



# SAGAR CEMENTS LIMITED

Ref:SCL:SEC:2022-23

21<sup>st</sup> February 2023

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

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

**Symbol: SAGCEM**

**Scrip Code: 502090**

**Series: EQ**

Dear Sirs,

Sub: Submission of transcription of Conference Call under Regulation 30 of SEBI  
(LODR) Regulations, 2015

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Pursuant to the above said Regulation, we are forwarding herewith the transcription of the Conference Call held by us with analysts on 17<sup>th</sup> February 2023 in respect of update on our ongoing acquisition of Andhra Cements Limited, a Corporate Debtor, through a "Resolution Plan".

Thanking you

Yours faithfully  
For Sagar Cements Limited

R.Soundararajan  
Company Secretary

Encl.



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MANAGEMENT: Gavin Desa - CDR India  
Sreekanth Reddy - Joint Managing Director  
K. Prasad - Chief Financial Officer  
Rajesh Singh - Chief Marketing Officer  
R. Soundararajan - Company Secretary

ANALYSTS: Mangesh Bhadang  
Manish Valecha  
Ramesh Behera  
Sumangal Nevatia  
Parth Bhavsar  
Nishant Bagrecha  
Sanjay Nandi  
Amit Srivastava  
Naveen Sahadeo  
Sushil Agarwal  
Abhisar Jain  
Vaibhav Kapur  
Vishal Periwal  
Ritesh

## **Presentation**

**Gavin Desa:** Ladies and gentlemen, good day, and welcome to Sagar Cements Call to discuss the acquisition, on the recent acquisition announcement on Andhra Cements Limited. Please note that this conference is being recorded.

On this call we have Mr. Sreekanth Reddy, Joint Managing Director; Mr. K. Prasad, the Chief Financial Officer; Mr. Rajesh Singh, Chief Marketing Officer; and Mr. R. Soundararajan, Company Secretary. We will begin this call with a brief opening remarks from Mr. Sreekanth Reddy, following which you will have a session open for an interactive Q&A session.

Before we begin, I would like to point out that some of the statements made in today's discussions may be forward-looking in nature, and a note to that effect was stated in the concall invite sent to you earlier.

I'd now like to hand over to Mr. Reddy for his opening remarks. Over to you, Sreekanth.

**Sreekanth Reddy:**

Thank you, Gavin. Good morning everyone. We are happy to inform that the National Company Law Tribunal, NCLT has approved the resolution plan submitted by us for acquisition of Andhra Cements Limited on 16th February 2023. This acquisition is aligned with our strategy of consolidating our presence in established markets to better service our customers in a cost-efficient and a timely manner. Furthermore, the acquisition will also help us meet our objective of reaching 10-million-ton capacity by 2025. We believe the acquisition cost of \$56 per ton, including the upgradation is competitive and will help us create value for all our stakeholders in the coming years.

We propose to spend ₹762 crores for acquisition, restart CapEx of ₹85 crores and an additional ₹75 crores as working capital and other costs. Barring unforeseen circumstances, we expect to start commercial operations by end of Q1 FY '24. Further, our Board has approved an additional capital outlay of ₹468 crores for enhancement of the clinker capacity to 2.3 million ton from existing 1.65 million ton and the cement capacity to 3 million ton from 1.8 million ton at Durga Cement Works of Andhra Cements Limited.

We are hopeful that the enhanced capacities will be commissioned during the second half of FY '25. We are contemplating discontinuing the operations of the Vizag Cement Works of Andhra Cements due to the constraints resulting from the plants proximity to the Vizag City. Our efforts are now directed towards operating these assets at optimal level to enable us to serve our customers better and create value for all our stakeholders.

This concludes my opening remarks. We'd now be glad to take any questions that you may have. Thank you.

### **Question-and-Answer Session**

**Gavin Desa:**

Thank you, Sreekanth. We will take the first question from Mangesh Bhadang, please go ahead.

**Mangesh Bhadang:**

Hi, good morning sir. And congratulations on closing the deal. Sir, my question is just if you can give more details on this acquisition cost of ₹768 crores in terms of how much was the haircut that was taken on the debt? And how does -- you mentioned that we would continue to -- Andhra Cement would continue to remain listed with 95% stake being with Sagar Cements? So if you can explain the equity as well as the debt component of it?

**Sreekanth Reddy:** Yeah, good morning, Mangesh. As mentioned, it is ₹762 crores is the acquisition cost. Yeah, this not only includes the purchase of the debt, but also includes the CIRP cost and the settlement cost for the other liabilities. The debt liability has been acquired, the total debt is at ₹1,316 crores, that has been settled for ₹725 crores, the balance between ₹725 crores to ₹762 crores, is the CIRP cost, the legal cost and the other liability settlement cost.

