NUVOCO VISTAS CORP. LTD.

NUVOCO
Shaping a new world

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May 30, 2022

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**

Dear Sir/Madam,

Sub: Transcript of Investor and Analyst Conference Call on the Audited standalone and consolidated financial results of the Company for the quarter and financial year ended March 31, 2022

Further to our letter no. Sec/20/2022-23 dated May 17, 2022, letter no. Sec/25/2022-23 dated May 23, 2022 and letter no. Sec/27/2022-23 dated May 24, 2022, please find enclosed the transcript of the Investor and Analyst Conference Call held on May 24, 2022 on the Audited standalone and consolidated financial results of the Company for the quarter and financial year ended March 31, 2022.

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**

Nuvoco Vistas Corp. Ltd. MUMBAI 70

Shruta Sanghavi
SVP and Company Secretary

Nuvoco Vistas Corporation Limited
Q4 & FY22 Earnings Conference Call
May 24, 2022

Gavin Desa: Good morning everyone and thank you for joining us on Nuvoco Vistas Corporation Limited's Q4 & FY22 earnings conference call. We have with us today Ms. Madhumita Basu - Chief Strategy & Marketing officer.

Before we begin, I would like to mention that some of the statements made in today's call, maybe forward-looking in nature and must be viewed in conjunction with risks as the company faces. The company does not undertake to update them. The statement in this regard is available for reference in the presentation shared with you earlier.

We will begin the call with opening remarks from Ms. Basu, who will share perspectives of the business model and strategy and the outlook for the company. Post this we will have the forum open for interactive Q&A session.

I now like to hand over to Ms. Madhumita Basu.

Madhumita Basu: Thank you, Gavin. Good afternoon, everyone. It gives me great pleasure to welcome you all to the Q4 FY'22 earnings call of Nuvoco Vistas.

Looking at the year gone, financial year 2022 was challenging for the entire industry. On one side cement demand growth was a bit impacted during the year by unprecedented factors in different regions at different points in time. On the other hand, soaring coal costs since August 2021 weighed on margins. While overall pan India cement demand still grew at a good rate of about 9% to 10%, East India, which is our major operating regions, witnessed its worst hit year, primarily caused by poor weather conditions in the states of Bengal and Odisha coupled with the long transporter strike in Chhattisgarh and the sand availability issue in our principal market Bihar, due to the ban on sand mining. I have not seen so many factors playing along almost simultaneously in so many years.

If I however, particularly focused on Q4 FY'22, the Eastern region has witnessed a good demand rebound during the quarter on a sequential basis, driven by improvement in ground level activities with seasonally stronger period, improved labor availability and revival in sand mining. Price hikes during the quarter were led by the strong demand rebound and high fuel cost. East witnessed sharper price hikes compared to most of the regions in India with the improvement in capacity utilization and given a low Q3 base.

Presently, we are looking at a modest cement demand traction in the market emits a seasonally healthy construction period. However, fuel prices remain elevated, dominant inflationary pressures have also started affecting other input material prices. Indian Government's recent intervention in stabilizing the inflation is appreciated. This should not only help in containing the soaring costs but will also give necessary support to cement demand.

In this background, we continue to focus on managing our costs through our internal levers, getting as much linkage coal as available and increasing the alternate fuel rates. Price hikes taken in late Q4 FY'22 are still holding out and providing benefits in Q1 FY'23 while further price hikes were taken in April in both North and East region.

I would like to mention here that cement is a cyclical sector, and one should take a long-term view setting aside the near-term headwinds. For a developing and growth economy such as India, the outlook for the cement industry is very positive given the extent of infrastructure and housing requirements in the country. The cement demand is slated to grow at a good pace led by Government's focus on affordable low cost housing segments, increase in infrastructure spends across sectors such as roads, railways, metro rails, smart cities and irrigation, coupled with the pent-up demand in urban housing and industrial capex plans with the ebbing impact of COVID-19 pandemic. Rural demand is also set to pick up with the prospect of a good Rabi income and the expectation of a normal monsoon for Kharif crops.

I would now like to quickly run you through the update on our ongoing expansion projects. We are on track on the Clinker capacity enhancement projects in Risda and Nimbol by 1,000 TPD each through debottlenecking. Out of this, we have already achieved 500 TPD capacity enhancement at Risda facility during FY'22. Both the projects are set to be completed in FY'23.

Second is on our North expansion at Bhiwani, Haryana, which we announced during the previous quarter results. Just to touch base on it again, we are setting up a 1.2 million tonnes per annum grinding unit at our existing Bhiwani cement plant in Haryana. In FY'22 our volumes in North improved by 20% YoY. We successfully launched the Double Bull brand and our premium mix improved by 2 percentage points of trade volume. Therefore, North is an important market for us, and with this expansion, we will get the desired additional volume. This GU will enable full utilization of our Clinker production in the north as well. As an added advantage, this expansion is backed by an active incentive policy by the Haryana Government. We are in the process of getting all the necessary approvals for this project. In the meanwhile, engineering design is finalized and negotiations on civil work tenders are initiated.

Coming down to sustainability, which is a key agenda of the company. We remain committed to continuously focus on increasing the consumption of alternative fuels, healthy share of blended cements in our mix and conserving natural resources to efficient waste heat recovery systems, making a positive impact on the environment and maximizing the value creation for our stakeholders.

Our Chittor cement plant has established alternate fuel rate capability of up to 23% during FY'22. We are also investing in the alternate fuel material handling facilities in Risda and Nimbol, which should further our commitment towards circular economy. On the green footprint I'm also happy to mention that our Portland composite cement, which we launched during FY'22 surpassed a milestone of 1 million tonnes in the first year of launch itself. This improved our C/K (cement clinker ratio) to 1.8x, which is one of the best in the industry.

