

NUVOCO VISTAS CORP. LTD.

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February 2, 2024

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| BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001 Scrip Code: 543334 Scrip ID: NUVOCO | National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Trading Symbol: NUVOCO |
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Dear Sir/Madam,

Sub: Transcript of Investor and Analyst Conference Call on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and nine months ended December 31, 2023

Further to our letter no. Sec/140/2023-24 dated January 22, 2024, letter no. Sec/145/2023-24 dated January 29, 2024 and letter no. Sec/147/2023-24 dated January 30, 2024, please find enclosed the transcript of the Investor and Analyst Conference Call held on Tuesday, January 30, 2024 on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and nine months ended December 31, 2023.

The same is also being made available on the Company's website at www.nuvoco.com.

This is for your information and records, please.

Thanking you,

Yours faithfully,
For **Nuvoco Vistas Corporation Limited**

Shruta Sanghavi
SVP and Company Secretary

Encl:a/a



Nuvoco Vistas Corp. Ltd.

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“Nuvoco Vistas Corporation Limited Q3 FY24
Earnings Conference Call”

January 30, 2024



**MANAGEMENT: MR. JAYAKUMAR KRISHNASWAMY –MANAGING
DIRECTOR, NUVOCO VISTAS CORPORATION LIMITED
Ms. MADHUMITA BASU – CHIEF (MARKETING
INNOVATION, NORTH SALES AND BUSINESS
DEVELOPMENT), NUVOCO VISTAS CORPORATION
LIMITED
MR. MANEESH AGRAWAL – CHIEF FINANCIAL
OFFICER, NUVOCO VISTAS CORPORATION COMPANY
LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY24 Earnings Conference Call of Nuvoco Vistas Corporation Limited.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the Company faces. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statement on the basis of any subsequent development, information or events or otherwise.

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

I now hand the conference over to Ms. Madhumita Basu – Chief (Marketing Innovation, North Sales and Business Development) of the Company. Thank you and over to you, Ms. Basu.

Madhumita Basu: Thank you, Darwin. I'm happy to take over from here. Good evening, everyone. Thank you for joining the Nuvoco Call to review the Third Quarter Results. I know it's been a busy day with a number of corporates reporting, and we appreciate your interest in attending today's call. I trust everybody has had a chance to review our Earnings Release Documents which are available on our website as well as stock exchanges.

I shall touch briefly on the macro environment before reviewing the Q3 FY24 performance:

Indian economy continues to show resilience and buoyancy despite global economy remaining fragile. The headline PMI for the manufacturing sector has remained over 50 consecutively for the past 30 months indicating expansion in the sector. GST collections grew by 10.3% YoY to Rs. 1.65 lakh crores in December 2023. This marks the seventh month so far this year with collections exceeding 1.6 lakh crores. Real gross domestic product is projected to clock 7.3% in 2023-24 from 7.2% in the previous year. This augurs well for cement demand.

Looking internally now at Nuvoco's performance for the Quarter Ended 31st December 2023:

During the quarter EBITDA grew 55% Y-o-Y to Rs. 421 crores. The Company has worked on a number of levers to deliver EBITDA per ton of Rs. 1,048, the highest in the past 10 quarters. Despite volume degrowth, we stuck to our strategy of value over volume which resulted in robust uptick in realization per ton. We reduced our operating costs primarily in the areas of raw material and power and fuel.



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Moreover, our EBITDA per ton number should be studied in the context that it does not factor in incentives from Panagarh and Rajasthan plants, which cumulatively have an impact of Rs. 45 per ton. It is pertinent to mention that we stopped accruing the incentives from Panagarh plant effective April 2023 and the incentives from Rajasthan plant ended in June 2023. Net-net, our strong EBITDA growth margin expansion are a testament to our operational excellence, which focuses on cost efficiency and value-led growth. We will continue to maintain rigorous attention to operating costs.

Let me brief you on three major cement cost elements:

Power and fuel costs reduce 7% quarter-on-quarter due to higher linkage mix, decline in coal and pet coke prices and higher utilization of CPPs and WHRs. Cement raw material cost per ton decreased 13% quarter-on-quarter due to decline in slag and fly ash cost.

On slag:

Nuvoco continues to be better placed due to its long-term supply agreement. Distribution cost per ton remains flatish quarter-upon-quarter despite the busy season surcharge on rail freight practically for the entire Q3 period.

On cost saving initiatives:

Our project BRIDGE program, which focuses on cost saving measures purely from efficiency improvement is progressing well. I shared in earlier calls to improve margins, Nuvoco remains focused on measures such as premiumization, innovation, geo-optimization, trade share improvement, fuel mix optimization, brand strengthening and cost efficiency. Additionally, the Company flagged off a channel integration program offering premium brand Concreto and Duraguard Microfiber to the Double Bull channel.

On premiumization:

Premium products continue to remain a key focus for the Company and have contributed significantly with a 36% share of the Company's cement trade volumes in Q3 FY24. Our trade share also increased Y-o-Y to 73%, thus reinforcing the strength of the network.

Building upon this leadership, we recently launched a brand new marketing campaign for the Duraguard franchise "Seedhi Baat Hai Duraguard Khaas Hai", which underscores its unique features and reinforces customer trust. As part of the IHB driven rural reach program, the Company also introduced an engaging brand activation program, "Sabse Khaas Sarpanch", showcasing impactful stories of Sarpanches contributing to village development.



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We also rolled out the new cement packaging designs. The Nuvoco logo will now be prominently placed on the front of the cement bags. The new design will highlight a much stronger bond between the mother brand and its sub-brands while also instilling confidence in our channel partners and IHBs, Individual Home Builders.

