus a little more on the two markets, North and East, which are relevant for us. During the year, the North region showed strong demand and we grew ahead of the industry in the region. In contrast, the East region faced challenges throughout the year, particularly in our core markets of West Bengal, Bihar and Jharkhand, where demand was notably subdued. Within East, Chhattisgarh and Odisha, demand surged ahead, showing significant improvement in the year FY’24. However, towards the end of FY’24, our core markets witnessed some recovery in demand.

While the Union elections is a key monitorable in the near-term, we are poised to take advantage of demand resurgence in our core markets where we have a loyal network and a redoubtable premium position.

Furthermore, we have launched new programs in the states of Chhattisgarh and Odisha with specific focus on volumes in FY’25. With an industry-best trade share of 74%, we also see an opportunity to improve volumes in the non-trade segment.

Our optimism on the demand prospects in the region is driven by a confluence of factors, namely, thrust on infrastructure development, including the construction of highways, railways and affordable housing.

As we speak, 27 lakh houses under PMAY program are pending for completion in the East and out of these 14 lakh houses are only in the state of West Bengal.

The Union Government in the interim budget announced that 2 crores more houses would be taken up to meet the housing requirement. Approximately, 19,000 kilometers of roads under Bharatmala Pariyojana Phase-I is yet to be constructed, and out of these 3,500 kilometers is in East alone.

Additionally, the rising urbanization, growth in the real estate sector and increased spending on commercial and industrial projects is expected to support the demand for cement. Just to close, in North, we will continue to drive volumes as we ramp up operations at our Haryana cement plant.

I will now briefly touch upon the "Ready Mix and MBM Businesses":

Both businesses are performing well. On the ready-mix concrete business, we have commissioned seven new plants in the current fiscal, bringing the total number of plants to 58 Pan-India. Given our continuous thrust on premiumization, value added product mix stood at 31% of total sales volume in FY'24.

In MBM business, style adhesive and cover block segments continue to witness sales improvement. During the year, we expanded our tile adhesive range aligned with market requirements.

Now, coming to "Sustainability":

At the core of our operations is our commitment to sustainability. We recognize that as a major player in the cement industry, we have a responsibility to minimize our environmental impact and lead the way in sustainable practices. Our focused investment has yielded significant value in sustainability. With emphasis on blended cement and optimization of power and fuel mix between traditional fossil fuels, alternative renewable energy sources, we have been able to significantly lower the carbon intensity of our cement manufacturing.

Touching on "Some Sustainability Parameters":

The carbon emissions reduced by 2% year-on-year to 454 Kg per Co2 per ton of cementitious materials, which reaffirm our position as one of the industry leader in low carbon emissions. I'm sorry. I'll just repeat the figures again; 2% YoY to 454 Kg Co2 per ton of cementitious materials. The alternate fuel rate makes an impressive improvement from 9% in FY'23 to 13% in FY'24 amongst the best in the industry.

A quick update now on our "Growth Projects":

Railway siding projects at Odisha and Sonadih are at an advanced stage of completion. As you are aware, we successfully commissioned a 1.2 million ton grinding unit at Haryana Cement plant, elevating the overall cement capacity to 25 million tons per annum. Within a quarter of commissioning, the plant utilization has been ramped up to over 60%.

"Strategies for FY'25":

As we embark on FY'25, I will briefly touch on the comprehensive strategies across pillars of Revenue, Profitability, Process and Culture to drive growth and achieve our organizational objectives.

On the "Revenue" front:

Our focus will remain on enhancing realization per ton by prioritizing premiumization. We will work on expanding our presence in key markets of North, Central and West regions, capitalizing on their growth potential. We will work on boosting sales within home market defined as an area of up to 200 kilometers from our manufacturing plant, thereby consolidating our value leadership and optimizing logistics costs.

On the "Profitability Front":

Building on the success of "Project Bridge 1.0," we are embarking on Project Bridge 2.0 in FY'25 with an aim to further our cost efficiency efforts, targeting cost savings of up to 50 per ton.

On the "Process Related Strategies":

For FY'25 we will be launching the customer portal and initiating AI-enabled projects in specific areas primarily to drive efficiency.

