

**May 10, 2023**

**Bombay Stock Exchange Limited  
New Trading Ring,  
Rotunda Building, P J Towers,  
Dalal Street, Fort  
Mumbai-400001  
Security Code: 535754**

**National Stock Exchange of India Limited  
“Exchange Plaza”, Plot No. C-1, Block G  
Bandra – Kurla Complex, Bandra (East),  
Mumbai – 400 051  
Symbol: ORIENTCEM**

**Sub: Transcript of Investors/Analysts Conference Call for the quarter and financial year ended March 31, 2023**

Dear Sir(s),

This is in continuation to our earlier letter dated May 3, 2023, sharing the audio link of the investors/analysts Conference Call, held to discuss the Audited Financial Results of the Company for the quarter and financial year ended March 31, 2023, on Wednesday, May 3, 2023, at 11:00 AM (IST).

In this regard, please find enclosed herewith the transcript of the aforementioned investors/analysts Conference Call.

The said transcript is also available on the website of the Company, [www.orientcement.com](http://www.orientcement.com). You are requested to take the same on record.

Yours sincerely,  
For **Orient Cement Limited**

**Nidhi Bisaria**  
**(Company Secretary)**

**Encl.: as stated**



“Orient Cement Limited  
Q4 FY '23 & FY '23 Earnings Conference Call”  
May 03, 2023



**MANAGEMENT: MR. DEEPAK KHETRAPAL – MANAGING DIRECTOR  
AND CHIEF EXECUTIVE OFFICER – ORIENT CEMENT  
LIMITED**

**MODERATOR: MR. NAVIN SAHADEO – ICICI SECURITIES**

**Moderator:** Good morning, ladies and gentlemen. Welcome to the Orient Cement Q4 FY '23 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Navin Sahadeo from ICICI Securities. Thank you, and over to you, sir.

**Navin Sahadeo:** Thank you, Lizann. Good morning, everyone. On behalf of ICICI Securities, I welcome you all to the Q4 and full year FY '23 earnings call of Orient Cement Limited. From the management, we have with us MD and CEO, Mr. Deepak Khetrpal. So, without any further ado, I hand over the call to Mr. Khetrpal for his opening comments followed by interactive Q&A. Over to you, sir.

**Deepak Khetrpal:** Thank you, Navin. A very warm welcome to all of you who've chosen to spend time on this call today morning. With me on this call is also Prakash Jain, our CFO; and also Manish Aggarwal, who looks after Corporate Finance and also Investor Relations. So, just I thought I'll make people aware that there are others from Cement who are on this call. My usual customary update on Q4 and the full year, let me point out some highlights, which may not be so obvious from the published results, and I think that's the main purpose of the call. So, as we all know, we had an extremely disappointing Q2, very, very soft H1.

But thereafter, I think we started recovering well and, Q3 actually showed a much better performance and in Q4 I think we bounced back with EBITDA in Q4 of close to INR840 a ton. So, that's good to be back where we belong. The overall volumes, as all of you know by now for Q4 are 17.2 lakh ton, which is 6% growth over last year. And over Q-on-Q basis preceding quarter, we are up 20%. And I just want to highlight this 20% growth that you are seeing in our quarter-to-quarter on the volumes. And this is barely any drop in the pricing.

Price is barely 0.5% below the preceding quarter, and with that we have 20% growth. I just want to highlight how important and how significant this is. On a full year basis, we have total volumes nearly 58 lakh tons up 5%. The main thing, which was not, I said, which is not in the published numbers, this year has been a strange year for us because largely, we remain 60% plus towards the trade sales as we call B2C sales as we keep calling it. And our B2B typically has been smaller part of our portfolio which continues to be so but there is a big skew that happened during the year.

And we, in our markets found the B2C demand or the trade segment demand to be a lot lower. And because of the price, demand in B2C being lower, somehow the prices in B2C segment in our market also suffered and they were very low. And we made a quick pivot as we keep calling ourselves the agile organization. And this year, we grabbed the opportunity that is available in the B2B sales. And against 9% de-growth in our trade sales, we actually have grown by 29% in our B2B sales.

Why I'm calling that out is because it has huge implications on the overall, I would say, numbers. The B2B sale, as we know is predominantly OPC sale, unblended sale. Now, what that does is that when you start selling so much more of a proportion of OPC it actually changes the total capacity that is available to the company because the fly ash is not getting blended with the, blended cement that goes. So, when we actually look at these numbers, we, while we would say that for the quarter, we have, the OPC has actually gone up to about 43%.

As a result of that, whatever capacity utilization we talk about, the 80% capacity utilization that we talk about at the cement level. At the clinker level, that amounts to 98% capacity utilization for the company as whole in Q4. So, clinker utilization has been 98% although the cement level capacity utilization appears to be just about 80%-odd and slightly more than that. Which is a big, big difference and also in terms of the efficiencies and all they go for a toss because obviously, OPC consumes more of fuel, more of power and things like that.

So, when you do the per ton analysis we need to remember, it's not quite an apple-to-apple analysis. So, these are important nuances behind the numbers that I just read out to you. For us, in Q4, the trade has been actually down to 51% against the last year of, the trade at 52% against 61% of last year. In Q4, it's 51% this year. In the preceding quarter, it was 61%. So, that's a big, big skew in our volumes in Q4. The import of that I already explained and another very important factor that I want to highlight for all of you is that despite the significant de-growth that I've mentioned to you about our trade sale, the B2C sales.

Our premium products that we've been targeting only on the consumer of trade market, we do not offer them to the B2B segment. In those products our super premium brand, as we call it now, Strong Crete, which is up 17% over last year's volume. And then we late in the year, we also launched Orient Green, our another premium brand, which is not super premium which is more like a premium. It's about INR20-odd less than Strong Crete in terms of pricing. But the positioning of Orient Green is more about sustainability, more about responsible cement. So, if we combine the two, our total growth in premium cement over last year is 22%.

