

Ref. No.: Sec/151/2022-23

February 09, 2023

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
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Dear Sir/Madam,

Sub: Transcript of Investor and Analyst Conference Call on the Unaudited standalone and consolidated financial results of the Company for the quarter and nine months ended December 31, 2022

Further to our letter no. Sec/143/2022-23 dated January 27, 2023, letter no. Sec/147/2022-23 dated February 06, 2023 and letter no. Sec/148/2022-23 dated February 07, 2023, please find enclosed the transcript of the Investor and Analyst Conference Call held on February 07, 2023 on the Unaudited standalone and consolidated financial results of the Company for the quarter and nine months ended December 31, 2022.

The same is also being 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 Sanghavi**
SVP and Company Secretary





“Nuvoco Vistas Corporation Limited's Q3FY23 Earnings
Conference Call”

February 07, 2023



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



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Moderator: Ladies and gentlemen, good day and welcome to Q3FY23 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 risks that the Company faces. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements 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 zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Madhumita Basu – Chief Strategy & Marketing Officer of the Company. Thank you and over to you Ms. Basu.

Madhumita Basu: Thank you, Tanvi. Good evening, everyone and a warm welcome to the Q3 FY'23 Earnings Call of Nuvoco Vistas.

I'm excited to take this call after the recently presented Union Budget of India for the Next Fiscal. It is very encouraging to see the government's continuous thrust on infrastructure-led economic growth, which is a very positive read for the construction and cement industry. The budget underpins infrastructure focus, inclusive-growth and higher consumption, which reflects good growth, good growth, good growth. A significant increase of 33% in the capital expenditure to Rs.10 lakh crores, thrust to fast-track infrastructure development and 66% higher outlay at Rs.79,000 crores for Pradhan Mantri Awas Yojana will translate into robust cement demand. Other factors like strong housing demand, improvement in rural sentiment, higher disposable income with change in tax slab, coupled with moderating inflation augurs well, and Nuvoco is fully poised to capitalize on it. Looking at the economy on a medium-term perspective, while the budget itself is very promising, the India growth story also remains resilient.

Various agencies worldwide continue to project India as the fastest growing major economy which emanates from the buoyancy the economic has seen from the seamless rebound of private consumption post the COVID era. This has also given a boost to production activity, resulting in an increase in capacity utilization across sectors as reflected in the improving PMI figure, as well as high average gross GST collection on monthly basis. Measures taken by the government and RBI, along with the easing of global commodity prices, have also managed to bring down retail inflation below RBI upper tolerance target.



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Given this backdrop and coming to the industry performance in Q3 FY'23, cement demand in East has witness good demand growth during the quarter on YoY basis, driven by rural housing and infrastructure segment, coupled with lower base effect of last year. However, looking at the dynamics within the region, the states of Bengal and Jharkhand witnessed subdued demand growth on a YoY basis, moderately impacting our overall sales volume growth during the quarter. Nevertheless, we continue to register double-digit volume growth on a nine-month basis. North Region also saw healthy double-digit growth, led by higher execution of infrastructure projects and rural IHB activities. North prices remained stable during the quarter. Prices in the East improved in the months of October and November, with the pickup in activities post monsoon and festive season. This was followed by some softness in December. Despite this, East region saw the highest price increase during the quarter among all regions, which benefited Nuvoco. Since then, prices have been range-bound with an optimism around price hikes on the back of robust demand. On the other hand, fuel costs are believed to have peaked during the quarter, and the recent softness in coal prices will certainly support near-term margins. In this backdrop, we continue to progress on our near-term plans with agility while building upon long-term strategic action.

We have successfully launched our Super Premium Cement Variant “Concreto UNO” which has unique water repelling properties, protecting the house from water ingress, dampness and efflorescence. This launch is in line with our continuous endeavor to service the need of individual home builders and enhance customer satisfaction.

Just to remind, we have been continuously introducing new products throughout the year across our segments, including Premium Composite Cement “Duraguard F2F” and Premium Quality Ready-Mix Solution “Concreto Glyde.”

Further, in line with our focus on individual home builders, we recently unveiled our first Direct-to-Consumer Home Assist App “NUVO NIRMAAN,” that covers a wide range of information and guidance throughout the homebuilding stages. We have also introduced Tech Express Vehicles to provide on-site services to our customers. These initiatives will further strengthen our brand through ‘phygital Connect’ with the consumer and provide us necessary impetus to enhance our retail reach. We have been prudently prioritizing our CAPEX on cost saving and sustainability projects like alternate fuel materials handling facility at Risda and Nimbol and railway siding. With the commissioning of the co-processing system at Risda, we have initiated feeding of alternative fuels in higher quantities. Work on other projects is also progressing well.

