SAGAR CEMENTS LIMITED

SCL:SEC:NSE:BSE:2020-21

8th August 2020

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

Symbol: SAGCEM
Series: EQ

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

Scrip Code: 502090

Dear Sirs

Sub: Conference Call on Q1 and FY 21 financial results

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We are forwarding herewith the transcription of the Conference Call held by us on 30th July, 2020 in connection with the recently announced un-audited stand-alone and consolidated financial results for the first quarter ended 30th June, 2020.

Thanking you

Yours faithfully
For Sagar Cements Limited

R.Soundararajan
Company Secretary

Encl: a.a.

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Sagar Cements Limited

Q1 FY21 Earnings Conference Call Transcript

July 30, 2020

Moderator: Ladies and gentlemen, good day and welcome to Sagar Cements' Q1 FY21 earnings conference call. Please note that this conference is being recorded. I now hand the conference over to Mr. Gavin Desa of CDR India.

Gavin Desa: Thank you. Good day everyone and a warm welcome to Sagar Cements' Q1 FY21 Analyst and Investor Conference Call. We have with us today Mr. S. Sreekanth Reddy – Joint Managing Director; Mr. K. Prasad – Chief Financial Officer; Mr. Rajesh Singh – Chief Marketing Officer and Mr. R. Soundararajan – Company Secretary.

We will begin this conference call with opening remarks from the management following which we will have the floor open for an interactive Q&A session. Before we begin, I would like to point out that some statements made in today's discussions may be forward-looking in nature and a note to that effect was stated in the con call invite sent to you earlier. We trust you have had a chance to go through the result communications and documents.

I would now like to handover to Mr. Reddy for his opening remarks. Over to you, Sreekanth.

Sreekanth Reddy: Thank you Gavin. Good morning everyone and welcome to Sagar Cements' earnings call for the quarter ended June 30, 2020. Trust all of you are safe and healthy.

Let me start the discussion by highlighting the key developments across our key markets, post which I will move on to Sagar specific developments.

Starting with our key markets – while large part of the quarter was impacted owing to covid-19 related challenges, we did witness some encouraging signs towards the end of the quarter – as the economy started opening up in phases. Non metro demand as I had mentioned during my previous call continued to remain firm. Talking about South, pricing environment improved on the back of pent up demand and commencement of few mega irrigation projects. East as well witnessed, improvement in prices on the back of strong demand and some supply led disruption. Western region though, saw prices declining largely owing to lower construction activities given higher covid-19 cases and labour unavailability in the region.

Going ahead though, while the situation remains challenging, incrementally though, things have started to improve, though gradually. Labour unavailability issues and supply chain problems are largely getting addressed. All of us are now getting used to functioning in this new normal environment, wherein while the safety issues are still prominent, livelihood as well is now of equal importance. We believe things to gradually improve both in terms of demand and realisations, led by Govt.'s infrastructure push and pick up in private capex cycle.

Moving on to Sagar specific developments, while majority of the quarter was impacted by covid-19 related challenges, we did witness early signs of recovery both in terms of demand and realisations during the end of the quarter across most of our key markets. Construction work across the country as you know was impacted following the lockdown announcement, labour unavailability problems at most of the site and supply chain disruption. However, things have gradually improved, especially post the calibrated opening up of the economy. Demand from non-metro regions has been relatively steady – urban demand is still a bit soft, but should pick up with time. With visibility on the revenue side remaining hazy, we shifted our focus on the cost side – and have undertaken multiple steps towards lowering the costs and improving our efficiencies. Completion of CPP and Bayyavaram unit have started to make meaningful contribution towards driving down our operating costs.

A quick word on our on-going projects at Satguru Cement Pvt. Ltd & Jajpur Cements Pvt. Ltd as indicated in the previous call – we had to push back the completion date by 3 months owing to covid-19 related challenges. But I am pleased to say that the work on the same is progressing well and we don't expect any further delay in the completion of the work. Completion of the work will help us gain foothold in the faster growing markets of the country, which will not only, help grow our business but will also enhance the overall efficiencies of the business.

Moving on to our financial performance for the quarter on a consolidated basis revenue from the operations stood at Rs. 264 crore as against Rs. 344 crore generated during the corresponding quarter last year, de-growth primarily owing to lower sales volumes on account of covid-19 related lockdown . Operating EBITDA for the quarter stood at Rs. 87 crore as against Rs. 79 crore reported during Q1 FY20, up 11% YoY, owing to better realizations and cost management. Average fuel cost stood at Rs. 689 per ton as against Rs. 823 per ton reported during Q1 FY20. Optimization of thermal efficiency coupled with lower fuel prices resulted in lower per ton cost of fuel. Freight cost for the quarter stood at Rs. 704 per ton as against Rs. 732 per ton during Q1 FY20. Profit after tax for the quarter stood at Rs. 36 crore, as against PAT of Rs. 30 crore reported during the Q1 FY20.

From an operational point of view Mattampally plant operated at 33% utilization level while Gudipadu and Bayyavaram plants operated at 45% and 37% respectively during the quarter.

As far as the key balance sheet items are concerned the gross debt as on 30th June, 2020 stood at Rs. 482 crore out of which Rs. 354 crore as a long term debt and the remaining constitutes the working capital. The net worth of the company on a consolidated basis as on 30th June, 2020 stood at Rs. 1,057 crore. Debt equity ratio stands at 0.33:1. Cash and bank balances were at Rs. 19 crore as on 30th June 2020.

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

Gavin Desa: Manish can we have questions?

Moderator: Thank you Mr. Reddy. We will now begin with the question and answer session. You may ask your question by raise of hand in the participant tab of the zoom platform, we will wait for a moment for the questions.

Moderator: The first question is from the line of Madhav Marda. Madhav, please go ahead.

Madhav Marda: Good morning, sir. Thanks a lot for your time.

I just wanted to get your outlook. I mean, I know it's very tough to sort of give any strong outlook on demand. But if you could just give some comments state wise as to what's happening on the ground right now and just near term, if you have any thoughts in terms of how things would shape up, that would be very helpful.