On the cement demand front:

As you are aware, all India industry volume growth for Q3 FY24 has been relatively benign at ~3%. For Nuvoco demand in the North region remains strong and was better than the industry. In the East core markets of West Bengal, Bihar and Jharkhand witnessed weak demand during the quarter. Festivities, assembly elections coupled with fiscal challenges by states had an impact on the cement demand during the quarter. We remain optimistic on the demand going forward as significant portion of infrastructure programs are under execution by the government. Currently, as we speak, 30 lakh houses under PMAY program are pending for completion in the East, out of which 14 lakh houses pertain to just West Bengal. ~20,000 kms of roads under the Bharatmala Pariyojana Phase-1 is yet to be constructed, out of which 3600 kms is in the Eastern region. Our strategy in the East continues to remain prioritizing value over volume growth. In the North, as Haryana Cement Plant expansion is complete, we are in much better footing to consolidate our position in the region.

On debt:

As part of our deleveraging plan, we have reduced net debt by Rs. 632 crores Y-o-Y to Rs. 4,533 crores as on 31st December. Historically, net debt has been on a declining trend as our focus on net debt reduction remains a top priority. Interest rate at 8.47% on the other hand, reduced by 2 bps compared to March 23 despite repo rate remaining the same.

I will now briefly touch upon Ready-Mix Concrete business and Modern Building Materials businesses:

Both businesses are performing well. On the Ready-Mix Concrete business, we have commissioned five new plants in the current fiscal, bringing our total to 56 plants pan India. We believe Ready-Mix business has a lot of scope in India given that the business is at a relatively nascent market level with penetration hovering barely at 10%. In Modern Building Materials, as our products provide superior, durable and sustainable solutions to its customers, we are seeing improved traction in the cement channel to offer complementary products such as construction chemicals, Ready-Mix mortars and tile application products.

Sustainability:

At Nuvoco we recognize that robust sustainability management and performance is essential in creating value for our stakeholders, including customers, workforce, community, suppliers and



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shareholders. Our sustainability program called Protect Our Planet aims at achieving environmental and social sustainability through participation from cross functional teams across the organization. It encompasses sustainability roadmap, circular economy initiatives, green energy contribution, water positivity and biodiversity management. We are focusing on enhancing the use of alternate fuel, improving the share of composite cement and conserving natural resources.

I would now like to share the progress on key sustainability parameter:

As mentioned during previous calls, we are one of the lowest carbon footprints in the cement industry at 462 Kg CO₂ per ton of cementitious material duly validated by KPMG for the year FY23. Our alternate fuel rate has improved by 5% on Y-o-Y basis to 14% in Q3 FY24. During the quarter, Chittor Cement Plant demonstrated capability of 35% AFR, while Nimbol, you will recall where the AFR feeding system was recently commissioned in Q4 FY23 has also demonstrated capability of up to 25% AFR.

Finally, a round-up on our growth projects:

A quick update on our key ongoing CAPEX programs. I'm happy to share that we have successfully commissioned the 1.2 million ton per annum cement mill at Haryana Cement plant, elevating the overall cement capacity to 25 million tons per annum. Railway siding projects at Odisha and Sonadih is progressing well. Currently, track laying activities are under progress.

With this, I conclude my opening remarks. I'm joined here by Mr. Jayakumar Krishnaswamy – Managing Director, Nuvoco Vistas and Mr. Maneesh Agrawal – Chief Financial Officer of the Company.

We are here together to answer your questions. Thank you.

Madhumita Basu: Thank you very much. We will now begin the question and answer session. The first question is from the line of Raghav Maheshwari from Asian Market Securities. Please go ahead.

Raghav Maheshwari: Firstly, good set of the profitability. My question is regarding to the volumes. There are very few occasions where we will see the volume degrowth in primarily Q3 rather than compared to the Q2. Can you please a little bit elaborate what is the reason. Is it because of the East price hike taken at the end of the Q2 and start of the Q3 or there is some other reason?

Madhumita Basu: Thank you, Maheshwari, for your question. So, yes, it's been a mixed bag, as I mentioned in my speech too. We have seen significantly muted demand in the key states of Bihar, Bengal and Jharkhand. While there is a lot of potential in the pipeline in terms of Bharatmala roads and the



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PMAY programs, its actual fruition at market level is something we have not seen in either Q2 or Q3.

Raghav Maheshwari: Ma'am, so industry has de-grown from the larger number compared to the Nuvoco Vistas or how we placed against the industry, particularly in the Eastern markets?

Madhumita Basu: Just to take you back on a few calls that which we have been mentioning, our footprint is strong in the markets of Bihar, Bengal and Jharkhand. So, definitely a muted demand in this part of the geography would have a specific impact on our footprint and business.

Raghav Maheshwari: Ma'am, I just wanted to understand only with respect to particularly East industry, has also de-grown in a significant way or our number is better compared to the industry in terms of the volume de-growth?

Jayakumar Krishnaswamy: Yeah, you've got to look at it different. Almost all companies have got an all India footprint and they have reported volume growth or de-growth or muted growth at an all India level. We are a Company which is highly indexed on East and a good presence in North, but solid presence in East. So, we do not have published region-wise sales of all companies as well as that's not there. But in general, if you see, the core states with my colleague spoke about Bihar, Bengal and Jharkhand, they have muted demand as well as reduction in offtake in the months of October, November, December. So, while your question, can price rise that happened in October, did kind of cost drop in demand, that was very short phenomena because no industry has continued reduction in demand in spite of price because basically eventually house building will always happen in the medium to long run, maybe a few weeks, one or two weeks there can always be some changes, but eventually the demand picks up. But surprisingly this quarter, Q3 in many years of the industry, the demand post festivities normally picks up, but this quarter did not pick up and continued to be very dull entering November as well as all the way through to December. And if one may look at arrivals of all the major players in East, certainly I think all the leading players in East will have reduction in sales in the East region, more so in Bengal, Bihar and Jharkhand. Of course, elections also played a part in Chhattisgarh and in general MP elections and generally, elections were also there which also played a part in November and December. So, net-net if you have to look at it, Q3 has been a quarter especially in East because of reduction in demand and while having said that, my colleague also said that market will grow. The intrinsic capability of the Indian economy as infrastructure will grow going forward, so I guess this is a temporary phenomena we'll have to take it on our stride and then look forward and where we had a good focus in North. We grew handsomely in North. Our growth in Q3 is one of the highest in the history of Nuvoco in North, that is the kind of sales we have achieved in the Northern region in last 6 months. We will continue to and that's how the 1.2 million ton capacity in North is also going to help us to grow, debottlenecking Nimbol will also help us to grow our North business. So, the North is one area where while our capacity is limited but we will really grow ahead of industry which happened in Q3. East is a region where in general the market was a little



