



THE INDIA CEMENTS LIMITED

Corporate Office : Coromandel Towers, 93, Santhome High Road, Karpagam Avenue,
R.A. Puram, Chennai - 600 028. Phone : 044-2852 1526, 2857 2100
Fax : 044-2851 7198, Grams : 'INDCEMENT'
CIN : L26942TN1946PLC000931

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07.02.2024

BSE Limited
Corporate Relationship Dept.
First Floor, New Trading Ring
Rotunda Building
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
MUMBAI 400 001.

Scrip Code : 530005

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No.C/1, G Block
Bandra-Kurla Complex
Bandra (E)
MUMBAI 400 051.

Scrip Code : INDIACEM

Dear Sirs,

**Sub.: Transcript of Investors Call / Analysts' Meet - Disclosure under Regulation
30 of SEBI (Listing Obligations and Disclosure Requirements)
Regulations, 2015**

In continuation to our letter dated 01.02.2024, please find enclosed the transcript of the conference call (concall) held on 01.02.2024 with representatives of various Investors / Analysts on the unaudited financial results of the Company for the quarter and nine months ended December 31, 2023.

Thanking you,

Yours faithfully,

for THE INDIA CEMENTS LIMITED

COMPANY SECRETARY

Encl.: As above



“India Cements Limited Q3 FY24 Earnings Conference Call”

February 01, 2024



**MANAGEMENT: MR. N. SRINIVASAN – VICE CHAIRMAN AND
MANAGING DIRECTOR, INDIA CEMENTS LIMITED**

**MODERATOR: MR. ARCHAN VYAS – PHILLIPCAPITAL (INDIA)
PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to the Q3 FY24 Earnings Conference Call of India Cements Limited hosted by PhillipCapital (India) Private Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Archan Vyas from PhillipCapital (India) Private Limited. Thank you and over to you, Mr. Vyas.

Archan Vyas: Thank you Michelle. Good afternoon everyone. On behalf of PhillipCapital (India) Private Limited we welcome you to Q3 and 9 monthly FY24 Earnings Calls for India Cements Limited.

On the call we have with us the entire Senior Management Team of India Cements.

I would like to mention on behalf of the India Cements and its management that certain statements that maybe made or discussed on this Conference Call maybe forward-looking statements related to future developments and based on the current expectations. These statements are subject to a number of risks, uncertainties and other important factors that may cause actual developments and results that may differ materially from the statements made. The India Cements Limited and the Management of the Company assumes no obligation to publicly alter or update these forward-looking statements, whether as a result of new information or future events or otherwise.

I would now hand over the floor to Mr. N. Srinivasan – Vice Chairman and Managing Director of The India Cements Limited for his opening remarks, which will be followed by interactive Q&A and thank you Srinivasan sir I would like you to take the floor.

Management: Thank you very much.

Basically, the story of the last few quarters and particularly the last operative quarter the Company slowly, but surely turning around after successive losses we find some black somewhere. The reason for this is we have concentrated very much on reducing variable cost trying to improve NPR and also improve our systems after all we are an old Company.

So, we have done all that one does and classic recovery mode. We originally thought of selling large tracts of land which was not useful, but then we found it takes time, but we have sold smaller portions of land which is of no use for us and the performance of the Company has been much better and leading to an expectation that next quarter onwards we will shine like before.

One of the reasons that this see the price and NPR this quarter was sufficient for us, but our volume was low because of working capital constraints, we could not sell, for example, we had planned 11 lakh tons we did the less than 7 lakhs tons. So, this has hampered our ability to achieve our target.

Similarly, the lack of planned volume has also hurt rather has not nailed down the variable cost as we thought. So, going forward we have made arrangements for the working capital. So, this quarter we expect good working capital, and this is a busy quarter. So, we feel that the result will be very good.

This is the opening sentence and I'm very happy to respond to queries.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

Rajesh Kumar Ravi: Would you please share the shipping, windmill and RMC revenue and EBITDA?

Management: Revenue was 2.3 crores and minus 0.72 crore was the EBITDA.

Rajesh Kumar Ravi: 2.3 crores because you sold off the ship?

Management: Yes.