Lastly, our other businesses of Ready-Mix Concrete and Modern Building Materials are on a steady growth trajectory. We have more than 50 operational Ready-Mix plants spread across the country and further working on opening more. Our Ready-Mix revenues improved by more



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than 20% during the quarter on a YoY basis with higher value-added product share. MBM has also been penetrating well into non-cement channels in North and West regions.

A quick update on our ongoing growth and debottlenecking programs:

Cement capacity expansion through 1.2 mtpa grinding unit at our Bhiwani cement plant in Haryana is going well. Civil and fabrication advancement is on mark and all major orders have already been released. This will take our overall cement capacity to 25 mtpa. Clinker capacity enhancement project at Risda and Nimbol through debottlenecking, are also progressing well.

Moving on to our Sustainability Initiatives:

We remain focused on enhancing the use of alternative fuels, improving the share of composite cement and conserving natural resources while giving back to the society in which we operate.

Happy to share a few highlights. We remain steady on our thermal substitution rate at 9% sequentially, while improving 4% year-on-year during the quarter. With the ongoing investments in material handling systems, we are targeting to achieve an exit run rate of 12% by the end of this fiscal.

During the quarter, we added Lighter Aluminum Body Trucks for cement dispatches, an industry first. This will help reduce about 28 tons Co2 per vehicle in its lifecycle by reducing fossil fuel consumption. At the same time, it will also increase the payload by 2.5 MT per truck per trip, additionally bringing logistics cost efficiencies.

We have also introduced “Nuvo Mason”, a masonry skill development program, which aims at enhancing the masonry skills of youth and construction workers, empowering them, expanding their work opportunities, and improving their overall quality of life.

Coming to the Financial Performance for the Quarter:

Our consolidated revenue from operations during Q3 FY'23 improved by 20% YoY to Rs.2,605 crores with a 6% YoY improvement in sales volume to 4.5 MMT and better prices. As mentioned earlier, consolidated cement volumes continue to improve at double-digit on a nine-month basis.

We are consistently working on optimizing our operating costs through multiple levers. While our cement raw material cost increased by 21% YoY with higher slag consumption, in line with our thrust to sell more slag and composite cement, it helped in improving our clinker-to-cement ratio, which stands at 1.8x against India's average of about 1.5x. This is benefiting our overall cost line through the lower clinker factor.



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We have also been able to effectively contain our power and fuel costs sequentially with our continued focus on optimum fuel mix, sustaining thermal substitution rate, and high utilization of waste heat recovery systems. We have also started operating our CPPs at almost all the locations. Distribution cost during the quarter primarily increased with the re-imposition of a busy season surcharge on the rail freight.

Our consolidated EBITDA for the quarter improved by 13% YoY and 40% QoQ to Rs.272 crores. We have been continuously working to strengthen our balance sheet. Our net debt at the end of December '22 declined to Rs.5,165 crores from September '22 levels. Our interest cost has also been effectively contained, with an increase of about 120 bps against the increase in repo rate by 225 bps since March '22 with opportunistic refinancing and debt repayments. Our CAPEX spends for nine months period stands at Rs.329 crores.

Just to summarize before I open the floor to Q&A:

The demand indicators with the government's consistent focus on infrastructure-driven economic growth as visible in the recently announced budget, augurs well for cement demand. With higher allocation under PMAY and expectation of improvement in disposable income, we will continue to leverage our trade centricity to drive volume growth.

Our CAPEX priority towards diversification of footprint, cost savings and sustainability projects are on track. We are also progressing well on our product innovation focus by rolling out new products quarter-upon-quarter. Lastly, with optimism around price hikes, robust demand and peak fuel costs, margin certainly appear to be improving from here on.

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

Moderator: We will now begin the question-and-answer session. The first question is from the line of Abhimanyu Kasliwal from Choice International. Please go ahead.

Abhimanyu Kasliwal: Congratulations on strong performance in this quarter. My question is, we can see that you have improved dramatically on an operational basis. You become more efficient. However, there seems to be little CAPEX to increase your tonnage. Now, your competitors are planning substantial Eastern growth, I won't name a competitor. If we listen to them a few days back, they increased by 7 MMT in the East. Cement takes two or three years for capacity plans to get implemented. So, do we have any plans to increase the capacity maybe in ready-mix or will we just depend on debottlenecking, because that is expected to give us 2 mtpa growth? Are we now showing any growth in top line or we are basically now working on improving our EBIT



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margins, by improving the efficiency and ensuring that without much CAPEX, so there's not much increase in depreciation, what is your plan, madam?

