SAGAR CEMENTS LIMITED

SCL: SEC: NSE: BSE: 2021-22

14th February, 2022

The National Stock Exchange of India Ltd.,
"Exchange Plaza", 5th Floor
Bandra – Kurla Complex
Bandra (East)
Mumbai – 400 051

The Secretary
BSE Limited
P J Towers
Dalal Street
Mumbai – 400 001

Symbol: SAGCEM
Series: EQ

Scrip Code: 502090

Dear Sir,

Sub: Conference Call on Q3 and FY 22 financial results

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We are forwarding herewith the transcription of the Conference Call held by us on 31st January, 2022 in connection with the recently announced un-audited stand-alone and consolidated financial results for the Third quarter and Nine months period ended 31st December, 2021.

Thanking you

Yours faithfully
For Sagar Cements Limited

R Soundararajan
Company Secretary

Encl.: as above

Sagar Cements Limited

Q3 FY22 Earnings Conference Call Transcript

January 31, 2022

Moderator: Good Morning Ladies and gentlemen, welcome you all to the Q3 FY22 results conference call of Sagar Cements Limited. We have with us from the management, Mr. Sreekanth Reddy – Joint Managing Director; Mr. K. Prasad – Chief Financial Officer; Mr. Rajesh Singh – Chief Marketing Officer and Mr. R. Soundararajan – Company Secretary. I will now like to handover the floor to Mr. Gavin Desa of CDR India. Over to you Gavin, Please.

Gavin Desa: Thank you Manish. Manish has introduced the management side and just like to add that some statements made in today's discussions may be forward-looking in nature and a note to this effect was stated in the con call invite sent to you earlier. We trust you have had a chance to look at the presentations and I would now like handover to Mr. Reddy. Over to you, Sreekanth for his opening remarks.

Sreekanth Reddy: Thank you Gavin. Good morning everyone and welcome to Sagar Cements' earnings call for the quarter ended December 31, 2021.

Let me begin the discussion with a brief overview of the market – in terms of demand and pricing, post which I will move on to the Sagar specific developments.

Demand and Pricing both were expectedly soft during the quarter owing to external factors. Heavy and unseasonal rains, Non-availability of sand in East and even the availability of the labour for most part of the last quarter due to the festive season resulted in lower offtake during the quarter. Pricing trajectory subsequently trended lower, in line with subdued demand. However, we did witness gradual pickup in demand towards the end of the quarter, which augurs well for the coming quarter. While the demand and pricing were relatively benign as I mentioned, raw material prices though continued to remain stubborn, in turn impacting the profitability and the margins during the quarter. We have seen a steady increase in prices of diesel, pet-coke and coal over the last few quarters, which in turn has contained the overall profitability growth.

On a long-term basis though, we remain positive on the business and believe greater government allocation to infrastructure and to low-cost housing projects would provide the requisite fillip to demand growth.

Moving on to Sagar specific developments, we reported revenue of Rs. 334 crores during the quarter; largely owing to better realisations. EBITDA for the quarter stood at Rs. 46 crores as against Rs. 104 generated during Q3 FY21; while margins for the current quarter stood at 14% as against 29% reported during corresponding period last year. As mentioned earlier, not only did we had to contend with lower demand and realisations we also had to operate in a rising input price environment, owing to which we registered margin compression of almost 1500 bps. The overall impact on the profitability would have been even more severe but for our prudent procurement and cost rationalization strategy. We have been working towards increasing the share of domestic coal to better manage our power & fuel expenses.

Moving on to operational development, we are pleased to announce the commissioning of Jajpur plant on January 10, 2022. As many of you would be aware, the heavy rains resulted in slight delay in commissioning of the plant. Jajpur plant along with Jeerabad plant, which got commissioned during Q3 FY22, should help us in diversifying our sales outside our existing markets. We are also hopeful of attaining utilization of 60%-65% and 75% respectively for these plants by the next year.

Average power and fuel cost stood at Rs. 1,452 per ton as against Rs. 865 per ton reported during Q3 FY21. Elevated prices of coal and coke resulted in higher per ton cost of fuel for the quarter. Freight cost for the quarter stood at Rs. 751 per ton as against Rs. 741 per ton during Q3 FY21. Profit after tax for the quarter stood at Rs. 5 crores, as against profit of Rs. 50 crores reported during Q3 FY21.

From an operational point of view Mattampally plant operated at 44% utilization level while Gudipadu and Bayyavaram plants operated at 56% and 55% respectively during the quarter. As far as the key balance sheet items are concerned the gross debt as on 31st December 2021 stood at Rs. 1,390 crores out of which Rs. 1,257 crores as a long-term debt and the remaining constitutes the working capital. The net worth of the company on a consolidated basis as on 31st December 2021 stood at Rs. 1,338 crores. Debt equity ratio stands at 0.94:1. Cash and bank balances were at Rs. 419 crores as on 31st December 2021.

That concludes my opening remarks. We would be now glad to take any questions that you may have. Thank you again.

