SCL: SEC: NSE: BSE: 2024-25

28th October, 2024

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

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

Scrip Code: 502090

Symbol **SAGCEM**
Series **EQ**
ISIN **INE 229C01021**

Symbol **SAGCEM**
Series **DEBT**
ISIN **INE433R07016**

Dear Sir,

Sub: Submission of transcription of Conference Call under Regulation 30 read with Schedule III of SEBI (LODR) Regulations, 2015 on Q2 FY25 financial results

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Pursuant to the above said Regulation, we are forwarding herewith the transcription of the Conference Call held by on 24th October, 2024 in connection with the recently announced Un-audited Stand-alone and Consolidated financial results of the company for the second quarter and half year ended 30th September, 2024.

Thanking you

Yours faithfully
For Sagar Cements Limited

J.Raja Reddy
Company Secretary
M.No:A31113

Encl: a/a

MANAGEMENT: Gavin Desa - CDR India
Sreekanth Reddy - Joint Managing Director

ANALYSTS: Niteen Dharmawat
Shravan Shah
Jyoti Gupta
Amit Murarka
Ritesh Shah
Raman KV
Rajesh Ravi
Kamlesh Jain
Parth Bhavsar
Shreyans Jain

Presentation

Gavin Desa: Good day, everyone, and a warm welcome to Sagar Cements Q2 and H1 FY '25 Analyst and Investor Conference Call. We have with us today on the call, Mr. Sreekanth Reddy, the Joint Managing Director; Mr. K. Prasad, Chief Financial Officer; Mr. Rajesh Singh, Chief Marketing Officer; and Mr. Raja Reddy, Company Secretary.

Before we begin, we will begin this conference call with opening remarks from the management, following which we will have the floor open for an interactive Q&A session.

Before we begin, I would like to point out that some statements made in today's discussions may be forward-looking in nature, and a note to this effect was stated in the con call invite sent to you earlier. We trust you've had a chance to go through the results and the communication documents.

I would now like to hand over to Sreekanth for his opening remarks. Over to you, Sreekanth.

Sreekanth Reddy: Thank you, Gavin. Good morning, everyone, and welcome to Sagar Cements earnings call for the quarter and half year ended September 30, 2024. Let me begin the discussion with a brief overview of the market in terms of demand and pricing, post which I will move on to Sagar specific developments.

Overall, Q2 was a soft quarter for the industry at large. Demand decelerated on back of extended monsoons and sluggish project executions. Volume offtake on the back of it remained restrained during the quarter. Pricing environment remained competitive across the regions. While the near-term outlook remains challenging, we believe structurally the trend remains positive from medium-to-long term point of view on back of robust housing and infrastructure initiatives coupled with technological advancements and persistent focus on green energy.

Let me now move on to our quarterly performance. As indicated in our previous calls, Q2 performance has been muted amidst demand and pricing challenges. Our overall volumes for the quarter stood at 1.16 million tons. Lower volumes and utilisation more than negated the benefits of steady input prices. For the full-year, we believe our overall volumes to be in the range of around 5.75 million ton.

Moving to the headline numbers. Our revenue for the quarter stood at ₹475 crore as against ₹587 crore during Q2 FY '24, lower by 19%. EBITDA for the quarter stood at ₹20 crore as against ₹60 crore generated during Q2 FY '24. Margins for the quarter stood at 4% as against 10% in Q2 FY '24. The EBITDA per ton stood at ₹172 as against ₹459 in Q2 FY '24.

Despite existing challenges related to demand and pricing, we are steadfast in our commitment to long-term objectives of cost reduction and operational enhancements. Anticipated improvements in the business margin profile and profitability in the coming years are expected to stem from enhanced energy mix, increased reliance on renewables and improved efficiencies and utilisation rates across our facilities.

Loss after tax stood at ₹57 crore for the quarter as against a loss of ₹11 crore generated during Q2 FY '24. Power and fuel cost stood at ₹1,446 per ton as against ₹1,626 per ton reported during Q2 FY '24. Freight cost for the quarter stood at ₹830 per ton as against ₹848 per ton during Q2 FY '24.