**Mangesh Bhadang:** All right. Second one on the equity, sir.

**Sreekanth Reddy:** Yeah, the equity -- what Sagar Cements Board has decided to do is to keep Andhra Cements listed, so that we are aligned with taking care of the minority shareholders' interest. Yeah, the entire existing promoter equity would be extinguished. The current public shareholders holding would get reduced to 5%. What it translates is from the current paid up capital of ₹293.52 crores would get reduced to ₹91.59 crores.

So what it translates is the public equity holders from 9,15,94,086 shares yeah, from 9,15,94,086 shares, they would get reduced to 45,79,704 shares. The paid-up capital from ₹293.52 crores as I mentioned, would get reduced to ₹91.59 crores, of this 95% would translate to 8,70,14,382 shares would be owned by Sagar, and 45,79,704 shares would be given to the existing shareholders, which would translate to 5%.

All in all, let me also explain for people who would own more than 100 shares would get five shares. For people who would own 20 and below, they would actually get one share each. I would again repeat, for every person who would own 100 shares and above, for each 100 shares they would get five shares, and for people who would own 20 shares and below, yeah, they would get one share. So a person who would own 20 shares also would own one share, a person who owns one share will also continue to own that one single share. Yeah, this is as per the plan.

**Mangesh Bhadang:** Okay sir. Okay. And sir, any covenants to this deal or any liability for operational creditors that would be pending after this?

**Sreekanth Reddy:** See, as per the plan, the current liabilities for the operational creditors have been adjusted at 5% to their overall kind of outstanding liabilities they have, they have been adjusted for 5%, sir.

**Mangesh Bhadang:** Okay. And sir, last question on the Vishakapatnam grinding unit. So you mentioned that you may discontinue the operations there. So you would be selling the land there to basically cover some of the costs?

**Sreekanth Reddy:** Yeah, at this point of time, as I mentioned, the Vizag, asset of Andhra Cement has become part of the city. So there is a restriction in terms of both inward and outward movement of heavy trucks. They are restricted between only night 9 and morning 6. I'm sure you are aware that it may not be a feasible option for us to run a cement plant with that kind of restriction.

Secondly, the asset is reasonably old. These are with ball mills. So you know the slag mill, Vizag is more a slag market. So running slag cement with ball mills, we believe that it's not a feasible option. And having a reasonably modern and a big asset in the close proximity, we thought we will make use of the existing asset of Bayyavaram of Sagar Cements for managing the additional incremental volumes that we need to get this from Andhra. So this is that.

At this point of time, the land monetization and all those issues, we would probably come back in some time. But at this point of time, the decision has been made to shut the operations. On a medium-term, for sure, we would like to monetize the real estate what exists in that particular location, Mangesh.

**Mangesh Bhadang:** And could we able to use the plants there? Or you said because it is old ball mill, or it may not?

**Sreekanth Reddy:** These are ball mill, though it's a very good quality asset, but these are ball mills. So they are not as efficient as the new vertical mills. So the idea is not to make use of that. Though we might still cannibalize some of the equipment, wherever it is required for some portion of it. But as such, that asset probably we may not put to use.

**Gavin Desa:** Thank you. We take the next question from Manish Valecha.

**Manish Valecha:** Sir, my question is, firstly, on the limestone availability at the parent plant. So what kind of reserves are we looking here? And is there an opportunity to add another line or you obviously you are extending this clinker line. So what is the growth opportunity there? And second question is actually relating to Vizag, what is the current land value that you would be having as you have mentioned in the presentation, it's about 107 acres of land in Vizag city?

**Sreekanth Reddy:** Yeah, the limestone resources that are available in the Dachepalli unit of Andhra Cement is around 199 million ton of a very good quality. The growth for expansion definitely is available because we could double up for a full-year deposit life, we could comfortably double it up. That probably addresses the first question that you have had.

The next part is the land value at Vizag. As you rightly mentioned and which we have made part of the presentation is there is 107 acres of land at Vizag. That land, the government value -- because the government value itself is at ₹4 crores per acre, I'm translating because it's an industrial land. So this industrial land, the government rate is given as per the square yard, so it's roughly translating to around ₹4 crores per acre. It's part of the city. So there is a lot of apartments and everything all around. The ongoing market rate looks to be much, much higher.

We are yet to do that exercise, but we would be very happy to revert as and when we come to some understanding about this particular thing of converting this into multi-use or whatever, what could be the potential value. But as such, the government rate is roughly ₹4 crores per acre.