Moderator: Thank you sir. We would now like to begin the question and answer session anyone who has a question, please signal by raise of hand on this Zoom platform. We have the first question from Shravan Shah. Please go-ahead Shravan.

Shravan Shah: Thank you Sir. Sir, the first question is on the pricing front. So, we have seen the other companies who have reported Ramco, Dalmia. Actually, a QoQ declined in realization, however, we have seen an increase. So, the difference is too much. So, if you can help us maybe a state wise, where we have seen a realization increase for third quarter, second, in January, how much increase now we have seen across the different states.

Sreekanth Reddy: Good morning, Mr. Shravan. See, in our case, there has been a 4% increase in realization sir on a quarter on quarter. The primary reason being that we restricted our movement into some of the Non-trade and we also limited some volumes flowing into East, because of the realizations there were lower, I think, it's a more a relative kind of thing and just to give you an update from the exit price of Q2, October there were some increases in the pricing. Yeah, which actually tanked again in November and further tanked in December, the overall from a quarter on a quarter except for some optimization of flow of volumes. Yeah, we have not seen a major shift in the realization, in our case, the realization increase is purely because we restricted some volumes into those markets where the drop was a lot more severe. Now getting into specific demand as well as the pricing, this time the November month was exceptionally lower. We have never seen such a bad November for many many years. As mentioned earlier, the November was very difficult. I would not say it was contraction in the conventional demand. But I think the weather wise it was a challenge for us to suffer. But for that event, probably we should have seen a normal demand. The reason why we're saying that statement is in December, we have seen an organization of demand on a relative scale compared to what we have seen in October and November. December looked very normal to a usual December that we have seen in the past. So, our assumption is that there was not much of a shift in the fundamental kind of a demand structure. But for the seasonality and the unseasonal kind of rains that we have seen during that time. It did impact demand is what we strongly think and naturally when the demand was not very normal, it actually took a toll on the pricing, from December exit, what we have seen into January, yeah, we have seen five rupees increase in the pricing for most of the south markets or the markets that we operate. From middle of January, we started seeing increase in East by almost around 20 to 25 rupees per bag. We hope for the Q3 What we have seen is the price should have bottomed out. We hope prices to move up. If not move up at least we believe that prices may not come down is what we strongly think though, in our view from the way the cost structure is moved up. We do expect prices to move up. But for us to realize that probably we may have to wait. Just to give you a quick summary of what I have mentioned. Yeah, we have seen five rupees increase from December exit to January for most of the markets that we operate both South as well as for the Maharashtra markets that we operate. In Orissa, we have specifically seen at 25 rupees' hike, but that is from the middle of January itself. We are hoping to increase further prices in our own case to ensure that we don't do the contraction of the margin and for the survival, we hope to increase the prices by 20 to 25 rupees from tomorrow for most of the markets that we operate, we strongly believe that it should sustain. Worst come worst probably we would have hit the bottom, that was we strongly think.

Shravan Shah: Yeah, that's great. Hopefully the prices increase that we are expecting should sustain. So that the related one is previously we were talking about or guiding a 3.6 MTPA volume and

1,000 rupees EBITDA per tonne. So now how do we see so definitely the both is related in terms of EBITDA, pricing, and also on the costing front? So how do we see even the costing on overall basis in the fourth quarter? Will it inch up further?

Sreekanth Reddy: Yeah, in our case, we guided for 3.6 million Sir, with an assumption that we will be doing on 400 thousand ,200 each at Jajpur and as well as Jeerabad. But unfortunately, with a delayed commissioning, we are not anywhere close to those numbers, what we aim for. But the silver lining is that we could do better numbers at the other places where we have been operating. We should end the year with 3.5 million, very close to that number. So, we will be falling short of 100 thousand. Going into the specific EBITDA, yeah, we did guide for 1,000 rupees. But now I think with only two months left. Yeah, we think anywhere between 850 to 900 rupees per tonne is a possibility. Very specific to cost related issues sir. As we have guided Q2 & Q3 were we have consumed the imported coal, we have consumed the entire high cost imported coal in our case, we do expect a reduction in our power and fuel costs since we're switching over completely to domestic, the overall average domestic coal landed cost is at 1.75 rupees per Kcal, Viz a Viz to 2.80 rupees for an imported coal or 2 rupees for an imported pet coke. We believe that the power and fuel cost not only should moderate, but it should start inching down for us for the current quarter is what is our guiding for.

Shravan Shah: So, net net the overall operating costs likely to see some reduction in the fourth quarter?

Sreekanth Reddy: Yes, sir.

Shravan Shah: Okay and lastly on the debt front. So, will this be the peak debt that normally we were talking about 800 – 850 odd crores?

Sreekanth Reddy: let me clarify here, I think our peak debt would not inch beyond 850, there is a one-off event that we actually have done taking a structured debt instrument in anticipation for a potential kind of an acquisition opportunity. So even that cash is sitting with us, so I don't think we should be crossing for an existing asset and what we have done so far. I think the peak debt should not be more than 850, what we have committed earlier.