Rajesh Kumar Ravi: And EBITDA is how much sir for shipping?

Management: (-0.72) then wind mill was 0.96 crore revenue and (-0.54) as EBITDA. RMC was 29.25 crores revenue and 2.25 crores EBITDA.

Rajesh Kumar Ravi: EBITDA how much you said sir RMC?

Management: 2.25 Crore

Rajesh Kumar Ravi: And sir what is the rationale for buying a new ship? Are we using it for captive purpose?

Management: Yes, Sir. We have got a new ship on 8th of January 2024. This is a Panamax vessel which has a carrying capacity of more than 75,000 tons. The purpose of buying the new vessel is because as you are aware we are doing the transportation where the ship has been chartered over to TANGEDCO and the TANGEDCO from now the tenders they are insisting on 75,000 tons of carrying capacity. So, that's the reason why we bought the new vessel. It is currently transporting material from Indonesia to Vizag, and we have already participated in the TANGEDCO tender. So, hopefully we are actually we have been called L1 where they have been calling us for a

discussion. So, very soon we should be able to finalize the tender and the ship will be on charter for 6 months with an option to the charters for 3 more months. So, that's how I believe.

Rajesh Kumar Ravi: Sir, what was the proceeds from the ship sale you have given the profit number and what is the investment made for the new acquisition?

Management: The ship was sold for \$6.45 million, about 54 crores and the new ship was acquired at \$10.45 million.

Rajesh Kumar Ravi: And sir EBITDA which you make annually is less than 10 crores, does it suffice returns on investments and what was the logic for buying a ship? Is it justifying your returns I just wanted to understand that?

Management: For a 6-month charter period we are expecting an EBITDA of about 15 crores and if the charter period were to extend to 9 months we will probably be getting about 22 crores. So, I think it makes another sense.

Management: What you are referring to is the Supramax which was sold this is the Panamax.

Rajesh Kumar Ravi: So, I just wanted to understand that investment of 160 odd crore, right?

Management: The investment currently is 80 crores. For 9 months we are looking at an EBITDA of 22 crores for 6 months we are looking at an EBITDA of about 15 crores that's the kind of economies of scale that we have.

Rajesh Kumar Ravi: So, annual 20 crores plus sort of an EBITDA are what you are looking at?

Management: At least.

Rajesh Kumar Ravi: We have lost substantial volume this year, volumes for 9 months are down almost 60% year-on-year. So, what is the way ahead it is just working capital squeeze or because of the competitive intensity you have to let go of volume and what is your thought process going forward?

Management: Going forward in this primarily because of working capital pressure.

Management: So, let me tell you that in the Quarter 3 we could get our advances back around Rs. 256 crores advances that we have got. So, that has helped us in having some better liquidity for this quarter and we are looking at building our liquidity and operationally. So, volume should come back. The only reason why the volume went down was the liquidity issue which we have sort of addressed. I will put it that way.

Moderator: Thank you. The next question is from the line of Parth Bhavsar from Investec. Please go ahead.

- Parth Bhavsar:** Sir can you help me with the volume numbers for the quarter?
- Management:** 19.85 lakh tons.
- Parth Bhavsar:** What was the Kcal cost for power and fuel consumption basis?
- Management:** 1.99 for the quarter.
- Parth Bhavsar:** And sir are we like holding any inventory like where do we see this going in Q4 and in coming quarters?
- Management:** The inventory will be roughly around the same 1.95, but with a mix of what is going to come at 1.8 and all that it's likely to be around 1.9.
- Parth Bhavsar:** Okay it might come down to 1.9. And sir on pricing just wanted to understand like how are the pricing in South in Jan and like are there any price hike expected because we believe that prices decline in Jan and do we see any price hikes in Feb and March going ahead?
- Management:** See, you have to look at it, look at the price given that the demand was pretty bad in November, December and January because of various reasons be it floods in Tamil Nadu, Chennai, be it transporter strike or elections in Telangana or and then the festival in January. So, therefore the demand was quite muted in these periods otherwise the South has shown a pretty decent double-digit growth also.
- Now we expect already going forward we think that demand will be good and therefore price should hold at a little reasonable level I mean it was what spike we saw in October part of it got diluted between November, December and January, but my own view is that it will go up and stay put at little higher levels than what it is today in the month of February and March, despite being year end pressures.
- Parth Bhavsar:** And demand has improved from November?
- Management:** Very clearly we can see post Pongal we are seeing a better demand.
- Moderator:** Thank you. The next question is from the line of Sanjit Tambe from Centrum Broking Limited. Please go ahead.
- Sanjit Tambe:** Sir you guys had hired consultants to improve efficiency. So, what is the progress on that?
- Management:** See we have given this job to the agency for three plants of ours. Basically, helping us in terms of fuel efficiencies, adding AFRs and adding what you call more additives in the OPC and PPC both. So, we are clearly seeing a benefit coming out of those three plants. We are also based on