Sreekanth Reddy: Good morning, Mr. Madhav. See, I think on outlook we have clearly mentioned even during earlier call that in these challenging times, keeping an account for the outlook would be a challenge. Therefore, we could definitely give a flair of what is happening on the ground as we speak. As you have seen, post unlocking one, situations are slowly coming back. I would not call it to normal. I think I would call it as near normal. I think we have to start using the word the pre-covid, post-covid kind of scenario. Yeah, June month was fairly strong on a year on year basis. Also, it was very near to what we did in the last year June, July looks to be okay, on a relative scale. August and September, we do expect monsoons to really pickup, We would still think that comparing with last year may not be apt, but we still think that on a relative scale, things are coming back slowly but steadily on to the normalcy side. state by state if you have to look at it. Andhra is doing very well. Thanks to the government orders. The demand looks to be fairly shaping up reasonably well. Telangana also is picking up though most of the places in Telangana specially the large demand Center, which is Hyderabad is still under lockdown, most part of Hyderabad is under lockdown. However, given the scenario, we cannot complain about the demand, what has been. We still think that AP and Telangana together should be close to around 15 lakhs for the current month, which was almost 20 lakhs last year. But last year should not be the ideal number for comparison because we were during the electioneering in Q1 was exceptional quarter last year it was it was extremely strong. So it also got rubbed off into July but August and September last year was extremely bad. So, given that scenario I think we should be near to last year numbers, because August and September numbers were relatively bad; the base also is very low. So, we should be near to those numbers is what we strongly think. Tamil Nadu as you know the monsoon cycle is slightly different from the rest of the other southern states where the demand is study, again it's only on a relative scale. Even Karnataka also is okay because Karnataka bulk of the demand also is dependent on Bangalore and we are reasonably highly dependent on Bangalore compared to most of the other pockets of Karnataka. The lockdown scenario there also is not helping us in any which way. But we think these things should start improving gradually may not be for the current quarter. But we do strongly believe middle to end of Q3 things to start shaping up much better is what we strongly think.

Madhav Marda: And so just, any comments on government spending in each of these states in terms of like the government finances or do you think they will still priorities spending despite revenue constraints?

Sreekanth Reddy: See, I cannot comment much on the fiscal side of states, I think most of them look to be fairly stretched. But what we broadly understand is that most of the governments are preparing themselves for spending on to the construction activities. Yeah, the construction could be which bit longer Canvas irrigation in some states like AP, Telangana, Karnataka, and some of the urban infrastructure and some rural infrastructure, especially the strengthening of road network or low cost housing.

Most of the government started focusing on spending them because post agriculture season, construction sector is one of the sectors which would offer very high employment to most of the Semi-skilled and less skilled kind of people we have seen that taking good shape in Andhra and we do strongly believe that most of the other states to follow this, so singling out which sector which area is always a challenge at this point of time we have seen in Andhra that they have made use of this environment where the employment was one of the biggest challenges, they started strengthening the old school buildings, they started building village Secretariat, they started strengthening the old irrigation system. That's one of the reason why Andhra government has been one of the large consumer. This we have seen only in early 2005, 06 kind of a scenario and that actually similar kind of a thing is what we are seeing here. Other states we expect them to follow but it is too soon. That's what we think.

Madhav Marda: Well, thank you so much.

Moderator: Thank you. The next question is from the line of Gunjan Prithyani. Gunjan, please unmute your line and go ahead.

Gunjan Prithyani: Yeah. Hi, thanks for taking my question. Sir, just first follow up on this demand side. I mean, Andhra you mentioned this government has been a large consumer. So is it fair to say that the normalization in Andhra or in the southern states is more coming? I mean, maybe from Andhra, it's coming more from government than from the trade. I'm just trying to get more color what is really driving the normalization in the southern states.

And secondly, if the comment that you made on the demand matching last year, so I mean, you reasonably expect that from here on we should not see a very significant de-growth YoY, for particularly your markets.

Sreekanth Reddy: Good morning Gunjan. See, I think the what is normalization is a big question. What is driving the demand at this point of time, it's still hazy for us because most of the eyes, legs are not there on the ground. So that is one of the reason why we are not able to really give the outlook for the current year, of course, government has been one of the larger consumer because this was missing last year. So on a relative scale, this makes us strongly think that government is driving it strong, which it is. The other demand drivers are not way behind them. I mean, if they were not doing so, well, I don't think we would have had such a demand or the supply dispatches from our side. But qualifying them at this point of time is a challenge. So we would still need probably some more time before we start analyzing as to what is actually driving the current demand, what it is, at least till September, we are happy that we are able to dispatch. But trying to find we are still working hard to try to find out as to where the demand is coming from. But still we don't have big answers on that, we would be extremely happy to come back and share as and when we start getting more on where the demand is coming from and what the demand drivers are. So at this point of time, it is still hazy. We are happy it is coming. But from where it is coming. Yeah, we are putting enough efforts to know but still we are yet to know of those issues. Government usually in the past for whatever consumption government would do.

Yeah, at least we have seen there was a correlation that the private capex would be twice to that of the government demand and we strongly believe that it should be similar or higher. But for that, today, we are not in a situation to know where the demand is coming from.

Gunjan Prithyani: Okay. And secondly, if you can just give some sense on where the prices are in the respective markets given there has been some softening. So if you can just share where you know what, where are the prices in specific key markets?

Sreekanth Reddy: Yeah, the easiest thing for me to tell you is that the prices have been fairly stable. When I talk of stability I'm talking of June, June exit to so far in July. Yeah, the prices have been more or less very, very static, which is a good thing. Yeah, we again feel that there could be a small softening, which is marginal. It's because of the seasonal correction. The Delta could be anywhere between five to ten rupees on a higher side. But for that we are not seeing a major softening on the pricing. Yeah which is understandable given the weather scenario. But for that, now where the prices are Hyderabad is in a bandwidth of anywhere between 375 to 410 rupees I'm talking about the retail price. Bangalore is in a bandwidth 390 to 410, yeah Chennai also is in the range of 400 to 415 rupees per 50 kg bag. Maharashtra we did see some softening. It's purely I would not call it a softening but most of the key markets at least for us are under lockdown. So is it lockdown impact or is it demand impact? We are not I mean, yeah, the prices look to have softened but the sale is not much. That's what I would like to say.

Gunjan Prithyani: Sir you buy it five to ten rupees you mean that that this is what you're indicating is more from the June exit right there would have been some softening which has happened in June itself. So what would I mean just a broad idea how much would have been a softening since the peak that we saw in May, if you I don't want the market specific, I understand but just broad idea how much the decline.

Sreekanth Reddy: See, I think it is logical for us to speak on the cement realization, which is net cement realization, we have not seen any change on that. So, that that's the easier call because one specific place is always a challenge because it prices market driven. So, there is some volatility, some prices have gone up at some places, some places it has gone down, but at an average, it is easy for us to tell that on the net sale realization, what our observations so far is that there is not much of a change. Not because it’s, it could be with the product mix it could be geographically mix changes and, and as you know, that the government orders are discounted to the market. So any higher

Supply on a relative scale also could impact the net sales realization. But on a net- net Yeah, it looks fairly stable, which is a very heartening thing.