Shravan Shah: Lastly, sir, on the, as you mentioned in terms of the acquisition, so, we were looking at so now we are at 8.25 MTPA capacity. So, we are looking at 10 MTPA by FY25. So, will it be inorganic and that to last time, you talk about the Andhra cement that we are looking at? So, is it the only one and if it doesn't materialize? So, in terms of organic, we can still add 1.75 by FY25.

Sreekanth Reddy: Mr. Shravan, I'm sure you would appreciate our guidance for 10 MTPA by FY25. We see a definitive possibility if not earlier. So, would it be organic or inorganic, I think please bear with us. We are working on couple of options. We would be quick to revert, probably by early part of next year, we should have come back with a news whether it is inorganic or organic kind of an expansion plan. At this point of time, what I can say is that we are prepared ourselves very well. We are evaluating on the couple of options, unfortunately it is too soon for us to go to the market because it's not yet fructified as we speak. We are hoping one of that should turn around fairly quickly and we are not very far sir. I think by Q1 to Q2, Coming Q1, Q2, we should come back to the market with news about our acquisition plan.

Shravan Shah: Thank you, sir. All the best.

Sreekanth Reddy: Thank you.

Moderator: Thank you. The next question is from Saket Kapoor. Saket, Please go-ahead.

Saket Kapoor: Yeah, Namaskar Sir and thank you for this opportunity. Sir just slightly repetitive questions maybe, kindly bear with me, which are our key markets sir and what is our nine months' clinker and cement volume?

Sreekanth Reddy: Yeah, Mr. Saket. I think we did disclose the cement numbers and everything part of our presentation.

Saket Kapoor: Right Sir, I'll go through it then.

Sreekanth Reddy: We are very happy to give those numbers. Yeah. Now, what are the key markets is a good question. For the assets that we are operating Sir, we have been primarily in South, Ap, Telangana, Northern Tamil Nadu, certain pockets of South Tamil Nadu, Karnataka, Maharashtra and South Orissa, with commissioning and ramp up of both Satguru and Jajpur, I would say Jeerabad and Jajpur, we would be getting into the Malwa region with Jeerabad, i.e., Indoor, the southern parts of, the southwestern parts of Maharashtra and Jajpur would be the coastal & the northern part of Orissa. These are the two additional markets we would be addressing with these two Assets getting commissioned and, on the ramp, up stage.

Saket Kapoor: Sir, when we hear players like Dalmia Bharat having pan India presence, players like ACC and Ambuja, and their ambitious plan for this decade, how do companies of our scale are looking for their existence and their market share? Say 5 years, 10 years down the line? When mammoth players like Dalmia are eyeing 130 million tonne or if sir, if there is even 90% of what they are contemplating what kind of market share will players like smaller players, if I may use the word marginal player will like you and others in the South will be left over and what is your strategy going ahead? To be relevant in the sector when such a big expansion is drive is on the card?

Sreekanth Reddy: Mr. Saket, our stated objective is to double every 10 years' sir, yeah, we have completed 41 years of our existence. So, I think we have reached to a stage where I don't think we should be struggling for our existential issues. Yeah, we should stay relevant as you rightly said, we have to stay relevant. Yeah, some of the players obviously are growing at a much faster pace than the market. But we have always kept pace with the market sir. So, I'm sure we would not ignore the aspect that staying relevant is very, very important. In the markets that we operate, sir, we are one among the top five players. That's what I would like to highlight, in any region that we operate, we are one among the top five players. Yeah, on a Pan India, we might be irrelevant, but in the places where we operate. Yeah, we still are relevant and I'm sure in times to come, we would stay even more relevant that what we are always to be. our strategy is to double ourselves every 10 years, that remains irrespective of how others come up with their plans and fortunately, this is one commodity which actually gives offer. Yeah, big is not only beautiful, even small sometimes is also very very beautiful, and we are here, as I mentioned to you 41 years back when we started we were a 200 tons per day player sir. We are today I think that was the case, large players were becoming much larger, but we have grown from 200 tons per day to almost close to 20,000 tons per day and we are also looking to grow may not be at a pace which may not be as per the liking of the market or in line with most of the other large players, but I'm sure we would stay relevant is what I can comment at this point of time.

Saket Kapoor: Sir a couple of flash points and what is our current market share in the key geographies which we are operating and what portion is Trade & Non-trade Sir?

Sreekanth Reddy: Sir, that's not a KPI for us in terms of market share. Sir, as I mentioned to you, in all the markets that we play, we are one among the top five players. Non-Trade in our case is around 30 to 35% sir, it keeps changing from a season, but around 30 to 35% is the Non-Trade market share in the product in our portfolio sir.

Saket Kapoor: And what explains this huge inventory built up, is it the market conditions only and thus this evened out I mean

Sreekanth Reddy: Seasonal related issues sir. See as I mentioned to you, we did not see a major shift in the structural demand related issue we were producing normally or else we would have calibrated, but we did not expect unseasonal rains. So, which actually pushed us to sell lower. So, the entire inventory got piled up.

