



# 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

SH/

07.11.2023

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, 5<sup>th</sup> 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 01.11.2023, please find enclosed the transcript of the conference call (concall) held on 01.11.2023 with representatives of various Investors / Analysts on the unaudited financial results of the Company for the quarter and half-year ended September 30, 2023.

Thanking you,

Yours faithfully,

for THE INDIA CEMENTS LIMITED

**COMPANY SECRETARY**

 Encl.: As above



“India Cements Limited's Q2 & H1 FY'24 Earnings  
Conference Call”

**November 1, 2023**



**MANAGEMENT: MR. N. SRINIVASAN – VICE CHAIRMAN & MANAGING  
DIRECTOR, INDIA CEMENTS LIMITED  
MR. RAKESH SINGH, INDIA CEMENTS LIMITED  
MR. VENKATESWARAN, INDIA CEMENTS LIMITED**

**MODERATOR: MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA)  
PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the India Cements Q2 & H1 FY24 Earnings Conference Call 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 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. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you. And over to you, sir.

**Vaibhav Agarwal:** Yes. Thank you, Rio. Good afternoon, everyone. On behalf of Phillip Capital (India) Private Limited, we welcome you to the Q2 & H1 FY24 Call of the India Cements Limited.

On the call, we have with us, the entire Senior Management Team of the India Cements. I would like to mention on behalf of the India Cements Limited and its management that certain statements that may be made or discussed on this conference call maybe forward-looking statements related to future developments and based on current expectations. These statements are subject to a number of risks, uncertainties and other important factors that may cause actual developments and results to 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 Company, for his opening remarks, which will be followed by an interactive Q&A. Thank you and over to you Srinivasan, sir.

**Management:** Thank you very much, Vaibhav. The performance of the Company continues to improve. If we look at the quarter under the review, I think we should look at the quarter under the review plus what can be a legitimate expectation. The Company came under severe strain because of working capital problems. But yet, the Company has met all its obligations to creditors during the period.

Prices of cement have firmed up during the quarter under the review. There was firmness in demand, but it did not result in prices going up. But during this quarter that we are going through, the prices have gone up and the prices are reasonably firm with the consequent result. The demand for cement is reasonable in certain parts of India, North and maybe even east. The capacity utilization is quite high. In the south with capacity overhang is so high. Still, the capacity utilization is something to be desired.

But having said that, I also want to say that infrastructure spending, which so far has been restricted to the North India has come to South. As a result of this, demand in the South also picked up and with the arrival of infrastructure spending in this place, we expect the demand to go up with the consequential increase in prices also. Price is firm, as a result of which a lot of things can get corrected.

One problem we had during this quarter was that we could have sold more if we had better working capital. Our working constraints imposed by the working capital management forced the Company to sell less than they otherwise would have. But still under the circumstances, the performance has been quite good.

To sum up, I think the worst period starting with the COVID to now is over. We can look forward to better days with the good demand, firm prices.

I will be happy to respond to any questions.

**Moderator:** We will now begin with the question and answer session. The first question is from the line of Amit Murarka from Axis Capital. Please go ahead.

**Amit Murarka:** After quite a long time, we have seen finally cement price hikes coming through in the southern market. I just wanted to understand like how sustainable do you think this increase can be given that we have seen like ups and downs in cement prices?

**Management:** I did not understand your question completely. Can you repeat?

**Amit Murarka:** I was saying cement prices have gone up in southern markets in October after quite a long gap. I just wanted to understand like the sustainability of this price hike.

**Management:** You see, south has always been an area where the production is more than the demand. It is only now that infrastructure spending is coming in south. This has resulted in an overall increase in demand and companies which are operating at higher CAPEX than earlier. So, in my opinion, the increased demand will continue, and along with it, the present firm price regime will continue.

**Amit Murarka:** Generally, in the last couple of months like the demand has seemed to be softening in south versus like what we saw in the first half of the calendar year. So, is it like a temporary thing or how to read that?

**Management:** Demand has not softened. This is the general holiday season. See, we have Dussehra, then we have Diwali. See, the people look forward to this part of the year to go out, to do what they want. So, I don't attribute the fall in demand, if at all, the prices of real estate, prices of built houses are still very, very high, and according to me if you see a glitch, it's temporary.