Gunjan Prithyani: No, it's really good to hear that. I'll fall back in queue.

Sreekanth Reddy: Thank you.

Gunjan Prithyani: Thank you so much.

Moderator: Thank you. The next question is from the line of Sanjay Nandi. Sanjay, please unmute your line and go ahead.

Sanjay Nandi: Good morning, sir. Yeah, thank you for the opportunity. Sir, can you please share the current utilization scenario in the month of July.

Sreekanth Reddy: Sir it is too soon. We need to do the reconciliation for July month, I think we have to wait till the first week of August, before I can comment on it. It's an ongoing thing. So we need to do quite a bit of reconciliation across all the units and especially the, are you talking in utilization in terms of production or you're talking in terms of the sale.

Sanjay Nandi: In terms of production Sir,

Sreekanth Reddy: Sir, I think production is a function where we try to balance the inventories. So, that may not mean much. Yeah because we have shut the Gudipadu plant for more than 15 days, because we were with a higher clinker inventory. So, that may not mean much. But having said that, we would be extremely happy to update the exchange as and when we reconcile all the assets from the production and the dispatch perspective, which we generally do during the end of first week to the early part of the second week. We will be happy updating that.

Sanjay Nandi: Sir, one thing Sir, we just observed like in our company, we have just registered a very good like kind of volume, like least volume drop compared to other companies like India cement, Orient cement. Sir, what might be the reason for that, like, did we manage to sell something in some different markets or pockets or changing some sales mix? You can throw some light on that.

Sreekanth Reddy: Mr. Sanjay, you have to understand here. We are an industry player. I don't think we have done anything very different from them when it comes to the sales sir. Our product mix, I would not call it as unique we have GGBS we have specialty cement.

So, that probably has given a higher number because our sale figure constitutes all these products. So, we have GGBS which is being aggressively used by most of the RMC players in the Vizag. Market, as well as some of the pockets of Amaravati and at the same time we also have SRC (Sulphate resistant cement), probably these are the numbers and what I would like to highlight here is probably the April month performance. Not all the companies were in the close proximity of some of those government emergency works. So, I think April month probably would have been the difference because what we have seen is during that time, most of our industry peers, not all of them were dispatching because we supplied quite a bit of material to GHMC and kaleswaram project during the April month, probably that that's the difference along with the GGBS and the SRC or else, it should have been same as most of the other players our average capacity utilization as indicated sir is below 40%. So I don't think we are very different from most of the other players.

Sanjay Nandi: Okay. And my last question sir, like what is our focus like in three years down the line like in the next year FY21, we are planning to come up with our central India plant along with the Odisha plant, so which will be heading to?

Sreekanth Reddy: our focus remains on selling of cement, so that I think we have been extremely focused on doing that. So we would continue to do that. As stated before, sir, we have two ongoing projects. So beyond this, we have nothing much on hand because these are in early stage or we are good 12 months away or slightly more than 12 months away from doing it. So for next couple of years, I think commissioning these two assets and stabilizing them is our priority. And that remains the priority for us. These two assets are key for us to get into those markets, which are relatively better performing when it comes to the demand related issues. So our priority has been that and that remains for next two years.

Sanjay Nandi: Sir, did we plan any product mix for those two markets like for the central and western market?

Sreekanth Reddy: Sir, I wish we had that flexibility. We go with what the customers would want in each of the region. We have indicated the current product mix for us is 48% blended. Ideally, we should have been more, but we have very limited choices because we go with what market would want. So that's what we end up doing. Fortunately, the Orissa market, the PSC is a very popular product. And we hope to do most of it in the grinding station that we are coming up with, whereas in Madhya Pradesh, if I have to look at the regional peers there, I think most of the people do the PPC there. So I'm sure we would be along with that. There we go with the product based on what the market would want in each of the locations where we are in.

Sanjay Nandi: Right Sir, thank you so much.

Moderator: Thank you. The next question is from the line of Nalin Shah. Nalin, please unmute your line and go ahead.

Nalin Shah: Hello, this is Nalin Shah. Sreekanth at the outset I must congratulate on a very very good performance considering the lockdown and all this you know the pandemic which is going on. I'm sure that it gives us a lot of confidence that if the rest of the year you will be performing much better than what you're performing probably the few one also. I want to see that this expansion is going to cost how much you know currently you are about to use it for 470 crores as a debt. So, how much more you will be spending on that.

Sreekanth Reddy: Good morning, Mr. Nalin. See, we did make it part of the presentation package. Sir, just for your convenience. These two projects one in Madhya Pradesh and the other one in Odisha. Two together are costing us close to 800 crores Out of that the equity component is close to 300 crores and the borrowing is close to 500.And this will happen over the next two years. The drawdown would happen on next two years. The current debt is at 480 odd close, this includes the working capital and also the long term loans. The long term loan is to tune of around 340 odd crores, the long term debt should peak up for next year, close to 800 crores on a consolidated basis because there would be some payout and some borrowing. But we think the peak debt post implementing these projects should touch 800 odd crores on a gross debt side. So that we should be touching somewhere around end of next year. So that would be the peak debt, is what we think would be touching it 800 on higher side.

Nalin Shah: What is the average cost of this debt and secondly on the equity side, you will be considering raising some equity by way of either rights issue or QIP or any such method.

Sreekanth Reddy: Yeah, Mr. Nalin, the required equity has already been raised. I'm sure you would have seen the warrants which were issued in January of 2019 were fully converted last month. So with that we've completely raised the equity. Equity was almost 225 crores of equity was raised, for the same purpose. Out of 800 crores equity plus internal accruals we are pegging it at 300 crores. We are we are done with the contribution of the equity as well as the internal accruals for the project, the debt is not fully drawn Sir, so limited debt was drawn. So, what we generally do is to optimize on the interest during construction, we only start drawing the debt once the equity component is already done.

Nalin Shah: So, no more equity raising will be there. That is what we want for this expansion.

Sreekanth Reddy: Yes, you're correct.

Nalin Shah: Okay. Thank you very much.

Sreekanth Reddy: Thank you.

Moderator: Thank you, sir. The next question is from the line of Amit Morarka. Amit, please unmute your line and go-ahead.

Amit Murarka: Good morning and congratulations on a great result.