**Gavin Desa:** Thank you. We'll take the next question from Ramesh Behera.

**Ramesh Behera:** Sir, it's really an honor and am grateful that probably we are similar to the likes of Tatas, wherein we like to protect minor shareholders. I heard like, still they have protected minor shareholders and now Sagar Cement protecting the minor shareholder of Andhra Cement. That's really appreciate and grateful to you. So my question here is sir, like when can we expect the Andhra Cement will be start trading and with the new shareholding pattern? And what exactly would be the total debt for the -- consolidated debt for the Sagar Cement after this acquisition? And what exactly the roadmap to decrease this?

**Sreekanth Reddy:** Yeah, thank you, Mr. Ramesh. As mentioned, we are taking care of the minority shareholders interest in Andhra.

**Ramesh Behera:** I'm really grateful sir, to be honest, like probably many people are many across India, retailers invested in Sagar and Andhra Cement, and they're really thankful from the bottom of heart that you are protected their interest and their family, maybe their savings. And we're really grateful that we are associated to you sir.

**Sreekanth Reddy:** Yeah, Mr. Ramesh, we did present the overall consolidated debt that includes even Andhra Cement acquisition in our investor presentation. But just for the comfort, the gross debt inclusive of the acquisition and everything would be at ₹1,644 crores. Yeah, the net debt would remain much, much lower. Yeah, we also indicated the principal as well as the interest payouts spread over next five to six years at a consol level. Yeah, the net debt would be somewhere around ₹1,432 crores.

We believe over the next four to five years, we probably should remain in cash by FY '28. This is without considering any of the monetization or a potential kind of dilution, which we have to do, which is mandated from a regulation perspective. Yeah, from the current 95% shareholding, within 12 months, we need to reduce it to 90%. And within 36 months, we need to reduce it to 75%. So historically, we have never encashed on our stakeholding. Yeah, we believe that all these resources will be put to use to ensure that the stakeholders would get maximum value. So these are the Andhra scenarios.

**Ramesh Behera:** Sreekanth sir, adding to these questions, like when we can expect the new company, it will be the same ISIN number or it's a --?

**Sreekanth Reddy:** Yeah. I think Mr. Ramesh, the current work -- it's a work in progress. So we believe it should take 90 to 100 days for us to fulfill all the requirements as far as the regulatory requirement is concerned. It's not only with SEBI. Yeah, we need to fulfil quite a few steps. Internally, from what has been discussed and what we have understood, it should take anywhere between 90 to 120 days, Mr. Ramesh.

**Ramesh Behera:** Once again congratulations sir for this achievement.

**Sreekanth Reddy:** Thank you.

**Gavin Desa:** Thank you, The next question is from the line of Sumangal Nevatia.

**Sumangal Nevatia:** Sir, just one clarification for this Vizag land, is it our endeavor to monetize it? Or any -- I mean, joint development or some other -- something which we can explore, number one? And what is the rough timeline we're looking at?

**Sreekanth Reddy:** Yeah. as indicated, the whole idea is to monetize. We are not into the real estate. So at this point of time, we'd start evaluating all the options. Our intention is to monetize. The work that we need to do, we

roughly have estimated, but it's not in its complete shape. From whatever little work that we have done in that regard, yeah, it should take anywhere between 18 to 24 months is what our team has indicated. We'd do whatever it takes to get the maximum value out of it.

**Gavin Desa:** Thank you, the next question is from Mr. Deshpande.

**Mr. Deshpande:** Sir, it would be helpful if a presentation could be made on NSE and BSE mentioning the broad numbers of the deal. Since this is material information of working about the reduction in number of shares for public shareholders of Andhra Cement can be uploaded on the BSE, NSE, and that would help in price discovery post acquisition. Andhra Cement is currently listed in IRP one in BSE are scheduled to take this out of IRP one group. That would help us well.

**Sreekanth Reddy:** Yeah. Noted the observation, sir. At this point of time, it's work in progress. So we would be extremely happy to come back and upload the stakeholders of both Sagar as well as Andhra Cement, about the overall kind of shareholding pattern and the specifics of those would be uploaded. But I did address in the earlier query about what we have given in the resolution plan. I would be extremely happy to repeat just for the benefit of it. From the current ₹293.52 crores of paid-up capital, which has roughly 69% promoters holding would be a null. So the balance, the public shareholding, which is close to 9,15,94,086 shares would be compressed to 5%, So the public shareholding from 9,15,94,086 would get reduced to 45,79,704, which would constitute 5% of the adjusted paid up capital. The balance would be owned by Sagar Cements. So Sagar Cements is infusing ₹322.2 crores of equity with ₹10 plus ₹27 as premium. Every 100 shares and above shareholders would be getting five shares, for every 100 shares that public shareholders would own, it would be -- they would be given five shares. Any person with 20 shares and below, he would get one share, sir.

So this is what, I did make the presentation. We would wait for some more clarity before we would upload and we would be very happy uploading this also onto the both exchanges that is NSE and BSE. We would be happy doing it.