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bit subdued and I guess this quarter has been a little bit of a challenging quarter for the entire cement industry in East. So, in January and going forward, I think things will improve. We are fairly confident that the market will rebound very quickly.

Raghav Maheshwari: Got it. Thanks for the detailed answer. And sir last question for the Emami side. So, how is the Emami brand doing right now particularly in the Eastern market? Is it better? And what is the price gap between existing Double Bull and the Nuvoco's old product of the Lafarge, Nuvoco Duraguard? How it's placed between the Emami and Nuvoco, strategy basically?

Jayakumar Krishnaswamy: We acquired Double Bull brand through the acquisition and it had very good presence in certain markets. But over a period of time, we realized that Duraguard is a much stronger franchise than the Double Bull franchise. So, we have a phased and a detailed plan to move from Double Bull to Duraguard product portfolio in the channel. That phasing is already happening, barring 2-3 markets, I think in markets of Bengal, Bihar, and Jharkhand, quite a bit of shift has happened and couple of other markets I think we are doing it in a Phased change but as a Company strategy, one of the points which my colleague mentioned little while ago was the first thing we did was to kind of place our premium Concreto in the Double Bull franchise to ensure that channel is clued on to our portfolio of Concreto in premium products. Over a period of next two to three quarters, we will gradually move the other end of the product in the case of Double Bull into Duraguard franchise. But certainly for sure that we will not put an abrupt stop to the product overnight, it will be a phased plan. We have a strategy in place and we are very well executing the strategy as per the plan which we have made for ourselves. Maybe two, three quarters is when complete shift will happen. But till then, there will be tapering down of the Double Bull channel.

Raghav Maheshwari: Sometime before we have launched Emami in North also, Double Bull. So, what is the strategy when we are removing from one market and introducing in other markets because of there is an acceptability of beyond the Duraguard, it's introducing as like new brand, what's the strategy behind that?

Jayakumar Krishnaswamy: I think good question. This launch of Double Bull happened right one quarter after the acquisition of the Company. At that time we had additional capacity available with us and then our short-term strategy was to somehow find a way to fill the pipeline in North and get some immediate bids. However, even when we launched Double Bull, we are very clear that we will launch Double Bull only on one or two markets of Haryana and Western UP. We did not launch Double Bull in Gujarat or in Western MP or Rajasthan. These are very large markets for us. We wanted to grow only in Duraguard. So, a little bit of a short-term tactic to kind of get thing going, but having said that the key program for the Company is to do a brand rationalization, have two key products Concreto (on the slag cement category) and then Duraguard at the next level and non-trade at Infracem. So, there are still one or two markets in the North where we sell Double Bull, but over a period of next 3-4 quarters, we will Phase-out that as well.



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Moderator: Thank you. The next question is from the line of Aman Agarwal from Equirus. Please go ahead.

Aman Agarwal: Congratulations on the good EBTDA/t number. Sir, my first question was pertaining to the RMC business, RMC plus modern building material business, so just wanted to understand on your strategy for that business, now this question is coming because if we see on EBIT level, the contribution from that segment has not been anything meaningful in the last say, 12-13 quarters, so wanted to understand on the margins that we operate in this business on the EBITDA side and strategy going ahead?

Jayakumar Krishnaswamy: First of all, we will be in Ready-Mix business. So, we have strong plans for growing all the three verticals of cement, Ready-Mix, Concrete and Modern Building Materials. That is the first point I would like to inform you. Secondly, Ready-Mix business is all India business as you would know that the business came to our fold way back in 2010 with the L&T business, which got acquired into the organization. Around COVID time, we had a serious challenge because the entire metro based construction had come to a halt and then we also did a major decision of closing down, winding up, turning down all the operations for a period of three to four quarters, but from then on from 2019 till 2023, this business has made a huge turnaround. We are one of the most profitable Ready-Mix businesses in the country. So, like in cement, we call contribution, in Ready-Mix, we have contribution margin is what we call. That number in quarter 3 delivered the highest in the history of the Company at Rs. 975 per cubic meter. This is one of the highest in the entire industry. Having said that, how did all these things happen? Certainly in our entire portfolio, Nuvoco is the premium product in cements, it is also premium in Ready-Mix. So, we are very clear on that. Credit used to be a big challenge in the business. So, we sorted out the entire credit thing. We have about 35% of the business on cash and carry business. We sell in IHB, we exited many project verticals in this because project is a low margin business. So, we kind of rushing the entire portfolio from 60 to 63 plants to 52 plants during the COVID time and now that we have proven successful model of selling in commercial as well as IHB through cash and carry and fixed credit business model. We are slowly scaling up the business, like Madhumita said, we have 56 plants now, happy to say only yesterday we inaugurated the 57th plant and by the end of next fiscal, which is FY25, we have plans to take the business to 80 plants and then in the next two years it will go to 100 plants sustaining at about Rs. 975 per cubic meter contribution margins. This will give a sizable absolute EBITDA to the Company even though the EBITDA percentage margin will be much lower than the cement. That is the nature of the business. So, we have to run this business profitably and expand this business.