Just a couple of questions. One on the regional capacities, could you help understand like the plants of Chettinad, of Penna, I mean, what is the status. Sir, they were due to start anytime now.

Sreekanth Reddy: So both have been commissioned sir. I think penna was commissioned close to six months to nine months back Chettinad from what we hear that they already got the CFO.Though they were ready I think they were waiting for some approvals, from the market forces we believe it is already done.

Amit Murarka: Okay, Penna had some issues in the plants, have they stabilized operations I mean.

Sreekanth Reddy: I have no idea on the inside but we know that they have been commissioned and they are running, is what, we think they are running so.

Amit Murarka: And on the cost side, like while we have reported a great cost control in the quarter. wanted to just understand like how much of this sustainable introductions and dealer expenses on some other fixed expenses as well.

Sreekanth Reddy: Sir, that actually gets reflected in our net sales realizations. So far some of the I would not call cost management or cost control, since most of the travel bills are lower, so the sales relate it also added up to the sales realization sir, but for that rest of all the other cost management is more on the production. So, though in our case, fuel is one of the major cost line item and where we could see on two counts one the efficiency improvement from the plant and at the same time the procurement cost both were lower. Yeah, that looks to be sustainable in our case because we have stocks all the way up to end of December. So, the policy was to be hedged these fuel for six months ahead. It worked well for us. So, our cost on the fuel side looks to be well within control all the way up to the end of December. So even for the next quarter, though, we are seeing that Pet coke prices are slowly inching up. We are reasonably sure the cost may not significantly be very different from what it has been so far. Yeah, the only cost item which is looking up for sure. And from the last quarter to this quarter is the freight, because as you've seen the diesel price has gone up quite sharply. So we see anywhere between five to seven and a half percent for sure, incremental cost going both on inward and outward freights. So net-net we see that whatever savings that we are expecting out of the fuel savings should be offset with the potential freight increases that are on hand sir. We are keeping our fingers crossed and hope that there would be no further surprises when it comes to the diesel price. The way it is, it looks like we were very well shielded during Q1. But we had to take the freight increases from first week of July itself. But at this point of time it looks like the freight increase is being more or less offset with the cost savings that have been there in the setup. But the current outlook, which is very much in the control is that cost may not surprise either positively or negatively is what we think, it might remain more or less stable is what we think for the current financial year.

Amit Murarka: Thank you.

Moderator: Thank you. The next question is from the line of Pritesh Sheth, Pritesh Sheth, please unmute your line and go ahead.

Pritesh Sheth: Yes, thanks for taking my question. Firstly, congratulations on very good set of numbers despite the challenging time we are in. My question is, since there is a lot of fuss about increasing government procurement, I wanted to understand so as I understand it as FY 19 was the peak when government procurement was highest we saw in the last cycle. So what was the government demand proportion versus the total demand in FY 19. And what is it comparatively now?

Sreekanth Reddy: Sir as I mentioned, trying to analyze the demand drivers and comparing them at this point of time is a challenging thing for us. But what I would like to state is that the proportion of government, direct government Vis a Vis to the general government kind of a thing. We could not do even in FY 19, because at that point of time, government was procuring in a very limited quantity that to only for housing. That was a direct government purchase were we were supplying the Indent has to come from the government and we used to supply but there were a lot of supplies that went through contractors to most of the government projects. Now, Andhra government, most of the government supplies directly or indirectly is being procured by them. But still, there are some ongoing projects where we are still supplying to the contractors.

So what we place is we place in these two separate buckets, the government we call governments only when government has placed the indent and we have supplied to them. Whereas for the government projects, we have supplied to the contractor's sir it is part of the non-trade. So, there is some amount of realignment that is happening in Andhra, but most of the other places, though, we will be supplying for government projects, but the indenter would be contractor and we would be supplying to contractor and sometimes this contractor will also buying it from retail. So, that kind of a classification, given the current people not being available on the ground, it's too, too ambiguous. And I would not like to keep my neck out to give break up on that. It's too soon for us sir but would be very happy to come back to you. Yeah, we're trying to understand that. But at this point of time, I don't have a good answer. So I would like to pass and want to revert back to you with the percentages once we get to know of it.

Pritesh Sheth: Okay, let me put this question other way around if, I can get the answer. off the understand if FY19 Ap, Telangana were around 30 million tonne of volumes for the full year, how much in your estimation would have been from government and government related projects?

Sreekanth Reddy: Out of 30 million? I'm sure.

I just don't want to give a number just because you have asked sir honestly, that track is always a challenge but educated guess is that it should be a minimum 25% to 30%. But that's only an educated guess.

Pritesh Sheth: Okay. Okay, Got it. And also on the pricing front, I understand the Telangana government which I mean the project housing project they are planning to do right now. There have been some negotiations in terms of pricing and what cement companies would charge for those. So how much on a ballpark would that be different from the current retail pricing?

Sreekanth Reddy: Sir, there are two governments where they have already fixed the price for us in the markets that we service sir, one is Andhra government. Yeah, the OPC has to be serviced at Rs.235 and PPC Rs.225. So Telangana government for some of the projects it's not just for the low cost housing sir but there is also something called the rythu bazaar which is the farmers market, there is a specific program that is happening. So for these Telangana government also has agreed at Rs.235. Now, these are on FOR fully serviced. Yeah, but these are not. Now if you have to compare with the pricing for the markets that we service sir, I think a discount of anywhere between 25 to 30% has to be applied.

Pritesh Sheth: Okay, okay. Got it. Thank you. That's it for my side. For now, I'll turn back in queue if any further questions.

Moderator: Thank you. The next question is from the line of Mangesh Bhadang. Mangesh please unmute your line and go ahead.

Mangesh Bhadang: Good morning sir and congratulations on very good set of numbers. Sir couple of questions from my side, firstly on the cost side. So, this quarter we have seen a decline in utilization which is already lower. But despite that, you along with various other companies are reporting decline in variable as well as fixed costs. So, basically the bottom costs have come down. So, how do you explain that, you know, how much of that is because of know, the cost cutting measures or efficiency measures, which can continue in the subsequent quarters and how much probably could normalize again, that's the first question and the second is, I think, by third quarter of next year both the expansion would be completed. So, how do you in the first 12 months how much utilization Do you expect it to achieve?

Sreekanth Reddy: Yeah. Thank you Mangesh. Yeah. From what I understand. You're looking at what is the sustainable costs, say costs and which are unsustainable?

Mangesh Bhadang: Yes sir.