And the Strong Crete 17% has come to us despite the fact that in Q1 itself, we had actually decided to, in a market where prices are difficult to come by, we've actually taken a bold decision to increase the premium gap of Strong Crete over our PPC another INR10. Earlier we used to sell it at INR35 plus PPC now we sell it at INR45 plus PPC. Despite that, there was a 17% growth in consumer segment where otherwise we have a de-growth. So, these are things that I just want to draw your attention to.

It actually tells us that our brand strategy and our positioning strategy that we've been so working on in a very concerted manner as a long-term process. And with the rich portfolio of premium cement as we've already launched it. It seems that now we've taken routes and we're beginning to see the fruits of the hard work that we've been doing. And this branding strategy which to my mind is perhaps unmatched in the industry. It will actually pay us dividends for years to come.

But at this stage, at times, it does appear that in investing in the form of lost volumes to, as we insist on the prices that our brands deserve maybe there's some investment that's happening in

terms of lost volumes, but we've as a conscious choice, as a strategic decision we choose to pursue that prudent routine we keep doing it. And I'm just pointing on this thing because in the overall analysis of volumes and tons and prices, some of these nuances get lost. I talked to you about the clinker utilization in Q4 at being 98%.

Now if we, just to give you a full year figure also, it seems that at the cement level as traditionally, as we see, our capacity utilization is at 68%. But if we look at the clinker level utilization in the last year, we utilized total company's total clinker up to 78% for the year. We obviously, one implication which is very clearly there is that we have 98% utilization in the quarter, 78% already happening in the full year of clinker. If we want to keep growing very quickly, we need to take some action to add more clinker capacity.

And the clinker capacity that we need to add, I'll come later on capex, but just giving an indication to you because clinker utilization. If we look at the full year last year at our Chittapur, Karnataka plant, our clinker utilization is in excess of 100%. So, the capacity addition at Chittapur is now looking absolute at desperate need. So, we obviously have to very quickly think about adding clinker capacity starting with Chittapur compared to earlier, we were thinking about somewhere else, I'll come to that.

The other details on Q4 our realisations on last year were up 3%. And like I said, on Q-o-Q basis, there's hardly any drop there. Even the full year realizations are up about 3%. While the cement prices have stayed, what I call flattish what has bothered us throughout the year is the huge spike in costs and largely, we all know it the power and fuel costs which have been going through the ceiling. And they have been unrelenting lately. Yes, we've been having some relief. But for full year, if you look at it our total costs, which went up to about INR570 per ton.

Out of that INR467 is coming only from power and fuel and INR66 is coming from logistics costs. Obviously there are some other small contributors to that, some additives like laterite and gypsum and there maybe some fly ash costs moving up during the year. And largely, that's the cost buildup. On Q-on-Q basis, our total cost of operations in Q4 are down about 5%, but they are higher 7% year-on-year, largely as I mentioned, power and fuel and logistics because diesel cost also went up.

And this cost increases, I just want to sort of again, give you numbers which are otherwise not there. The full year, if we look at the AFR, the alternative fuels that we use, that we keep consuming. And we've actually been using a lot more of lower cost fuels like RDF and the municipal waste and things like that, compared to carbon black, for example, which has been classified as an alternative fuel. But we know that the carbon black is not really comparable in terms of AFR with things like municipal solid waste or the RDF and things like that.

More and more focus has been to go towards lower cost alternative fuels. And also the hazardous waste whether from pharma industry so hazardous waste, nonhazardous waste we will be trying to bring in. So, that even the alternate fuels that we use are coming at a cheaper cost. So, total savings that we estimate for the year from using alternate fuel is in excess of INR40 crores. And the renewable power that we will be increasing during the year those savings are in excess of

INR10 crores coming out of partly out of Jalgaon, investment that we made and also partly coming from the Chittapur we've been sourcing the renewable power through open access.

Unfortunately, the Telangana government policies are not friendly towards using or buying renewable power. And they are leaving no opportunity for us to utilize that at Devapur till we decide to set up our own power on our premises, which, perhaps which might happen later. In terms of efficiencies, I'm delighted to report that despite whatever things we talk about, the heat consumption as we call the fuel consumption in a year where otherwise things have been struggling, our total heat consumption for the company as a whole is under 690 kilo calories per kilo of clinker.

The alternative fuels for the year as a whole have been a little lower in terms of total volume of alternative fuels, but it's been more on the cheaper low cost or negative cost fuel. But renewable power for the company as a whole for the year has now reached 15%. And encouraged by the benefits that we see of alternative fuels and of solar power, we are obviously investing more. The plan is that the renewable power for our company by FY '25 and that in the next two years should actually become over 35%.

And we are also, I think as an outcome of the board meeting we announced that we are going to be investing again in a SPV to add about 21.5 megawatts DC of solar power at Jalgaon and Chittapur separately. The waste heat recovery project that we've been talking about, which has been under construction at Chittapur, the construction got over and that plant is right now under commissioning. And the reason why we could not do it earlier although we were planning we'll do it earlier but to one constructing the waste heat recovery plant, but we also need to connect it to the kiln to tap into the heat.

Now that connecting the kiln to waste heat recovery plants, needed the shutdown of the kiln, which we could not afford in the month of March. So, only in April when we took the Chittapur kiln for maintenance shutdown at that time we took the opportunity of connecting the kiln with the waste heat recovery plant and currently the commissioning is on. Almost 80% of the power that we expect from waste heat recovery should become available to us from, I'm expecting later this month, but if not later this month, at least definitely in the month of June. About 80% will come in.