Aman Agarwal: Very happy to listen about like expansion plans that we have for this business. Next, I wanted a clarification or understanding on our cost efficiency program that we have running internally, where do we stand right now? We talked about some 250 per ton kind of a saving and more than half of the saving was already delivered, just wanted to understand how are those parameters shaping up and on the cost item wise, which line item do you think has the highest potential to deliver cost savings from here on?



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Madhumita Basu: Aman, thank you for that question. We really need to take it up in two parts. When you are referring to the INR 250 per ton piece, it is project SPRINT. We have successfully closed this project and I have handled it a couple of calls back. So, if you are comfortable, I will walk you through project SPRINT separately. You are welcome to get in touch with me or the IR team. The program which we have now flagged off and which I have mentioned in the previous quarter call is project BRIDGE. On the project BRIDGE, we are looking at all areas of efficiency optimization. So, just to give you some examples, optimizing the power and fuel cost by working on lead indicators like SHC and SPC, elimination of transit losses, controlling damages and demurrages in transit, improving warehouse utilization. So, it is certain shortlist of programs which is being driven with periodic reviews from the MD's office. We were looking at an order of Rs. 50 per ton savings out of the BRIDGE program rolling in over a 12-month period. We are happy to mention that about Rs. 20 per ton of saving is what we are already seeing since the start of this project about 4 months back.

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

Shравan Shah: Just to continue, so does that mean that we can see Rs. 30 per ton more saving is still possible?

Madhumita Basu: Thank you, Shравan for that question. Definitely, it is a program and we are chasing that number. As I said, we see it rolling in over a running 12-month period.

Shравan Shah: Two-three things, first on the volume front, so 9 months, we have a half a percent decline, so looking at the number, correct me if I am wrong, I see still we will be seeing 7% to 10% kind of a volume degrowth in the fourth quarter also, so will you please help us how one can look at in terms of whatever they are till now we have seen in January in terms of the how do one can see the volume for this fourth quarter?

Madhumita Basu: Shравan, just as a continuity on speech and the discussions we had so far, we did see degrowth in two quarters on the run, particularly in some of our key states and in overall arrivals into the Eastern region. However, we would like to reiterate two things. Firstly, North, we have been riding more than the growth. We were to some extent restricted, but now with the commissioning of the Haryana cement plant, we would definitely like to push ourselves more to capitalize on all growth opportunities in the North market. In the East, we are still very optimistic on the potential in the pipeline. We have an election year that has come up. There are budgets lying on various government projects and basically the challenge has been in terms of fiscal deficiency in the markets because these projects were not moving at the expected pace. We would continue to remain optimistic as we enter Q4. Definitely, every attempt to maximize volume in both regions, it is important to state here that with 25 million tons, we have well spread-out headroom in all geographies to optimize on the market gains.



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Shravan Shah: Just to understand, in terms of the prices, so current prices, broadly the January, our dealer channel check suggests that it is lower than the average for the third quarter, if you can quantify in terms of East and North, what is the broader Rs. 5, Rs. 8 decline versus the third quarter average?

Jayakumar Krishnaswamy: I will give all India blended price. I would not be giving a regional pricing that would not be right. As we ended December end, we are on the 30th of January. I have hardly seen some Rs. 20-Rs. 30 per ton of change in pricing on the lower side. That is not very big at all. So, that monthly changes will always happen to the tune of Rs. 3-Rs. 4 per bag, so I am not greatly worried, but not a big drop has happened from what we were in December and Q3 average and January now. I don't see any indication at this point of time for any big change in the pricing. So, my view is going forward in February and March, this kind of price should hold, maybe a sensitivity of Rs. 2-Rs. 3 per bag overall, Rs. 3 in January, another Rs. 2 in February. So, overall, we are looking at about Rs. 5 per bag kind of sensitivity. Having said that, there are very clear initiatives we are embarking in the Company. One is to increase premium. In fact, East is trending at a premium of close to about 49-50% and at a blended level we are operating at a premium for over 36% as a Company. So, that will be one big lever. Second is again the geo mix lever of trying to sell more in states where the pricing and realization is much better. That is the second lever. Third is the pricing acceleration program in the Company where we tweak prices at an appropriate time. Even in the last 4-5 months, we have gone and taken a price increase in Concreto, we have taken price increase in Double Bull in Bengal, we have taken price increase in Duraguard in North India. So, overall, we have made a small price increase independent of the prevailing market prices. So, our aim is in the coming quarter we will find a way to adjust the price in such a way that we don't have the major impact due to any external factors.

Shravan Shah: So, simply propagate so the Rs. 1,000 plus kind of EBITDA per ton considering the Rs. 30 cost, further saving would be there over next 9-12 months and the pricing remains stable, so we can see Rs. 1,000 plus kind of EBITDA per ton, so that is the most important. Just last on the expansion and the CAPEX, so how much we have done and what is the new number for this year and next year, definitely it depends on our Chittorgarh expansion, but when we like to go ahead with the Rs. 3,500 to Rs. 4,000 crore net debt, so when we see that net debt and when we will announce that expansion?

Jayakumar Krishnaswamy: Consistency is the hallmark of our investor's call that something is very clear. So, I am going to say something which I have been telling in the past itself, which is the CAPEX plan. You wanted to know about the CAPEX plan for this year. So, our CAPEX plan broadly had Nimbol's expansion, Sonadih Railway Sidings, Odisha Railway Siding and Bhiwani expansion, these are the four big CAPEX.

Shravan Shah: I wanted the number?