Sreekanth Reddy: From a sustainability perspective, sir, I think the big cost item is the fuel cost, the thermal fuel cost, which is the pet coke or the coal. Yeah, I can only comment for myself. That is for Sagar that we are covered up to December. So more or less, we don't expect a major cost changes to happen when it comes to the fuel sir. Now when it comes to the employee cost sir, yeah, the conscious call that we have collectively taken at Sagar is that, we would want to take the increment calls only post September. Once we see how the company is going to perform and then take a call. So right now we are still going ahead with the costs of last year. But given the first quarter and likely second quarter, kind of a performance. Yeah, there could be an incremental cost when it comes to the employee cost in our case sir. Yeah, absolute number, though at this point of time remains the same, but we expect 10% to go up going forward. And that has to be adjusted for the full year. It's not that we will be paying only for the six months the increment, because it's a purely performance kind of a decision. If you are doing well. We expect costs on that count, to go up the next cost item so far we could manage for the Q1 on the freights, it remained relatively subdued, but going forward, and for sure, we took a seven and a half percent kind of an increment on the Freight that is definitely expected to go up. How much again is going to be decided by the diesel price. So far what we have seen it went up by seven and a half percent from exit of June to entry of July itself. That correction is done. So far, there is no changes in the diesel price. So for the whole of July. Yeah, it is it Seven and half.

Mangesh Bhadang: Will it be that there will be a change in lead distance as well, compared to Q1?

Sreekanth Reddy: There could be sir, again, it is a subjective issue. In our case, the government orders fortunately, all the strategic decisions that we have made in the past are actually working extremely well in our case, because the government orders which looked to be steeply discounted, specifically in our case, because our locations are reasonably spread out in Andhra, so even for those orders, there is a decent margin for us. It may not be the case for most of the other players, but in our case, there is so the freight costs. The lead distance again is subject to how the government orders are likely to shape up. But we will be way below 300 will we be where we are right now. Yeah, that's something which I will keep my fingers crossed, and hope to be lower, but we strongly think that we should be below 300 that that's the narration that I can give you at this point of time, because it's a, it's a variable issue.

Mangesh Bhadang: Yeah, and on the expected capacity utilization.

Sreekanth Reddy: That we are good 12 months to 15 months away. If the markets are going to shape up well, we don't see a big challenge with the ramp up of those markets sir, because those markets are in a big demand. So we don't see a major challenge with the ramp up there. And as such, one of the location is in a very strategic way were the key markets, which could service, the delta between some of the other players to us there is freight difference itself is quite large, so we don't see a ramp up issues in those markets.

Mangesh Bhadang: Okay, so we can assume 60, 70% in the first year of operation?

Sreekanth Reddy: No, that again, if we commissioned in September, so we have six months. So for that six months, if we have 60%. effective for full year, it should be anywhere between 30 to 40%.

Mangesh Bhadang: Okay Sir, thanks a lot.

Sreekanth Reddy: Thank you.

Moderator: Thank you. The next question is from the line of Prateek Kumar. Prateek please go ahead.

Prateek Kumar: Yeah. Good morning sir. My first question is related to. So, this you mentioned about this Government procurement price, at specific prices that is Rs.225 to 235 for both AP and Telangana markets. Telangana you mentioned but I think in AP also there are similar thing. So, what proportion of your total volumes goes at this price?

Sreekanth Reddy: See, I can only comment on what has happened so far going forward. If government procures more I cannot give a right number but so far it has been close to around 12%.

Prateek Kumar: 12% of the total hundred percent volume goes at this price or only of Telangana volumes you're mentioning?

Sreekanth Reddy: No, I'm commenting on the both AP and Telangana full volumes. Yeah, we are close to around 12% and on a full volume. See, again, we have a different product mix. Should I add GGBS? Should I add SRC, which is very specific to those projects? If I have to add overall, sir? Yeah, for the full quarter. Of course. April, we did not supply much. Yeah, we did close to around 27,000 out of 550,000. But that was that was for the Q1 that went by going forward if government procurement goes up, yeah, but I think it is safe to assume around 10% of it will be below 10% of our full volumes would be going at these prices.

Prateek Kumar: Right and there has been a recent explosion in number of cases, COVID cases in AP market. So which is slightly worrying, but is that have any impact on your retail market or any local lockdowns?

Sreekanth Reddy: Yeah, prateek I think COVID did impact us sir. So singling out some of the markets which were active are actually closing and vice versa, some of the markets which were closed are also opening up. Net-net it did impact and it I think it will impact for some time going forward. Even at our plants, Mattampally and Bayyavaram so far fortunately we don't have any infections, but in Gudipadu and in our head office, yeah, we have seen some of them have tested positive. The only heartening thing is that it is a mild infection. So leave alone the markets sir, cement plants are usually are far off from most of the urban centers, but still the infection looks to be spreading. So, it is influencing so that’s one of the reasons why we are not in a position to really give any Outlook as to how the impact is going to happen.

Prateek Kumar: But June was strong because of rural segment right.

Sreekanth Reddy: Sir, let us not latch on to that rural and urban kind of a scenario sir. I think it's a Non Metro market. But just to give you an update sir, pre COVID our exposure to some of the large Metro districts was close to 40% of our total volume sir. post COVID or post during the Q1 to those same very districts. It's not that it is zero, yeah it is it 30% of our total exposure. Now, you tell me Should I say that we have larger rural demand or lower urban demand, I think COVID is impacting sir. Yeah, it is known that the most of the large metros were the first places to get influenced, but now it looks like unfortunately, it is spreading. In our case. The most of the government projects are in the rural landscape. So if you think that it is rural demand, it should be doing well because government is doing very well especially in Andhra.

Prateek Kumar: And one last question on a Pet coke prices. So what are the and you mention about increase in prices, what are the prices according to you international Pet coke?

Sreekanth Reddy: See, I can only comment about at what price we are buying. The Last Ship that we bought was at around 57$ So, now people are negotiating anywhere between 72 to 75$.

Prateek Kumar: And these are FOR prices

Sreekanth Reddy: FOR ex-port, for us Krishnapatnam is the port that we generally make use of Sir, so.

Prateek Kumar: Right. Thanks and I'll get back to the

Sreekanth Reddy: Thank you, sir.

Moderator: Thank you. The next question is from the line of Rajesh Ravi, please unmute your line and go ahead for your question.

Rajesh Ravi: Hello, yeah. Good morning, sir.

Sreekanth Reddy: Good morning Mr. Rajesh.

Rajesh Ravi: Yeah, I congrats on the good set of numbers.