J. Krishnaswamy:

As we have mentioned during our IPO and then subsequent quarters, one of the principal objectives for the Company is while we have number of avenues to grow in North, West as well as East, as I mentioned in the previous quarter, our immediate objective is to pair the debt and get the balance sheet hygiene growing. And like I said before, with the passing of every quarter, we'll give an update about how are we going to plan the future expansion programs of the Company. We have couple of projects for us to expand for the future as we mentioned during our IPO times. Also, during the last call and the previous calls, I had mentioned that the immediate objective will be to debottleneck the Company with minimum CAPEX and take the capacity of the Company from the current 23.8 MTPA to 25 MTPA. And as we stand today in February, the kind of numbers we're looking is excess of 19 MMT this year. And if you really look at from 19 MMT to 25 MMT, it is a 6 MMT of headroom. We are very confident in the coming 24 months we will be able to utilize this headspace so that we are able to get the growth going for the Company like the industry growth. Around the same time next year or every quarter, we will give an update about our large-scale expansion. And with the changing scenario in the market in terms of demand uptick and the pricing improvement as well as the tempering of costs, we believe that as we get into fiscal '24, we will see improvement in margins, and that will help us come up with the expansion plans for Nuvoco.

Moderator:

The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka:

Just a couple of questions. So, firstly, in the presentation, you've mentioned that East and North markets saw double-digit growth, but our volumes were up 6%. Does that imply the market share loss over here?

Madhumita Basu:

Thanks, Amit, for that question. I likely touched about it in my speech. The demand scenario in the East has been good. But if we take a closer look at the region dynamics, states of Jharkhand and West Bengal have been a little bit subdued. Going forward, we believe that these states will also grow on a robust trajectory. We are trending 10% on a nine-month basis, and we'll be keeping the thrust on volumes. However, like to take this opportunity to mention that we will also simultaneously be working on levers such as geo optimization and premiumization primarily directed towards driving margins.

Amit Murarka:

Secondly, on power and fuel costs, while obviously it is understood that there has been a significant cost inflation, but there was an expectation that the third quarter will start seeing some decline in the costs, but it has seen an increase for you. Is there any specific reason for that?



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J. Krishnaswamy: Entire quarter had an inflated number, but as Mita said, we have peaked. But I'm happy to say that as we came into December and into January, the power costs have started coming down significantly from the high levels of October and November, that was also due to the inventory which we carried from Q2 into Q3. But, as we ended December and into Q4, there is more than adequate reduction in fuel costs and we will see an improved power and fuel costs in Q4 and beyond.

Amit Murarka: How much deduction can we see from here, could you give some ballpark guidance?

J. Krishnaswamy: It will be very difficult to pinpoint the number to say what is the kind of drop, but whatever we had from April till November, and then December onwards, there is substantial reduction in the numbers, and when we come back to you guys in Q4, you will be able to see a substantial reduction in the power and fuel costs. Also, our alternate fuel program is getting into a commissioning mode. And as we speak, I can give numbers for this very clearly; in Chittoor factory, we have touched a 32% to 33% alternate fuel consumption (TSR) which is one of the highest in the industry and in Risda factory, without the co-processing commissioning which is happening as we speak, currently we're trending at about 10%, 11% of AFR, and as Mita said, December was 9%, in January we've already hit into double-digit AFR and as we end the quarter, we are confident that we'll get a 12% TSR and that should have a good impact in the overall power and fuel costs. Last but not the least, the overall international coal prices also softened a bit. And while in December, we got a little bit more linkage coal, in January which had rake shortage and rest of all this stuff, there is some reduction in availability of linkage coal. But I think with the winter going away, we expect more and more linkage coal availability. CPP has also started firing in all our factories. So, WHRS, CPP will get into full swing in Q4, AFR increased to 12% exit rate, more linkage coal and overall tempering of international fuel prices, there is going to be a sizeable impact in the power and fuel costs in Q4.

Amit Murarka: But, just to get into the numbers, what was the rupees per kCal costs in Q3?

J. Krishnaswamy: Q2 FY'23 was 2.64 and it peaked at 2.74 in Q3, December exit is much lower than 2.64, and then on I guess that's how we can look at going forward.

Amit Murarka: Got it. Linkage coal share was how much in the quarter?

J. Krishnaswamy: In this quarter, we got about 14%. Technically, we have the linkages to the level of about 25% to 27%, but Q2, it trended at 10% to 12%, so in Q3, it improved to 14%, but as we go forward, I expect this 14% going to 17%, 18% in the coming two to three months.

Moderator: The next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.



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Satyadeep Jain:

A couple of questions. One, just a follow-up question on the cost. I think in the presentation you mentioned the slag prices have also gone up. Where are the slag prices now versus where they were in the third quarter? And also on linkage coal, we're hearing that there is still some tightness in availability of rakes and stuff. So, in the last six weeks of this quarter (Q4) so far, I know you're expecting some improvement in future, but where is the mix right now for linkage coal right now compared to the last quarter? That's the first question on cost.