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Jayakumar Krishnaswamy: Yes, I will give you. I will give you. This year we had 9 months, we are at Rs. 457 crores of CAPEX and in January, February, March, we will end up spending another 150, give or take Rs. 10 crores here and there. So, we are looking at Rs. 610. If you remember 2 calls back, I said our CAPEX outlay for this year is around Rs. 650 crores. So, we will be ending about Rs. 610-Rs. 615 crores will be this year's CAPEX. So, balance Rs. 20-Rs. 30 crores will be unfinished of the current CAPEX, which will happen in next year. Next year, we have two bits. One is the routine CAPEX. Here we are looking at close to about Rs. 500 odd crores as current outlay of CAPEX for next year. As regards, the Greenfield or the brownfield expansion either in Chittor or any other place, we will inform you at the time when we make a decision to start construction, but baseline condition for looking at expansion will be to pare our debts to ~Rs. 3,500 to Rs. 4,000 crores. So, right now, we are at Rs. 4,533 crores. We expect in Q4 end and somewhere in April we will come to that kind of ballpark number and that is when we will make the serious decision of when we will start the expansion for the Company.

Moderator: Thank you. We have the next question from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: The last few quarters, we have been seeing some market share losses, but good to see decent price gains this quarter. So, on that strategy, I want to come back, we have seen some management changes on the marketing sales front in the last few months, the entire, what changes have we seen in the last few months in the new team for marketing and sales? I believe all these things would have been tried historically also, premiumization and all geo mix, what is different that you are doing now versus what was there and are there any different strategies between North when you look at different levers for increasing prices, that is the first question?

Jayakumar Krishnaswamy: I will talk about on design and Madhumita will talk about the market strategy. I don't think we have made any organization change at all. So, we had one more which happened many months ago and that necessitated internal realignment. In terms of leading the marketing function, Madhumita continues to lead ahead marketing, which she was doing prior to that change, just that she has an additional responsibility to run North sales along with her other portfolios. So, there is consistency in the approach. So, there is not any change, not an iota of change in the way you look at the market a year ago and year now, we have been consistent. As regards to our approach to North and East, I will request Madhumita to explain to you, what are the broad themes and how we are going about enacting those themes in the market.

Madhumita Basu: So, Satyadeep, thanks for the question. Basically, as you know, the North and the East markets for us are different in its construct as well as the presence and footprint of our brands. So, when East, our focus continues to remain on maximizing business in geo-optimizing states of Bihar, Bengal and Jharkhand, we work in all these three markets with a very strong Concreto franchisee now. We have Concreto and Concreto Uno. We have a good brand portfolio of Duraguard with premium products, Duraguard F2F and Duraguard microfiber. So, to our us with a 50%-52%



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premiumization share in the eastern part of the country, our principal strategy is geo-optimizing and driving the premiumization. At that strategy level, what is different in the North, North firstly, we have seen the benefit of increasing volumes progressively in this year. Firstly, there was the debottlenecking in Nimbol, this make available to us more cement from the Nimbol plant itself. Further, recently we have now seen the addition of the Haryana Cement capacity of 1.2 million tons. In North, we have been able to stretch our premiumization levels in an industry and the market where premiumization barely hovers around 8 to 9%, we are at a 14% premiumization in North. So, premiumization there is a good journey and way forward plan. Primarily in North, we have driven the levers of good market presence, sustained branding and communication programs and driving volumes both in non-trade and in trade. So, volume driven strategy is what remains basic and fundamental. We have length, speed and have had the capability to optimize on these opportunities given the additional volumes which has come in North. I hope that answers your question.

Satyadeep Jain:

Yes, just a clarification in that, when you say Geo-mix basically walking away, is that correct to say that you are walking away from markets like Chhattisgarh and Orissa where you have maybe lower pricing, higher comparative intensity? Is that correct in focusing on maybe Bihar, Jharkhand and Bengal, where you have Concreto and maybe higher pricing?

Jayakumar Krishnaswamy: Satyadeep, I think you are a veteran, so price cannot be the only criteria. Obviously, contribution is very important over some beautiful positive reason, Chhattisgarh and Orissa, are high contribution markets in East right now. So, we run a program called Vijay Chhattisgarh in Chhattisgarh to take our numbers in Chhattisgarh to at least 40% more than last year's actual in the coming year. So, we got a robust plan to get volume growth in Chhattisgarh within the stuff and Orissa is currently trending at probably, I won't say historical high contribution margin, but the numbers are very attractive actually. In fact, Orissa contribution margins are higher than neighboring states. So, our thrust in Orissa will improve in the coming year. So, within the framework of Bengal, Bihar, Jharkhand, they were the key markets for us in the past, but along with these three markets, Chhattisgarh and Orissa becomes equally attractive market for us to drive volumes and thereby get more contribution.

Satyadeep Jain:

What is there on Geo-mix, so it is Geo-mix is not tied to any states as such, you are looking at states of a certain pockets, did you get better contribution margin?

Jayakumar Krishnaswamy: Because in Chhattisgarh, we have got 3 factories. At one time, used to a little bit of a challenge. The entire industry had some challenge in Chhattisgarh, but I think that is kind of off and now with elections happening in Chhattisgarh, we see a good demand picking up in the state and we have Risda, Sonadih and Arasmeta, high throughput factories. So, we would try and maximize the road-fed market in Chhattisgarh.



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Madhumita Basu: Satyadeep, I would just like to add a point here. It is very definitely a strategic advantage that we have with the acquisition of the Emami facility. We have a footprint today across 5 states and definitely we would want to be more agile in adapting our tactical plans at the market level.

Satyadeep Jain: Just one clarification question lastly on the routine CAPEX, you mentioned Rs. 500 crore is that and if it is sustaining CAPEX number without growth CAPEX, that seems slightly high for a 25 million capacity, would that be right?