On "Culture":

Building on our brand value and loyal network, we will reemphasize customer-centricity, delivering accuracy, speed and delight through our company-wide program. Last year, we made good progress with the launch of our leadership development programs. Following through on this, this year, we'll be launching academies across functional areas to build and nurture talent.

With this, I conclude my opening remarks. I'm joined here by Mr. Jayakumar Krishnaswamy – Managing Director, Nuvoco Vistas and Mr. Maneesh Agrawal – Chief Financial Officer of the Company. We are here together to answer your questions. Thank you.

Moderator: We will now begin the question-and-answer session. We will take the first question from the line of Keshav Vijaya Ratan Lahoti from HDFC Securities. Please go ahead.

K. V. R. Lahoti: How has been the growth in North and East in FY'24 and how is the current mix of North and East?

Madhumita Basu: With our investment in 1.2 million tons in Haryana facilities, our mix of North business has gone up from 20% to 24%. Our full capacity is 25 million tons that makes 6 million tons in the North and 19 million tons in the East. In North, we have seen growth ahead of the industry. We are focused on further volume growth in this region as we ramp up our capacity utilization in the new Haryana cement plant. In the East, our strategic intent till the year FY'24 was driving value over volume, and I have touched on our specific actions in my opening call remarks.

K. V. R. Lahoti: The question is more on the side in FY'24, what has been the volume growth in North and how has been the East market and how is the current volume mix for North and East in FY'24?

Madhumita Basu: So, the current mix is, as I mentioned, of the order of 22%, 23% of North-to-East. Keshav, a more detailed growth of the regional split between North and East would be sensitive for this call. You must excuse us. Needless to say, that our eastern region strategy has remained on value over volume, and in North we have been taking roughly a 3% to 4% growth over and above the industry growth rate.

J. Krishnaswamy: Just to add to you guys, it will not be right for us to give a region wise split because every company operates in a pan-region, and we are a company that operates in more than one region. Hence, our growth is a mixture of both East, North and center and hence we would not be able to exactly explain which region of market grew. But, as Madhumita said, very clearly in North and center, we grew ahead of the industry. In East, it was value over volume strategy. Overall, at a company level the figures are there for all of us to see. We could get just about a flat and a little bit higher growth over last year in terms of volume. However, there are so many other parameters which are there in the overall performance of the company, and we are very proud of what we have been able to deploy and drive the strategy for FY'24.

K. V. R. Lahoti: How has been fuel cost going to hover in the next one or two quarters? And what was the fuel cost kCal basis in Q4?

J. Krishnaswamy: Moving from Q4 of last year, all the way to Q4 of this year, rupees per million Cal for the company has come down all the way from 2.31 in Q4 FY23. 1.63 was for the full quarter of Q4 FY24 and March delivered the lowest power and fuel cost in the last eight quarters. That's the kind of progression in power and fuel cost. You would know very clearly our fuel strategy is based on a blend of pet coke, linkage coal, domestic open market coal and AFR. The key strategies for the company here, very clearly focus on linkage coal, #2 would be to get our maximum throughput out of the WHR and CPP and certainly huge focus on AFR where we installed on four of our plants. We have reached a stage of about Rs.1.63, 1.64 per million Cal and going forward in the near one or two quarters, I don't see major volatility in fuel prices unless until something dramatic happens in the external world. Pet coke prices are trending at about $112, $113 per ton. Our view is it will continue at the same number going forward. We've got linkage coal lined up for the next five years. The domestic open market coal is trending at close to about Rs.1.5, Rs.1.6 per million Cal, ash content is a little bit low which is good for us. The AFR strategy of the company is to move from the current 12%, 13% all the way to 16%, 17% going forward. All this would result in power and fuel cost trending at around 1.6, 1.62 for the coming two quarters. Nothing changes. The whole number will continue for the balance period of the year. If something favorably happens or adversely happens, we will update you in the next quarter results.

K. V. R. Lahoti: What is the blended cement share for FY'24?

J. Krishnaswamy: Yes, blended cement for the company came at ~20%, OPC at about ~20% and other cement about 80%.

Madhumita Basu: We actually measure it more by C/K, Keshav and our C/K was 1.76.