J. Krishnaswamy:

In Q2, our slag price was 1,200 and in Q3, it kind of hit around Rs.1,310, that's the kind of number. But we believe this will get sustained and similar numbers in Q4 as well. But, as you know, overall, the slag availability is going to be a challenge in FY'24 and beyond. While we are very nicely placed with our slag tie-up of close to 2.5 MMT from Tata Steel in our Jojobera plant and then some one year or three-year contracts for our Jajpur plant. So, we would have always a little bit of a price as well as availability advantage in slag. But having said that, slag prices have indeed gone up from Rs.1,200 to Rs.1,300 in the quarter, and this is the kind of number we see it happening in Q4. But if every Company is going to increase their blended cement production going forward, slag availability is not going much higher by the industry. So, it's going to be a little bit of a challenge going forward. We are well placed with our tie-up with Tata Steel, which gives us about close to 50% to 56% of our overall slag requirement. Coming to the second question of linkage shortage - yes, you're right, there is a challenge in linkage as we speak because of the availability of rake. But I think our teams have done a very good job in talking to the necessary people to find a way to move from rake moment to road movement clearance. So, we're able to get additional coal through road movement, which is a welcome development as far as we are concerned. But however, I think we have also been pursuing with the authorities in SECL, as well as the Indian Railways to see how they can help the industry in whole, and we hope some positive response happening in the coming quarter.

Satyadeep Jain:

Second question is on the capacity expansion. I remember in the previous call, you'd mentioned that the target is to look at Rs.3,500 crores of net debt and then look at CAPEX and you were evaluating two different options, Gulbarga and North. Have the plans been firmed up on which location you may possibly look at first, North or Gulbarga? Secondly, any development on LC3 or any studies that you've done recently on the expansion in Rajasthan?

J. Krishnaswamy:

I think we are pretty consistent with what we have mentioned in the previous quarters. It's very clear that the primary objective for us is to get the balance sheet hygiene going, and the numbers which you mentioned is what we're really targeting thereabouts, that's the kind of number, we cannot have a direct fix number, it will be around that number is what we are certainly focusing on. As regards where do we expand? Certainly, as we mentioned previous time around, which is the North expansion through the Brownfield expansion in Chittor, via Nimbahera mines, or the western expansion through the Gulbarga integrated and split line. As we speak, our inclination will be first North and then West. But it's too early for us to really put the peg on the ground and say. But, as I have consistently maintained in the previous



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quarters, every quarter will give an update to you. The update on this quarter is the following: The industry dynamics has improved, the overall margin profile as well as the profitability is certainly seeing an improvement, and I think if the same trend continues, our numbers will improve further, and certainly, every quarter, I'll be able to make a positive news about what's the timing of our announcement. Till then, our objective of getting our debt levels to around Rs.3,500 crores is the prime objective and then we would pursue that.

Madhumita Basu: Taking on your second question, we are very excited about LC3. Finally, there is an opportunity in blended cement for a product which is almost close to OPC level in performance. Given our thrust on innovation, we have done some prototyping and the product is under testing with external agencies. We are awaiting the BIS specs release.

Moderator: The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Just to clarify, you said in the opening remarks that we are looking at close to 19 MMT this year. Last time, we were looking at 20 MT. So, am I right on that front in terms of the volume and last time you told about in FY'24 a double-digit volume growth, so is there any change in stand there?

Madhumita Basu: Thanks, Shravan, for the question. I wouldn't be pegging a particular figure that would be forward-looking, but generally to give you the direction, for the nine months, we have clocked 10% YoY growth. We are entering into a seasonally strong quarter, and we'll need to understand exactly how the demand is panning out at a state level. Suffice to say that we are working on maintaining our sales thrust. But, more importantly, we are working equally strongly on areas of geo optimization, premiumization and other margin improvement levers.

Shravan Shah: So, we would like to change our stand in terms of giving guidance or not to give a guidance on the volume front? that's the way I should be looking at. Just to further clarify, in terms of the Bhiwani, the COD last time we said in August '23. What's the new timeline and a couple of data points on the trade share and lead distance for this quarter and the composite cement share for this quarter?

Madhumita Basu: Shravan, taking it in three parts, we are maintaining our ambition towards a double-digit growth for now. Secondly, the perspective on Bhiwani, as we have mentioned earlier, we are on track, looking at early H2 of next year. On trade mix, this has remained unchanged at a 71% level, same as Q2.

Shravan Shah: Composite and lead distance?

J. Krishnaswamy: Let me just add one more thing to what Mita said. In Bhiwani, the mill shell is arriving as we speak this month on the silos or the cement silos with clinker silo, adequate progress has made. Most of the purchases and ordering has been completed, civil work is in full swing. Our initial



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target is somewhere, as Mita said, early part of H2, which is July, August is when we want to kind of have the dry runs and commissioning happening. So, we would see adequate volumes coming out of Bhiwani in H2 next year. And as against the trade bit I think she explained to you which is at 71% for the Company in Q3.