Before moving on to our financial performance, I will briefly touch upon our RMC and MBM businesses. Both the businesses are delivering improved performance. RMC business has witnessed a healthy volume growth of 89% Y-o-Y in FY'22 with about 53 operational plants pan India at the end of the year. It's share of premium products increased to about 25% during Q4 FY22. We also launched Ecodure, which is a revolutionary range of low carbon concrete. It demonstrates our commitment towards developing sustainable products to minimize the impact on environment. Revenues from MBM also increased by 59% on a YoY basis. We recently extended our range, including tile application products with the launch of premium epoxy grout in 23 shades.

Now for a quick wrap up on our financials, our consolidated cement volumes improved to 17.8 million tonnes in FY'22, while cement volumes in Q4 FY'22 stood at 5.5 million tonnes. During the year our premium mix improved by 3 percentage points to 34% of trade volume. Trade mix remained healthy at 75% despite heavy macro headwinds. Our revenues from operations improved by 35% quarter-upon-quarter to Rs. 2,930 crores in Q4 FY'22 driven by higher volume and prices taken during the quarter.

On full year basis current revenues improved to Rs. 9,318 crore in cement^. During the quarter our key cost cement elements namely, material and distribution cost increased sequentially, primarily due to the inflationary pressures in our key input raw material prices like slag and fly ash, coupled with the increase in freight cost and diesel prices.

However, we were able to contain our power and fuel costs and reported a decline of 3% on quarter-on-quarter basis by, i) efficiently managing the fuel mix time to time, ii), receiving slight benefit with improvements in linkage coal supplies, and iii), by maintaining a good rate of alternate fuel.

In this elevated cost situation, we continue to focus on our internal levers which are under our control. I'm happy to share that we are on track to generate synergies under various levers.

Elaborating on our broad initiatives, our price acceleration program has been yielding results with improvement in premium share of product and better geo-optimization. Sales volume of our market leading brands Concreto has improved by 17% Y-o-Y during the year. Project SPRINT, which is to get synergies with the integration of Nu Vista has been has given exemplary savings under various head of procurement, manufacturing and logistics synergies, along with Clinker rerouting initiatives. We are doing further scoping under this project. Benefit also came from higher utilization of waste heat recovery systems. The only lever which largely remained subdued during the year was our anticipated savings from our captive power plants. However, with better availability of linkage coal and softness in coal prices, there is an additional upside of up to Rs. 25 to Rs. 30 per tonne through this lever in the quarters to come.

Our consolidated EBITDA for the quarter improved by 82% quarter-upon-quarter Rs. 440 crore, FY'22 EBITDA stood at Rs.1539 crore. Some key updates on other aspects of the financials. Despite heavy macro headwinds we continue to work on improving our balance sheet, our net debt during the year declined by

Rs. 1,666 crore to Rs. 5,064 crore during FY'22. We have fully utilized our IPO proceeds of Rs.1,350 crore for repayment of debts during the year. Total CapEx for the years stood at Rs. 411 crore.

With this, I will end my opening remarks. As this is our full year results, I'm joined here by Mr. Jayakumar Krishnaswamy - Managing Director and Mr. Maneesh Agrawal - Chief Financial Officer. We are all here to answer your queries. Thank you.

Moderator: Thank you very much, ma'am. We will now begin the question-and-answer session. The first question is from the line of Rajkiran Gandhi from SBI Mutual Fund. Please go ahead.

Rajkiran Gandhi: Could it be possible to highlight how was the linkage coal mix moved over the past few quarters? And what is the outlook on the linkage coal availability?

J Krishnaswamy: Yes, thanks, Raj. I think we had a very good position for linkage coal in East as traditionally been the condition for the company. We used to operate close to about 30% of our fuel requirement through linkage in the last year. And however, since Q3 of last year when the overall coal issues became a problem and the Government started curtailing coal supply to cement companies. our Q4 linkage coal came down to about 19% of our total coal requirement. And we hope from February, March onwards the situation is improving and post summer, we're of the opinion that more and more coal will be made available. And then we should reinstate back to 30% of our fuel mix from linkage coal.

Rajkiran Gandhi: From a near term outlook, it seems challenging due to margin pressure and cost pressure and all of that. However, let's say from a long-term perspective how should one interpret your guidance on zero net debt over next three, four years? Would you not undertake any major expansion outside of Gulbarga?

J Krishnaswamy: Yes, I think let me just answer this question in a little bit of a granular matter. As per our business plan we will become a debt free company by FY'26 even after investing in Gulbarga project, that is what we have been mentioning in the past calls. However, we plan to get on the growth plan which is ambition for our company provided attractive opportunities arise before as well. Looking at the size of the business, we would like to mention here that the company can keep a reasonable amount of net debt in the range of Rs. 3,500 crore to Rs. 4,000 crore, while we are simultaneously looking at good growth opportunities time to time with due clearance of the board.

We currently are having ongoing clinker capacity expansion in Risda and Nimbol through debottlenecking. While we also prioritizing our plans for 1.2 million tonnes as Mita spoke a little while ago, both these projects will continue in this year.

Just to kind of sum up on what I said business plan very clearly says with Gulbarga, we can become a debt free company by FY'26. However, if good growth opportunities arise before, we are comfortable to retain a debt level of Rs. 3,500 crore to Rs. 4,000 crore and still invest for growth in the company. I hope this answers your question.

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

Shravan Shah: Sir, so first coming on the on the revenue front. So, two things on the volume, and second is on the pricing. So how do we see the volume growth for this year? And in terms of the pricing? So, post March or maybe from the average of Q4 how much price increase has happened and we are able to take in the east and northern markets? .

Madhumita Basu: Thanks, Shravan. So we expect East India should witness a double-digit demand growth in FY’23. There is a pent-up demand given the previous COVID impact, and the Government's thrust on infrastructure development and low-cost housing. Also keeping in mind that we are in the run up to a general election. Presently the situation is a bit volatile, but when we look at the FY’23 growth perspective, particularly keeping East in mind, which is our largest market, we have to keep in mind that FY’22 had a very disturbed four-month period. So given the FY’22 base level, we are confident of a double-digit growth in this year.