J. Krishnaswamy: So, while blended cement is the strength of Nuvoco with our slag cement and fly ash cement, but we also see in certain markets in India, the country is also going towards OPC markets actually. So, I guess going forward, all the cement players have to be very clear that we have to also find a way to cater to the OPC market. While our core strength of the company is to make changes in the consumer buying behavior and trade segment to move from regular cement, OPC cement to blended cement, but it will be a journey with all the cement industries have to take keeping sustainability in mind. This is one of the huge sustainability goals for the entire cement industry in India. So, more and more players are moving away from the normal OPC cement all the way to blended cement. As you would have seen from Madhumita's speech, our carbon footprint has come at 454 Kgs of Co2 per ton of cement, which indeed is almost the lowest level of numbers which are happening in India, internationally also this is the kind of number which is extremely at it. Global level it's 580, India average is 507, Nuvoco average is 454. I guess a little bit of tweak on blended cement will even further improve and bring it below 450.

Moderator: We will take our next question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: First question is on our expansion plans. In the past, we've kind of alluded to a range of 3,500 to 4,000-odd crores of net debt to kind of start to working on expansion, we are almost touching that range. So, just want to know what is the status, how prepared we are and when are we kind of looking to explore Brownfield expansion opportunities?

J. Krishnaswamy: You all would appreciate the consistency of leadership is to kind of demonstrate sustained performance over a period of time. So, while we are very proud of reaching 4,030 crores of debt as we committed in each of the calls in the last two years, we just want to be very clear that this should not be a select victory, but certainly it has to be somewhat sustained. So, we are in no hurry to kind of expand in the next one month because we've got headroom of close to about 6-7 million tons. So, even if we have adequate growth in the industry, we should be able to grow in line with the industry in the coming two years. So, we just want to wait and watch in the coming quarter or so, and once we are very confident with the stable prices and market uptick and overall debt levels of the company are sustained at this level, we will come up with the expansion plan. Needless to say, that at the back end we are already working on identifying what are the design, what should be the capacity, which is the location, what is the ballpark numbers, what should be the design criteria. Those works are all happening. At an appropriate time, we'll come and make an announcement on what's the exact timeframe about when will we do groundbreaking.

Sumangal Nevatia: So, in terms of our North capacity, we've been consistently maintaining that we are gaining market share there. And if I look at the peers, few companies are reporting upwards of 90% utilization. So, is it possible to share what sort of utilization did we run the plant on an average for FY'24?

J. Krishnaswamy: North, if you see, you have to really look at it full year because our new capacities came in December, January, February. But if I were to kind of extrapolate the overall North number without taking the Bhiwani plant into consideration, we were operating close to about 90% capacity utilization. But with the Bhiwani factory coming in, as Madhumita said in a speech within a very short period of time, capacity utilization increased to 60% of the nameplate capacity. At a full year, we are operating North at about 80%, but still, we have headroom. In terms of capacity terms, we have 6 million tons of capacity. In a few months of this year, we already touched 4.2 lakh tons per month. So, I guess during the course of FY'25 we should be very close to 6 million tons at over 90% capacity utilization in one, two quarters.

Sumangal Nevatia: Sir, with respect to the East?

Madhumita Basu: Sumangal, Q4 itself North capacity utilization was 89%. So, there is an upward trend there.

Sumangal Nevatia: On the expanded capacity, 89%, okay. On the East, just want to understand, I mean, at least from the numbers, it appears that we have been losing market share because full year if you've been growing in North and if you look at the other peers, anecdotally, everyone is sharing that the market has been growing. I know there could be some issues in particular states where we have high exposure. I mean, is it possible to share some more state wise color just to appreciate or understand better what is the issue with eastern demand for us versus a few peers in terms of different state wise exposure?