Shravan Shah: The remaining data point I ask is the lead distance, composite share, and fuel mix for this quarter?

Madhumita Basu: The lead distance is approximately 340km, remains more or less the same as in Q2 levels. Composite cement, I will put it this way, we are at a 1.8 cement-to-clinker ratio, and the bucket is fungible between PCC and PSC. Suffice to say, we are working towards a 2 MMT kind of target in PCC.

Shravan Shah: The fuel mix for this quarter?

Madhumita Basu: Can I request you, Shravan, to reach out to our office for this datapoint?

Shravan Shah: Lastly, the current prices in the month of January and till now, is it average with the third quarter what we have reported or has it slightly gone down?

J. Krishnaswamy: As we started January, the prices are holding with respect to Q3 numbers. We are already on the end of first week of February and we are holding prices and in any case as a Company as Mita answered to one of the questions, our big focus is to get our premium going, get our geo mix going and maximize our numbers in a high NODT market. So, in spite of whether market is giving us all the tailwind or not, there is something which we have to do through our pricing acceleration program and that's working very well for us. But the short answer to your question, "is the price holding as we speak on the 7th of February," I have to say, yes when compared to Q3 numbers as well the January numbers.

Shravan Shah: Lastly, CAPEX of about Rs.329 crores for nine months, and for full year now how much we are looking at?

J. Krishnaswamy: It is close to about Rs.450 crores . The overall project outlay for all the projects is close to about Rs.550 crores is what we mentioned in one of the calls earlier. But, as we are progressing, the spends as of now is about Rs.329 crores and by the end of this year, we would be around Rs.450 crores to Rs.475 crores, balance spillover will happen to fiscal '24. But all projects are on their timelines in terms of the Nimbol expansion or the Risda AFR or Sonadih railway siding or the Jajpur railway siding or the Bhiwani Brownfield.

Moderator: The next question is from the line of Surya Narayan Nayak from Sunidhi Securities. Please go ahead.



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Surya N. Nayak: Just to understand that in terms of the rail co-efficient, investment in the railway sidings in locomotives, we are having the highest share of around 4.5% to gross block, but that kind of benefit is not seen. So, just to understand, because we have to bring a lot of clinker from the Chhattisgarh area to the eastern part, so, that is our necessity, but even currently, we are also implementing a lot of railway projects. So, can you share the rail logistics versus the road logistics cost in your total logistics? And secondly, when the tangible benefits of those investments in the railway sidings investment will flow?

J. Krishnaswamy: As regards the nitty-gritties of rail versus road and PTPK and then the gross block, may I request you to reach out to our investor relations department, they will give you all the information. But on the question specific about our expansion of siding in Jajpur and Sonadih, if you had really listened to our earlier calls as well as our IPO, one of the things which triggered this project was when we acquired Emami Cement, the Risda plant does not have railway siding, and it was solved the movement was happening through road movement, and all of us road movement of clinker is much higher than the rake movement of clinker. So, fortunately for us, our Sonadih plant is just about 20 kilometers from Risda. And hence, we took a decision of expanding the siding in Sonadih plant, so that we're able to kind of move most of the clinker from Risda into Sonadih and follow movement through rake from Sonadih into the various granting units of Jojobera, Panagarh, Mejia, which already have full-fledged siding, Jajpur was a place where we did not have a siding. It was half completed when we acquired Emami Cement. Then we took a decision to put up the siding in Jajpur. When this project gets completed, we'll have - other than Risda which does not have a inside the factory siding - siding will be from Sonadih. So, all the clinker which moves to Jojobera, Panagarh, Mejia as well as Jajpur is to be through rake movement. And all of us know the cost of clinker movement by rail is, at a full level for the Company, trends about Rs.250, 260, and by road it is much higher. So, it will have a huge benefit for the organization in terms of moving clinker by rake. For the rest of the details reach out to our team, we will give you all the details in terms of rail co-efficient, lead distance and every bit is available, and it will be easy for us to explain to you across the table.

Surya N. Nayak: The trade sales percentages remaining the same, I mean, nearly static and due to the slowdown in the real estate, due to the rate hike policies of the RBI. So, that will be going on till we see that stops on its path, so that is on the macro side. So, that will be definitely impacting the affordable housing schemes or maybe LIG or MIG type of projects. Though the government has made substantial impetus on this budget, some kind of slowdown is already visible. So, my point is that as we approach the elections next year, we have to meet a lot of OPC sales for the government projects. So, in that case, the power and fuel cost will definitely be higher. So, how you are going to take on the market, especially when up to '23 we are seeing a lot of investments in eastern side as well as the northern side is happening to say, 38% rise in the eastern market and northern market is around 22%, so there will be definitely market share loss



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on our side. So, how do you approach the market with competition -- are we seeing lower realization going forward, how will we be going with the market?