Coming next to the question on prices, we took price increases in Q4 FY’22, which has sustained and is giving us benefit in the current quarter as well. In April 22, we again took some price hikes of up to Rs. 30 per bag in the North and East up to Rs. 15 per bag, which is still largely sustaining. Price hikes are going to become essential to offset the soaring input costs, and we would be working on this in the months to come.

But most importantly here, since you asked the question of what we will be doing at an organization level, we will continue to focus on our internal lever, which is the price acceleration program, improving our premium products share in the mix, and looking at a better geometry optimization.

I would also like to round up by saying that despite the headwinds we have ended the year at a very healthy 75% trade share in our business.

Shravan Shah: Okay, so the related question is still I will come on the costing front, but before that on the on the revenue front. So, in terms of the RMC, so this year, around Rs.766 crore, RMC plus other segments. So how do we see this this revenue to go up in FY’23?

J Krishnaswamy: It will be a little bit of forward-looking for us to tell what the number will be we'll hit for ready-mix or any other business in FY’23. But I think it is suffice to say that last year, FY’21 was a totally crippled year with COVID. FY’22 we kick started the business and H2 FY’22 was a very good run rate at the rate of close to about Rs. 70 crore per month was the average number in H2 FY’22. And I think if you're going to continue in a similar trend in FY’23, I think that's the number which we can match by to get which will be a healthy growth over last year's actual. That's the way we are looking at.

We are also having additional plans to set up new ready-mix plans across the country wherever markets are growing and profitability and business model is attractive for us. So that's how we're looking at ready-mix. We will continue to grow in FY’23 And I think from then on I think as we mentioned before, our ambition will be to kind of get aggressive growth in this business, keeping in mind profitability as well as ROCE for this business.

On the MBM business, I think we hit about close to about Rs. 60 crore last year from the previous years, number of Rs. 38 crore, here again our ambition is to grow at least double-digit, if not much more, to grow this business to much higher levels in fiscal 23.

Moderator: The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: I have first question on the capex. So, what is the overall capex in FY'2023-24 we are looking at. And with respect to Haryana GU, what is the timeline of commissioning that we expect? And lastly on Gulbarga I mean, where are we in terms of the progress. Are we committed to it or still under evaluation whether we should go ahead or not given the leverage situation?

J Krishnaswamy: Okay, let me just answer one by one. The first question you asked is what total capex phasing which you're looking at. Last year as mentioned by Mita our capex spend was close to about Rs. 400 crore. This year we have a plan to get Rs. 500 to Rs. 600 crore of capex primarily focused on debottlenecking in Risda and Nimbol Clinker, then we'll also start investing in the Bhiwani grinding unit of 1.2 million tonnes, and lastly, railway sidings in a couple of our plants and various other routine land capex for this year, amounting to about Rs. 500 crore to Rs. 600 odd crore in FY 2023.

Beyond this, as you asked a question about Gulbarga, yes, we are committed to Gulbarga. Like we mentioned last time, the target to start Gulbarga will be early FY'24, and we will do groundbreaking around that time. And like we mentioned in last call Gulbarga is going to be a 6,000 TPD line and that would entail close to what Rs. 1,500 crore starting from FY 2024 all the way to FY 2025 end, and this company will have Gulbarga in place, the other routine capex which we spoke.

So, just bottom line Rs. 400 crore last year, Rs. 600 crore this year, and next year Gulbarga will kick in and then on the company expands. As regards to your question about whether we are committed to Gulbarga based on the current leverage or not. As mentioned in earlier answer, we are comfortable maintaining a debt level of Rs. 3,500 crore to Rs.4,000 crore on our books.

And the decision to ground break Gulbarga will be based on the current year's operational performance based on the external factors. We will have to wait for a couple of quarters from now for us to very clearly say at what stage in a FY 2024 Gulbarga will kick in. But suffice to say, give or take few months here and there in FY 24 we will start our construction in Gulbarga.

Sumangal Nevatia: Okay, got it. And, when do we expect this 1.2 million tonne grinding unit to commission? And with that, is our math correct that will reach 25 million tonne capacity on grinding and 12.5 on clinker by the end of next year?

J Krishnaswamy: So as mentioned the grinding unit, engineering design is underway negotiations are already underway for equipment and civil tenders. We are still working with the other statutory approvals to do groundbreaking. Our target is 15 to 16 months from now for the GU to be in place. So. by FY 24 sometime in Q3, we should have the full capacity of 25 million tonnes kicking in for us to be available for FY 25.

Moderator: The next question is from the line of Pinakin Parekh from JPMorgan. Please go ahead.

Pinakin Parekh: Sir, two quick questions. First, we saw the government acting on steel because they wanted to control inflation. Now, we do agree that cement has cost inflation, but I don't think that's an argument, which will hold with the government given that cement companies are making profits and steel had seen coking coal in cost inflation. In that environment, how difficult should it be to raise cement prices from here, given that for the end consumer cement is as big a problem in terms of cost inflation as steel was.

J Krishnaswamy: I think you answered the first question or you answered part of the question yourself. Basically, I think the cement sector is really impacted by input cost inflation. However, having said that, I think we all work in a sector where I guess you have to kind of respect each other and the pricing has to be sensible so that we don't lose a market share. So, if these prices are going to be impacted due to market conditions, I think we are not going to be left behind. And we'd be very clear to gain our volumes.

As regards, what can we do to lessen the impact on our profitability? I think it's a tough answer to give. As a corporation in the industry, we need to maintain our profitability, but you will know very well that coal inflation is continuing to be high and the current forecast is it might even get higher and we don't get how far it will go. So, it's very tough to say that whether we could kind of curtail the prices. But certainly, I think if market conditions are practiced we would not be behind.

Pinakin Parekh: Understood. Sir, my second question is that if we do not see any improvement in the cement industry dynamics for the next 12 to 18 months. This is the third quarter where industry profitability is under pressure. I mean, is it fair to say that before profitability improved substantially, the company would not start spending on Gulbarga? Or will the company be okay even with this current balance sheet and current level of profitability of Rs.700 to Rs.800 EBITDA per tonne to start spending aggressively on Gulbarga?