J. Krishnaswamy: First of all, I guess there is no issue in East. Very clear as far as Nuvoco is concerned, we are clear about what we wanted to do, what our plans are, what is the execution in East, we are very satisfied with the approach we took and the results we achieved in the East region. If you really look at the whole year in East, you got to really look at 12 months and come into some kind of a judgment and inference. The prices in the East were tepid at the beginning of the year. And one of the primary objective for Nuvoco is to kind of deleverage, improved realization, get the EBITDA lines up. And in all the past calls, the professed strategy for the company is value over growth. That was a cornerstone of what we were doing. Having said that, even in East, if you see at the beginning of the year April FY'24, when it came to October, price rise happened, come January, price ended and kind of end of the year, exit price in East was almost less than the entry price in the fiscal year. That's how the price movement happened. But even in the price movement, the East has to be divided into two parts. The core demands consuming states of Bihar, Bengal and Jharkhand and the less in the past, the less realization states of Chhattisgarh and Odisha. What happened in East is somewhat unique that states of Chhattisgarh, Odisha saw a handsome growth and we participated in the growth and got good growth in those states. But the three states of Bihar, Bengal and Jharkhand where the three states where growth was somewhat muted but more important was the pricing in those states was really at, I won't say historical low, but certainly in the last 24-months the prices prevailed in these three states were very low. We were very clear that contribution margin improvement was the strategy for the company. So, we focused on these two states to kind of mop up maximum contribution, but did not want to give up volumes for the other three states. So, we kind of ensured that we fed the market, retained our loyal customers and ensured that the trade benefits of working with Nuvoco. That's been the overall deployment plan last year. Having said that, things in March look different. Growth somewhat happened in Bengal, Bihar and Jharkhand and going forward in FY'25 post elections, we see an uptick of overall demand and prices to be okay, cost has more or less bottomed out and softened. So, it's no longer going to be a difficult scenario, and financially debt wise, leverage wise, we are also in a comfortable position. So, we have now at the leverage as well as the elbow room to kind of maneuver the market where we want to maneuver. You will see us participating a little bit more aggressiveness in the next year to get growth going for the company in East as well.

Sumangal Nevatia: Do we work with exclusive dealers, and if yes, I mean, what sort of numbers do we have?

J. Krishnaswamy: Very difficult for me to rattle out exclusive dealers in this call, but may I request you to reach out to investor relation, they will give you all the details of dealer's state wise, dealer profile exclusive, multi-brand outlets, all those data are available. I won't be able to explain to you in this call.

Moderator: We will take our next question from the line of Naveen Sahadev from ICICI Securities. Please go ahead.

Naveen Sahadev: On the pricing front, our realizations got hit by over 8% sequentially. Wanted to understand if the current prices are in April month gone by, did we see any improvement because I would like to believe exit for March would have been lower versus the quarter average. So, if you could just give us some color as to directionally how are we into the fiscal FY'25 so far in terms of pricing versus the March quarter that is reported?

J. Krishnaswamy: Hardly 30 days since we started the quarter, but all the same price rise did happen in the month of quarter. North has been more or less same as Q4, but East is we are seeing a close to about

Rs.8 -10 per bag improvement in price in gross of GST in East. So, things are improving in the East. We expect things will further improve going forward.

Naveen Sahadev: You clearly mentioned about the fuel cost sustaining at these levels for the company, but on the freight cost per ton, is that also a sustainable number or with the railway rakes coming in, we could see further improvement?

J. Krishnaswamy: A little while ago in the call, we spoke about our Bridge 2.0. Bridge 2.0 covers three, four key agendas for the company, which is into cost efficiency program, second one is power and fuel cost optimization, third one is distribution cost reduction and last one is overall productivity improvement through extra volume growth in the organization. All these we are targeting close to about Rs.50 per ton next year over this year. So, one of the key focus areas is to reduce or sustain the current distribution costs. There are two or three projects which we are currently working. If you would recall our CAPEX last year had railway sidings in Sonadih and Jajpur and you would also know that we were moving clinker out of Risda into a third-party unit, and then from there load into SKS or Tilda sidings. From April 1st, we have stopped the outside clinker loading because Sonadih siding is almost ready and by the end of Q2, we will have 100% commissioning of the second railway siding in Sonadih. All our clinker movement will be rake-fed and all the road movement will go away. In addition to the Jajpur siding should also come up in H1 end this year. So, once the Jajpur siding as well as the Sonadih setting happens, all our movement of clinker will happen only by rake. So, that indeed should reduce the overall distribution cost by a substantial amount in H2 onwards. Added to that, in in the speech, Mita covered that our focus is going to be on maximizing sales in home markets, try and sell cement at 150-kilometer radius in the East and 250-kilometer radius in the North. With this would basically be a key thrust area, and the third thrust area is to increase the direct dispatches from the company, improve it by 5% to 8% over this year's actual. All this, as an end objective of either reducing the distribution cost over last year's actual, or at best neutralize, if at all any potential increase in fuel rates happen going forward, but as of now we are targeting decent enough savings and distribution cost in FY'25 vs FY24.