Madhumita Basu:

I will take your question in two parts. Firstly, the opportunities which open up with the union budget and the run up to the elections. The opportunities that open up will drive the overall growth, which will provide opportunity for cement industry and individual players to grow. However, I would like to reiterate that as an organization when we have a strategic footprint for improving our trade sales, our business model is designed to take that trade share, by which, I mean, we have strategically priced brands, triple brand franchise with Concreto, Duraguard and Double Bull. We have an over 16,500 direct dealers and three times the numbers as a sub-dealer base. We continue to invest in brands, not just in terms of advertising and communication, but as I shared during the speech, through continuous product innovation, value addition, and consumer connect programs like our Tech Express Vans and NUVO NIRMAAN. So, it is not just the opportunity opening up, but it is our commitment and strengthening of our team with the right design and support to drive IHB business. I hope that answers your question. It also indicates that our overall trade share remaining over 70%, which as you know is significantly higher than the industry average.

Moderator:

The next question is from the line of Vishal Periwal from IDBI Capital. Please go ahead.

Vishal Periwal:

Sir, I think you briefly commented about the primary objective is to reduce debt and then to focus on growth. So, over how many quarters that we are targeting to reach to the desired number of Rs.3,500 crores or maybe round about? because currently we are at roughly like 5,100 crores, Rs.1,600 crores kind of difference is there, so, what are the internal targets that we have?

J. Krishnaswamy:

I cannot do a crystal ball gazing of how the fuel prices will look in the future. We all have some forecast of where the international fuel prices. When we spoke to you six quarters back when we had listed and come to all of you on a call in September 2021, the whole dynamics was totally different with the prevailing fuel price and then the overall EBITDA per ton at that time. But, unfortunately, a lot of things happened from then till now. When we went to IPO, we were very clear, 18 to 24 months from the listing date in August '21, we said we will be ready to reduce the debt levels of the Company to an acceptable level and get our expansion going. But along the journey, we also realized that a lot of market dynamics have changed and there were huge headwinds. So, I won't underline the word, 'primary objective', but I think a prudent business sense is to ensure balance sheet hygiene is good. Hence, we really looked at the objective of ensuring that we come into respectable levels of debt before we get the growth going. Having said that, we also have very good ambition to grow the business. A little while ago, I mentioned that, while we will do 19 MMT and thereabouts volume this year, we still have scope to grow this Company to 25 MMT which is good 6 MMT or 25% headroom. You can still ask, the industry capacity utilization is lower, how are you expecting your capacity



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utilization to be pretty high. Running the Company at high-capacity utilization is the DNA of the erstwhile Company and the current Nuvoco. We used to operate in the past at 90% capacity utilization. In some months, we have operated at 95% capacity utilization, and we are banking upon our DNA to go back to operating the Company at 90%-95% capacity utilization. That is how we'll navigate in the next 24 months. But I'm assuming and being optimistic here, that the overall fuel prices and international crisis will come down over a period of this year and coal prices will taper down and then our EBITDA per ton will increase, whereby we will prepay or faster repayment of our debt. And as I said, I can't give a timeline to you, whether it will be three quarters away, four quarters away, but suffice to say, commitment from all of us is every quarter we'll come and tell you that what's the outlook. Secondly, every quarter, we will reduce and pair our debt. And you would have seen in the last three quarters, quarter-upon-quarter, we have come and given you a debt level which is lower than the previous quarter. And you will see it in March and you will see it in June next year. Our debt levels will be sequentially reducing going forward, and that will give us confidence that we are in the right path to pair the debt and grow the Company.

Vishal Periwal:

Continuing on this particular thing, so from an industry point of view on the East side, I think, given the players are increasing capacity, so what according to you could be market share, maybe like, what is the industry capacity which is happening according to you in the next 12 to 24-odd months?

Madhumita Basu:

Vishal, we've been asked this question in earlier calls too. I would like to reiterate that when you look at the demand and the capacities, the capacities particularly in East should be read both in terms of cement and clinker capacity. And if we take a look, clinker capacity is going up from 43 mtpa March '22 end to 56 mtpa in the next three years. If we were to translate this in terms of cement-to-clinker ratio of 1.6, we would be facing a situation of over 90% clinker utilization in the region. There's a lot more grinding capacity which is being added. There is an apparent situation of bunching of capacities in the coming months. But, as we mentioned, the demand outlook in the months to come, given the robust union budget thrust, as well as the upcoming elections, there should be enough demand to absorb the additional supplies.

Vishal Periwal:

On the AFR, like on a PPT, you mentioned that our fuel costs is roughly Rs.1,600 level. The AFR that we use on a like-to-like basis, what exactly is the costing for the same?