J Krishnaswamy: I think I answered this in my previous question, but I can repeat it certainly, one more time Pinakin. As I said, as per the business plan which we crafted, we would become a debt free company by FY'26, including Gulbarga. However, if other attractive growth opportunities come, we are okay to run the company at a debt level of Rs.3,500 crore to Rs.4,000 crore. That's the first assumption and the comfort level which we have.

Also, I answered in the previous question because of the current market conditions and high inflationary position, we would wait and watch during the course of this year, how the overall profitability happens and then decide the actual kickstarting of Gulbarga, which currently stands early FY'24 , but based on the coming one or two quarters, during our discussion, we will share with you whether the whole thing could be moved by few months ahead. So that's the way we look at, but we are committed to having the expansion going.

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

Pratik Kumar: My first question first question is on efficiency. So you've talked about the Rs. 250 per tonne savings over FY'22 - FY23 like during IPO. So, how much of that is realized and which particular segments got realized?

Madhumita Basu: We had just done a quick recap of all the projects we had identified under this bucket. First was the price acceleration program. Second was our full utilization of waste heat recovery systems and captive power plants. Third was our project SPRINT, which has synergies from the Nu Vista acquisition. And fourthly was the incentive benefits from our various plants.

So, each of these levers are working well. In my initial opening remarks I have already shared an update on very good for Concreto growth, geo-mix optimization. We have been doing very well on all the SPRINT levers, which is your manufacturing synergies, clinker rerouting, procurement synergies and new products like composite cement.

Our incentive program is also under control with very good capacity utilization in the new plants through the acquisition as well as in Jojobera with its capacity expansion. The only area in which we have had a little bit of a setback is the optimal utilization of the CPPs which was impacted due to non-availability of linkage coal. But as this linkage coal situation improves, we see a good upside coming out of the lever almost to the extent of Rs.25 to Rs.30 per tonne. So, the projects, individually and collectively, are well on track, and we see ourselves meeting the targets.

Pratik Kumar: In terms of Rs.250 where are we in terms of achieving efficiency?

Madhumita Basu: So, as I said, we are on track. And the Rs.250 outlook was over a two-year period.

Pratik Kumar: Second question on cumulative price hikes till May from December levels in Eastern and Northern market. And how much of it is in April and May month?

Madhumita Basu: As I mentioned that in Q4, we saw price increases broadly up to Rs.30 per bag from December exit levels. These have been holding out and we have been seeing the advantage into the Q1 of this financial year. In April, we have taken some further price hikes of about Rs.30 per bag in North and up to Rs.15 per bag in East. But I'd like to reiterate here that our focus primarily remains on driving our internal lever of the price acceleration program with three legs to it staying focused on enhancing the trade market share, improving the geo-mix and stepping up our percentage share of premium products.

We understand that the market is in a competitive stage. There is a lot of cost-driven inflation. We will look at driving the market as the demand improves, which again, we are into the best quarter, and the cost inflation will also remain a key driver in market price corrections.

Moderator: The next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: First question is a follow up on Gulbarga. Previously, I understood the expectation was 6,000 tonne per day clinker and another 1.5 million tonne of GU. And the capex for the that to understand correctly was Rs.1,500 crore. Now with the volatility in prices for input and the overall inflation that we've seen. Does that number still holds and tied to that will be is there a possibility of a delay in capex or if you delay the capex given the mines has been around for a long time you risk losing the limestone mine? That's the first question.

J Krishnaswamy: I think, we are quite comfortable on the availability of mines for some more time, so that's not a risk at all for the company if we delay the Gulbarga project for quite some time. So that's not an issue at all.

Number 2, you asked about the configuration of capex IU or IU plus GU. So, when we decided to go for a 6,000 TPD line, we have now stuck to an IU at the initial phase. And as the market develops we'll get into an IU plus satellite GU.

But that's how the capex of Rs.1,500 crore has been scoped in the Gulbarga plant. As regards to timing I spoke earlier. So, you will look at early FY'24 , or few months here and there based on current year's performance of the market.

Satyadeep Jain: There is no capital cost inflation on that, is that what you are saying?

J Krishnaswamy: As we see today, we don't see any capital cost inflation, but I think we'll have to see. I think because things will evolve during the year. And I think in the coming 1Q or 2Q calls if there is any big shift, I think we will give an update.

Satyadeep Jain: Second question is a follow-up to the previous question, your thoughts on the Rs.3,500 crore to Rs.4,000 crore debt that you mentioned, that if you get some opportunities. Like you have to look at the landscape and possible opportunities across inorganic, organic and not just regions but across products because you're now building strength in modern building materials RMC and stuff. Are there certain opportunities that would be a no go or are there any opportunities within that pecking order there'll be more attractive in terms of regions, organic growth within cement or modern building materials? How do we understand any opportunities that you may look at in future?

J Krishnaswamy: When I mentioned that, it will be on the right opportunities, we said few things. I think all of us work in the building materials industry and for cement, certainly limestone is an important need for going for growth. I think there are opportunity if you really look at our limestone map, we have adequate limestone left in many cases, I think if we get all the applause going, then we should kind of look at other places other than Gulbarga.

But as regards to your question, whether there's a clear no, no or yes, yes, I think it'd be very difficult for us to express that in this call, but certainly I think we would be focused on building materials sector which consists of cement, ready-mix and MBM.

Moderator: Thank you. The next question is from the line of Urmik Chhaya from Asian Markets Securities. Please go ahead.

Urmik Chhaya: In the consolidated cash flow, increase in current liabilities and provisions is Rs.4.93 billion. Can you explain that. Is it basically straight payment to transporters?

Maneesh Agrawal: So, basically, this is coming on account of the coal purchase that we have done and a part of our procurement strategy most of the coal and petcoke that we have sourced is on LC terms. So, that's what you're seeing in the payable side and working capital. And you can take granular details later after the call if required.