And balance 20%, hopefully, by July, August we will start getting even the balance 20%. So that's a huge, huge, huge cost saving initiative that we are taking at Chittapur. The other project which has been on towards cost saving, the rake handling system is up and ready. We've already brought in the first rake and the sort of normalizing that. So, that also is up there. In terms of market exposure, we, in this year, we actually have increased our volumes from Western India which in terms of markets I was mentioning our exposure to Western India has actually gone up to 61% in Q4 from 53% which used to be till last year, I am talking about Western India, Maharashtra and Gujarat put together.

On full year basis, our exposure to West now is 57% up from 54%. So, that means we sold less to Southern India, more to Western India in this year. And this change has been enabled by the

fact that today, our volumes in the Mumbai market and the Pune market. These two markets have been giving us a huge amount of traction our brand is being preferred by lots of B2B customers. And that's why the slight skew further towards West from South has also happened.

On the fuel mix and other details, one thing which I again want to call out is, as on date, we've been reporting earlier also that we've been a water-positive company. So, I am delighted to report that we're also a plastic-positive company now in the sense that whatever plastic we end up consuming in packaging or whichever other form, we actually bring in and burn a lot more of plastic compared to what we consume in our process. So, we are not just a water-positive company, we're also a plastic-positive company, which I think from sustainability and ESG perspective are very important development.

In terms of fuel, as all of you know, in Chittapur besides the alternative fuel that we use it runs entirely on petcoke and Devapur, the main fuel continues to be domestic coal. With some petcoke as a sweetener but largely domestic coal and some AFR. Always the question comes as to what's my fuel mix. Overall for the company as a whole in Q4, we have had about 53% of domestic coal, 35% petcoke and balance is largely alternative fuels.

The alternative fuels as I mentioned, lately we've had some problems with one of the major alternative fuel had become rice husk. But somehow in the Telangana market, there is some issue going on with the government procurement of paddy because of which lots of rice mills which used to shell and give us the rice husk has not been available. So, that's been a little bit of difficulty. Hopefully, it'll get over soon, but that slowed down our March with alternative fuels as much as we would have wanted.

The overall blended cost for the company on a kilo calorific basis for us has been INR2,110. And this is down from INR2,230 sorry, INR2,230 is the full year, sorry, my apologies. The blended fuel costs for the quarter four is INR2,110 but for the full year, it's INR2,230. That means obviously in Q4, the improvement is already visible but the more important part is against INR2,230 is the blended cost for the full year, the last year, the blended cost was INR1,486.

Now if you look at INR1,486 versus INR2,230 the increase in fuel cost, which is the procurement cost, which has nothing to do with our efficiency and anything. With that steep a hike in fuel cost if our EBITDA has suffered, this is where the data is. In terms of, what are the other details. We have overall power and fuel costs despite this huge increase and with the increase in OPC, which as I mentioned, does consumes a lot more of power and heat in terms of producing.

Our fuel cost quarter-on-quarter in Q4 is INR1,570 that I'm sure you could have, people would have calculated. And on a year-on-year basis, the increase is now under 19% it's because last year, Q4 some amount of inflation in fuel costs had already hitting us. So, it's 19% now, which used to be 30%, 35%. And on a full year basis, it's, let's say, full year basis it's 41% up but on Q-o-Q it's down to 19% above what we had earlier. The prices obviously, fuel cost prices have been softening and largely petcoke that we depend on because of the Singareni Collieries are the domestic coal supply base, there is not much change. But the petcoke prices internationally and domestically have been coming down.

So that's been a huge relief. The AFR costs sort of obviously with lack of availability, if we keep using carbon black and rice husk both these costs will go up but we depend more on RDF and more on MSW and hazardous waste. So, using all the strategies or the cost management obviously has been a really solid and in place and it runs as a good process. The challenge really has been that with the variable cost, which has been pushed high because with the power and fuel and diesel costs. And the market demand also has not been, I would say, so bad. We still have growth and the problem has been our ability to pass on the increased cost to the market.

And that is not new in this Q4 this been ongoing process throughout the year. The bottom line of the company in Q4, bottom line are, we mostly restrict ourselves to EBITDA, so we are about 7% lower compared to Q4 FY2, which is '22, which is a huge recovery from how far behind we had become. So, Q4 just 7% below last year EBITDA. And in terms of quarter-to-quarter comparison Q-on-Q basis, we are at 58% up compared to the Q3 EBITDA that we had.

On per ton basis, Q4 is close to INR840, up 31% from Q3. But on a year-on-year basis, obviously, we're down from INR958 to just about 12% down over last year. In terms of balance sheet, we obviously have been paying term loans that our project debt we had, which we repaid another INR148 crores. And that project debt is down to just about INR240 crores in our books. And again, there's a quarterly repayment program that we keep respecting. The debt that has gone up on our books there is an important reason behind it on 31st March, it seems that our working capital had got stretched. And the reason behind that is actually a very positive development that we've been able to make.

We perhaps are setting some kind of, I would say, world records in our ability to keep running kilns without having to take maintenance shutdowns. What I mean by that is our Chittapur kiln, while actually recently taken for shutdown after a period of 23 months. The industry norm is nine-month. We ran the kiln and we took it down for regular maintenance work after 23 months, while that is one data point which obviously gives us savings in our fixed costs, as required maintenance. More important, why I'm sort of mentioning that at this particular juncture is we finally had to take maintenance shutdown of the kiln which last we had actually done in the month of April '21.

And because the markets around that area were still very strong, we had to stockpile a lot of clinker, by March end to be able to keep servicing the markets that Chittapur serves. Even during April when we would have had nearly zero clinker production. So, that huge pileup of clinker inventory and cement as much as we could stock at the end of March led to a to a huge spike in the inventory that we have, as we had on 31st March, which obviously needed more working capital, and that is a big skew.