**Gavin Desa:** Thank you. The next question from Parth Bhavsar.



- Parth Bhavsar:** Sir, firstly, I wanted to know that this Durga Cement Works, Dachepalli plant, it has limestone reserves of 188 million tons, you said, right?
- Sreekanth Reddy:** 198 sir.
- Parth Bhavsar:** 198. Okay, 198. And sir, we've already announced this CapEx at the plant? And what is the brownfield optionality like over and above this that we've announced?
- Sreekanth Reddy:** Sir I did mention that we could comfortably double for a minimum 50-year deposit life, Mr. Parth.
- Parth Bhavsar:** Okay. So you can double the capacity from 3 million ton, right?
- Sreekanth Reddy:** Yeah, from 3 million to 6 million, from 3 million, you can comfortably go for 6 million, for a minimum 50-year kind of a deposit life.
- Parth Bhavsar:** Okay. And sir, once we start operations at this unit by maybe Q1, Q2 FY '24. So what kind of profitability are we looking from this unit and at what utilization will it operate?
- Sreekanth Reddy:** Yeah, at this point of time, it would be a challenge for me to go into very specifics of this, because it's work in progress. We think that it should get aligned with the other operating units in the region, which are in the range of around 55% to 60%.
- Parth Bhavsar:** Utilization?
- Sreekanth Reddy:** Yes sir.
- Parth Bhavsar:** Perfect. And then sir, like just to -- so this would be over a period of time or like starting from Q1 itself?
- Sreekanth Reddy:** Yeah, Mr. Parth I think middle of Q1 is what we are expected to go live. So we are getting into this half season in terms of Q2. But I'm sure as and when the season would come, I think we should get aligned with it. We're going to have Sagar brand itself, so we should not take big time is what we think for the ramp-up Mr. Parth.
- Parth Bhavsar:** Right. And any plans just to put up any WHRS?

**Sreekanth Reddy:** Yes, sir. I think it's something which we definitely would want to do it, but we would want to first get the plant operational before we start optimizing on those waste heat recovery, the associated things.

**Gavin Desa:** Thanks, Parth. The next question we take is from Nishant Bagrecha.

**Nishant Bagrecha:** Sir, one question like about -- so post this acquisition now, you will surpass the objective of reaching 10 million ton capacity by FY '25. So now you'll be 11 million ton capacity company. So again, sir your objective is to double the capacity every 10 years. So any change in the timeline of post this acquisition now you've got the approval from the NCLT also. So any change in the timeline, for doubling the capacity or your focus will remain on to de-lever the balance sheet?

**Sreekanth Reddy:** No, I think, every 10 years, we double. I think that would not change. Would it happen in 2035? Would it happen in 2033 or '35 is a question? But I think the stated objective is to double every 10 years. I think that's what we are focused on, and we will continue to focus on that. The deleveraging issue, let me assure you, if you look at debt for every million, I think we are around close to ₹125 crores to ₹150 crores. I don't think we'd be crossing that number at any given point of time. So growth as well as the leverage sticking to as balance kind of a leverage is something which you always remain and we would remain focused on those aspects.

**Gavin Desa:** Thank you, Nishant. The next question we take is from Sanjay Nandi.

**Sanjay Nandi:** Sir, can you please clarify on the price difference between Sagar and Andhra Cement, like at what price they used to sell. And once we change our brand from Andhra to Sagar, what could be the incremental price difference you can get from listing sir?

**Sreekanth Reddy:** Let us not get into the part, because Andhra Cement had always multiple brands over a period of time. So initially, they were Durga brand, then it became Duncan, then it became Jaypee. And for last more than 3.5 years, we have not seen the Jaypee brand coming out of this particular asset. So there is no point in discussing the potential kind of a listing. Whatever cement that would come out of Andhra, would be sold as Sagar Cements, which would be aligned with the current brand positions and the markets that we have always dealt with.

**Gavin Desa:** Thank you, we take the next question from Manish Valecha.

**Manish Valecha:** Sir on the debt side, sir, how do we see the debt going forward? And also the high cost debt, what is the plan for that going forward, sir?

**Sreekanth Reddy:** Yes, I think the high cost debt, which was taken for the transaction would get closed before the end of this current financial year. So it would be rolled over into the term debt at Andhra Cement level. So that's a straightforward roll over.

And we did indicate in terms of over next five years, how the debt movement is happening on a quarter-to-quarter, it is presented part of the analyst presentation that we have done for the acquisition -- specific to this acquisition, we have made a presentation to the exchange as well as we did share. So we did indicate the reduction of the pattern of the debt.