Jayakumar Krishnaswamy: No, I can't give a breakup of what will constitute Rs. 500 crores, so it will have land, it will have some growth CAPEX, it will have some sustaining CAPEX, some overflow from this year to next year. Let us start the year and I guess I will come back and maybe during the next call I will give a clear picture of what we intend doing in the coming year. So, it won't be more than that kind of number which I mentioned.

Moderator: Thank you. The next question is from the line of Jashandeep Singh from Nomura. Please go ahead.

Jashandeep Singh: Congratulations on achieving great set of EBITDA numbers. My first question is regarding raw materials, especially slag cost, although I understand Nuvoco has a long-term agreement with plant at Tata Steel, just wanted to understand the management can give us directionally especially quantifiably how much delta is there? How much Y-o-Y slag cost has increased for Nuvoco versus for the industry? Even a ballpark figure helps us understand the delta?

Jayakumar Krishnaswamy: I can talk about Nuvoco, I can't talk about the price other companies have bought, but if we look at our blended slag cost along with our long-term strategy with Tata Steel and spot buying, we ended up spending close to about Rs. 1,333 per ton of cement. That was the slag cost for us. That was cost of slag, not per ton of cement, slag consumption rate is Rs. 1,333 per ton and market rates and spot rates are trending at Rs. 2,000 per ton outside, but we have made a very conscious call because the demand has also been a little bit tepid in quarter 3. So, we also walked away from high-cost slag and since we have back-end tie up, so that is why we are focusing on our own long-term slag. Q3 was Rs. 1,333, at the 9 month average it is at Rs. 1,430.

Jashandeep Singh: Sir, what will be the slag cost one year back?

Jayakumar Krishnaswamy: 3Q last year was Rs. 1,319, 3Q this year was Rs. 1,333, about Rs. 10-Rs. 12 more.

Jashandeep Singh: Sir, just talking about our volume mix, we see that C/K ratio has marginally declined this quarter, is that mean that the share of North volume was higher this quarter and what I mean is North and central combined and what with Haryana, you coming in, what can be a sustainable volume mix for ex-East region if you can just clarify that?



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Madhumita Basu: So, Jashandeep, very correctly summarized, yes, the North volumes have had some bit of an impact, but we also have to face the fact that we are just prior to a election period. So, there has been a very good uptake in infrastructure projects and wherever opportunities have looked attractive we have gone for the business. Haryana Cement plant will be 1.2 million tons of focusing on blended cement. So, the slight uptick that we have seen in OPC volumes this year would moderate as trade volumes pick up and depending on how the post-election projects and the mix of business settles. Directionally, we have touched the high of 1.82. We are now trending about 1.72-1.73, so definitely as capacity utilizations improve, we will be driving back to that C/K of 1.8.

Jashandeep Singh: And just two more questions. One quickly, the WHR, have we fully extracted all the potential savings from them post acquiring Emami plants, is that completely done or is there any incremental saving opportunity there available to?

Jayakumar Krishnaswamy: WHR, in fact, it was not an Emami phenomenon. It was Nuvoco phenomena. So, even before we acquired Emami Cement business all our kilns had WHR which we started installing from 2018 onwards. So, every single kiln along with the Risda kiln, all the six kilns in the Company have WHR. The installed capacity is close to 45 megawatts of WHR. We are also debottlenecking to improve the WHR capacity by another about 3-4 MW in the coming year, but having said that, all the WHRs are working in full capacity. Just that since the volume is a little bit low, we had to shut the kilns for some periods of time for de-Clinkerization. Full potential of WHR didn't happen. But next year i.e. Q4 and beyond once all the kilns run to market demand, we will get the maximum benefit of WHRs and CPPs.

Jashandeep Singh: And what was the CAPEX for this quarter if I missed earlier?

Jayakumar Krishnaswamy: Of 9 months was 457 crores. We will end up spending another Rs. 150-Rs. 160 crores in the Jan, Feb, March 2024. We end up close to 600 crores give or take Rs. 10 crores.

Moderator: Thank you. The next question is from the line of Rajesh Prasad Ravi from HDFC Securities. Please go ahead.

Rajesh Prasad Ravi: Fuel cost per kcal, fuel mix and share of blended cement share in the cement mix?

Jayakumar Krishnaswamy: Fuel cost, I will say fuel cost in Q3 for the Company was Rs. 1.67 per Mn Kcal, comparison with Q2 was Rs. 1.74 and same quarter last year Rs. 2.74. So, we are at Rs. 1.67 per Mn Kcal in Q3.

Rajesh Prasad Ravi: Fuel mix?

Jayakumar Krishnaswamy: Fuel mix, linkage at 28%, non-linkage 1%, overall linkage and non-linkage i.e domestic coal at 29%, pet coke at 56% and imported coal small 1%, AFR at 14.2%.



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Rajesh Prasad Ravi: Linkage you said is around how much, 25%?

Jayakumar Krishnaswamy: Linkage is 28% and 1% non-linkage.

Rajesh Prasad Ravi: And 14% AFR, so this is helping you in terms of your cost stabilization, which few quarters were impacted earlier?

Jayakumar Krishnaswamy: Yes, this is one of the best quarters for us, even last quarter, quarter before also we were making improvements, but I guess 1.67 we will be right at the top.

Rajesh Prasad Ravi: Are you expecting further savings from the fuel side, sir, during the current field first terms?

Jayakumar Krishnaswamy: That would be very difficult. So, what are the levers we have? I think the linkage coal rates are more or less kind of bottomed out at Rs. 1.30 Mn Cal. I don't think it will go below this. In terms of pet coke, there is some scope, as you see currently we are booking pet coke at \$118 per ton, which translates to about Rs. 1.80-Rs. 1.81 per Mn Cal. Last quarter, we are at Rs. 1.9 per Mn Cal. AFR also we can improve from current 14.2% to may be 18%. So, net-net, I see a play of about Rs. 50 going forward.