But as I mentioned, we did take the shutdown work of Chittapur during the month of April. And by the time, we lit up our kiln back into operation, all that excess inventory that we had piled up had been consumed to cement stock and you'd be surprised at the end of March, if my clinker stock, at Chittapur was 75,000 tons, by 20th March (**Company comments : please read 20th April**) it was down to 2,000 tons. Even now, we have total clinker stock at Chittapur just about 7,000 tons. So, the blip that you see in the working capital buildup, was only to be able to tide



through the period that we had for the shutdown there. That's the only reason why the working capital got stretched and we had to borrow some money from the banks.

Plus, obviously, from time to time when we import petcoke it does create a little bit because we've, when we import, we have to import full ship loads. And obviously when that inventory comes to besides that, which has become a normal cycle now we import vessel and then consume it. So, when it comes, you certainly have a three-month inventory by the time you import the next ones, that also falls. So, that's the cycle but the clinker exceptional inventory has been already liquidated.

As I mentioned, the project debt is about INR240 crores as we speak, the working capital that would be a little over INR100 crores. And in this particular year, we managed to also get part of our incentives, which our Karnataka investment had made us eligible for. So, about INR57 crores of debt we have in the books which we call it debt, but actually, it's a soft loan from Karnataka government which is interest free for the next 10 years and the repayment will start only after 10 years again in yearly installments.

So, it's interest free loan available as good as equity, frankly. But still if you include that also then we would say we are the debt is around INR400 crores, but INR57 crores of that as I mentioned to you is more of incentive than really a loan. The best news I think the energy prices, which we've seen the softening in Q4 have softened further during the last quarter. The challenge that we have is that when the prices softened by the time they hit our P&L there is always a lag.

And that's why last year, despite prices going up in the initial quarter, quarter and a half we had the benefit of our early inventory which was bought cheap. This year, we may have a little bit of struggle with. The prices of petcoke having gone down, the lower priced petcoke, when it only comes in only then we start seeing the softening, otherwise we have to live with what the inventory that we've got. The good news is that the new petcoke that we booked was obviously about, have declined 13% lower compared to our previous purchase. So, that's again a good price. But maybe by the time we start consuming the prices may come down. So, that's the only risk that we have when we buy fuel in bulk.

The rest of the market initiatives they keep going on. The one of the changes, again, which are important is led by several factors, including non-availability of rakes and also the railways have decided to re-impose the peak period surcharge. And they started laying very penal wharfage charges at the destinations. Because of that, we had to relook our logistics mix and for the time being, at least in Q4, the railway dispatch has come down to 16% of our volumes compared to 25% which was there in Q4 last year. And the full year rail dispatch has actually come down to 17% for 21% last year for the full year.

A little bit of, on the prospects. Looking forward, if people have seen my interaction on TVs and all. We are targeting in the current year, the volumes of, I'm saying it's the range is between 6.3 million tons to 6.5 million tons from about 5.8 that we did last year. And one thing which I'm sure all of you who monitor the cement sectors, you would know that if we have taken the major shutdown of the kiln at Chittapur which takes about three weeks when you take it down. As we

have taken that in the month of April, it might look a little softer month purely because the maintenance shutdown comes in on P&L as a very, I would say, bunched up maintenance cost.

So, that obviously is booked in the month of April. And also, if I was stocking 70-odd-thousand tons of clinker at Chittapur that obviously was not good enough to meet the entire demand. So, we also had to ship many rakes of clinker from Devapur to Chittapur to keep meeting the market demand. So, that obviously adds, a huge amount of cost of transport in clinker which as we all know, and that much of distance costs us about INR800 per ton. So, that obviously has been additional impact during the kiln shutdown period.

And I mean, thankfully, we kept servicing all of our customers and we kept meeting their needs. But we know this impact that happened during the annual shutdown or maintenance shutdown and it's no longer annual for us. We actually do it, not annually but a lot more longer. These are bunched up costs, but they get equalized over the year. It may look in the month of April for us, yes, we bunched up on maybe in Q1 also it will have an impact. But for the full year as the whole, they will get normalized so nothing to get worried about.

On the last item that I want to talk about before I take your questions, is that capex actually has been slower than what we perhaps had anticipated at the start of the year. And multiple reasons especially after Q2, we were also quite spooked by where we landed up in Q2 and H1. So, for the year as a whole against our estimates that we have shared we could spend only about INR130 crores for the full year on capex, and in Q4, it's barely INR28 crores. So, obviously, there's a backlog in terms of capex.

Now coming back to the capex going forward, as I did mention to you, the two reasons, one, at Chittapur, we already consumed 100% of clinker. More importantly, what we are now realizing is that it was okay as long as Chittapur was ramping up and, you know we had some spare capacity there. And we could do with essential activities like maintenance shutdown very comfortably. The problem with Chittapur is that it has, as of now only one kiln, unlike Devapur where we have three kilns, where even if one kiln shuts down, we can keep running the operation.

At Chittapur with one kiln and that also being utilized 100% of capacity. There is a very, very clear need for us to prioritize the expansion of the new kiln and grinding capacity at Chittapur and we keep seeing very, very strong demand there. So, we would like to take that up. And if you take the ambition now would be that at least we start the physical on-site work on Chittapur kiln line, sometime in the third quarter of this financial year. And that obviously means that some, the Chittapur expansion would cost us between INR1,550 crores, INR1,600 crores in that range.