From an operational standpoint of view, Mattampally plant operated at 42% utilisation, while Gudipadu, Bayyavaram, Jeerabad, Jajpur and Dachepalli plants operated at 83%, 52%, 59%, 20% and 27% respectively during the quarter. As far as the key balance sheet items are concerned, the gross debt as on 30 September, 2024 stood at ₹1,482 crores, out of which ₹1,169 crore as long-term debt and the remaining constitutes the working capital. The net worth of the company on a consolidated basis as on 30 September, 2024 stood at

₹1,921 crores. Long-term debt equity ratio stands at 0.61:1. Cash and bank balances were at ₹163 crore as on 30 September, 2024.

In summary, we believe our enhanced capacity positions us well, capture the growing infrastructure and real estate demand over the coming years. Furthermore, our efforts towards diversifying the revenue streams and increasing our regional footprint should help us in improving the overall profitability profile of the company.

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

Question-and-Answer Session

Gavin Desa: Thank you, Sreekanth. We'll take the first question from Niteen S. Dharmawat. Niteen, please go ahead.

Niteen Dharmawat: Yeah. Thank you, Gavin. And thank you for the opportunity.

Sreekanth Reddy: Good morning.

Niteen Dharmawat: Yeah. So a couple of questions. So yes, we know that consolidation is happening in the cement industry and the recent one announced by Orient Cement also. So what do you think will be the impact of this consolidation on the industry in general and company in particular?

Sreekanth Reddy: Yeah. I think the consolidation generally is a good sign for a sector. It could be in any sector from pricing power point of view. The number of competitive intensity also gets reduced, that in general is good for a medium-to-long term. Short-term, there could be some impact in terms of when people try to reorganise themselves in terms of brand positioning and consolidation of brands or any of that. Things could always be slightly on sidewards for some time. But on a medium-to-long term, we believe that it's going to be beneficial.

Now the market footprint that we are in, I think the impact of consolidation is going to be very, very limited, because if you look right from Odisha to North coastal markets of AP and to a certain extent in Madhya Pradesh, the impact so far, the acquisitions, the M&A that have happened or the consolidation that has happened has a very, very limited footprint in those areas. It definitely is going to have some impact in South Andhra and half of Telangana, Karnataka markets and Tamil Nadu markets. Our view is that consolidation is good, but short-term it could have some impact, but it could be marginal one.

Niteen Dharmawat: Got it. Thank you. My next question is, so now how is the demand and price trend in our market? And what is the capacity utilisation overall that we are running with now?

Sreekanth Reddy: Yeah, nothing much has changed from Q2, because we believe that post-Deepavali is likely that the demand offtake is going to improve. Till the demand comes, I think prices more or less remain either on a similar ground or there is some pressure. In some pockets of South, in fact, from exit of September to now also there has been some price correction downward.

MP and Odisha, we have seen some price increases, anywhere between ₹10 to ₹15 for that price improvement we have seen in Eastern market as well as in Madhya Pradesh market. But in South, some pockets, we did see some pressure on the price even post-September exit to now. But this month being two-festival month, and at the same time, unfortunately, weather-wise, it looks like it is an extended kind of difficult weather. We see demand improving only from first week of November onwards, not before.

Niteen Dharmawat: Got it. And my final question is about the debt. You mentioned gross debt at ₹1,482 crore. What is the net debt that we have?

Sreekanth Reddy: Yeah, it's around ₹1,320.

Niteen Dharmawat: Got it. Thank you so much.

Gavin Desa: Thank you, Niteen. Next, we'll take a question from Shravan Shah.

Shravan Shah: Hi, just continuing the previous one. So you mentioned that in MP, Odisha, we have seen a ₹10 to ₹15 per bag price hike from exit of September. And for South, if you can specify how much decline we have seen, and also if possible, state-wise?

Sreekanth Reddy: Yeah. See, I think the price decline in South is across the market. And whatever price increases that was there for some time in September, got eaten away, and on top of it, we actually lost ₹10 to ₹15 primarily in South Tamil Nadu as well as in Andhra and Telangana. I think it is uniform across the market.