Saket Kapoor: So, what is the status now, sir, as on the first month we are exiting January today, what are the material

Sreekanth Reddy: December itself was extremely good sir, January is also better. We are back to the, to what we generally do in usual December and January Sir.

Saket Kapoor: No sir, because when we look at your September numbers for inventory, as well as the December numbers, did the pile up looks at 40 crore inventories for the 9 months. So that was not the case last year, maybe because of various other plans

Sreekanth Reddy: Sir, you would plan for an offseason, but you don’t plan for a season Sir.

Saket Kapoor: Right sir.

Sreekanth Reddy: As I mentioned to you, we are hoping it to be a very good November, but unfortunately, because of the weather-related issues, we could not dispatch sir, everything adds up. That is not the case in an offseason, because you obviously go through the annual maintenance, and you know that it's an offseason. So, you don't have end up adding inventory. But that's not the case for the November month sir, as I mentioned to you, yeah, we were, I would say that the unseasonal rains did impact the overall kind of flow of the material. So, everything remained as inventory.

Saket Kapoor: Right Sir, and about your power and fuel mix, what is our currently power and fuel mix. what portion comes from WHRS? what is our investment there or what are we contemplating in terms of increasing the WHRS share, if you could give the mix breakup.

Sreekanth Reddy: Sir right now, we generate around 15 to 18%, through the waste heat recovery. The waste heat recovery plant at Satguru is due for operational in the current quarter. So, with that it will inch up to 20%, but our portfolio is green sir, we have hydro stations, we have solar, so the overall mix is to have around 25% at a group level. But for every five years we intend to have five hundred basis points added up to the green portfolio for an existing asset. For Waste Heat Recovery the only possibility is at Gudipadu. But unfortunately, we have a captive power plant there. So, we had to look at the commercial feasibility also. So, we would add up five hundred basis points for each five years. Eventually we intend to have 50% in our portfolio, the green power, that includes the Waste Heat Recovery.

Saket Kapoor: And what is the cost per unit sir, for power consumed, if you take the blended cost?

Sreekanth Reddy: It should be around three rupees fifty paisa Sir.

Saket Kapoor: Right Sir and there were earlier some issues with Andhra Players about this Wheeling charges and this Andhra Pradesh Power Corporation, are we under the threat?

Sreekanth Reddy: Our exposure into grid is very, very limited sir. we are self-sufficient. We are not connected to the grid sir.

Saket Kapoor: Okay Sir. About the lead time sir. What is our lead distance?

Sreekanth Reddy: Lead distance today is at around 281 kilometers for the last quarter sir. Yeah, we are lower than the last quarter. But going forward, we could even become lower, because with Jajpur and Jeerabad become operational, the lead distance is likely to come down even further sir.

Saket Kapoor: Sir, I have not completely gone through the presentation sir. What have been our, I mean, how much is the Clinker sale for this quarter and the nine months' sir?

Sreekanth Reddy: Sir we don't sell clinker outside.

Saket Kapoor: Okay. Sir are we purchasing clinker and selling cement or?

Sreekanth Reddy: In this quarter, we didn't buy the clinker nor we sold the clinker.

Saket Kapoor: Okay Sir and lastly about the sand part of the story, Sir what has actually happened that has resulted in the sand issues in the Eastern and where are we in midst of that.

Sreekanth Reddy: Sir, for us, we are not into the Bihar market as we speak, so we didn't get directly impacted. But usually sand becomes difficult during the monsoon time, because there in the north the rivers swell. So, you cannot do sand mining, coupled with that some states sequentially have been what they call as rationalizing their mining related regulations. So, whenever these regulations come, and unfortunately, these are not happening, all of the states together sir. They're strangely following a sequential model. So, whenever these regulations keep happening at each of the state for a very short term, the sand mining gets impacted sir, I think that was the case even in Bihar.

Saket Kapoor: No sir, then how are we affected sir?

Sreekanth Reddy: We did not get impacted because of sand mining sir.

Saket Kapoor: Okay because you articulated to the fact about Sand mining.

Sreekanth Reddy: Sir, that was a general market narration sir.

Saket Kapoor: Okay. Right Sir, sir then sir How do we explain this power and fuel mix quarter on quarter increase in the expenses from 77 crore to 91 crore what factor attributed the coal prices Currently or the pet coke

Sreekanth Reddy: I would encourage you to look at the presentation I think it is separately presented sir.

Saket Kapoor: Okay

Sreekanth Reddy: It has the mix and landed cost everything has been detailed and if you need any further clarification, we would be very happy to address that.

Saket Kapoor: Okay. Correct Sir. You told that we are contemplating a hike by tomorrow 20 to 25 rupees.

Sreekanth Reddy: Yes sir, it’s a season that we are getting in.

Saket Kapoor: And in which markets are we looking forward to?

Sreekanth Reddy: Across sir. Across the markets that we operate in south and Maharashtra Sir.