I have a few questions you mentioned on the AP Telangana prices Rs.235 FOR, on a likely basis is how the margin you know, retention or contribution or would you is know be different when supplying to this project versus normal sale.

Sreekanth Reddy: Mr. Rajesh, as I told you on the realization front, it is 25 to 30% discounted, but on a net-net on an NSR or the EBITDA contribution. what is it 1500 for us as an overall mix? Yeah, the government contribution is close to anywhere between 750 to 800.

Rajesh Ravi: Okay, so it's around 700 rupee difference, so if at all, you know, okay, so now this is fixed, we're seeing higher on the, you know, the prices, so this 235 would be a stable price or would it also change along with the you know, if the retail prices come down

Sreekanth Reddy: Here it is it is agreed for one-year sir

Rajesh Ravi: okay.

Sreekanth Reddy: But there is no sanctity to any of the commitments either way So,

Rajesh Ravi: okay great. So, at least 700 rupee visibility is there versus 1500 numbers which we are seeing on the retail side.

Sreekanth Reddy: Sir, this Rs.1500 includes the Rs.750 which has contributed that means the other markets contribution is higher. But, what you should understand is on the freight side in our case I can comment that cost looks to be in control that includes the freight because whatever other cost savings we are able to save, it is being eaten away by the potential freight increases. So, net-net it looks flat for us. So, on a static side your understanding is correct.

Rajesh Ravi: Okay, and so on. The debt for the two projects. I understand for FY 20 around 50 Crore was drawn and is my understanding right?

Sreekanth Reddy: Yes Sir.

Rajesh Ravi: And how much has been drawn so far or you know, I understand

Sreekanth Reddy: we were in Covid time Sir; we were in Covid time. So most part yeah it probably incrementally we should have taken around 15 to 20 crores.

Rajesh Ravi: Okay and for this 800 project how much capex has been done in FY 20? And what is the target for 21?

Sreekanth Reddy: Yeah, we will give you the break up, Mr. Rajesh. On a project wise, we will be more than happy to share that ofline.

Rajesh Ravi: Sure Surely sir that I'll check with you. And thirdly, on the blended cement share, which you have shared this on a quarterly basis. What is the thought process would you remain? Because I'm asking this because in the Bayyavaram, you plan to sell more of slag cement and as the utilization improved there, the volume of blended cement shares will go up. So what is the focus like for FY 21 and 22.

Sreekanth Reddy: Sir our focus is customer's choice. So whatever customer would want we have to sell. Yeah, there are instances where we are not in a position to get fly ash because most of the large power plants were shut. But yeah, we would ideally want to do as much as possible, but that's not our choice alone. So, so customer is a key. And what we have seen is most of the government orders are primarily OPC sir. So, they are also we have very limited and more the markets that we service are, predominantly the OPC markets. That's what I would like to highlight. It's not our choice alone, sir, it's a choice of the customer also.

Rajesh Ravi: right, right. And any thought on like, you know, you have been continuously adding capacities and expanding you know, diversifying your market mix, but any thought or any sustainable you know, that you want to achieve or clinker utilization of 70% or you know, 75% in next few years.

Sreekanth Reddy: Mr. Rajesh, do you have a choice sir or if I have a choice, I will do it at 120%. Why it is 100 or 60 or 70%, I think it's not what we want. But yeah, we have to understand the markets that we are in. Yeah, our stated objective is to service the stakeholders in a great way. So that's what is the objective? Rest of all the things it's not what I want alone sir, I mean, I if, if that was possible, then I would always opt for something which is the best, but we have to see what the ground realities are also. Right.

Rajesh Ravi: No, my question was in the context of with this, you know, when you become a 6 million tonne capacity, you know, another 2 odd million tonne comes soon. Would you pause for a, you know.

Sreekanth Reddy: we stated sir, utilization is a function of markets that we service and whatever market offers, I think we will accept it. Yeah, what we have stated is by 2025, we are objectively trying to become a 10 million company. Part of that exercise. Yeah, we opted for those markets, which would offer us higher capacity utilization and a better return ratio. So we are adding this incremental 2.5 million tons to the existing 5.75 million. So by September 21, we should be 8.25 million sir, so we would have another three years, three and a half years before which you have you need to identify the rest of the thing. But we would, what we would like to mention is that we would look at return issues as a key driver, rather than looking at utilization levels alone. I don't see probably even if we were to operate it at 100% and it has no returns. It makes no sense to us. So that's what I would like to highlight. To take an objective is to reach to 10 million by 2025.

It's from the fact that every 10 years we doubled. So that's how, Yeah we should be 10 million by 2025.Part of that exercise. Yeah, we will be coming up with 8.25 by September of 21. Yeah, that gives us ample time for us to come up with the balance.

Rajesh Ravi: Okay. Great. Thank you all very, very soon we'll come back in queue.

Sreekanth Reddy: Thank you.

Moderator: As a reminder to all participants, you can ask your questions by raise of hand in the participant tab of the zoom platform. We'll take the next question from the line of Agam Shah. Agam, please unmute your line and go ahead. Mr. Shah, please unmute your line and go ahead.

Agam Shah: Hi Sir, congratulation on good set of numbers.

Sreekanth Reddy: Thank you shah.

Agam Shah: Just a question. From the follow up like the last question when you're targeting 10 million which by 2025. So the rest of expansion will be towards the central north side or let it say for longer period.

Sreekanth Reddy: Sir at this point of time, our primary focus and the priority is to commission these two sir and we have not yet seen wherever the opportunity offers we go but we are very mindful of the return ratios and the markets that we would want to service in a systematic way. So, we are very sure and clear up to 8.25. Sir, the balance I think we have time more than happy to come back to you as and when we firm up on that.

Agam Shah: **A**pproach for these two plants are on track, or any delays or so we are on track for

Sreekanth Reddy: Yeah, right now, it looks like we are on track for commissioning for September 21. So we should be doing it but for some unforeseen issues it looks to the project looks to be on tracks.

Agam Shah: Thank you and all the best.

Sreekanth Reddy: Thank you.

Moderator: Thank you. The next question is from the line of Sanjay Nandi, please go ahead.

Sanjay Nandi: Thank you sir for the opportunity. Sir, you mentioned like we have already bought pet coke at around $57 per ton right sir.

Sreekanth Reddy: Yes sir.

Sanjay Nandi: So, did we receive that thing in our plant or it is on the way or what is the status of that?

Sreekanth Reddy: Sir, we have one ship. Half of the ship is still in the port. It is unloaded. It is available. Yeah, it is. It is under transshipment from port to the plant. Okay, now upto December we have covered it's only a matter of trying to distribute each of the plants.