Naveen Sahadev: Just rather a clarification to the previous participant's question about CAPEX, so did you mention that the company will be watchful of the debt situation for couple of more months before committing to any other CAPEX or couple of more quarters?

J. Krishnaswamy: I neither mentioned a couple of quarters or couple of months. All I said was in the coming future, we would like to be confident that the debt numbers and the overall operating numbers which we delivered we would want to sustain it. So, it could be a quarter or two quarters. But once we are confident that the system is oiled and demand in the market is also sustaining the overall appetite for the company, we should come up and make an announcement. Overall, if you see all these plans will be set up in 18, 24 months. So, a quarter here and there is not going to change the overall performance of the company, but certainly if the capacity coming up is going to hamper the growth of the company, your point is valid, but we still have headroom in North as well as East to kind of out of 25 million tons, we did 18.8 million tons. So, even at a double-digit growth for the next two years, we should be able to have capacity well into FY'27. Certainly, by that time our plant will come. And in the previous calls I've been speaking about the location of the plant. We are gravitating towards North, Brownfield capacity coming up in North India with adequate limestone available with us. So, the focus will be to grow in the North and West and that's how the company's future expansion plan is slotted.

Naveen Sahadev: Great. Thank you and all the best and also congratulations for excellent working capital management.

Moderator: We will take our next question from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: My first question is when we are saying that we have enough headroom for the growth and North ma'am has mentioned that the 89% utilization in fourth quarter including the Bhiwani and also we mentioned that we want to grow at 7% in FY'25. So, to clarify if I'm making a mistake. So, how much volume growth are we looking at and from where it can come? North is already at 89%. So, incremental whatever the 5%, 7%, 8% volume growth that we are looking at, is it more from the East and which states would be more to contribute to the growth?

J. Krishnaswamy: Very nice question. Mathematically, you asked this at 89% to 100%, how will the growth happen. So, let me give you a little bit more detail to the statement which Mita made. So, capacity is grinding capacity and clinker capacity. And when 89% is coming out of the overall cement capacity utilization in the company in FY24. On the clinker side, you would know in FY'24, Nimbol factory got commissioned in Q2 end and then we had a truncated year of Nimbol capacity. While Bhiwani has got into full mode, Nimbol has got a 6,000 TPD line, expansion plan was 6,000 TPD and Chittoor is 6,000 TPD. Both put together is about 4 million tons at CK ratio of 1.5, we have 6 million tons of cement capacity. So, there will be sufficient headroom for us to grow in line with the market assuming general industry view is GDP of 7%, industry is likely to go 7% to 8%, so we also will be participating in this industry GDP ratio growth in North, certainly at East. So, we don't see a major challenge in getting the growth. Last but not least there was a question about what is the OPC mix and the blended cement mix. We always have a lever to shift from OPC to blended cement to maximize the volume number. So, that's been the DNA of the company. So, going forward as well to get adequate revenue growth so if realization station is very good with non-blended cement, we'll go get more money. If blended cement is selling and we are able to get volume growth, EBITDA will come through volume growth as well. So, that's how we will participate in the market. While the strategy will be to get highest capacity utilization, tactics will always be quarter-to-quarter based on the market and the portfolio will be decided by the management team on how to participate in the market based on the actual happenings in the marketplace. So, we are pretty confident to hit equal or more than industry level growth in FY'25.