Rajesh Prasad Ravi: Sir, lastly, this volume loss, which you have seen in Q3, while you have mentioned there is a market demand, you have been muted, you have seen a 10% decline, so is this also a phenomena of aggressive volumes from capacity additions which has happened in the market and that is why this is an actual market share loss and this may continue for next few quarters?

Jayakumar Krishnaswamy: I will safely say one thing. No capacity expansion of the industry resulted in reduction in demand. So, I guess that is not certainly the case and if demands were there, we won't have been sitting tight, not selling. So, I guess it is simple that the overall offtake has been low in each markets in the last three months, so I guess once the demand opens, you will see us growing in line with market.

Rajesh Prasad Ravi: This quarter, your volume loss is higher than what the industry declined or it is in line with the big industry?

Jayakumar Krishnaswamy: Region wise, it is very difficult to say. All I can say is from the arrival, so I guess we track arrival. So, in terms of arrivals, I think at a broad-based number everybody's number has dropped.

Rajesh Prasad Ravi: And lastly on this cement to clinker ratio which has tapered down to 1.72, given that we will be ramping the volumes in Haryana where this C/K ratio would obviously lower than this ratio, so is it fair to assume that 1.72 or this ratio will remain close around this level for next 1-2 years?



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Madhumita Basu: Rajesh, I just took that question from Jashandeep. I clarified that the Haryana cement plant is a fully blended cement plant.

Rajesh Prasad Ravi: So, it will not be producing slag cement right, which has a high C/K ratio?

Jayakumar Krishnaswamy: This quarter number reduced our C/K ratio little bit lower, but East will open up, we will sell more slag cement, our C/K ratio for East will go to 2.1. North, there will be some changes because of the overall ramp up of our production in North because even though we don't sell too much of OPC, still PPC whose C/K ratio will be lower than the slag cement, but net-net if you see our number will go back to +1.8 plus one or two quarters from now.

Rajesh Prasad Ravi: And lastly, what was the blended cement production? Share of blended cement?

Madhumita Basu: Rajesh, we will give you that data point later.

Jayakumar Krishnaswamy: I will have to fish out from the records. We will just give you a little later, but our guys will give you.

Moderator: Thank you. The next question is from the line of Tejas Pradhan from Citi Group. Please go ahead.

Tejas Pradhan: Sir, most of my questions were answered, just to wanted a data point on the lead distance this quarter?

Jayakumar Krishnaswamy: Last quarter, the lead distance was 340, in Q3 it became 342, 2 kilometers increased.

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

Amit Murarka: So, about the market growth, so like you used to share the market growth numbers for North and East earlier, so any commentary around that?

Jayakumar Krishnaswamy: I don't think in our calls we have given region wise market growth, but at least in this quarter, I can stick my neck out and say that East obviously market shrunk, North market grew. Our growth technique, we are small player in North, but with the small player status also, we have grown ahead of market, so technically we have moved our market share in North in the second decimal for sure. East is where market shrunk and right now I won't be able to comment what has been the extent of shrinkage in East.

Amit Murarka: But it seems it is more than 10%, right? And if you grow it not, then this decline is more than 10%?



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Jayakumar Krishnaswamy: Yes, obviously, mathematics will certainly deduce to where you are going, but that is how the market has been.

Amit Murarka: And also just to understand like when you say that you are choosing to do profitable volumes and all that, so are you then focusing on EBITDA maximization at the cost of maybe market share loss or how do we understand that?

Jayakumar Krishnaswamy: There is no one correct answer on it, so one of the biggest agenda for the organization, which we have been consistently mentioning is, we have made a commitment post listing in the first earnings call and then on. One of the key endeavors for our Company is to pare down the debt, so that we are fit to get into the next growth plan for the Company. So, certain mission one has to make and now making those decision mean that we don't walk away from market where we can sell, but if the entire market is in such a place where the growth doesn't happen, then our priority is to get value over volume. That is the plan we have been doing in the last couple of quarters, but certainly one of the principal agenda for the Company is to bring the debt levels to a sizeable number anywhere between Rs. 3,500 to 4,000 crores and then we are fit to grow, but in the journey we had number of agenda which we have been running, which my colleagues spoke about the SPRINT agenda in the first year of listing and then once we kind of accomplished the SPRINT agenda, of course the SPRINT agenda got kind of diluted by the fuel price increase. So, net-net we couldn't get everything out of the SPRINT agenda, but now that the fuel price is under control we have embarked on the second agenda of BRIDGE where we are looking at Rs. 30 to Rs. 50 improvement in EBITDA along the various lines of P&L. So, our focus will be to improve our EBITDA margins, sell sensibly so that for the sake of selling, we don't spoil our bottomline. In doing all the things and objective is to pare the debt to about Rs. 3,500-Rs. 4,000 crores levels and then get the growth engine going for the Company in the medium term.

Amit Murarka: Also like actually I was just looking at a bit longer term numbers actually for you, I mean both in volume and EBITDA, like I am just trying to see how numbers have been like when you since you acquired Emami and to me it seems like actually both your volume and EBITDA is actually down in the last 3 years actually like, if I look at the Q3 FY21 numbers, it is actually 10% lower on EBITDA as well and in this meantime, I mean in these 3 years. I believe we have unlocked some synergies as well from the acquisition. So, I am just trying to understand where has this decline come from in terms of given the synergy has also been unlocked?