Let me again update. With the acquisition, the gross debt would be hitting around ₹1,644 crores. This includes working capital of ₹272 crores and a term loan of ₹1,372 crores. From next year onwards, we believe that it should start slowly sliding down because we do have some moratorium for some of the debts that we have taken in the past. So if you look at the net debt movement, the current net debt is at around ₹1,432 crores. Yes, we do believe that it would strongly come down over the next two to three years to become net cash by FY '28.

**Gavin Desa:** Thank you, the next question is from Amit Srivastava.

**Amit Srivastava:** Sir, my question is related to the plant operation basically. So as we have guided that we will operate at a 55% or 50% kind of utilization and what we understand that a plant is closed or shut down right now. So basically, the markets are same and now we are converting into a brand of Sagar only. So how easy or tough it would be to ramp it up to 1 million ton incremental sales, because we already have that much of capacity to ramp it up in the past. But this is how we are strategy-wise, how we are looking at?

Second, we have a good track record of turning around the assets. So what are the levers we have in this asset to make it efficiency wise? And what is your sense once it will be upgraded the plants efficiency versus our existing plant, how it will be on operational side?

**Sreekanth Reddy:** Thank you, Amit. So the first question is pertaining to the ramp-up. Yes, we are not expecting any challenge as far as the market is concerned for the Andhra, because Sagar as a brand did hit Sagar plus

potential kind of Andhra volumes historically in the past. So these are not something which is new to us. So we did sell Sagar plus Andhra to kind of potential volumes a couple of times even in the past few years. So we don't see that as a big, big challenge for us in terms of the ramp-up.

Fortunately, we could not have better time the acquisition than now because the next couple of years, it is likely that the demand in the regions that we are servicing or could potentially service are likely to grow at a much faster pace than what it has grown in the past. Given that scenario, we are not seeing any of the challenges trying to put these incremental kind of volumes that are likely to happen from Andhra as Sagar brand into those markets, we are not expecting any major issues.

And practically and pragmatically, what we have also done is we are not hoping to have 100% capacity utilization. Yeah, we would be happy to do that. But our internal estimation is to -- is that there could be an average capacity utilization of anywhere between 55% to 60%. So the overall acquisition -- the overall financial planning, the financial model is basis that the market would offer 55% to 60% average capacity utilization what has been planned. And knowing the realization potential itself, it is planned. So at a \$56 acquisition plus upgrade, we strongly believe that this asset would significantly contribute to its stakeholders, Amit. So that part is given.

Now the question is the asset was stopped very well. And I would like to assure you that asset is of a very, very good quality. But the preheater is slightly of an older generation. It is a four-stage preheater with a separate line, five-stage Calciner line. Part of our plan is to make it into a double string six-stage preheater for the upgrade. When we conclude the upgradation, it will be one among the best assets in the market, leave alone with the current assets that we have, because we are going to adopt the newer technology coming from the best of the technology providers. So we are opting for it. A six-stage twin string in-line Calciner preheater that itself should significantly make it that much more efficient.

Coming to the raw mill and the cement mills, yeah, these are new generation ones, which are already there. So some amount of optimization is what we need to do. And we do plan for a wastage recovery and also the alternate fuel firing up in due course of time. Given these issues, we strongly think over next 18 months to 24 months as the asset would be upgraded, it should get aligned with the

best in the business. And that should also help us save on the cost. And we on the ESG front, in line with whatever we have disclosed in the past. So the overall alignment, we expect over two years' time to happen at Andhra with the current assets that we have.

**Amit Srivastava:** And this plant sir, has Singareni coal mines linkages also?

**Sreekanth Reddy:** See, I think there is a very small linkage that was there much before the asset was closed down. So part of the NCLT resolution, we did request the court to give the direction, but the NCLT court at this point of time, said that we have to -- on those specific things, we need to go back to Singareni with the request to get it revived. But as it stands, it doesn't have the FSA, Amit.

**Gavin Desa:** The next question is from Mr. Deshpande.

**Mr. Deshpande:** Given the limestone reserves and land availability, what could be the peak capacity Andhra Cement can be expanded to? And at the peak capacity, what would be EBITDA per ton? And by when do you plan to expand Andhra Cements capacity to peak capacity?

**Sreekanth Reddy:** The objective is to first, on a short to medium term, the idea is to stabilize. The plant, as I mentioned earlier, we believe can be expanded as many times. But what is very important is how long you want to keep the deposit. Our internal philosophy is that we would always have a comfort of minimum 50 years deposit life is a minimum requirement for us internally. Even that scenario, we don't see a big challenge for it to double. That is from the current or the intended 3 million, it could easily double to 6 million. So we would limit it to that, given the minimum deposit requirement that we internally have put for ourselves, so we could comfortably double.

Yeah, now when we would double, yes, the current status that we've always followed in the Southern market is that we do not want to add any greenfield or brownfield at least for next three years, given the supply scenario. We are happy to acquire because that would not add any new additional volume pressure into the market. That's what we have done here.