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- Management:** Actually, I'm surprised because our numbers show that the demand has been good and it's growing at more than double digits.
- Amit Murarka:** The growth rate was almost 20% or so in the first half. It's still good, but I mean the number seems to have gone down to close to 10%.
- Management:** It's the base effect, but otherwise the demand is reasonably good in south. In fact, we normally see a lower growth during this period, but okay so far, that's what it is.
- Amit Murarka:** Any update on your expansion plans and the deleveraging plan, the land bank sale and all that?
- Management:** We originally wanted to set up a plant in Damoh in Madhya Pradesh. Because of working capital, because of the cost, we stepped back and then we were hit by the COVID. As a result of it, our plans have changed a little.
- Management:** You are aware we have sold a parcel of land in Vizag which we have not accounted for in this quarter, but we have sold it, advances have come. Selling a land is not as easy because you should get the right price for the land which we are going to sell. So, it is something an ongoing process. As and when we get a good deal, we're going to sell further land. Whatever we told in the last quarter results time, the same thing stands, we are looking for right buyer at the right price, that's our stand.
- Moderator:** The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.
- Prateek Kumar:** You mentioned prices are strengthened and they are now reasonably strong -
- Management:** Your voice is echoing a bit.
- Prateek Kumar:** So, I was saying that prices have gone up and you said there are like reasonably strong sale. So, historically I know that the contribution of cement in construction of houses, etc., is low, but fairly enough, the builders association have revolted more in south than anywhere else in the country on the price increase. This time it doesn't seem to be happening. So, all that are like sort of settled now and likely to come.
- Management:** Are you asking whether there will be any cap on cement prices?
- Management:** I will put it differently. The way it is that the prices which we have reached now is still lower than what we used to have a year and a half back. See, for example, Chennai prices used to be Rs. Rs.440, Rs.450. What you were saying maybe true to some people, let's go and address other thing. Today, even after increase, we are still at Rs.400 and therefore there's a lot of headroom for us to increase prices further. We'll see as we go along. That is the reason why nobody is making any noise about it.

- Prateek Kumar:** So, that problem should not come forward. For the reasons of competitive intensity, the prices come back or otherwise not because of the –
- Management:** But I want to add that in a construction, 20% is the cost of cement. Today, the flat prices, built up buildings going up very high. Compared to that, cement is very subdued. And really it's not the contributor to the increase in the flat prices.
- Management:** In Chennai, nothing less than Rs.10,000 per square feet. About Rs.200 per square feet is the cement cost in it, logically, they should do, but then anyway -
- Prateek Kumar:** What will be our volume for the quarter and other details around RMC income and windmill income?
- Management:** Shipping was Rs. 5.6 crores with an EBITDA of Rs.0.96 crores. Windmill was Rs.10.6 crores with an EBITDA of Rs.8.7 crores. RMC was Rs.28.6 crores with an EBITDA of Rs.1.3 crores.
- Prateek Kumar:** And the cement volumes for the quarter for the Company?
- Management:** 23.70 lakh tons total.
- Moderator:** The next question is from the line of Parth Bhavsar from Investec. Please go ahead.
- Parth Bhavsar:** In the last few calls, we've been talking about some of the operating efficiencies that we were planning to bring in. So, is there any update on the same... where are we over there?
- Management:** The update is that the experts have studied the plants. They have suggested remedies, they have suggested improvements which are work-in progress.
- Parth Bhavsar:** What sort of CAPEX can this entail and what sort of cost savings this would bring in?
- Management:** See, we have been assured that at least Rs.250 per ton will be the reduction in variable cost. At the same time, the cost is not very much. I don't know if you're a technical person, but I am prepared to explain to you.
- Parth Bhavsar:** Sir, can you put any timeline on this like by when can we expect this to come in?
- Management:** 10-12 months.
- Parth Bhavsar:** We've started already incurring CAPEX on it?
- Management:** We are looking at the low hanging fruit. First is without much CAPEX. Our CAPEX will be on the coolers and in case we change the vertical roller mill in one of the plants. As we go along,

we will receive money which we have advanced to come back. I mean, it's an ongoing progress and we are quite happy to report every quarter.

**Parth Bhavsar:** One bookkeeping question. Wanted to know what was the fuel consumption cost for the quarter on kCal basis?

**Management:** 2.04 per kCal.

**Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

**Saket Kapoor:** Sir, firstly, if you could give us the trade and the non-trade mix number for this quarter and the first half? And sir, when you are very well articulating to the fact that infrastructure thrust has moved to south. Can you pinpoint the key projects or the states where you are seeing the activities picking up, whether these are irrigation projects, whether these are housing, where is the incremental demand that you just articulated to is propping up?