Saket Kapoor: South and Maharashtra and sir you told that we are in the first five in the lead in all the markets where we operate?

Sreekanth Reddy: Sir when you look at Maharashtra, don't look at Maharashtra sir each district that we operate is one of a kind, it’s not that we are not big in Tamil Nadu and Karnataka, but in each of the district wherever we operate in each of the place, yeah, we are one among the five players.

Moderator: Yeah Mr. Saket.

Saket Kapoor: I will come in the queue. Yeah, yeah. Thank you, Gavin sir.

Moderator: Thank you so much.

Saket Kapoor: I will come in the que, Thanks sir and Thanks a lot.

Moderator: Thank you, we have the next question from Prateek Kumar, please go ahead Prateek.

Prateek Kumar: Yeah, good morning, sir. couple of questions on your acquisitions. So, now, we have both of them online. So, how do we see logistic savings or a product mix savings flowing in through to the profitability? And is this something which you would like to retain or like pass through by lower pricing for better volumes?

Sreekanth Reddy: Yeah, Good morning Prateek, generally we are not market share player sir. As I mentioned, this would not save on the existing cost sir. It overall reduces the overall kind of logistic costs because these plants are not in the footprint areas of where we operate. So, the issue of saving from where we are, it doesn't arise, Yeah, the overall optimization is likely to happen. That is reduction is a possibility. That will be my statement, though, it's very subtle, but that that's where it remains Mr. Prateek.

Prateek Kumar: I mean, so you're not expected to save anything in terms of per unit cost.

Sreekanth Reddy: It reduces the overall cost, but I'm not, see if I am incurring certain freight costs today for each of these units, these new assets were not going to reduce any of those burdens' sir, because the foot print areas are not common. For each of, overall contribution of each of them could reduce the lead distance, in turn it could reduce the freight on an overall kind of a number that would be the case even with the product mix sir. Right now, as you know, for the market that we service have kind of 55-60% of OPC these two new assets both at Jeerabad and Jajpur are heavily into the blending. So, the overall mix is going to change dramatically more towards the blended material. Now, would that lead to the saving at a group level when you consolidate? Yes, it looks like that, but it's not at the expense of the current assets that replacement is happening Sir, these are all new additions Prateek.

Prateek Kumar: Okay and your central plant mean now four months of its commissioning, so, how is the utilizations there and other plant just started? So, it will be low I guess.

Sreekanth Reddy: Utilisation is close to 20% for the quarter that went by we are hoping it to ramp up to 40% for the current quarter sir.

Prateek Kumar: 40% for Q4.

Sreekanth Reddy: 40%, No No for Feb and March Sir, Jan is already done. So, it is trending along with the seasonality. So, technically we have reached Clinker to around 2500 TPD has already been reached. So, dispatches are there. Yeah, we are not putting any material into the market. We are very very conscious about where we want to get so we are not chasing the volumes there. So, it's a question of ramping up smoothly. So that's what we expect for the next two months, anywhere between 35 to 40% Capacity utilization is possible. Now Jajpur, we just commissioned sir. So, I think Jajpur dispatches should start getting in from middle of February. So, this month, February month as well as March is more for the ramp up. In the next year we are expecting around anywhere between 60 to 65% capacity utilizations for both these assets for the coming year.

Prateek Kumar: And now, with the Orissa unit, so will it be using more of slag also in the market. So, how are we positioned there and how are the general slag pricing trend given we have seen the reduction in demand in East. So, is there any softening in Slag price as well?

Sreekanth Reddy: Slag prices are fixed by the seller, we have not seen a substantial reduction in the slag prices, they remained what it was for Q2 as well as Q3 we have not seen any major shift in the slag off take at Jajpur, but I think this quarter onwards we will be buying even more. Our stock up was primarily for the initial kind of thing, our aggressive procurement should start from this quarter. So, we did not get volume discounts obviously, we did not pick up the volumes but we have not seen any major changes in the slag prices on a landed basis so far.

Prateek Kumar: And one last question on industry pricing. So now January is behind. So, anything on like February like industry, the like sort of thinking of price increase.

Sreekanth Reddy: I Should not comment on the industry Mr. Prateek, in our case, we have decided to increase 25 rupees from tomorrow, for the markets that we operate in South and Maharashtra.

Prateek Kumar: Thanks sir, these were my questions. Thank you.

Sreekanth Reddy: Thank you.

Moderator: Thank you. The next question is from Amit Murarka. Please go-ahead Amit.

Amit Murarka: Hi, good morning sir. So, the first question is on volume. So, while the Q4 last year had a high base. So, is it right to say that on a last year basis? Probably we'll still see it flat or declining volume.

Sreekanth Reddy: You are talking of state or you're looking at our own volume.

Amit Murarka: Your numbers, I'm looking at your numbers.

Sreekanth Reddy: As mentioned last year, we have guided for 3.6 million for the full year, sir, we might end up at a 3.5 million. As we speak, we did 2.5 million for the up to Q3. So, we are hoping to do a million tons in this quarter.