Shravan Shah: Just to clarify, this Rs.50 cost saving in FY'25, this is from the Q4 FY'24 number or from FY'24 number?

J. Krishnaswamy: How is it possible? You should have been running a company because you said target, up the best quarter by Rs.50 but we are very realistic here. It is average FY'24 versus average FY'25. This is the cost improvement exercise on a YoY basis for the full year.

Shravan Shah: On the expansion and then the CAPEX, I put the question other way, till next how many quarters can we wait to announce the expansion at the North, max, two, three quarters can we wait? So, ultimately I've been looking at the CoD to be happening in FY'27 and not in FY'26, and if so, broadly previously we talked about closer to 1400 crores kind of a CAPEX for this, so that number remains the same.

J. Krishnaswamy: Yes, the number remains the same. The size of the line will undergo a little bit of a change based on our final strategy and market growth and where the split grinding unit will come. So, we are really looking at either a 6,000 TPD line or the 7,000 TPD line. That's where it is gravitating. So, the overall CAPEX outlay may undergo a change based on the size of the line we are putting it. But overall, we are looking at anywhere between $70 to $85 per ton CAPEX cost. In terms of how many quarters I need to wait, I will come and tell when it will happen. You guys have to give me time. As I said very clearly, we want to be very comfortable with the numbers at a full year level we have got, whether in terms of realization or in terms of EBITDA or in terms of debt levels or in terms of premiumization - number of agendas which we have. Having said that, I'm not going to set a time limit for myself and say a quarter from now or two quarters from now, I will come and say, but suffice to say during the course of this year, we would certainly come up with an expansion plan.

Shravan Shah: So, without this CAPEX, absolute CAPEX for FY'25 and '26 will be how much?

J. Krishnaswamy: Great. I think we are going to be very clear because right now the big projects which we started last year, if you remember in the last call you were asking about what were the FY'24 CAPEX numbers, last year we ended CAPEX at Rs.579 crores, but out of those the big projects were basically Nimbol expansion, Risda expansion, Sonadih siding, Jajpur siding and Bhiwani expansion. Nimbol is completed, Risda is completed, Bhiwani is completed, the siding at Sonadih and Jajpur are underway. So, by latest by Q2, all this ongoing project will be completed. So, technically speaking we don't have a big expansion CAPEX in the first 6-8 months of the company. And whenever we announce the plan, that's when the CAPEX outflow will happen. So, we are really targeting anywhere CAPEX between 300 to 400 crores inclusive of things which come from unspent capacity from the previous year as the overall CAPEX outlay for FY'25 at this point of time.

Shravan Shah: A data point, sir. Lead distance for fourth quarter, CC ratio for fourth quarter and AFR share quarter for FY'24?

J. Krishnaswamy: Lead distance is a magical 340 kilometers, both primary and secondary put together, and in terms of AFR percentage in Q4, we did 12%, and in the coming year, we are targeting a little bit more. A couple of kilns were under refurbishment shut down in Q4-end, AFR percentage came down to 12, otherwise in Q3 we were at 13%. We expect to increase this number by 2%- 3% full year average this year. CK ratio at Q4 came at 1.74 and FY'25, we are really looking at anywhere between 1.76 to 1.8.

Moderator: We will take our next question from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: The value over volume strategy has paid off this year. Wanted to delve deeper into that strategy. Had a few questions on that. So, it seems like if I understand correctly, the pricing environment was better in certain micro markets like Odisha, Chhattisgarh, not so much in other markets like Jharkhand and West Bengal. And the intent of the company is to maximize the contribution margin. Overall, it does appear to me from the outside that you're indicating if you had sold in some of these micro markets, your contribution margin would have been negative if the intent is to maximize overall contribution margin. Is that clear?