There can be INR10 crores, INR20 crores here and there, but largely we say, between INR1,500 crores and INR1,600 crores is the total capex there. Out of which, if we have to really push it very, very hard to get the kiln line in place in time for us so that we don't lose the market, perhaps we are wanting to spend about INR600 crores on that project within this financial year. And there are a few other things that we have to keep doing, for example, we are obviously looking

at expanding in due course of time, our capacity at Devapur and also do the Greenfield at Rajasthan.

For these two projects, we need to do some preparatory capex. For example, in the forest, our mines in Devapur happen to be in the forest areas, and for those of you who are familiar with the forest areas. We have now applied for forest clearance and the moment we get Stage One forest clearance, we will have to deposit close to INR150 crores with The Forest Department of the government to create, to reforest the compensatory, to compensate for the forest that we will be using to do our mining. So, those are all essential. These are all part of the overall capex that we have for Devapur, but I've seen some of that obviously, I'm assuming that the Stage One clearance, forest clearance will be available to us within this year and that will obviously mean cash-flow, cash outflows, maybe INR130 crores to INR150 crores

Similarly, Rajasthan, land acquisition process has to start. So, we obviously, and I'm keeping INR100-odd crores for capex, to acquire land in Rajasthan. So, that the work stays on-stream. So, put together, we are also wanting to put waste heat recovery plant at Devapur. And also, I talked about nearly INR10 crores investment which will go into equity for solar power at Jalgaon and at Chittapur. So, all told, INR1,000 crores, INR1,050 crores should be our capex this year if our growth line plans have to stay on-track, and we don't want to lose market-share.

So that's, I would say all the highlights that I had to share. And obviously, I've tried to answer most of the questions that the audience would normally have, but there is an opportunity for us to start addressing questions as they come. Thank you.

**Moderator:** The first question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

**Rajesh Ravi:** Hi. Thanks for the detailed presentation. If you could share, what was the clinker production for FY'23. Hello, sir. Can you share the clinker production for FY'23, please?

**Deepak Khetrupal:** The number I'm not having with me right now, but I did tell you 78% of our capacities. I can say that.

**Rajesh Ravi:** On clinker basis you are saying?

**Deepak Khetrupal:** I'm saying, clinker basis, the utilization for the last year was 78%.

**Rajesh Ravi:** Okay. And for full year, what would be your trade and nontrade mix? And what's the target?

**Deepak Khetrupal:** See, targets, we obviously would want to get back to more trade as we used to have 60%-odd. But this year, obviously, that has come down to about 54%. And balance it we've been doing B2B. Target is a function of what we see in the market. This year also, the target was not to go down in B2C by the way, that was never the target. But if you do not have demand or the prices are not remunerative, then we pivot very quickly. So, we'll keep feeding the demand that we see in the market. Let me not hazard a guess on that because if you ask me, I certainly want to do about 65% trade, provided the demand is there and the price is there.

**Rajesh Ravi:** Okay. And sir, two questions. One on the quarterly. If you see the employee cost and other expenses, this quarter were very low despite the high volumes the cost was much lower than INR43 crores normal run rate. So, how should we look into this? Obviously, it is a balancing number for the full-year. And even for other expenses [inaudible:0:35:33] what would be the normalized run rate?

**Deepak Khetrapal:** See, partly, Rajesh, you've already guessed it. Partly, it always happens, at the end-of-the year, we realize the net provisions for year-end costs like variable-cost and the bonuses and things like that. And when you see the final results, we know it's not going to get paid at this level. So, we reverse some of the numbers for sure. So, it's partly it's balancing, but also this, about, I think two quarters ago, I tried to answer this question. We actually have had a fabulous process of developing talent in-house. Now when we had a very senior-level personnel, President Manufacturing, when he retired in the month of October, we didn't go out and hire a new President Manufacturing. We had been training. We have been developing our internal people. So, the President Manufacturing, the new President Manufacturing was already with us. Same thing happened this year also so, five-six levels of succession within the company, which otherwise would have been more expensive if we had gone out. We actually use our own talent and in-house talent typically turns out to be lower-cost. So, the month of, for this quarter and even the month of December, we didn't have to pay the salary that our previous President Manufacturing used to draw.

And we have his replacement at a salary which is much lower, because he is younger, he is developed in-house, he will get to that salary, but for the time-being, we are saving, right? So, that's a process. And another change in the company and that again is happening at another level, same process. Develop your talent, utilize them. Your manpower cost will remain under control. That's what we've learnt and that's what is resulting in the numbers that you're seeing.

**Rajesh Ravi:** And sir, lastly, on the capex front. If you see FY'23 also our mid year target was around INR250 crores for this financial year, FY'23. And we closed the year with INR150 crores. So, on a practical basis what sort of number one should look at? Because Tiroda is not happening, but other projects are mostly brownfield in nature. So, what is the Devapur and the Chittapur projects which are firm up for this financial year? And, yes.

**Deepak Khetrapal:** Rajesh, as we know, Devapur, I have already mentioned many times. We will not take up Devapur expansion till we have a grinding unit under construction. So, whatever we'd plan to spend not only on Tiroda, but also at Devapur, the support that we had to hold back, because Tiroda got cancelled. So, that's why now, if I'm talking about INR1,000 crores in this year, as I mentioned to you, I'm not talking anything beyond the forestation charges that we have to give to the government.

I am not saying much to be done at Devapur or the new grinding unit. I am, not even planning that. INR1,000 crores, INR1,050 crores number I am saying is largely to start the kiln construction at Chittapur. And then I said INR150 crores for deposit to the government for forest clearance, INR100-odd crores for Rajasthan land, which I think are reasonable to take. The

Tiroda dislocation was a huge, huge thing, because when that got dislocated. There is no point in expediting Devapur construction.