Amit Murarka: Yeah, but that will include contribution from new plants also. Right. So, in that sense from the existing plants in that sense, probably we are looking at a decline YoY, right?

Sreekanth Reddy: I would say, it’s a flattish trend sir.

Amit Murarka: Okay and also on the cost side, you mentioned that you expect power and fuel costs to drop in Q4. So how much will be the domestic coal sourcing in Q4 for You, roughly what is the estimate?

Sreekanth Reddy: 70% of our fuel mix would be the domestic coal Amit and the other would be the domestic pet coke.

Amit Murarka: Got it. So, no imported coal for the quarter.

Sreekanth Reddy: Yeah, we have exhausted sir. In fact, it got rolled over. We were hoping to use it in Q2 itself. But it got rolled over into the Q3 that did impact some amount of cost for us. During that quarter, viz. a viz. we totally exhausted, is going to be the domestic coal and domestic pet coke.

Amit Murarka: Sir and just lastly on incentives. Do these plants in Jajpur and Indore do they carry any incentives?

Sreekanth Reddy: Jajpur, yeah, we are going with the incentives, what is there on paper, which are very, very low. Jeerabad definitely has incentive sir.

Amit Murarka: I remember in the last quarter, you mentioned that you're changing the policy to booking incentives on a receipt basis if I'm not wrong, rather than on

Sreekanth Reddy: Yes Sir.

Amit Murarka: Yeah, so going ahead and like just on a receipt basis, do you expect something to be booked or We'll have to wait for

Sreekanth Reddy: Not in Q4 Sir, I think going forward from next year onwards for sure. Because we have not done substantial volumes at Jeerabad and Jajpur. So, we are not likely to receive anything which got accumulated. So that's the call, we wish to comes but we are not expecting any majorly the accumulated incentives in Andhra & Telangana to rolled into the books so soon, for the other two assets we do expect from the coming year and not in the current year sir.

Amit Murarka: Got it. This is very helpful. Thank You.

Sreekanth Reddy: Thank You.

Moderator: Thank you. The next question is from Kashvi Dedhia. Please go ahead.

Kashvi Dedhia: Yeah, hi, good morning everyone. Sir what is the effect on account of WHRS like how does it help to reduce cost and how much savings per ton is done on account of WHRS?

Sreekanth Reddy: I think it's an open-ended question Kashvi. Waste Heat Recovery, typically contributes the power connection to the source of electricity. If you are connected with either CPP or a Grid, the Waste Heat Recovery, except for the capex and a very, very small OPEX, the cost is very very limited. So, whatever you're generating from Waste Heat Recovery, the electricity cost would be very, very low coming from this particular source viz. a viz. to either captive power plant or the green. So that would be an effective contribution to the top bottom line. Now that's very generic question that you have asked, it's very, very specific to each of the size of the Waste Heat Recovery and the capacity of the kiln line and or the clinker line. So, it's very specific to each of the asset I would I would put it Kashvi.

Kashvi Dedhia: Okay, okay. Thank you, Sir.

Sreekanth Reddy: Thank You.

Moderator: Thank you, anyone who has a question may please raise your hand and go ahead with your questions. Yes, Saket you may go ahead with your questions.

Saket Kapoor: Yeah, Thank you sir. Sir, as we have seen in the presentation, the blended cement total proportion is now 50%. So, now with this Jajpur unit being getting commissioned and ramped up what are we eyeing Sir, in terms of blended proportion?

Sreekanth Reddy: 55% for the coming years.

Saket Kapoor: 55% and what would that the Jajpur will be having the higher contribution because of the ability of

Sreekanth Reddy: Jajpur is 100% blended sir.

Saket Kapoor: 100%. Okay, sir where will be this blended part improves, which other units there is increase?

Sreekanth Reddy: Jeerabad would be 90% blended and 10% OPC

Saket Kapoor: Okay,

Sreekanth Reddy: Both the assets are heavily towards blended Mr. Saket.

Saket Kapoor: Okay, there is a higher of OPC, if we have these two units at 90% and 100% there would be others that will be significantly lower?

Sreekanth Reddy: our existing things as you have seen, they are heavily into OPC sir. So, we don't expect a major shift in the existing operations, what we are expecting is a contribution coming from those two assets itself.

Saket Kapoor: Okay Sir, in that case is it the market itself that there is in for OPC as you mentioned.

Sreekanth Reddy: What you should remember is, we don't make the choices sir, the government part of your portfolio and you have some of the institutional buyers and some of these South markets or more even the retail markets are more towards OPC sir. So, its market which actually guides us to do what we do not other way round? If it is our choice, we would have gone 100% of blended, but that's not the case we go with what the market.

Saket Kapoor: Sir for the limestone availability sir what portion is it captive and what is the way forward for that how much are we sourcing from the market?

Sreekanth Reddy: Limestone is 100% captive in our case, we fairly have large resources. Mr. Saket, I would encourage you to look at our IR which is available on the website, the integrated report, it's exhaustive and anything further, we would be very happy to address.