their advice we are going ahead with putting up a 25-megawatt solar power plant which will give us a benefit after 8 to 9 months from now. So, that also is the project we have got the clearance on the board, and we are going to put up in Tamil Nadu. So, we definitely believe that the cost is coming down because of their advices.

Sanjit Tambe: And sir what is the progress on land monetization?

Management: Land monetization it's taking longer. So, therefore we have decided to get rid of smaller parcels of land and not wait for the huge, big one and meanwhile our working capital situation is improving. So, therefore we are quite alright in one sense, and we are not dependent only on land monetization to take us through.

Management: Basically, we don't want to sell our land cheap. It's quite a valuable land. So, we'll wait for the right buyer to come and buy at the right price. So, that is the strategy which we are calling. In the meantime, we are addressing liquidity issues separately.

Sanjit Tambe: And just one more question like how is the demand shaping up in Tamil Nadu markets and like what is the pricing from the December exit?

Management: See as I told the earlier person who asked the question prices did slip from the highs of October and December and January because of two reasons. One was a heavy rains, second was a little bit of transport strike and third is festival, the festival of Pongal, but post Pongal we are seeing a demand is going up and doing well. So, we expect the prices to go up in next, in fact most likely from a day or two we'll start seeing prices improving in Tamil Nadu.

Sanjit Tambe: And do you see any impact of the election on the demand in near term?

Management: Not yet because the election is not announced so far. So, normally it happens in the South, specifically after Pongal, the demand picks up and we can clearly see in last two days, the demand is picking.

Moderator: Thank you. The next question is from the line of Navin Sahadev from ICICI. Please go ahead.

Navin Sahadev: Just one question I had was about the demand from the state of Telangana. I think post the state elections there was this feedback about a sharp slowdown in that state especially the government demand because of the change in government there. So, what is the update? Is there any traction or progress seen in the state or we may have to wait for some more time?

Management: I think first I think that is the right way to approach it is we wait for little more time but let me tell you that I don't think government in Telangana was buying too much of cement unlike Andhra. It was the builder segment which was buying a lot of cement because of the initiatives taken by the government of Telangana the previous government.

I personally feel whatever we are hearing from the ground level that there is no change in that. There may be some amount of wait and watch which happens. So, my guess is that as we enter February the latent demand will come back, and the demand in Telangana should go back to normal or maybe better than normal is what my view is. I don't see anything changing at the ground level in Telangana because of the change of government.

Navin Sahadev: And just one bit on the competitive intensity especially in Tamil Nadu because the past couple of quarters we have seen all the large players like pushing volumes in the state. So, with that in the context you think prices hike can be hold up at a materially higher level in coming days or do you think volatility will be continuing to be the order?

Management: The way we look at it is that the people who are movers and shakers in terms of increasing the volume and putting pressure on price especially in the low demand period of November, December and January. I think more or less they are running at the full capacities in this market whatever they can dispatch they're dispatching in these markets.

So, there can't be more disturbance from them and therefore I personally if you ask me feel that may not be a big quantum leap, but prices will keep moving upwards going from here onwards. So, February and March, especially February month we'll see a reasonable increase in price is what my understanding of the market is.

Navin Sahadev: Just one more bit here because there was this push back to the volumes from Andhra players coming into Tamil Nadu. So, do you see those volumes also coming back or do you think the regional major have flexed enough now to gain a significant market share there. So, while prices may improve, but Andhra players may not come back, how should one look at that?