- Rajesh Ravi:** And for this Chittapur, what sort of clinker and grinding capacities you're looking at?
- Deepak Khetrupal:** We are replicating the, we had a 3 million ton capacity there with a 7,000 tpd kiln, 6,000 tpd kiln we will replicate it, exactly the same thing.
- Moderator:** Thank you. We'll move on to the next question. That is from the line of Niteen Dharmawat from Aurum Capital. Please go ahead.
- Niteen Dharmawat:** Thank you for the opportunity. A couple of questions. What is the status of the waste heat recovery plant at Chittapur that we expected to commission in the first quarter of financial year '24? And how much debt we are likely to take on the books for the capex that we are planning and which is undergoing right now? And yes, sorry, go ahead.
- Deepak Khetrupal:** The capacity of waste heat recovery, which is under commission today is 10.2 megawatts.
- Niteen Dharmawat:** Okay. And this is now on stream, right?
- Deepak Khetrupal:** No, it is under commissioning. It will be on stream in the month of June. Commissioning with the construction is over then I mentioned that we had to wait for the kiln shutdown to connect it, only then you can start getting waste heat. So, now waste heat steam is being passed on to that. And then obviously, when you're commissioning a power plant of any sort, it is a few weeks job before it starts giving you power, because the commissioning activities are fairly hazardous and they do take time. So, it is under commissioning, it will be operational soon.
- Niteen Dharmawat:** And what is the debt amount that you are likely to take for the subsequent capex which is going up?
- Deepak Khetrupal:** Niteen, our debt will be geared towards how our cash flows go. So, we do have the cash flows coming in. We have no other plans besides after paying dividends, there is no other plans to sort of in a way do anything, so we use as much cash in term that we can generate and balance will go for debt. If we are able to spend INR600 crores, my own guess would be, perhaps will be prudent to go for exactly, maybe INR600 crores to INR700 crores in that range. But like I said, that will be for us a balancing number. We'll obviously try and use our own cash flow as much as we can.
- Moderator:** We'll move on to the next question. That is from the line of Rajat Setiya from Ithought PMS. Please go ahead.
- Rajat Setiya:** Hi, thanks for the opportunity. Sir, just one clarification. You mentioned that... So, sir, because of lack of clinker capacity, we are not able to produce, we won't be able to produce to our name plate capacity of 8.5 million tons, is that correct?
- Deepak Khetrupal:** If the OPC percentage remains as high, yes, you're right. 8.5 million or in any capacity in the cement industry, assumes 65% PPC, 35% OPC, I would say the default assumption when we

talk about capacities. The moment of OPC becomes way beyond 35%, no company can produce the boiler plate capacity, that's how it is calculated. So, you're right. Your conclusion is absolutely right.

**Rajat Setiya:** Okay. And with the help of this new clinker capex that we are planning at Chittapur, I mean, what will be our cement capacity then? Will we be able to produce to the maximum of 8.5 million tons?

**Deepak Khetrupal:** My own assumption is that these blips of suddenly B2B demand becoming so much higher and B2C going down so low, these are transitory phase. I'd personally do not think this'll sustain. So, whether it happened in this quarter or the next quarter, B2C demand will come back. And then we will get back to around, like, I said, 60%-odd of PPC and 30%-odd- of OPC. So, I think we'll resume normalcy within a few quarters. But and the same thing, if you are going to be replicating the current size of the kiln and the mills at Chittapur, boiler plate will be 3 million tons. Assuming that the mix of B2C, B2B or OPC, PPC, would come back to what the industry norm is. The current aberration, let's not carry this current aberration as something which is going to last forever.

**Rajat Setiya:** Sure. So, our total capacity will increase by how much, sir, with the help of this new...

**Deepak Khetrupal:** At Chittapur, it will increase by 3 million tons. So, 8.5 million tons to 11.5 million tons.

**Rajat Setiya:** So, 8.5 million tons plus 3.5 million tons?

**Deepak Khetrupal:** Plus 3 million tons. Total 11.5 million tons with Chittapur expansion.

**Rajat Setiya:** Okay. And sir, you briefly mentioned that about Devapur, and you have mentioned that in the past, unless we have the grinding unit at Tiroda, I think, we won't be able to add the capex. So, what is your thought process there? I mean, in terms of what is, why are we now going ahead with the grinding? What is stopping? What's really happening there, can you help us understand?

**Deepak Khetrupal:** Good question. Actually I should have briefed this in my own opening briefing. Tiroda fizzled away. They said they will not allow us to do it anymore. So, what we have done now is, we are actually in very close discussion with another alternative site in Madhya Pradesh, very close to a power plant. The discussions are on and as you know, when you have a new site in, whenever you need land and other details, you have to examine lots of things. So, we have zeroed in on one-site. I would not like to reveal the name at this stage because we are under negotiations.

So, we hope that within the next six months, we will be able to freeze the exact site and have the land in-hand to put up the grinding unit. But if it takes us six months to get the land, I don't think much of capex will happen on that in this year, in terms of cash outflow. But we will make that grinding unit. And as soon as we start the construction for that grinding unit, Devapur expansion will run-in parallel. So, we want to do it in a synchronized manner, so that we don't have mismatch of having clinker, but not the grinding unit or having the grinding unit but not the clinker.