Saket Kapoor: Okay, last two points sir, firstly how are the cash flows look for these nine months when we look at your cash balance they have gone up viz. a viz, march. So, if you could explain sir, what have been the utilization of cash for these nine months.

Sreekanth Reddy: Our cash balances partly because we did borrow a structured debt instrument in anticipation for an acquisition Sir that is to tune of around 500 crores.

Saket Kapoor: Okay and that acquisition, when we will be hearing about it sooner that is what you have been telling earlier and that will be a domestic acquisition only sir in this country.

Sreekanth Reddy: Yeah, we have always been a domestic player Mr. Saket.

Saket Kapoor: Okay, sir what have been the Capex for the nine months sir, this 500 Crore we should include them in the capex that should consumed by March?

Sreekanth Reddy: No, sir, it isn't. It is definitely not going to reflect the current year as I mentioned to you, we will be specifically come back to you during the Q1 or Q2 in the coming year.

Saket Kapoor: Correct Sir and sir did we participated in the other NCLT cases.

Moderator: Sorry to interrupt Saket. Sorry to interrupt. Yeah, please.

Saket Kapoor: Yeah, I will come in the que sir. No issues. Thank you.

Moderator: Thank you. Shravan. You may go ahead with your question.

Shravan Shah: Sir, two things I just wanted to know Sir, you said that in the fourth quarter. The domestic coal share will be 70% Did I hear it rightly?

Sreekanth Reddy: Yes, you're correct.

Shravan Shah: Okay. So currently, So the pet coke which is I am looking at the number it is a 60% so, it will then reduce significantly in the fourth quarter?

Sreekanth Reddy: To 30%. Yeah.

Shravan Shah: Okay. Second thing is when we are talking about said that from tomorrow we are taking 25 rupees hike in South and Maharashtra and Odisha you already mentioned that in the mid of January already 20 - 25 rupees' hike has happened. So, any further hike in the east are we looking at

Sreekanth Reddy: Yeah, Mr. Shravan, I think let us take one take one step at a time sir yeah, we would want to see how this is shaping up and then talk about how it is likely to happen. Yeah, East we are just consolidating our position there. So, we would want to see how the market is shaping up and then take a call further, but there has been in these markets we are already there. So, we will want to buy out of increasing the cost and see how the market would shape up and take the further call.

Shravan Shah: okay and the hike is even in terms of the non-trade also or the same hike would be Trade also?

Sreekanth Reddy: Our position is, we slowly started reducing our exposure to non-trade, we would prefer to increase the price even in non-trade. But most of the time when you increase the price in non-trade sir, if there are some others who are chasing it, it may not come by that fast so, and we are not worried about it. So, we would want to take increase, both in trade and non-trade, as far as we are concerned.

Shravan Shah: Okay, so post these Rs.25 hike tomorrow, what would be the difference between trade non-trade for us?

Sreekanth Reddy: Sir in our case, it's a case to case affair sir, it has a very specific, there are some orders of non-trade, which is very close to the plant, where we have taken very very aggressively some we have to leave. So, it's a very specific case to case kind and there are government orders, which have been a contracted kind of a price. So, it doesn't move. so, the realization gap, what we have seen in the past tend to continue is what we believe, the realization gap is around 250 rupees in our case. But at a blended levels sir, see there are some non-trade orders which contributed higher than the trade, but most of them are lower than the trade. The difference is around 200 to 250 rupees.

Shravan Shah: Okay. Yeah and what's the actual number for Capex for till now nine months and likely for the fourth quarter and maybe if you can help us for the next year, the capex number?

Sreekanth Reddy: Yeah, see, we have done the three year what we have announced three years back the capex cycle we have already completed Sir, there is nothing due during the current Q4, we completed the entire capex, as I mentioned to you by Q3, yeah, barring maybe very smaller four to five crore kind of thing, which is the regular maintenance capex that we do. Yeah, that part is done. Kindly bear with us, for us for the next three-year cycle in terms of a much larger capex to be announced, which we'll be announcing either in Q1 or Q2 in the coming years.

Sreekanth Reddy: Okay, thank you and All the best Sir.

Sreekanth Reddy: Thank You.

Moderator: Thank you. The next question is from Indrajit Agarwal. please go ahead.

Indrajit Agarwal: Hi, Mr. Reddy. Good morning. Couple of questions from my side. One is, can you give us some flavor of some of the government projects or non-traded institutional demand? How are those shaping up? Is that, are those projects in full flow? Are you seeing some kind of slowdown in those sectors?