Sanjay Nandi: Okay, so can you please help in getting a breakup? Like what's the ocean freight included in that? $57 If possible, sir.

Sreekanth Reddy: Yeah, Sir for us it is with CIF pricing sir, so we don't have the breakup sir.

Sanjay Nandi: Okay. So you mean to say like we will be getting a benefit of 25 to like 30 odd dollars per tonne compared to current pricing, right Sir? the current it's hovering around $80 per tonne. So if we look at 67 so it's still $15 to $20 per ton benefit

Sreekanth Reddy: Yeah, but that is already bought so if I have to buy now, I should be paying around 25 to $30 More Yeah.

Sanjay Nandi: So I'm interested the people who are buying nine right now so we'll be having our better rates compared to them right.

Sreekanth Reddy: I cannot compare with others buying sir Yeah, from the current spot rate, what we have bought the delta is 25 to 30.

Sanjay Nandi: Got your points. Thank you so much. So I wish you all the very best.

Sreekanth Reddy: Thank you.

Moderator: Thank you. The next question is from the line of Arijit Dutta. Please go ahead

Arijit Dutta: Congratulations, sir. amazing set of numbers. Just understanding like in Telangana once the government projects start say, in Q3, the prices will be around 225 rupees versus a market price of around 375 to 400. How do you see both the prices in the same market will go out? Is anything I mean like channelized was non trade or pressure from the builders to bring down prices, how you look into such differential prices in the same market, the sustainability of such high prices.

Sreekanth Reddy: Sir, see they are not high sir. Prices are not high. prices I think are remunerative. So, let us start the discussion.

Arijit Dutta: Yeah, I ‘mean high spread out, I would rather say.

Sreekanth Reddy: The government orders have been upgraded, relatively lower prices compared to the market prices with the fact that Yeah, the government is not consuming it for any other purpose, but for the social work, like low cost housing or some of the irrigation projects. Yeah, compared to the other commercial kind of a thing it's a more market driven, the pricing is more market driven rather than anything else. So we were servicing the governments even in the past and there was always the difference. Sometimes commercial prices were lower than the government and most of the time, it was vice versa also. So we do believe that similar trend might continue, but market prices have always been dynamic. See, what I would like to highlight here is the current pricing environment still is not peaked. Or they are not at historical high pricings though people are looking at 400 and all after a long gap, but these are not at its historical high sir that we have seen pre 2005, FY14 kind of regime and we have seen even higher prices on a relative scale. Again, mind you, it's on a relative scale. See, at that point of time, freight was something else and the price was different. Now freight is higher compared to four, five years back. So prices yet to pick out. But when you're operating at sub 40% capacity utilization, not all the companies see if you I'm sure you've been tracking the markets, not all of us got all the EBITDA per ton same. The reason is that it's the same prices. But it's all to do with the capacity utilization, the cost structure, the antiquity of the assets, the location of the plants, all of them actually matter. So, in these prices, also some of the players in the industry might at the best break even. So I would that is the reason why I have to say that these are not highest of the prices, these are remunerative prices, I would not call that, this is an existential price. But these are remunerative price. I'm sure everybody expects to have a decent return for a large capex involvement. So from that perspective, the current price regime is remunerative kind of thing it's a win-win scenarios. Now, let us also understand the influence of cost on the end user. See, I think cement costs may not influence more than 2 to 3% of the construction cost, especially on the housing side. So even if it is 400 or 500, the delta may not significantly contribute to the end user's costs structures. So it's a low cost wonder commodity. So that is the reason why there is no replacement at least for next 30, 40 years. So that's what we would want to highlight. Now the differential pricing, will it catch up? Yeah, we wish government also increases their price because it is being subsidized now, will the non-governmental price remain where it is will it go up? Will it come down? We always hope and wish it goes up, but it's very very dynamic in nature. Sir.

Arijit Dutta: Thank you for the elaborate answer. Sir, if I can. On a related topic, we can add one more question. sir current prices of central and Andhra, Telangana almost said there is a gap of around 40, 50 rupees which is fine. Considering what is the threat of inter region movement in terms of prices, suppose if prices there have moved out. Sir what prices difference the inter-state movement or inter-state, push of volumes, it will be a comfortable level at what spread if you can just highlight I know it's a subjective question. In case it's the right side.

Sreekanth Reddy: I will be completing 25 years of my presence in the sector started as engineer then moved to head office to look at it. So, I see the inter regional movement is very, very established because beyond 300 kilometers, it could be a small opportunistic kind of a window. It has never been sustainable in the past. So we have not seen inter regional movements changing in a big way. But for lack of availability of the material, say if some region has excess material and some region doesn't have the material, but for that, we have never seen prices alone, influencing NCR beyond small opportunistic, so there were instances where we supplied cement even in Assam but that was very, very small sir. I mean, it's a very minuscule kind of thing. It's an opportunistic kind of thing. But we have not seen Strategically or structurally inter regional movements changing in a big way. Yeah, there could be some points for each of the regions, for example, central region it is healthy. So if South material has to go to Central, there from South it has to go. It can only go from north of South sir, that is probably from Nalgonda cluster, or to certain extent Chandrapur cluster, that material can go into Central, but even from the Yerraguntla cluster or from deep south, and even from Gulbarga cluster, the freight costs would be a big, big influencer. And I don't think prices will move up so much that it would more than make up for the margin sir I mean, freight is a single biggest cost item. I don't think the prices are so, so high. See people are just trying to believe on a relative scale because in a year people have seen 190 rupees per bag to 400 rupees people think that the prices have shot up. But it's more on a relative scale, sir, it is 400. As I mentioned, it's still relative pricing sir, some places at 450 might sound high, but costs to service that could be, so high that even at 300 market would be a lot more margin driven, then for 450 markets or so that's what I would like to highlight here. past experiences, the inter regional movements structural change is highly unlikely. Yeah. For a very short period if there is better market because better markets sometimes meet the current markets, what we are servicing could come down and the other markets remain where they are or vice versa. Sometimes might prompt for an opportunistic kind of thing. But we don't think structurally there could be a big difference in the inter regional movement.

Arijit Dutta: Actually, my question was on the other way from, I mean, in Orissa, we're seeing so much capacity coming up. In Central also currently the demand is very good in MP region, if any movement we can see from there once the prices like we elaborated.