Jayakumar Krishnaswamy: I will throw some numbers to you, one or two numbers. So, I think detailed explanation will be very difficult to tell on the investors call. We can engage with you if you can reach out we can have a detailed conversation, but top of the line since you asked the question I need to give a right answer to you. Around the acquisition times of Emami, we are very clear that we acquired Emami for capacity. So, that brand was not in the same league as Concreto and Duraguard hence the per ton realization of Emami was always lower than it. Our main aim at that time was to



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acquire capacity, which we accomplished at that time. We got 8 million tons of cement and multiple grinding units in various states. That was objective of acquisition. Nuvoco became a 23.8 million ton, becoming the fifth largest player and one of the leading players in East India. That was a key objective when we acquired economy. Around the time, our EBITDA levels had, once we combined both the companies, our EBITDA levels did touch Rs. 1,200 per ton in Q1 FY22 and then on the entire fuel crisis happened and when we delivered EBITDA of excess of Rs. 1,230 precise was the EBITDA per ton. Our power and fuel cost was the best in the industry at that time at Rs. 885 per ton. We were the best in the industry at that time, very close to only one other player, but then the power and fuel cost of the Company went from Rs. 885 per ton all the way to Rs. 1,500 to 1600 per ton. It happened to the industry. It happened for us also when this escalation in fuel cost and power cost happened, that kind of washed away all the SPRINT savings, but as mentioned by my colleague in the introductory speech in the last 10 quarters, if you look at Nuvoco's EBITDA per ton number, quarter-on-quarter, we have improved EBITDA per ton and we have more or less reinstated our EBITDA in quarter 3 at Rs. 1,048 per ton, which is only a little bit lower than what it was at the time of listing. So, we have made concerted efforts to improve cost efficiency, get these SPRINT levers and the BRIDGE levers going and taken various initiatives within the Company and take the Company from where we were 10 quarters ago to all the way now to Rs. 1,048 per ton and give or take, we can be around this number for going forward as well.

Amit Murarka: Sir thanks for the explanation, but like my question was more around like the performance like before, the SPRINT synergy benefits were unlocked, so the numbers is not being visible in the final EBITDA?

Jayakumar Krishnaswamy: It is very difficult at the call to explain, may I request you to reach out to us. We will have, our team will explain with you all the facts and we will clarify all your queries, please.

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

Prateek Kumar: I was just saying that there was this mention of pricing realization drop of 30 to 40 per ton. Was this against December exit or December quarter average comparative?

Jayakumar Krishnaswamy: Lot of things happened in September, lot of things change in November and December. So, one way to look at the start and end date of 1st October to 31st December i.e. 90 days of pricing fluctuations continuously. But to the number which I mentioned was as we stand on 30th of January, I am looking at close to about Rs. 40 per ton reduction in prices from where we were in December.

Prateek Kumar: So, what was the average it will be much more lower, so versus exit it is Rs. 40 lower?



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Jayakumar Krishnaswamy: No, it is stable for the last 30 days. It may continue to be around this number going forward is what is my read.

Prateek Kumar: And sir, secondly on the Rs. 1.67 of fuel cost on a kcal basis, obviously the combination of various fuel mix which you have, but given pet coke is 56% and current imported pet coke price is around \$110 and \$112, is it reflecting that number, spot number or the more saving which can come in Q1 FY25?

Jayakumar Krishnaswamy: These numbers are all based on top procurement at not at \$118, but at \$135. Currently, we are booking at \$115-\$118, so the impact of the reduced cost of pet coke will be felt end of Q4 and Q1. You would know we have North and the East plant. East operates with only 35% pet coke and North has got almost everything is pet coke. So, the East will have big bearing in the overall power and fuel cost of the company, because that is where the cement is made and the cost of fuel is also a little bit lower there. As I said just a while ago with the levers of reduced pet coke and increased AFR and maximizing our linkage coal, I see a potential of some more reduction in the overall power and fuel cost, but 1.67 can be maybe 1.6 to 1.63 beyond that at current levels it will not go down.

Prateek Kumar: My last question, on your CAPEX, have we quantified like the amount of CAPEX which you are looking at in North for an account of expansion, is it like total of Rs. 2,000 crores?

Jayakumar Krishnaswamy: Not yet, I guess I will get back to you in the subsequent calls. Right now, we are still working in the background on the technical design, whether it will be 6000 TPD line, 7000 TPD line, 8000 TPD line, whether it will be split GU, VRM or ball mills. This work is currently happening where it will have railway siding, all those combinations are being worked out, but I guess we will get back to you in one of the next subsequent calls.

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

Navin Sahadeo: Sir, very quickly, directionally, it appears that we may have lost market share in the East, of course we have done good in North as you mentioned in the comments, so just wanted to understand that will we as a Company look to regain that market share in the coming quarters or since the focus is also on promoting premiumization, Concreto Uno in various markets, we will be like focusing on value over volume in East. Also, this is slightly medium term in the sense that since there is no major capacity that we are planning in East, at least in the foreseeable future, that is what I think was indicated that other regions can see CAPEX, if at all Company has to pursue. So, from that perspective, we are consciously focusing on value over volume, is that a correct understanding?



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Jayakumar Krishnaswamy: Terminology is correct, but the context is actually qualified. When the market is down, we have to find a way to maximize money for the Company, and hence we prioritize value versus volume. We still have 25 million tons of installed capacity and there is sufficient headroom for us to grow in the East. East we have 19 million tons and North we have 6 million tons. We are nowhere close to 19 million ton capacity in East as we stand today. So, we have got good headroom available for us to grow. Once the market opens up, you will see us participating in the race as energetic as anybody else.

Navin Sahadeo: So, we will regain the lost market share there in the coming quarters, correct?

Jayakumar Krishnaswamy: We will certainly participate in the market with full vigor when the market opens up.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Ms. Madhumita Basu for her closing comments. Over to you, ma'am.

Madhumita Basu: Thank you everybody for your participation. Very good questions and some good overrun on the time as a result of these questions. To summarize, we remain positive on the demand outlook. As significant portion of infrastructure programs are under execution by the government, we shall continue to focus on operational efficiencies and remain committed to our growth projects. We will remain available for any further clarifications that you might require. Please do connect with us. Thanking you for joining us today once again.

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