- Rajat Setiya:** Sure. So basically, earlier plan was 1.5 million tons of grinding unit and 3 million tons of kiln at the Devapur plant. So same would be the...
- Deepak Khetrpal:** Let me correct again, earlier plan also was that the Chittapur, the kiln that we have, which actually produces about 2 million tons of clinker, which can give up to 3 million tons of cement. So, at Devapur also, line four is planned for clinker capacity of 2 million tons with 2 million tons of grinding at this Madhya Pradesh grinding unit, which is the alternative to Tiroda. And 1 million additional grinding at Devapur itself to cater markets nearby. Total capacity 3 million tons of cement, 2 million at the remote grinding unit, one million ton on site.
- Rajat Setiya:** Got it. And sir, what will be the total capex for this one, if it begins when ever, let's say, sometime next year, both the kilns put together, in the grinding as well as the kiln?
- Deepak Khetrpal:** The Devapur expansion and a split grinding unit, all put together will cost about INR2,000 crores.
- Rajat Setiya:** So, INR2,000 crores for this, and almost INR1,500 crores to INR1,600 crores for the Chittapur, correct?
- Deepak Khetrpal:** Yes, yes. But like I said, the timing and all, it is likely the sequential rather than together.
- Rajat Setiya:** Got it. And Rajasthan and we can assume will be the last one, I mean...
- Deepak Khetrpal:** It is the last simply, because you know how difficult land acquisition is. So, because of that, I'm not getting over ambitious that I'll be able to get the land within a year and start construction, it's unlikely to happen, you know it, I know it. Even if I say, you won't believe it.
- Rajat Setiya:** So, what will be your, in terms of debt, how do you think what kind of peak debt at any point in time, whether it be in terms of debt equity or debt to EBITDA. How do you think about it?
- Deepak Khetrpal:** We stick to our pre-announced board mandate, which is, we would contain our maximum debt, meeting debt equity largely 1.5 within our target for debt equity. So, 1.5, I don't think we'll ever exceed 1.6 in terms of debt. It's 1.5 is our comfort zone, and also mandated by our board. In terms of debt to EBITDA, we will stay between 3, 3.5.
- Rajat Setiya:** Okay. And sir, can you point in time if, let's say and do you envisage going for equity infusion as well?
- Deepak Khetrpal:** Yes. If let's say, the market situation and all the things come together. And we believe there is need for us to put up capacity faster, that obviously cannot be handled through debt and internal accruals alone. In which case, if in the new projects, the Chittapur expansion, Devapur expansion with grinding unit in Madhya Pradesh and Rajasthan, if they overlap, obviously, current capital, the current balance sheet cannot sustain that. So, obviously at that point in time, we will see, if need be, bring in some equity, so that we have more room to leverage the balance sheet and do the projects faster.

But as of now, like I said, I'm sharing with you, what is clear currently and we keep watching the market, how quickly we can build capacity in Rajasthan and before that at Devapur. That I believe is more finite, because in six months' time. I'm expecting to have the land in-hand for the grinding unit and should start happening sometime in FY'26, the work can start there.

- Moderator:** The next question is from the line of Prateek Kumar from Jefferies.
- Prateek Kumar:** Good morning, sir. My first question is on your trade mix, so you said that trade mix has more competition. And as a result we have lowered our trade mix...
- Deepak Khetrupal:** We have not lowered. The competition has not gone up, the demand has gone less. That is different way of looking at business. So, competition has always been there. What has made it worse is that the B2C demand went down.
- Prateek Kumar:** Okay. But we generally, I mean, how do you classify this real estate demand in Mumbai market or some of the semi-metro markets in Maharashtra or Pune? Because real-estate seem to be doing well. So, if it's counted under B2B demand?
- Deepak Khetrupal:** Yes, so look, again, Prateek, as you are aware, Mumbai, Pune markets, when you say housing demand, those constructions are largely, as large projects where you have B2B sales. Whereas the same housing if you start doing in Tier 3, Tier 4, Tier 5 towns that become B2C sales. And that's besides the reason why my exposure into Western India has gone up, my OPC has gone up because my volumes in Mumbai and Pune have gone up dramatically. And that is all B2B and OPC.
- Prateek Kumar:** Okay. And regarding competition, like year before like in FY'22, we are like commissioning of Shree Cement, Dalmia, and I think Birla Corp in your market. So, are these competition like sort of now easily absorbed in the market and unlikely to impact going-forward or are there is sort of still ramping-up and there is major competition for pricing?
- Deepak Khetrupal:** No, I think the capacities that came up around us, around us, new capacities at Chittapur and we were also new capacity. Don't forget, in 2015, we got commissioned and that's around the time we had Shree Cement coming up, Dalmia's coming up, JK coming up, lots of plant, additional capacities came up in that market as you know. But that capacity, I'm telling you, Chittapur plant is right now running at 100% kiln capacity. So, everything is absorbed. We are not the only ones. We may have done somewhat better than some other competitors, but by and large, that capacity is already absorbed.
- The struggle for us quite honestly has been most acute around our Jalgaon grinding unit, where there are two other competitions have put up grinding units in the market that we used to cater to earlier, right. And as they came in, they obviously have invested money there and they are following their own strategy to penetrate the market. And that's where the struggle start, seeing, should we keep selling at prices where there is competition, because don't forget the split grinding units, whether it's ours or anybody else's, clinker needs to be transported to that site and then you have to sell.



And we typically have been avoiding OPC sales from our split grinding unit there in Jalgaon. Because there is hardly any margin left if we sell OPC. Typically, split grinding units are viable or attractive in terms of investment, if you can sell PPC. Now that unfortunately, has been not the guiding, I would say, philosophy of people who have put up grinding facilities later. And they are happily selling cement cheaper even after incurring INR800 a ton for transport cost. Now what do you do? And we are somehow trying to protect our prices and our contributions?

**Prateek Kumar:**

Right. So I was mentioning about the recent...

**Deepak Khetrupal:**

I will just answer Prateek. The recent ones that are come up are grinding units around Jalgaon, around Khandesh area as we call it. That's the only current struggle, otherwise we're okay.

**Moderator:**

Thank you. We'll move on to the next question. That is from the line of Aditya Chheda from InCred Asset Management. Please go ahead.