Urmik Chhaya: Can you give the Fuel breakdown Q4.

J Krishnaswamy: So, as we mentioned, Q4, if we look at the fuel mix we are operating at a linkage coal of about 19% non-linkage coal of around 42%, 43%. I just can't recollect the exact number it is in the range of 42% to 43% and petcoke would be in the range of what 30-odd%. And most important thing is we have been able to successfully ramped up the AFRs to about 6%-plus percent, which is very big shift for our company from the past period, considering the fuel costs prevailing, the thrust of the company as we mentioned before, is to kind of focus on AFR and the most important thing is right now, we are on two capex's one in Risda and in Nimbol to the tune of about Rs.45 crore to make these two plants alternate fuel capable, so that should kind of help us improve the reliability on alternate fuel rather than depend only on fossil fuels.

Urmik Chhaya: In FY'22 also, the cash flow from operation was not sufficient to meet the debt repayment obligation including principal and interests, and that has been the case for almost last 5 out of 6 years. So, in such a situation, why are you focusing on debt funded expansion?

J Krishnaswamy: The question being asked this in spite of all the issues on according to him we've not been able to either stressed on cash, how do we fund our capex going forward? So maybe you can explain to him the cash flow position for the company in FY22.

Urmik Chhaya: Yes, sir basically, if I look at the current maturity of long-term debt in FY'21 annual report, there was Rs.1,883 crore plus the interest outgo. Your cash flow from operations in FY'22 was less than Rs.1,300 crore. So, obviously the IPO, helped in repayment of debt, and the situation that I talked about CMLTD and interest has been the case for almost last 5 years out of 6. So, that's my basic question. Why focus on debt funded expansion in such a situation?

Maneesh Agrawal: Yes. So, basically, if you talk about last few years, from FY18 to FY20, we had funded our capex requirement, net repayments and interest through our operating cash flows and opening cash balances. If you remember, we acquired a large asset of Emami Cement in FY21, for which we did have to raise some funds for completing the transaction. In fiscal 2022, we raised about Rs.1,500 crores in IPO by way of primary issuance, out of which 1,350 crores were utilized for net repayments as per their intended end usage.

Going forward in FY23, our operating cash flow would be sufficient enough to take care of the capex, interest and debt outgo that is going to be falling due. As mentioned earlier, our planned capex is about Rs.500 crores to Rs. 600 crores in the current fiscal.

In terms of the interest costs, I would like to just harp on this point that a substantial portion of our interest cost is on a fixed basis. There will be some impact on our overall interest rates due to the recent hikes in the repo rate. However, given the fact that we paid more than say close to Rs.1,350 crore in H2 FY22 and about Rs.2,200 crore in the entire year FY22 along with our planned net repayment of close to Rs.650 crore in this fiscal 2023, we are going to see the benefit of the substantial interest reduction in FY'23 as compared to FY'22.

So, the whole thing is, the operating cash flows for FY'23 and going forward are more than sufficient enough to take care of the capex, the scheduled debt repayment as well as the interest component, along with the working capital requirement which is going to increase with higher scale of operations.

Urmik Chhaya: Just one point in FY' 23 the repayment of principal is lower than FY22, and FY24. FY 24 is again a high repayment year. So, again the same question arises. FY23 is fine. What about FY24?

J Krishnaswamy: I think this year, we are pretty comfortable with the current business plan which we have in the current market conditions. It will be quite comfortable for us to service this kind of debt as well as fund the capex of close to Rs.600 crore, which we target in FY23. As regards FY'24, it's certainly more than a year away. And I think our optimism as with the whole India growth story, demand is going to be fueled during the year, and certainly, the business leverage will come back in terms of scale, and then the company will be able to have you been in a better position to generate more EBITDA and hence the obligation to repay in FY24 should be not be a difficult one.

As regards to question whether we can fund the capex in FY'24 or not. I answered twice before, the decision to start Gulbarga early FY'24 or few months later will be based on the market conditions on the overall performance in FY23 which I will address during 1QFY23 or 2QFY23 results.

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

Rajesh Ravi: Good to know that our focus is on balance sheet. And for that, even if need we need to delay the Gulbarga expansion. Coming to the near-term performance could you share what sort of fuel inflation you're building in for Q1FY23 numbers? And do you see the margins improving versus the price increases that you have taken up so far in Q1FY23?

J Krishnaswamy: If you look at our performance on power and fuel costs, we are one of the best in the industry. If the fuel prices continue to be elevated, it'll impact the entire industry which may follow further price hikes to mitigate the soaring input costs. In the elevated cost environment we remain focused on maximizing our linkage coal for CPPs, which would mean Risda, Arasmeta, Sonadih and Jojobera, we would get linkage coal for our CPPs.

And secondly, getting the full year benefit for running all our WHR facilities in all our sites. You would all appreciate that, we have close to what 44 megawatt of WHR which is more or less the industry highest of 2:1 cement capacity, so we would be able to generate much higher WHR power into fiscal 23. And the last one is a thrust on alternate fuel where currently it is at 7% by the end of this year with both the projects in place we plan to hit 12%.

The current rate of fuel buying is to the tune of about 250 to 260 dollars per ton of petcoke and imported coal is about $240 per tonne, which is applicable to everybody in the industry. And beyond this whatever will happen it'll be very difficult for us to say how far this coal prices will reach. This is the preventing petcoke and coal price.

Rajesh Ravi: No, I was more referring to Q1 basic fuel, you have a good amount of domestic coal usage. And with the price increases that you have seen cement price hike in your market, do you see there the margins of Q4 are sustainable and scope of improvement in Q1FY23?

J Krishnaswamy: We mentioned it a little bit earlier that the first thing is, we are another company which has got a good linkage coal tie up, and it was not available in Q3 last year. However, since February, March we have been able to get linkage coal to the tune of about 15%, whereas, in the past we used to get as high as 30%. So I think things should improve as we speak and more and more linkage coal one is getting that the first one which you kind of put the overall coal price under a reasonable position.