**Management:** Demand, Mr. Rakesh Singh will answer. Your other question, Mr. Venkateswaran, will answer.

**Management:** 58% was a trade, balance was non-trade. See, the demand for real estate is what we call individual housing remains very steady around between 50% to 55%, but the areas where the growth is coming in is basically infra projects like metro and road. These are the two things where a lot of activities happening in south especially Tamil Nadu, Kerala and Karnataka. Low cost housing is driving a demand a little bit in Andhra. And generally, growth around Hyderabad is what is driving the growth in Telangana. This is how I can define south.

**Saket Kapoor:** The EBITDA per ton for this quarter and for the first half?

**Management:** EBITDA per ton for the quarter was around Rs.59 and for the first half it was around Rs.51.

**Saket Kapoor:** What should be the likelihood improvement as anticipated for H2? For the quarter the volume was 2.3 million as mentioned. So, what was the first half volume and what are we anticipating for H2?

**Management:** First half was 50.4 lakh tons.

**Management:** We expect around 55-60 lakh tons going forward of cement to be sold, and we can't be making a statement of how it will look in the future. But you can be assured that the variable cost will come down and the prices should remain steady at this level.

**Saket Kapoor:** I think for H1, we have been posting cash loss. So, how are we funding these cash losses?

- Management:** In the first half, we have recovered advances to the extent of almost Rs.200 crores, plus also we have sold some land. You must have read in the papers, and it's also what was talked about by our M.D. in the initial opening remarks, Ultratech, we have sold some land for which we have received the money also, that is there as part of the notes, we have been managing it. We had about 240 crores of extra money came in.
- Saket Kapoor:** Two more questions. First of all, the capital work-in progress, that has moved up from 313 crores closing number for March to 371 crores. So, if you could give us some color –
- Management:** This is particularly with regard to cement mill in Sankarnagar, which is to be capitalized in the month of October.
- Saket Kapoor:** I didn't get this. Come again.
- Management:** Vertical roller mill we have put in Sankarnagar, our first factory and that will get capitalized in the month of October.
- Management:** Balance represents the waste heat recovery and purchase of land, etc., in other plants.
- Saket Kapoor:** In total, what will be our capacity for the WHRS, sir and the net debt number and the cost of funds?
- Management:** WHRS capacity is 8 MW. It is work-in progress also.
- Management:** There is 8 MW plant in Vishnupuram and 8 MW is work-in progress in Chilamkur.
- Saket Kapoor:** Total is 16 MW?
- Management:** Yes. Eight is work-in progress what you see and part of it is because of that.
- Saket Kapoor:** The net debt number and the cost of funds?
- Management:** Rs.2,807 crores is the total debt in September '23 and cost of funds will be 9.85%,
- Moderator:** The next question is from Ritesh Shah from Investec Capital. Please go ahead.
- Ritesh Shah:** Two quick questions, Sir, first, you indicated, fuel cost on a consumption basis for this quarter I think at 2.04. Sir, how should we look at this number for the quarter ahead? And if you can highlight if you have any inventory for pet coke or coal and what is the average costing over there?



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- Management:** The cost for the current quarter was around Rs.2.04 per kCal and we expect that to continue till December approximately.
- Ritesh Shah:** Second question is sir, how should we look at the cement prices on north of south and south of south -- are there significant trends or the price increases what you are hearing about nearly Rs.50 per bag, is it across the entire four, five southern states?
- Management:** More or less, everywhere we have got an increase of Rs.50 at least. I understand what you're coming from. Maybe the increase when we initially started in Telangana was a little higher, but in real terms increase what we get in the marketplace is around Rs.50, Rs.60 in all the states... maybe in Kerala, it is little less. Average of our Company has got Rs.50 for this month of October.
- Ritesh Shah:** How should we understand this price increase -- is it on to offset the cost inflation or are we looking at spread expansion into say Q3 and Q4, if it sustains?
- Management:** See, the price increase is much needed because the cost went through the roof on the back of coal prices. So ultimately, the price of cement has gone up to offset the cost that had been incurred. As a result of which, some kind of balance is being struck.
- Ritesh Shah:** Would it be possible for you to quantify how much is the fly ash and slag procurement rate? Is there very significant inflation that we are seeing over here that's also one of the reasons for the cement price increases?
- Management:** In south if you see except for a small pocket of Vizag area, slag is not used much, it is a fly ash which normally goes into blended cement and that cost is more or less in line with the contracted rate. Only the availability became an issue in between. Otherwise, cost is I won't say the major difference coming out of that.
- Moderator:** The next question is from Saket Kapoor from Kapoor & Co. Please go ahead.
- Saket Kapoor:** What explains this increase in the employee cost, sir? It is now closer to Rs.99 crores for the quarter.
- Management:** You're talking about sequential quarter?
- Saket Kapoor:** Yes, sequential quarter also and year-on-year also --
- Management:** Sequential quarter, annual increments have been given, it represents the increase that was given to them. For the first quarter also, it has been given only in the second quarter because the appraisals got over only by June. So, July, August, September includes the increments given for the first quarter as well as the second quarter.