And as such, we are also planning to expand and upgrade the current capacity from 1.8 million at the current location to 3 million. I think that's what we would like to stick to for next at least three to four years' time before we're taking a call for the further expansion.

- Mr. Deshpance:** Thank you a quick one on the working capital infusion, we indicated about ₹75 crores, you don't think that's a bit less?
- Sreekanth Reddy:** Sir, I think that is what has been estimated. As the ramp-up would happen, I think the requirement for working capital also is likely to go up. But it's a situation where it's very situational, that working capital would definitely be expanded as the requirement would arise. We would be very happy if the working capital requirement goes up, that means we are in a very, very good operating ramp-up, and we should not hesitate to increase the working capital. This has been estimated with the current ramp-up requirement.
- Gavin Desa:** The next question is from Naveen Sahadeo.
- Naveen Sahadeo:** Sir, my question was on the debt front. So just to reconfirm some of these numbers. As at the end of Q3, your net debt was about ₹1,078 crores, which we are saying post this acquisition goes to more like ₹1,432 crores. Is that correct? All-in, this net debt from ₹1,078 crores will go to ₹1,432 crores. Is that a correct understanding?
- Sreekanth Reddy:** Yes, I think your understanding is correct.
- Naveen Sahadeo:** Correct. And then for next year, we are saying this goes down to, let's say, more like ₹1,273 crores. So I'm just trying to understand what net debt-to-EBITDA as a -- because we obviously will have FY '24 as the first full-year of Andhra volumes coming to us and also our own volume growth that we'll see at Sagar, the original company. So overall, what is the comfort net debt-to-EBITDA you have in mind is what my broader question was?
- Sreekanth Reddy:** Yeah. we did state in the past, let me repeat once again. We would not cross more than 4x on a short-term, slightly short-term to medium-term. We would not be very comfortable crossing that number to be net debt-to-EBITDA to be more than 4x. So, we believe that it should be less than 3.5x to 4x, we would not cross either way. So, we would limit ourselves to that extent.
- Naveen Sahadeo:** Understood. That's helpful. Thank you very much and all the very best sir.
- Sreekanth Reddy:** Thank you sir.
- Gavin Desa:** Thank you, we take the next question from Sushil Agarwal

**Sushil Agarwal:** Sir, one question, other producers like the Dalmia Cement and all, they are increasing their capacities very fast. So maybe we need to review this doubling the capacity in 10 years. Maybe we need to review this one?

**Sreekanth Reddy:** Yeah. we would definitely be cautious. But the fact is that this is a large CapEx driven sector. We should -- we are very aware of our bandwidth in terms of financial as well as that. We generally don't want to leverage. At the same time, we do not want to compromise on the market position.

The number that we have kept itself is very, very ambitious. So we do not want to follow somebody just because he's going aggressive, it doesn't mean that we have to. But we would definitely not let down the stakeholders whenever there is an opportunity without compromising the core aspects of not over-leveraging and not compromising on what we need to do to reach to that point in terms of efficiency, we would be more than happy doing it at a faster pace.

**Sushil Agarwal:** So maybe we can start this next 10 years from now, meant like '23?

**Sreekanth Reddy:** Noted, sir. I think every 10 years, when we mentioned, I think, yes, as I mentioned even in my earlier comment, instead of 2035, because earlier intent was to be at 10 million by '25, since we could save two years' time. I think same thing also could be applicable internally, we could definitely target. So the next immediate target is to look at 15 million. So we would be very happy to revert back to you noting your comment, if we would be happy to come back to you when we would like to achieve 15 million.

**Gavin Desa:** Thank you. We'll take the next question from Abhisar Jain.

**Abhisar Jain:** Sir, I just wanted to pick up on your comment about the land that we have at the Vizag unit, and which you said that you would like to maximize over the next 18 to 24 months and monetize it. Now sir, the cash flows that we may get from there could be substantial, okay? And I just wanted to understand that since we are already expanding Andhra from 1.8 to 3, and we are also ramping up our other capacities. So once you receive that cash, would you want to flow it back into the business for further expansions? Or would you balance out and look to deleverage first? Because I think for the next two years, we do have enough capacity in hand.