Shravan Shah: So broadly, if I have to understand from the Q2 average, is it fair to say kind of a 2% to 3% still the prices are lower?

Sreekanth Reddy: See, it is June exit to September exit is ₹10 to ₹15 correction further.

Shravan Shah: Okay. June to September, ₹10 to ₹15 up or down?

Sreekanth Reddy: Down. Though in between for some time for two weeks, there was some price increase, but it got taken away. From September exit to now, that is still, as we speak it is ₹5 to ₹10 across the markets in South. See Bangalore, which was doing very well, unfortunately, it got hit in the October month with heavy rains. So that actually put some amount of pressure on the pricing.

Shravan Shah: Okay. But do we expect that post-Diwali, once the demand picks up, that's the hope across all the players, they are expecting broadly kind of…

Sreekanth Reddy: How do you want me to address? I think our belief is that the lower demand actually put pressure on the price, or else when the price was taken up somewhere around middle of September, it actually got absorbed for some time. But since the entire market expected demand to slowly start ramping up, that did not happen. There was a pressure on the price immediately.

So our understanding is that at least if not by first week of November, I think by exit of November, we do expect prices to start slowly moving down. May not be in huge quantities, but at least some amount of price upward movement is likely to happen.

Shravan Shah: Okay. Got it. Now coming specific to our company. So in terms of if I just do the math, 5.75 million ton volume that for FY '25 we are looking at. So I hope this is purely the cement sales and not the clinker one?

Sreekanth Reddy: No. As always, we have indicated only the cement sales

Shravan Shah: Yes. So the ask rate for the second half is kind of 9.5%. So that should be doable or...

Sreekanth Reddy: See I think weather supporting, we should be very close to that number. I don't see a major challenge with that.

Shravan Shah: And then broadly, if I have to look at FY '26, how do we look at for ourselves in terms of the volume?

Sreekanth Reddy: I think it is too soon, but I think we should go back to the growth numbers, what we have indicated before. Because this time, it was a long election year, coupled with the weather-wise, it was always a challenge. But I think close to 6.5% to 6.75% should be doable for the coming year.

Shravan Shah: Got it. And this quarter, have you received ₹23 crores incentive for MP?

Sreekanth Reddy: Yeah, we did. You're talking of Q2?

Shravan Shah: Yes, yes, Q2...

Sreekanth Reddy: We did receive in the month of July itself.

Shravan Shah: Okay. So if I remove that then the price decline for us is 5.7% kind of for 2Q.

Sreekanth Reddy: Yes. See, I think you are talking of EBITDA. EBITDA is flat to negative if we remove that.

Shravan Shah: Got it. And now this will be every year, we will be receiving this...

Sreekanth Reddy: Yes.

Shravan Shah: And then will it be in every second quarter? That's the way one can look...

Sreekanth Reddy: What we received is year before one. So last year is already due. So we should receive. Receipt is subject to Government having money. So we are also hopeful that we should receive it sooner because whenever there is an investment meet in the state, they are trying to push this money. So I believe there is one which is happening right now. So likely that we might receive the second one also sooner.

Shravan Shah: Okay. And then on the costing front from now onwards, how much one can look at in terms of cost reduction, at least for third and fourth quarter broadly?

Sreekanth Reddy: I think third quarter, we are not expecting anything, but fourth quarter because our fuel procurement, what was at, 105 to 108. Now it is averaging close to 95 to 98. So the benefits of that, which roughly translates to ₹75 to ₹100 are likely to get in Q4.

Shravan Shah: Okay. Got it. And just in terms of the CapEx, so we have in the 1H done ₹6 crore to ₹9 odd crore. Previously, we were looking at ₹300 odd crore for FY '25. So that number remains intact?

Sreekanth Reddy: Yes. Now let me give you the breakup. At Sagar standalone, we indicated it is ₹83 crore, out of which we spend ₹24 crores during H1. Likely that we might spend only ₹10 crores into H2. One of the changes that we have done is we are implementing solar at Gudipadu, which is almost, I think by end of November, we should commission 6 megawatt solar. That should get added up, but it may not truly reflect because we went with a lease option. So from what we thought we should infuse from company, we actually switched to the lease option. So that will get implemented. So only ₹10 crores would be spent further in Sagar console in H2.