Sreekanth Reddy: Yeah, if you see in Odisha, most of them are grinding stations. So clinker going from here and cement coming back is challenge sir, in most of those markets or PSC markets. So that PSC coming back into South for some of the markets where it is more a PPC or an OPC market looks difficult. Now Central Market it's mostly Uttar Pradesh (UP) Sir, so if you have to geographically try to service UP from any of the other clusters is always a challenge.

Arijit Dutta: Sir no threat from this Satna cluster as of now?

Sreekanth Reddy: Satna doesn't have material to service their own markets.

Arijit Dutta: yes, really thank you for the elaborate answer.

Sreekanth Reddy: Thank you.

Moderator: Thank you so much. The next question is from the Sairama Venugopalan. Please go ahead.

Sairama Venugopalan: Hi, sir.

Let us know about the planned transportation from our main plant to Orissa plant what is a mode we are planning to?

Sreekanth Reddy: Train Sir.

Sairama Venugopalan: And what about the existing Vizag plant?

Sreekanth Reddy: It's a mix Sir. So bulk of it is actually road. Yeah, because we have a return road return freight arrangement. So road looks to be a lot more feasible and viable economically viable for us, but whereas Orissa we are looking, at since it's only a clinker moment. We are looking at more rail than road for the Jajpur grinding station.

Sairama Venugopalan: Okay, what about sea mode looking at a sea mode of transportation?

Sreekanth Reddy: we are not anywhere close to the port. Where the clinker is made not where the grinding is. So for us, it may not be the right option. Yeah, there is a possibility that we might import clinker just in case if the sea freight and the clinker prices are lower, because the closest port that we have for the Jajpur is Paradeep which is 90 kms away.

Sairama Venugopalan: What kind of cement are planning to sell from what is PPC or PSC?

Sreekanth Reddy: The intent there is to make bulk most of it to be PSC sir, but we are open to do all based on the feasibility of it.

Sairama Venugopalan: And what is the nearest stores for fly ash or Yeah,

Sreekanth Reddy: We are right next to Tata Steel. Yeah, we are four kilometers away from their compound to our compound. We are part of the steel clusters that we are in Kalinga nagar industrial estate.

Sairama Venugopalan: Okay. Okay. Thank you,

Sreekanth Reddy: Jindal. We are with Mesco. We are part of that steel cluster itself.

Sairama Venugopalan: Oh, Thank you.

Sreekanth Reddy: Thank you.

Moderator: Thank you. The next question is from the line of Ritesh shah, Ritesh please go ahead.

Ritesh shah: Hi sir. First, thanks for a wonderful set of number and congratulations for warrant conversion. Sir my question was what gives us confidence in the long term prospects of the cement industry. Specifically, when you look at return ratios versus cost of capital, sir that's that first question.

Sreekanth Reddy: Yeah, typically what we look at is the minimum return ratio should be double of the average cost of capital for us sir and simply talking of debt. Debt is at nine the expected minimum return on the overall returns to be at 18%. So that's the fundamental working that we generally do internally. prospects Sir, we have completed close now. We are nearing 40 years of our existence here. Cement has been extremely kind for us. We are not seeing anything beyond this at this point of time. From prospector’s perspective, sir, as you have seen, we hope to double every 10 years once. Sir that's the understanding. That's the belief that we have in the sector. So that I hope I've addressed the first question.

Ritesh shah: Okay. Sir, that helps. Secondly, given me how been in the industry for past several decades, sir, any thought on product extensions or something like how do you look at something like RMC or Tyler or the service construction,

Sreekanth Reddy: we remained extremely focused on cement manufacturing sir, there was a lot of scope for us to do that. So, we looked at our own bandwidth in terms of the financial and the management bandwidth. We still feel that there is good scope for us in manufacturing cement as we speak. So, for next to at least couple of years, we would be staying focused on manufacturing of cement alone. So to that extent, I can make a commitment beyond that. We have to reach that far before taking a call as to how we will shape up there,

Ritesh shah: right answer lastly little targets that we have.

Sreekanth Reddy: Mr. Ritesh Can you repeat I missed out on the question.

Ritesh shah: our next phase of expansion.

Sreekanth Reddy: So we doubled every 10 years once, sir. So we are chasing a 10 million by 2025.
Yeah, Mr. Ritesh, I think your voice is breaking sir.

Ritesh shah: Yeah. Hi sir. That's fine. It helps answer the questions. Thank you so much.

Moderator: Thank you. The next question is from the last line of Sanjay Nandi, Please go ahead.

Sanjay Nandi: Just a follow up question on the like inter- state movement of your goods. So can you just share like what is the cost per ton per kilometer of a movement by road vis a vis by rail?

Sreekanth Reddy: Sir rail. Internally, we don't look at just the freight of rail alone. It also has to factor in the additional loading charges and the unloading and reloading there are quite a bit of material handling that happens if it's a rail in our case.Because the end consumer may not consume the entire because the minimum quantity that goes by really is around 2,500 to 3,000 MT. If you look at the jumbo rake it all the way up to 4,000 MT. So, we it needs quite a bit of re-handling those costs if you have to include Sir, for the markets that we service, road still looks viable or feasible in comparison to the rail. So, in our case, if you look at it our average lead distance has been 280 km for an average freight of somewhere around Rs.725. So if you divide you get per kilometer per tonne kind of costs sir. Generally, for a very short distance it is extremely high for a longer distance. And for those distances or for those destinations where there is a potential return load. It tends to be extremely competitive Sir. So from that perspective, you have to be it's a very subjective, specific kind of an event. For example, Vizag is 450 kilometers from the mother plant, but there is a return load so, the average cost per kilometer looks extremely competitive Vis a Vis to railway freight. But that may not be the case sometimes if you have to come to Hyderabad and you have to go back empty back to the plant, though it's only 180 to 200 kilometers per kilometer it actually shoots up quite alarmingly, and the 40 kilometer distance per kilometer looks alarmingly high sir, sometimes could be eight rupees because the number of trips that they can make and also decide on it is subjective issue.

Sanjay Nandi: Got your point Sir. Thank you so much.

Moderator: Thank you. That was the last question for this session today. I would now like to hand over the call to Mr. Sreekanth Ready for his closing comments.

Sreekanth Reddy: We would once again like to thank you for joining the call. I hope you got all the answers you're looking for. Please feel free to Contact our team at Sagar or at citigate. Should you need any further information or you have any further queries and we will be more than happy to discuss them with you. Thank you again. Have a good day and stay safe. I would like to thank Manish Valecha of Anand Rathi and Anand Rathi for facilitating this, Sir. Thank you again.

Moderator: Thank you Sir. We will now close the call. Thank you so much.