- Sreekanth Reddy:** Yeah, as I'd mentioned, I think our leverage position is not bad. I'm sure some people would have had comments on the leverage position. I think we are fairly comfortable on the leverage side. Of course, once we monetize and we exactly know the contours of the likely receipt, two things we would want to do. One, we do have waste heat recovery plant in mind. And whatever would be the surplus amount, we would ideally like to reduce the intent burden. So these are -- this is the plan that we have in mind, but we would be extremely happy to come back to all the stakeholders at the right time as and when we get more specific details on to any of these issues.
- Abhisar Jain:** Okay. Sir, so waste heat recovery plant at Andhra Cements you're saying, right?
- Sreekanth Reddy:** Yes.
- Abhisar Jain:** Any ballpark, sir, would you have for this kind of 3 million capacity that you would want to set up?
- Sreekanth Reddy:** Yeah. Typically, it is 35 kilowatt hour per each ton of things. We believe that it should be anywhere between 7.5 to 9 megawatt is a possibility for that 3 million. I think that's what is a possibility even in Andhra.
- Abhisar Jain:** Yeah. But sir, again, that will be really a small investment in that sense. And the cash flow, I'm just coming from the point...
- Sreekanth Reddy:** It is close to ₹150 crore. So, we might want to look at some amount of optimization and all. So, we're very happy to revert as and when we know the contour of all the overall investment that is required. We would be extremely happy putting it to use once we know the exact numbers of the requirement and what would come in.
- Abhisar Jain:** Sure, and sir, just last thing. Now for the volume, volume expectation for FY '24, earlier in Q3 call, you had mentioned around, say, 5.5 million from our existing asset, and you have indicated 50% utilization for Andhra now for FY '24. So can we assume right now 6.5 million for the whole company that we'll target for next year?
- Sreekanth Reddy:** I would not disagree with you on that number, Mr. Abhisar.
- Gavin Desa:** Thank you. The next question we have is from Vaibhav Kapur.



- Vaibhav Kapur:** Sir, congratulations. Sir, my question is with respect to the ramp-up. So what I understand is that out of the 2.6 million capacity of Andhra Cements currently, the 0.8 million is not going to be -- I mean, it's going to be scrapped. So the remaining is a 1.8 million, which just to the previous participant, you indicated that there would be a 50% capacity utilization in FY '24. So could you just give some clarity on the timelines and when this 1.8 million would become 2.6 million and then 3 million. If you could give some more clarity on that?
- Sreekanth Reddy:** Yeah, let me clarify. Yeah, it's a 2.6 million with a 1.8 million at the Dachepalli Works and 0.8 million at Vizag. As you rightly pointed out, 0.8 million at Vizag would not be put to use. This 1.8 million, we strongly believe that should give a 1 million ton for the coming year, that is the coming financial year. So we don't see that as a challenge.
- And over the next 18 months to 24 months, we strongly believe that the upgrade plan, the existing location itself have a current 1.65 million ton clinker capacity would be upgraded to 2.3 million and the current 1.8 million ton grinding will be upgraded to 3 million over the next 18 to 24 months. That is by FY '25, middle of FY '25. We are more than hopeful that these upgrade plants should be fully positioned.
- Vaibhav Kapur:** Okay. So just -- so that I've got it correctly, what I understand is that in the next six months to a year, this 1.8 million ton, you will get approximately a 50% capacity like...
- Sreekanth Reddy:** For the next financial year as I mentioned for FY '24, we should produce a 1 million ton is what we have indicated, sir. And we would mean to stick to that.
- Vaibhav Kapur:** And then in the next 24 months, you'll ramp it up to the total 3 million?
- Sreekanth Reddy:** Yes.
- Gavin Desa:** Thank you, Vaibhav. We have the next question, which is from Vishal Periwal.
- Vishal Periwal:** Sir, just a clarification on the land part. Is there any upside or any amount that are we supposed to share with the creditor whenever the transaction happens or the amount comes straightaway to us?

**Sreekanth Reddy:** No, it's a clean transaction. There is nothing that we have to do with the outgoing financial trade asset on. It's unencumbered and a free title is what we have inherited.

**Vishal Periwal:** Okay. And just maybe like trying to be a little critical. But sir, I mean, if we just do working of like 100 odd acres that you have and the government rate that you mentioned. And then if you just do the working then probably the acquisition cost comes to like in pretty low rate. So the deals on the good side is lucrative. So is there anything that we are missing out here or that you like to highlight?

**Sreekanth Reddy:** I don't know what you felt less in this. This is close to 2.6 million ton asset. Even with an upgrade, it is costing us \$56 without monetizing any of the land sir.

**Vishal Periwal:** No, so I mean, like a 100-odd acres and the rate that you mentioned, government rate of whatever you mentioned. And if you just do the working of it and like the acquisition cost of ₹700 crores plus and eventually, like we are getting this deal at around ₹300 crores or maybe like plus the mid of CapEx. So the deal is too good.

**Sreekanth Reddy:** No, no, Mr. Vishal, you should understand everything has its function of time with an assumption. Yeah, we took a call without having the land value into the system. I think that's what most of the industries would look at in. See the encashment opportunity is a function of time. Yeah, if it gets more, yeah, we all look like heroes. Yes, if it doesn't, then people would be critical. So I would -- we are industrial players. We are not into the real estate. Our interest is not on the land. It's incidental. So let us look these two issues very, very separately.