Sreekanth Reddy: Yeah. Now, our exposure, as I mentioned, is limited, Mr. Indrajit, so I can only comment about where we are servicing. The flow of the projects, I mean, nothing much got disturbed except for the weather-wise related issue. Now very specifically to the government, sir. I did mention even in the last quarter call, the government outstanding actually increased. So, we though the order flow was there, but we curtailed the orders because the outstanding's were going up. They did normalize quite a bit during the end of last quarter itself and even in the current quarter. But for the weather wise, we could have done something more. We expect those things to come back to normal. So, there is not a big shift in what we have seen the trend lines over last year or last few quarters. There have not been any new major announcements that have happened. But the projects which were ongoing continue to get the same pace but for the weather-related issues is what we feel sir. This again is Where we have exposure Sir, we generally don't try beyond what we generally do. So that's what I would like to limit to these projects. Here we have not seen any slowdown except for the weather wise we could not service them and but for some of the payment related issues, we could not service for the most part of Q2 and Q3, we expect them to normalize now in the current, which are normalized now, what I would say. In January, and some part of December we started supplying to government again.

Indrajit Agarwal: Thank you. Second question is on WHRS after the current round of expansion? How much more scope do we have to expand on WHRS?

Sreekanth Reddy: We have 4 clinker lines, two of them are with WHRS, one is due for ramp up. One is already existing. The other two, one at Gudipadu and the old line of Mattampally, they don't have the Waste Heat Recovery. Now our investment into Waste Heat Recovery, we will want to take a call judiciously because there is a large captive power plant in Gudipadu, once we go for expansion in Gudipadu, that's when probably we would want to invest in the Waste Heat Recovery, both for expansion as well as the existing. Yeah Kiln1 at Mattampally, as you know, with Jajpur ramping up, we do expect kiln 1 also to start operating at a much higher capacity utilization. So probably in the coming year, we would want to take a call with the investment in the Waste Heat Recovery on that particular asset.

Indrajit Agarwal: On a ballpark what would be our Capex per megawatt for waste Heat Recovery? Is it more like 8 to 10 Crore or higher numbers?

Sreekanth Reddy: We have not seen anything more than 12 crores per megawatt sir.

Indrajit Agarwal: 12 Crore and is it fair to assume somewhere around three and a half to four and a half years' kind of payback? Or? Or is it to generalization? I think

Sreekanth Reddy: It is to generalization sir. it again depends on what is the source of power you have and which state you have. Some of the states are incentivized for the power, some other not so, but our experience is less than three years looks like a possibility.

Indrajit Agarwal: Looks like a possibility. Okay.

Sreekanth Reddy: Yes Sir.

Indrajit Agarwal: That's it. Thank you so much.

Sreekanth Reddy: Thank you.

Moderator: Thank you, sir. The next question is from Dharmesh Shah. Please go-ahead.

Dharmesh Shah: Yeah, thank you, sir. Sir just one question. Sir can we guide on the profitability guidance on the recently commissioned capacities? Is it possible sir?

Sreekanth Reddy: I'm sure you will bear with me, we are just starting up, market is in a fluid situation and kindly bear with us. We would revert to you as soon as things stabilized.

Dharmesh Shah: Sure Sir. Thanks. Thanks.

Moderator: Thank you, anyone who has a question may please raise their hands and go ahead with the question. Rashesh Shah, please go ahead with your question.

Rashesh Shah: Sir just one question on Debt Kind, what is your debt repayment schedule for next two years, barring this 500 crore on that structure debt instrument which you have raised?

Sreekanth Reddy: Around 200 crore rupees per year is the principle payout sir in our case.

Rashesh Shah: For this year or next year?

Sreekanth Reddy: Next year.

Rashesh Shah: Okay. Yeah, thank you.

Moderator: Thank you. Sir, a couple of questions from my side. Sir, can you explain the demand scenario in East like last two months were pretty rough, I think December onwards, are we seeing some improvement there? And what is your outlook for Q4 and Q1?

Sreekanth Reddy: Yes, Manish we have not seen the problem with the demand as I mentioned to you it is due to because of the weather-related issues the demand could not be serviced, in East problem is with supply. I think too many people are trying to think that there is a lot of supply vis-a-vie the shrink in demand, we have not seen shrinking of demand sir. But for the weather-related issues, some events that have happened like availability of sand in Bihar and manpower availability, we have not seen fundamentally any structural change in the demand, it remains robust. That we have not seen, we do expect East to grow consistently about a 10 percent for next couple of years. So, we don't see that as a challenge at all. Yeah, December month, was a strong month for us even in East. January also, our flow into East did not get disturbed, that the flow was very, very strong. The East was only struggle was with the pricing. Yeah, we fortunately during the middle of January, there was a good correction. But that is not enough. Some more is needed. East, the issue is only on the pricing trends, has nothing to do with demand. Demand looks good, and it looks strong.

Moderator: Okay, thank you. Thank you, sir. Anyone who has a question may please go ahead. So as there are no further questions, we will now like to hand over the call to you, sir, for your closing comments.

Sreekanth Reddy: Thank you. Thank you for taking your time out and joining on the call. I hope you got all the answers that you were looking for. Please feel free to connect our team at Sagar or at Citigate, should you need any further information or you have any further queries and we will be more than happy to discuss them with you. Thank you again. Stay safe. Thank you. Thank you, Manish. Thank you all.

Moderator: Thank you so much. We will now conclude this call. Thank you everyone.