The second one, which we mentioned was the whole inflation, maybe position on coal is applicable to everybody in the industry. And I think all of us will face the same pressure. But our focus will be to focus on internal levers to improve AFR, increase the linkage coal availability, try and get more coal for our CPPs and get the benefit and that should kind of hold us in good state in Q1FY23 as well.

Rajesh Ravi: Okay, and sir, in terms of the synergy benefits, compared to FY'21 on a cumulative basis, how much we have already achieved in FY'22?

Madhumita Basu: As I mentioned earlier in the call, all our projects are on track. You will appreciate that this is a competitive market. And in a dynamic situation, these internal levers give us a competitive advantage. We would be happy to provide any clarifications in a one-on-one call to you.

Moderator: The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: A couple of questions. First is sir, can you indicate our debt maturity profile? And if at all is there any recoveries if you can please quantify these two numbers. Maturity deposit 23, 24 and covenant was the first question.

Maneesh Agrawal: So, in FY'23, we are looking at our net debt payment of close to Rs.650 crore. And in FY'24, we are talking of close to Rs.1,100 crore plus. And we have sufficient operating cash flows that are going to take care of the sort of repayment schedule.

Ritesh Shah: Are there any covenants?

Maneesh Agrawal: There are covenants attached to it. But all our covenants, we are quite comfortably placed, and there are no risk in terms of any of these covenants. In the specific thing, we can have a conversation subsequent to this call.

Ritesh Shah: Sure. My second question is on the lease details. Basically, we have multiple growth opportunities in the state of Rajasthan. Has there been any update over here any progress over here? What I'm specifically looking for is three reasons. One is Jaisalmer second is Nimbera and third is Nagaur. If you could highlight what the status is, what it could mean for the growth opportunity for the company going forward?

J Krishnaswamy: Yes, I guess if we look at our Rajasthan landscape, so we've got two plant in Rajasthan. One in Chittor which got adequate limestone for more than one line effect. One line is much more we've got mines in Arniya Joshi as well as the Sitaramji Khera mines to fire the current kiln.

Addition to the Nimbol we have a line where we're doing expansion to take the capacity to 6000 TPD. And then to support these two and our growth ambition in north, we have announced 1.2 million tonnes GU in Bhiwani.

That's our north landscape is as we speak. However you would know, we also have mines in Nimbahera we also have mines in Nagaur, and more opportunities in an and around Nimbol. There is a positive development in Nimbahera, but I think the matter is subudice at this point of time for us to comment on what exact stage we are in getting the ML reinstated. I guess a few months from now we'll be able to produce right clarity, but we are now in a very good position.

Ritesh Shah: So Nimbahera is moving in the right direction. Sir, anything on Nagaur and Jaisalmer?

J Krishnaswamy: Nagaur I guess it's an auction mine. So, there I guess we have started some mining and moving supplying a little bit of limestone from Nagaur to our other plant. As we got Jaisalmer I think during our IPO itself we mentioned I think it is not in the scheme of things for us in the next five to seven years.

Ritesh Shah: Sure. This is very helpful. I'll come back on the floor for questions. Thank you.

Moderator: Thank you. The next question is from the line of Gaurav Jain from ICICI Mutual Fund. Please go ahead.

Gaurav Jain: Yes, hi. Thanks for the opportunity. My first question was just to confirm the increase in prices. Are we seeing that we are higher by Rs.30 per bag in East and Rs.50 per bag in south, as on date versus the March average?

Madhumita Basu: Gaurav. Not south we are operating in northern region

Gaurav Jain: Northern.

Madhumita Basu: Yes. So, these are progressive price increases that have come in the month of April. We are barely into one and a half months of the quarter. So, we'll have to see in a dynamic condition how this moves.

Gaurav Jain: Right, but as on date, what kind of price action we've been able to take over March exit or March average?

Madhumita Basu: Yes, just clarifying. I was talking market prices, what I said was up to Rs.30 per watt in North and Rs.15 per bag in East just confirming we are talking market prices here. So, this would include a GST component.

Gaurav Jain: That is helpful. Second, on the power and fuel cost. I mean, what kind of expectations do we have given the consumption we are doing for Q1 versus Q4 and then on Q2, also?

J Krishnaswamy: I think I explained in granular detail in the previous question. I think I would expect you to refer to the answer, which I gave a while ago.

Gaurav Jain: Sure, I'll do that. Thank you.

Moderator: Thank you. The next question is from the line of Sarfaraz Bimani from JP Morgan. Please go ahead.

Sarfaraz Bimani: Yes. Hi, sir, just one question I had. So, we said that we'll become debt free by FY'26, and we have done some internal calculations as well. So just wanted to understand what kind of EBITDA per tonne we are implying to get debt free by FY'26, against our 4Q FY22 number of Rs.770 per tonne? Thank you.

J Krishnaswamy: I think it's very difficult to kind of say, if it was a normal time, I think I could have stuck my neck out and said what is our EBIDTA ambition and where do we go, but certainly we are in volatile times. But even with these volatile times and in the past few year's EBITDA and the Q4's EBITDA we have done our plans and that is how we are projecting debt free with Gulbarga by FY'26. That's where it is, but I think if the market dynamics change, I think these things would undergo a change. But as it stands today, with current prevailing conditions, our business model shows with Gulbarga we can become debt free by FY'26.

Sarfaraz Bimani: Okay, sir, to ask this in a little different way, so basically your peers etc., they have said that we have not been able to pass on the entire price increase in first quarter of FY'23 given the cost inflation. What do you think in terms of how much more price hike you will have to take to pass on the entire increase, so to maintain a fourth quarter number or say for second half FY'22 EBITDA number?

J Krishnaswamy: I think it'd be very difficult for us to put a finger and say that this much amount of price increase one has to take to reinstate the profitability of the company. But certainly I think all of us know that what was the fuel price rupees per tonne, two quarters ago and what is the published numbers of all companies in Q4 and full year, fuel and power cost rupees per tonne. You just subtract the two and you will know what's the kind of delta one has to get to reinstate the EBITDA numbers.