J. Krishnaswamy:

For rupees per million Cal, one of the you asked, what is the cost of fuel for Nuvoco. The pet coke as well as the blended coal rates were trending at anywhere between 2.6 to 2.7, whereas the AFR for Nuvoco is trending at 1.6 to 1.7, so a good Re.1 per million Cal reduction versus coal, that's the kind of arbitrage we get.

Moderator:

The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.



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- Amit Murarka:** So, just wanted to check on the working capital situation like generally, we have been seeing some reduction in working capital as fuel costs come off. So, could you just guide on expectation on the same?
- Maneesh Agrawal:** As we are moving into a seasonally strong quarter, working capital reduction will happen with improvement in operational profitability, further aided by softening fuel prices. This will also going to help us to reduce the debt from the current levels.
- Amit Murarka:** Could you quantify a bit on how much of reduction are you expecting in Q4 specifically?
- Maneesh Agrawal:** Can you just be more specific?
- Amit Murarka:** No, I was saying that, could you just quantify roughly a ballpark number like how much of crores number kind of release that you're expecting just so we can better think of the debt number?
- Maneesh Agrawal:** It would be difficult to put a number as this would be a forward-looking statement. However, as you are aware that Q4 of the financial year typically witnesses release of working capital on account of higher collection and decline in inventory levels as well – which is also evident in our last few years. So, there will be decent amount of working capital release.
- Moderator:** The next question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.
- Rajesh K. Ravi:** Sorry, if I missed some of your earlier comments. On per kCal, how has been the fuel cost in Q3 and what is the trend for Q4?
- J. Krishnaswamy:** Thanks, Rajesh. This question got picked up earlier. So, I mentioned in the earlier statement that the Q2 numbers for the Company was Rs. 2.6-2.64 per million Cal, Q3 we peaked at Rs.2.74 per million Cal, and as we completed January we have already come back from peak levels to slightly lower than even Q2 levels and then that's going to kind of continue in Q4 of this year. As it stands with the kind of coal prices prevailing, going forward as well, this is the kind of number. So, we have already peaked and we'll come down substantially from peak levels in end December as well as in January and February as we speak.
- Rajesh K. Ravi:** So, in Q4, you're looking below Q2 numbers, right?
- J. Krishnaswamy:** Around that, yes.
- Rajesh K. Ravi:** Basis the current spot prices and all. Can it come closer to Rs.2 in the next say two quarters if the current prices were to stay on your fuel mix?



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J. Krishnaswamy: That will be very difficult for me to say. Can I request you to contact our team? Because right now off hand I will not be able to calculate the mix as well as do. But certainly, the pet coke purchase price is trending currently at about \$180 and imported coal is about \$145. With AFR coming in which is going to be somewhat good for the organization. I spoke in earlier one of the questions that we closed December quarter at 9% AFR and then in Q4 exit is going to be 12% TSR. So, when we enter next year, our pre-processing, co-processing, carbon black for North as well as rest of all the AFR is going to be fully running, and we were expecting at a Company level a 12% substitution rate in fiscal '24.

Rajesh K. Ravi: In terms of the freight cost, how is that expected to trend, sir?

J. Krishnaswamy: One of the challenges for the entire industry is the railways have come and put back the busy season surcharge, which was not there for the last two years. Unfortunately, that has come back and then there is also news that it's going to be for full year and not only the busy season, it's no more a busy season surcharge, it's going to increase in freight rates. So, having said that, the prevailing distribution costs for the Company in Q2 and Q3 is likely to continue in Q4. However, one of the things which we are aiming for is, is the availability of wagons to improve going forward. And if that were to improve, our distribution costs should come down from current trending levels of about Rs.1,450, because there's a lot of road movement we have done on clinker because of the non-availability of wagons. So, if the wagons availability improves from semi-finished goods movement of close to about Rs.310 per ton, the clicker movement cost will come down to Rs.250-260 per ton. There, we target another Rs.40-50 reduction in distribution costs only by virtue of moving from road to rail. Rest of the initiatives is the Company's focusing on is to improve the geo mix and focus on home markets and also get the Bhiwani going in, then I will sell a lot of cement in Haryana and focus on Rajasthan and Chhattisgarh. The primary freight as well as the overall distribution costs should come down to better numbers than what we are currently trending.

Rajesh K. Ravi: By when do you expect this wagons availability trend to play out to a greater extent?

J. Krishnaswamy: I also mentioned in one of the questions that we are proactively engaging with the ministry to see how they can support the cement industry. Obviously, we have to talk to the industry. Certainly, for Nuvoco, we always represent. So, there is a positive view that maybe the wagons availability will certainly improve going forward, moment the coal stocks in the power plants improve. So, I foresee as we get into fiscal '24, overall availability of wagons will increase and also there is this announcement which all of us would have seen, the Indian Railways is probably making about 10 wagons per day, so which is a huge number which will come into the system. I heard the railways minister speaking in one of the meetings about focus on railways to build more wagons. So, it will not happen overnight, all of us know, but certainly over a period of three to six months overall wagons availability will improve, which will positively impact the cement industry.