J. Krishnaswamy: No, certainly not negative contribution, because if you really run the business, you're really looking at EBITDA comes at Rs.883 for the year and add to that the various numbers you're looking at the contribution of Rs.1,500 1,450, 1,600 kind of a number at different markets of a different product portfolio. We can't get contribution margin zero at any point of time. Contribution margin can be Rs.700, Rs.800. But I think by selling at Rs.700 and resultant EBITDA coming to Rs.100 or Rs.120, in our point of view we did not think it was something which is accretive to the overall strategy for the company, but certainly I think it's not a one quarter game for us, certainly it's a long-term objective. We also don't want to kind of push bottom end products. We want to continue to keep have our premiumization, we don't want to take on the discount levels to kind of get additional sales. So, those have been the various levers we work and also certain states the overall pricing came very low. We really didn't want to kind of compete with other players to get by dropping price and getting volume. So, we had to maintain our brand equity. So, our product, Concreto, still continue to hold premium over the next best player in the industry. Our base product is still top end product in eastern category. So, we don't want to dilute our pricing position in the market.

Satyadeep Jain: Just had a couple of questions on that. So, fundamentally, first wanted to understand. My understanding was that basically these are all fungible markets. If let's say your margin is higher in one market over other, everybody would move volume so that higher margin market, so your overall it would come to a balance. Is that something that has not been playing out in this year?

Did that shift of volume happened only for you, but otherwise for everybody else, they were not moving that incremental volume to this higher margin market? Secondly, it would be that it seems like the intent was to operate at a bare minimum level in these markets, which are lower margin, whereas it seems like others were operating who're trying to take that market share even operate at lower margin. When the volume comes back, let's say if you see the margin coming back this year, those players are already serving those customers. When you go back into the market and try to get back some of these volumes that you decided to walk away in in this year, how do you in that kind of scenario go back and take that share? That's just fundamentally, strategically, wanted to understand how these things play out?

J. Krishnaswamy: I don't want to comment on what other companies are doing and what is their plan and how are they working on this, because it's a national market and whatever growth numbers people declare or a blended growth numbers for all the regions in the country. In our case also, since we have only two regions we participate, so we are very clear about what we did in our North and center and what we did in our East. So, we kind of have a majority in the East. So, overall exposure in the East is high. So, the numbers came out the way it has come out in terms of volumes. Rest of the companies have probably had an all India presence with similar capacities or substantial capacities in rest of the regions for them to get an all India number. That's the first answer for not kind of comparing us with other companies and what they are planning to do. As regards the question where you said that if we decide not to sell what will happen to trade and we walk away from the trade. In this industry, there is always the influx of new dealers who get appointed, there are dealers who move away from the fold and there is a constant churn which happens in the industry, people who work with me today, work with some other company, people who work with some other company come to us at some stage. So, losing a channel in my opinion, is not something which is a long-term stuff, we'll always go get the channel whenever we want to do. So, in FY'25 the goal for all our sales guys is to go get conquer channels at the appropriate markets to get presence of Nuvoco in almost all the markets. As regards promoting our product and our brand, I guess our brand pull is equally strong, consumers want our products and then things they bought off the shelf by the name of our brand in most of the states in East. So, it's a strategy which we deployed in FY'24. In FY'25, we still want to be a little bit more aggressive in the market to get volumes and you will see it play out in the market going forward.

Moderator: We have our next question from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: What was the fuel mix of pet coke, imported coal and domestic share for this Q4 FY'24?

J. Krishnaswamy: Q4 overall linkage coal came at 23%, non-linkage domestic open market at 11%, imported coal 1% pet coke at 52% and then AFR at 12%.

Shravan Shah: I just wanted to clarify, when you said Rs.8 to Rs.10 price improvement in East in April, so is this the across five states of East or it is more only Bihar has seen a sizable hike in April?

J. Krishnaswamy: It's a broad-based price increase in the East.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Ms. Madhumita Basu for closing comments. Over to you, ma'am.

Madhumita Basu: As we move forward, we remain optimistic on the demand outlook as a significant portion of infrastructure programs are under execution by the government. We will continue to focus on premiumization, geo optimization, fuel mix optimization, strengthening and cost efficiency. By executing on these strategic focus areas, Nuvoco is poised to deliver sustained growth and value creation for its shareholders and stakeholders in the year to come. We will remain available for any clarification required. Do please reach out to our investor management cell. Thank you for joining us today.

Moderator: Thank you, members of the management team. On behalf of Nuvoco Vistas Corporation Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.