**Aditya Chheda:**

Hi, sir. Aditya here from InCred Asset Management. What is the cost of debt you're looking for the capex you would be taking up?

**Deepak Khetrupal:**

Cost on debt, cost on debt, the only thing I can tell you is that, given our strength of balance sheet and given the way we manage our business, our cost of debt is, it will remain the finest. And it will be driven by what the market rates of interest are. I mean it all depends on what view the Central Banks in India, when you are taking in terms of how they create the interest and things. Hopefully, like I said in the past we borrowed at better delivery rate. I mean we borrowed at 7% something.

Currently, if I go to the market, I don't think that I would get that rate. It would be higher than that. It's a function of what are the interest rates in the economy around the time we hit the marketplace. For me to guess, I'll give that everything depends on the monetary policies with the Reserve Bank of India. I would like to do that. We'll see what the market is. Our spreads are extremely thin. That's what I can say.

**Aditya Chheda:**

And second on volume growth drivers. You mentioned one of your capacity is operating almost at full capacity. And the second one is where the competition is sort of hurting us. So, the incremental growth of around 10%-odd in the volume, what would be the key drivers there? How do you see that number coming out, especially with April, you mentioned maintenance shutdown has been taken. So, on a full year, which is, how are you thinking about that number?

**Deepak Khetrupal:**

One is obviously, if there is new competition that has come around the grinding unit, we are finding out ways to respond and we are sort of succeeding with that. Similarly, the markets in Telangana, which have been fairly low, they also sooner than later, they also going into election in Telangana, we expect a large demand growth coming in Telangana, which has been languishing for the last two years. So, we are going by the situation market-by-market. And third, more importantly, when I say 100% capacity utilization, it was because of extreme skews which went towards OPC, which I mentioned earlier, is likely to normalize.

As that normalizes, then Chittapur is not 100% utilization of capacity. Don't confuse the two. Clinker 100% does not mean cement 100%. So, if the demand moves back to PPC as it normally should, we have growth opportunity there also. Let's not get confused. We can't sell anymore cement from Chittapur. We can. If there is more OPC for me, I can give you another, whatever quantity is there in the market. So, just clarifying, we believe, sooner than later, B2C demand will be back and our PPC sales will go up. One

Around Jalgaon, new competition, we are finding our ways of competing with it and Telangana, which has been a disappointing market for the last two years, during the election, we are expecting strong growth in Telangana. So, that's my answer. We have capacity in Telangana. We have enough capacity to sell.

**Moderator:** Ladies and gentlemen, we'll be taking the last question. That is from the line of Mr. Navin Sahadeo from ICICI Securities. Please go ahead.

**Navin Sahadeo:** Thank you for the opportunity. Sir, just couple of questions. For the Chittapur Line Two clinker, if you could just clarify what is the status of the clearances and by when are you likely to see the project completion on this, please?

**Deepak Khetrpal:** As I mentioned, Navin, I said we'll start construction in the third quarter. Now, why we are worried? Waiting for the third quarter is only because of these clearances. Application have been moved. And basically, we need environment clearances both for the plant and for the mines. That process is already on. We are expecting the process to be completed in the next six months. And that's why I said in third quarter. Otherwise, I would have given the current situation, I want to start the construction now if I could. So, third quarter only, because we are awaiting clearances. And once we start construction, the typical construction time now that's a brownfield unit should be the best case scenario of 15 months, the worst case 18 months. 15 to 18 months is the time, then we will expect the capacity to be available to the market.

**Navin Sahadeo:** Correct. So for, let's say, once the capacity comes on board, then as previous participants did ask that we might then be a little short of the grinding capacity, so to say, which you said we are already looking at a facility in Madhya Pradesh.

**Deepak Khetrpal:** Navin, Chittapur is independent of Madhya Pradesh, Madhya Pradesh will be supported by Devapur, Telangana. Chittapur 3 million tons, 2 million tons kiln, 3 million tons grinding capacity on Chittapur onsite at the plant. So, when I talked about INR1,500-odd crores of investment, it is not just clinker line, it's including additional grinding at Chittapur, because there is enough demand around that area.

**Navin Sahadeo:** Understood. So, the additional grinding that you are looking at is 3 million tons at Chittapur you are saying?

**Deepak Khetrpal:** Correct.

**Navin Sahadeo:** Oh, that's helpful. And sir, just one last question then. In the scheme of things, of course, I understand Chittapur is a priority and very rightfully because of high utilizations there, but

Rajasthan is nonetheless like, I think a decent sort of a priority. So, when is that? Where is that in sort of a, you did explain that land acquisition in all is in-process, but if you were to take a slightly, like, view of the next three to five years, then where is Rajasthan in the overall scheme of things? And when can one ideally expect broadly the project to start? Thank you

**Deepak Khetrupal:** To my mind, Navin, I would actually believe that our land acquisition processes will take us about two years. And as we sort of are doing that, obviously, we will also be starting all the processes for the construction activity to start. So, my own guess is two years, two and half years minimum before we can start the construction at Rajasthan. That's bare minimum. And the Greenfield project will take us, like I said, 18 months to 21 months. Brownfield can be in 15 months but Greenfield, I don't think will happen less than 18 months, because the railway siding and lots of new things to come up which a Brownfield doesn't need.

**Navin Sahadeo:** Understood. This is very helpful. Thank you so much.

**Deepak Khetrupal:** Thank you, thank you Navin. Thank you everyone.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Navin Sahadeo for his closing comments.

**Navin Sahadeo:** Thank you. Thank you, Deepak sir, for your providing ICICI Securities the opportunity to host you. And thank you, everyone, for taking time out and joining the call. You may please go ahead and disconnect the lines.

**Deepak Khetrupal:** Thank you, everyone. Thank you. Bye-bye.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.