Moderator: Thank you. The next question is from the lineup with Utkarsh Nopany from Haitong Securities. Please go ahead.

Utkarsh Nopany: I have two questions. First regarding the East market. If we see in March quarter we operated at 92% utilization rate, and we are expecting East market to grow in double digit rate in FY'23 over the base of FY'22. And there is no major capacity addition is taking place in the east region. Whether this indicates that there is going to be a possibility of loss of market share for us over the next two fiscal during seasonally strong quarter period.

Madhumita Basu: So, firstly, I must thank you because you have said something we have been saying for a very long time. That East is a market which operates at a close to 95% to 100% clinker capacity utilization level. So, on a longer term basis, this is a market which is poised for good price recovery. Did I answer your question?

Utkarsh Nopany: No, actually, I was not looking from the pricing perspective, but from the market share perspective. Whether this indicates that we are going to lose the market share over the next two to three years from here.

Madhumita Basu: So, clarifying our market share we have confirmed earlier that our going forward plans is to grow in the markets of north and west. So, our forward plan did embed in the timeline of FY'24 -25 and thereafter, we would be losing some share in east but we will be looking at establishing a pan India presence simultaneously during this period, which is well in line with our plans to balance our portfolio across regions.

Utkarsh Nopany: Okay, the second question Madam is on the ready-mix concrete segment, where we have seen a substantial increase in our revenue on a quarter-on-quarter basis from Rs.180 crore to Rs.270 crore. But our segmental EBIT has remained flat at negative Rs.6 crore. So, can you give a sense that by when we are expecting this segment to turn around? And what kind of a margin expectation we have going forward for ready-mix concrete?

J Krishnaswamy: Yes, on the ready-mix side, as I mentioned in my earlier answer. I think H2 of last year is when the business got momentum and the scale benefit started kicking in at Rs.70 crore top line and then appropriate bottom line was coming in. And I think if we were to kind of extrapolate this kind of numbers, which will happen because more or less the market has reached prior COVID levels so we have a target to grow the way we have achieved in H2 FY'22.

As regards the profitability of this sector. I think, all of us know very well that the one of the focus areas for one of the key metric for ready-mix business is ROCE, our target is to hit about 7% to 8% ROCE in the coming year. And then on I think, with full scale, growth in the business and stabilizing to the maximum level in the next two to three years, as we mentioned, to three quarters prior to this call, our target will be to reach a 15% ROCE by FY'25. Certainly in the near term or medium term get towards 6% to 7% ROC levels.

But certainly, the business has started making EBITDA margins, and the nature of the business has undergone a dramatic change. We now have a 40% cash and carry business focused on premium at 25%. And our credit terms are one of the best in the industry now at about 45 days, kind of credit terms. And we're very clear about what kind of business to participate so that the risk exposure of the company is limited.

Utkarsh Nopany: So, your point is well taken. You have said a similar kind of reply in the last quarterly call. But my question is that since December quarter, our scale of operation has gone up by roughly 50%. And still, we have posted a negative Rs. 6 crore EBIT loss, which was the same quantum we posted in the December quarter. Why it has remained flat in March quarter period.

J Krishnaswamy: Our EBITDA margins has been progressively increased from Q4 FY'21 to Q4 FY'22. From 0.3% EBITDA to 2.4 to 3. I think that a Y-o-Y we are at EBITDA close to 3% for the last year. I think as the business hits about the revenue numbers, if you're talking, the EBITDA margins will go up and then that's when the EBIT numbers will also undergo a change. And our target is during FY23 this will undergo a major shift in terms of moving from where we are currently to where we want to be.

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

Shravan Shah: Sir, a simple question right now is whatever the previous participants have asked in couple of places, either we haven't clearly answered that we have round, round, round have given the answer. Second, we have mentioned that we will give an answer on one on one why that is the case. Do you think that the one analyst or one investor is important versus others?

Third, is we are not clearly able to justify on what basis we will be debt free by FY'26 considering the Gulbarga expansion. And that's where there is 100% disconnect between what you are saying and what the street is expecting, and that is also reflected in your current market price versus which is already 50% discounts.

So even if either you limit a question to two per participants or whatever, you need to justify clearly answer this at the at the conference level and not to the at one-on-one level. So simple question is, we haven't received clear answer how we will be a debt free company.

J Krishnaswamy: Hold on. Yes. Let me just ask you a question. I think your question has to be short, you can't give a commentary on this call. You basically asked us to clarify that whether we would like to answer certain questions one on one or we want to answer a question in this call. That question is gladly taken. Let me just answer your question once again, for the benefit of yourself and rest of the other colleagues if they have this question in mind.

I think we got to put your line on mute please when I'm talking. The first thing we need to be very clear is, multiple times we have explained to you that our business model with Gulbarga leads us to a debt free company of FY'26. However, in the cement industry and building materials industry with the kind of size and the overall opportunities in this country, we are comfortable having a debt level of Rs.3,500 to Rs.4,000 crore and focus on growth, that is the answer we have given thrice and this is the fourth time I'm giving this answer, hope this answers your question.

Shravan Shah: No sir, this doesn't answer. So, the simple thing is when we say net debt free company by FY'26. So, either you need to say what kind of EBITDA per tonne are we factoring, what kind of cash flows are we factoring. When we because we are giving an end answer and not the process we are not disclosing the process. So, a broad assumption has to be given on what basis we are saying that we will be a net debt free company by FY'26. So, what kind of a cash flow from operations in next four years FY'23 to FY26 we are assuming what kind of capex we are assuming and what kind of net debt repayment will be there. So, then it would give us some idea.

J Krishnaswamy: Thank you again. Hold on, gentlemen from Dolat. This is precisely we have been telling that if such that granular details can need to be provided, we are happy to do a one-on-one call with all of you. Otherwise, on a telecall for me to explain a table of cash flow statements EBITDA year-on-year, and also debt year on year, it is not going to stick in anybody's mind. So, we are very happy to answer every one of your questions one-on-one.