- Saket Kapoor:** Can you give me the volume for Q2 last year?
- Management:** 22.54.
- Saket Kapoor:** So, there is a 10% decline in volume year-on-year?
- Management:** Year-on-year there is an increase of 5%; 22.54 has become 23.70.
- Saket Kapoor:** Sir, when we look at your other expenses cost and all, that has also not been proportionate and have been rising on a sequential basis also and year-on-year basis also. So, is this a variable part?
- Management:** Sequential basis, majority is only on account of two items. One is with regard to some gold distribution that were done with sub-dealers in certain parts of north. Two is repair cost has gone up marginally. These are the two major contributors to the increase on a sequential quarter.
- Saket Kapoor:** I've missed your point, sir. Distribution, your line was muffled.
- Management:** See, one of the we have a reward function for dealers in the form of distribution of gold and this was done in Gujarat in the second quarter, and the cost of repairs.
- Saket Kapoor:** So, it will not be a reoccurring item for the next month. Can you quantify the absolute number?
- Management:** See, I think total including gold was about Rs.8 crores and repair costs went up by about Rs.6 crores.
- Saket Kapoor:** But even for year-on-year, this has gone up by 30 crores, so 153 has moved up to 188.
- Management:** Yes, because last year I don't think we had the gold distribution. This year the distribution was planned in the second quarter.
- Saket Kapoor:** Sir, any other non-core asset sale and I think to the land bank monetization which the Company holds, what's the thought process sir? For this year, sir, what are the current maturities... the debt repayment that are scheduled as on 31st March?
- Management:** See, as far as land sale is concerned, we have quite a few parcels which we are trying to sell, but till we get the right price, we are not going to sell it, that we are very clear about it. So, it may take time. So, I can't give you a timeline for this.
- Management:** The total debt repayment for the year '23-24 is about Rs.400 crores. We have still a balance of about 170, 180 crores to be met in the second-half, that is I'm talking from November to March, about Rs.130 crores are due and payable on 31st March. So, between now and 31st March, we will have about Rs.40, 45 crores of debt repayment.

- Saket Kapoor:** If you could just give the numbers again about total debt repayment, is it Rs.400 crores?
- Management:** Correct, for the year '23-24.
- Saket Kapoor:** Out of which only Rs.40 crores are left to be paid in the coming six months?
- Management:** Rs.200 crores have already been completed. Balance 170-180 crores will be paid. About 130 crores of the balance payable for 31.3.2024.
- Saket Kapoor:** Where this repayment will be paid, again marked with our non-core asset sale only since we are incurring cash losses?
- Management:** Till now we have been managing with whatever internal cash flows, as well as getting by way of refund. Going forward, we will be following the same line.
- Vaibhav Agarwal:** So just a couple of questions from my end. Sir, in your opening comments, you mentioned that the volumes for the quarter suffered because of lack of working capital. So, supposedly this working capital problem has not been there, so what kind of volume you would have expected India Cements to do in this current quarter against 2.37?
- Management:** We would do 9 lakh tons/month, quite easy for us.
- Vaibhav Agarwal:** Basically sir, you are saying that we could have touched 2.7 kind of a run rate, but we have done about 2.37, so that is the gap probably hit by working capital, is it fair to say?
- Management:** Yes.
- Vaibhav Agarwal:** The second thing I wanted to ask you, sir, in the last call, you had mentioned that BCG, we have appointed as a consultant and they are about to come up with a final report on the improvements at the Company level. So, is the report there with you now and sir, if you can highlight some of the steps initiated by them and what indications are that asked for?
- Management:** Our system is that every month they tell us what they are doing and what lines they are working on and what will be the benefit. It's not like they write the report every month. So, this is confidential to just to the Company.
- Vaibhav Agarwal:** Thank you, sir. On behalf of PhillipCapital, I would like to thank you for the call opportunity and many thanks for the participants for joining the call.
- Moderator:** On behalf of PhillipCapital (India) Private Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.