Management: I think you are right there. I think people have reoriented their markets in last few I would not say few months, almost a year and a half. So, while Tamil Nadu players are dominating Tamil Nadu, Andhra players have started selling more in Andhra and their market.

So, I think that they will remain because the prices even if it improves. It may not be given the freights and other things may not be attractive enough for Andhra players to come in a big way this is my understanding, but we don't know things can change very quickly. As of now, it looks like Andhra players will remain will be happy to sell whatever they're selling as of now, not more than that.

Moderator: Thank you. The next question is from the line of Mudit Agarwal from Motilal Oswal Financial Services. Please go ahead.

Mudit Agarwal: Can you just tell us the track number; current net debt and gross debt consolidated?

Management: Debt is it?



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Mudit Agarwal: Outstanding debt?

Management: The total debt as on 31st December Rs. 2,693 crores.

Moderator: The next question is from the line of Parth Bhavsar from Investec. Please go ahead.

Parth Bhavsar: Sir I have just one question when we say that we are facing working capital pressures. So, just wanted to understand which part of it was hitting us and since we have now gone with external financing, how it would help in coming quarters. First is it the inventory, is it the receivables that's hitting us or is it something else?

Management: Basically, what happened was consequent to the losses suffered in the first and second quarter the pressure on the cash flow was quite high with the result the money wasn't available for us. We had extended the creditors already to such an extent and further extension of credit was not possible. With the result our dispatches got constrained a little bit.

So, even though material was available we were not able to dispatch the material because the creditors were extended and in some cases we could not get the material on time. So, there were multiple instances of downtime happening in the plant, material not being available or transport not being available etc.,

So, towards the end of December, we got recovered an advance of Rs. 256 crores which sort of helped us tide over the situation and January we could have done better but for the holidays we don't foresee any problem in Feb and March for us to be able to achieve the volume as we had targeted and in the meanwhile we are already planning to come out with the debt issue which will augment our working capital to the extent of about 250 crores which should take care of the entire next year operation meaning it will clear the overhang and the normal sale would result in adequate circulation of working capital so that there is no stress on the cash flow.

So, the overhang would be removed by way of the debt raising program to the extent of about 250 crores you would have removed the hang whatever the extended credit could have been would be addressed.

Management: We are not burning cash anymore. So, therefore we are making cash so therefore the cash flow automatically because the collections are that way improving. We are in a better position compared to what we were maybe a couple of weeks or a month back and that's what we wanted to add.

Parth Bhavsar: Sir, I just wanted to know like you mentioned 200 crores of advances were recovered, right?

Management: 256 crores.

- Moderator:** Thank you. The next question is from the line of Shouvik Chakraborty from Dolat Capital. Please go ahead.
- Shouvik Chakraborty:** Just some bookkeeping questions. Can you share your trade mix and blended cement share for this quarter?
- Management:** Can you repeat the question please?
- Shouvik Chakraborty:** Yes. I just wanted to know the trade mix for this quarter and the blended cement share.
- Management:** 61% trade and balance are non-trade.
- Shouvik Chakraborty:** And the blended portion one sir?
- Management:** Blended portion was around 63%.
- Shouvik Chakraborty:** Sir another query I was having can you throw some color on the news that floated today like the ED check at your Chennai office if you could just throw some color like if there's something I would like to highlight?
- Management:** There was Enforcement Directorate people visited our office for survey search. They asked for a lot of information. We have provided all the information required and so we said that we would provide the information some of it we have already given, some of it we will be giving. We do not foresee any major impact or anything on the quarter.
- Moderator:** Thank you. Ladies and gentlemen as that was the last question. I would now hand the conference over to Mr. Archan Vyas for closing comments. Over to you sir.
- Archan Vyas:** Thanks so much. I would like to thank on behalf of PhillipCapital, the entire India Cements team to take the call and give us an opportunity to host you on the earnings call and all the participants who could join on the call. Thank you very much and have a great evening ahead. Michelle, you can now conclude the call. Thank you.
- Moderator:** Thank you sir. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.