We are not worried about what we are going to say. We are a listed company. We are very proud of the results which we are publishing and the way we are running our company is wonderful. So, I think that's where our stand is. We are happy to address every one of your questions. Please reach out to our Investor Relations Department we would engage with you as much amount of time as you want us to engage you with.

Moderator: Thank you. The next question is from the line of Sumangal Nevatia, from Kotak Securities. Please go ahead.

Sumangal Nevatia: Just two simple questions. One is there is an increase in the raw material cost as well. So, what kind of inflation are we seeing in the raw materials like fly ash and slag etc.? And secondly, we got a very long explanation on the coal front. But just to summarize and give a number, what sort of percentage inflation are we looking in 1Q versus 4Q, given that large part of the procurement would have already been done for 1Q 23?

J Krishnaswamy: Yes. In 1Q, we mentioned in our call coal prices are trending at the rate of USD 260 per tonne of petcoke and USD240 per tonne of coal. This is the kind of coal procurement. All of us in this industry are doing currently, and this is more or less the same number, which was a month ago, two months ago. What USD 265, USD 240 happens in light of the Ukraine war and what happens to that part of the world, nobody can predict whether it will go to USD 300 or USD 280 it is very difficult for us to say. But currently, this is the price at which we are buying and rest of the people in the country are buying petcoke and coal.

Sumangal Nevatia: And this is against what and 4Q? Consumption basis?

J Krishnaswamy: Well, I guess. I'm sure we attend calls of every quarter and I think that's the kind of numbers. So, if you would have seen our Q3 cost per tonne coal and power cost was Rs.1,280 per tonne and it has come to Rs.1,250 per tonne. So more or less Q3 and Q4 the prices of rupees per tonne of power and fuel costs is in fact mere 3% improvement. So that's the kind of efficiency we brought into the company but with linkage coal coming in, we hope to rein in the overall coal cost going forward.

Moderator: Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead. Mr. Ravi your line is in talk mode. Please go ahead.

Rajesh Ravi: Yes, could you give the MBM revenue break up for fourth quarter for FY'22 as a whole?

J Krishnaswamy: I think it'd be very difficult for us to kind of give granular details for every single business inside the MBM stuff. But however, as I mentioned earlier, the entire category gave us a revenue of close to what Rs.60 crore last year, which is much, much more than the previous year's number of Rs.38 crore.

Rajesh Ravi: Okay, so the Rs.60 crore is clubbed under the RMC segmental revenue number or it is part of the cement revenue MBM?

Maneesh Agrawal: It's part of the cement revenue*.

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

Amit Murarka: So, just a couple of questions. Firstly, on the working capital side. Like you seem to have done a good job on that side. But going ahead, further reductions are not possible is what I understand. So just wondering, given that cost inflation is hurting everyone. And I believe, generally speaking, margins are looking to trend down. How are you kind of guiding on the cash flow side for this year?

And next on the Gulbarga capex like when you're building in that capex in 1H 24 as of now, what kind of broadly the cash reductions or debt reductions you are expecting till then? I mean, in the context of the cost inflation I'm saying.

J Krishnaswamy: I think let me just answer you not in granular numbers. Because as I told multiple times, I think this is a very volatile year with prices going haywire. And with the cost line going haywire, the market has to take appropriate corrections to ensure that we're able to rein in the margin, which is certainly in Q4 our margins have improved much better than the previous quarter. And also with the overall growth happening, looking into the overall growth in infrastructure or the government spends, as well as the oncoming general election.

So, we look at market with an optimistic lens that there is going to be a volume growth in this industry, and hence there is going to be a revenue improvement, revenue expansion in industry. As regards cost it is very difficult as we stand today how higher our fuel prices will go. Rest of all this stuff as my colleague Mita mentioned more than once, the focus. The focus of the company will be to concentrate on internal levers and operational efficiencies to rein in the somehow offset the happening due to external factors.

Coming to the cash flow position this year. As we stand today with the kind of April start as well as the outlook which we have for this year we are in a comfortable position to retire as debt as net debt of close to about Rs.650 crore and with a capex of close to about Rs.500 crore to Rs.600 crore and still we'll able to sail through this year.

Coming to Gulbarga. Gulbarga is slated to start in FY'24 early. Based on the performance of the industry as well as our company in 1QFY23 and 2QFY23 when we meet again, we will be able to give a clear indication whether Gulbarga construction will start early FY'24 or it will be moved few months if there is an adverse market condition continue to prevail in the next one or two quarters.

Amit Murarka: So just on that same thing, like do you also have an option to postponed by a year or two? I mean, is that also possible? I mean, in terms of the regulatory angle of Limestone, these expiries and all that?

J Krishnaswamy: No. As I said earlier with regards to the regulatory angle we've got ample elbow room, that should not be a concern at all. However, it is all going to be based on the performance and the ability of the company to invest. And that's why I said that few months here and there that's how the entire focus of the company is.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments. Over to you.

Madhumita Basu: Thank you, ladies and gentlemen, for your engagement all this call. As we come to the end of the call, I just like to reiterate, we remain optimistic as the structural demand drivers in India are very favorable. While there are some near term headwinds on the cost side, we continue to focus on our internal levers which supports our profitability. Recent actions by the Indian government should help in curbing the inflationary pressure and drive near term demand. We are investing in growth and sustainability projects, which underpins our commitment towards a sustainable growth, while balance sheet improvement remains a key priority.

Personally, I, along with our Investor Relations team is available for any clarification required. Do reach out to us. Thank you once again for joining us.

Moderator: Thank you. Ladies and gentlemen on behalf of Nuvoco Vistas Corporation Limited that concludes this conference. We thank you all for joining.

Disclaimer: This is a transcription extract and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.

Clarifications/Corrections:

^Rs.9,318 crore is consolidated revenues
*Revenues from MBM division are included in 'Ready Mix Concrete and Others' segment in the announced financial results