Yes, we would be extremely happy for ourselves and all our stakeholders. It becomes true and we could encash more, the deal itself could become free. But at this point of time, the transaction is happening with almost close to ₹1,400 crores kind of a contour or a 3 million ton, that includes the acquisition as well as the upgradation. We in this scenario, we never wanted to miss on that opportunity. That's the reason why those South region perceived to be slightly challenging. But at 50% to 60% capacity utilization with this kind of value without monetizing on the land, it look lucrative for us.

Now why others did not see, why we too did not see the land value at all. So we specifically looked at what value this asset was coming purely as an industrial kind of a thing. Rest everything is only incidental, sir. Only time will tell how well we could turn it around

from a stakeholder's perspective in terms of monetizing plus the overall kind of a structure.

**Vishal Periwal:** Okay. Okay. Thanks for the clarification sir. And congratulations once again. Thank you.

**Gavin Desa:** Thank you. We'll have the next question from Ramesh Behera.

**Ramesh Behera:** Sir, with this new capacity, like are you taking any initiative like to promote our brand in other part of the area rather than sticking with Telangana, Andhra and Tamil Nadu?

**Sreekanth Reddy:** I think we typically have indicated even in the past, about the lead distance that we could. We could aggressively pursue the same similar strategy when it comes to the lead distance. So we would not be very different from what we have been so far. It doesn't make compelling reason for us to go far. We would consolidate the positions where -- which are in the footprint area, which of the asset.

**Gavin Desa:** Thank you, we take the next question from Ritesh.

**Ritesh:** Sir, a quick question, how should we look at the capital structure of the acquired entity? I presume it will remain listed. So if I'm a minority sitting in that particular entity, how should we look at the capital structure?

**Sreekanth Reddy:** Yes. let me again repeat once again, just from a ₹293 odd crores of paid up, we are reducing it to ₹91 crores of paid up, Mr. Ritesh. So that itself would give a lot more comfort because for this size of an asset, ₹292 crores look big and heavy. Secondly, Sagar itself then had an option to infuse a part, but Sagar preferred to infuse that ₹10 plus ₹27 as a premium. So as to ensure that the minority shareholders would have a good return on a medium to long-term as the asset would turn around. So from a ₹293 crore, we have reduced it to ₹91 odd crores in terms of the paid-up. That is the first part.

The second part is the absolute minority shareholders, less than 20 shareholders, though might believe that they are getting one share, but even a one shareholder would remain as a one single shareholder. So that has been kept in mind and we have taken care of it. For every 100 shares, the -- above 100 shares, every individual whoever is owning it, you will get five shares for his 100 shares of the owning those shares, Mr. Ritesh. That's the structure. So we strongly believe that the

minority shareholders have been kept in our mind in the overall kind of restructuring of the capital is concerned.

**Ritesh:** Sure. And sir, how should we look at the effective tax rate of that particular entity?

**Sreekanth Reddy:** Yeah, I think we should be in MAT for at least a couple more years because there is an accumulated loss of more than ₹1,000 crore.

**Ritesh:** Sure, and sir, last question, will we look to simplify the structure going forward, say, three years out, five years out?

**Sreekanth Reddy:** At this point of time, it is too soon. So we would -- for the next three years, we know we would want to stick to what we have clearly stated before we would turn around, we would be happy to come back. But at this point of time, since it's just come into the fold, yes, this is the plan that we have sir.

**Ritesh:** Sure. Thank you so much sir. Wish you a good luck. Thank you.

**Sreekanth Reddy:** Thank you, Mr. Ritesh.

**Gavin Desa:** Thank you. We have a couple of questions from the chat. Is there any plan to merge Andhra Cement with Sagar Cements over the next two to three years? Or would Andhra Cement continue to remain as a separately listed entity in the long-term?

**Sreekanth Reddy:** Yes, for this question, I just addressed. Yeah, let me repeat once again. The plan at this point of time is to stick to what we have indicated that we would want to keep it listed. Yes, we need to reduce it to 90% in the first 12 months, before the end of 12 months. And before the end of 36 months, we need to dilute it to 75%. So when we reach to that point, we would want to take the call. But for such time, we would want to -- we don't want to stick to this plan.

**Gavin Desa:** Thank you, Sreekanth. Since we do not have any further questions, we could close the floor. Sreekanth, would you like to make some final comments?

**Sreekanth Reddy:** Yeah, thank you, Gavin. We would like to once again thank each one of you for joining the call. I hope you got all the answers that you are looking for. Please feel free to connect our team at Sagar or CDR if you need any further information or you have any further queries, and

we'll be more than happy to discuss them with you. Thank you. Have a good day. Thank you.