- Rajesh K. Ravi:** On demand numbers, you mentioned double-digit growth in both East and North markets. But for you, if I look at the volume growth sequentially has been flattish, just 2% and year-on-year also in single-digit; 6%. So, could you just throw some light why you were not able to grow on a sequential basis?
- Madhumita Basu:** This was covered in my speech and in a question earlier in the call. While the eastern region demand growth has been good, if we take a look at the regional dynamics, states of Bengal and Jharkhand was somewhat subdued, and we have a fair bit of our sales there. However, we see with the union budget, the elections and all, a quick catch up in these two states. So, still chasing on our ambition for the year. And I also would like to take this opportunity to mention that we are working very strongly on the levers of geo optimization and premiumization. So, the focus will be on driving margin-based levers.
- Moderator:** The next question is from the line of Shubham Thorat from Perpetual Investment Advisors. Please go ahead.
- Shubham Thorat:** So, just a clarification to begin with. So, you mentioned in the earlier comments that Bhiwani plant will be commissioned in earliest by FY'24. So, can you please state that what will be the total capacity for this Bhiwani plant after the completion of the CAPEX?
- J. Krishnaswamy:** Yes, currently our North capacity is close to about 4.8 MMT, and the mill which we're putting up in Bhiwani is 1.2 MMT capacity, and we take the North capacity to 6 MMT grinding. Along with that, in Chittor factory clinker debottlenecking happened in last fiscal. Nimbol factory clinker debottlenecking is happening as we speak. The plant is under commissioning for that expansion. With the additional clinker between Chittor and Nimbol and also with Bhiwani grinding capacity coming, by July, August in the coming year, early part of H2, we would have installed capacity of 6 MMT in North.
- Shubham Thorat:** A couple of data points if you can provide. So, can you provide the fuel mix and lead distance for the last financial year and FY'21 as well?
- J. Krishnaswamy:** On nitty-gritty details, can I request you to reach out to our investor relations team. We will provide you all the details about lead distance, rail-road coefficient, fuel mix, everything we'll provide you.
- Moderator:** We'll take the last question from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** You mentioned the Nimbol clinker debottlenecking. So, by when it will be done, and Risda 500 TPD debottlenecking, which was remaining. So when it will be done?
- J. Krishnaswamy:** First, Risda, we have done out at 11,500 TPD. We could still take about a little bit more for which we have to modify sometimes. I think with the next shutdown in the coming fiscal, that



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should be completed. But, in terms of Nimbol, as we speak, all the work is happening, the hopper bands and additional roller press are all being implemented. We will just have to take an opportune time in April or May when we build adequate clinker stocks to take the shutdown. Otherwise, the project is on stream. So, we'll take a sensible call in Q1 of next year, because the shutdown will take about 25-days. So, we will choose the right window to hook up all the systems. Our target is, by the time we hit July, August, Nimbol factory will be at 5,750 TPD capacity, 1,000 tons more than what is currently slated to give.

Shravan Shah:

Again, just trying to clarify in terms of the volume front. So, this quarter volume growth, ma'am has mentioned in terms of the West Bengal and Jharkhand issues were there. But, even if I look at the Q3 FY'21, so not last year, even the previous last year, so, at that time also, we have done a 4.86 volume, and after that this time, we have a higher 1.5 MMT extra capacity. So, despite that, this problem in these two states are so significant that we are not even able to reach that. And does this problem got now sorted in January? or still it is half sorted and half problem is there?

J. Krishnaswamy:

I think if one were to kind of simply sell volumes, it would not be that difficult to sell volume. But, as Mita mentioned multiple times in a call, our focus has been to get the mix going and also choose the geo mix as well as the premiumization. So, if it was simply going and dumping volume, we didn't take that call. And, hence, the primary endeavor in this quarter has been to ensure that we get the margin profile right, which I think we have made a big improvement from what it was in Q2 to Q3, we are pleased with the effort which we have put and the results which we have got. And I think we will continue with similar effort, but this is the season for cement; January to June, we would certainly not lose an inch in the marketplace and get the volume as well as going, but the premiumization and geo mix will also be a criteria for us.

Moderator:

I would now like to hand the conference over to Ms. Madhumita Basu for closing comments.

Madhumita Basu:

Thank you all for joining us today. I trust with the short comments in the opening remarks followed by all your questions and our responses, we will have close to the top line takeaways from this call very well. My team also tells me that it has been a long day for most of you and there's probably another call coming up. So, I will not take up more time for closing remarks. My team and I, the Investor Relations Department is available for any further clarification that you may require. Thank you once again and wish you a good evening.

Moderator:

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

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