At Jeerabad, what we have indicated at 6 is already spent. At Andhra, what we have indicated is 240, out of that 39 we spent. Likely that we might spend close to around another ₹100 crore to ₹150 crore for H2. So that is continuing. We are happy that what we have indicated as March '26 commissioning, we are running a couple of months ahead of schedule as far as Andhra is concerned. So from a civil standpoint, out of 10 floors, five floors are already completed at Andhra. So the progress on Andhra expansion project is going at a brisk pace, Mr. Shravan.

Shravan Shah: Okay. Great. Thank you and all the best.

Sreekanth Reddy: Thank you.

Gavin Desa: The next question we take from Jyoti Gupta.

Jyoti Gupta: Just wanted to have, what have you budgeted for third quarter volume growth and EBITDA on fourth quarter? Where do you see the second half going for Sagar Cements?

Sreekanth Reddy: Yeah, we are looking at close to 1.75 million to 1.8 million for Q3. And the rest to come from Q4.

Jyoti Gupta: Okay. And the kind of EBITDA numbers that you have pencilled in for the second half, do you see that, I mean the industry is expecting...

Sreekanth Reddy: At this point of time, I think our strategy is to look at what kind of EBITDA numbers are likely to happen. I think we'll have a lot more clarity by end of Q3. At this point of time, it's kind of a flat kind of EBITDA. I think end of this month, when the demand starts getting normalised, yeah, we will be in a much better situation to comment on.

Jyoti Gupta: I believe the demand will start picking up from the second half of November. And the industry is expecting a double-digit growth. Do you see booking at least registering high-single digit? Or you expect something like a double-digit? Of course, there will be some setbacks on...

Sreekanth Reddy: I'm sure you're tracking the market. If you look at Andhra, Telangana, almost down by 30% year-on-year timeframe. So even a small surge would make it look very, very high. But we do expect the momentum to be a lot faster, because in our business, as you know, the demand doesn't get vanished. It only gets postponed.

So, our belief is that most of the weather-wise demand, which was challenging for last couple of months. With the weather improving, I think all of that should come back and added up with the new investments and the new projects. Yes, we do expect things to be lot, lot better compared to what went on so far.

Jyoti Gupta: Any status update on Amaravathi, now that we...

Sreekanth Reddy: See, I think the best part of Amaravathi is that the financial closure is aggressively happening. I think the Central government loan of ₹15,000 crore, followed it up with another HUDCO loan of ₹15,000 crore. I think government also is talking to a few other large financiers to pump in some more. All this is extremely good news from a demand perspective. That is one of the reason why we believe we do expect second half rather coming 1.5 quarters to be extremely strong.

Jyoti Gupta: So the international player, which is going to be a financier, any update on that apart from the local...

Sreekanth Reddy: I have no idea on that.

Jyoti Gupta: Okay. Thank you so much. That's it from my side.

Sreekanth Reddy: Thank you.

Gavin Desa: Thank you. We take the next question from Amit Murarka.

Amit Murarka: Yeah, thank you. So just while you've already spoken a lot about the situation on demand and probably the ramp-up of the acquired capacities, but I'm just thinking more from a like medium to longer term perspective. So Amaravathi, I think by when you think it should start contributing to demand? And could there be a meaningful pickup in demand once Amaravathi comes in? Just could you provide some sense on that?

Sreekanth Reddy: Yeah, I'm sure, see this is a medium-to-long term kind of a project. But the best part is, I think they are restarting some of the projects which were muted for the last five years. So that should take fairly quick time. And at the same time, the neighbourhood of Amaravathi, I mean that's where the bulk of the demand would come, which is for private driven.

I think there, the green shoots are already visible. So we do believe that that should be a quick start. I think weather improving, the neighbourhood of Guntur and Vijayawada, already, the real estate prices are slowly coming back to what they were. So given that scenario, I think even construction is likely to take good shape. Coupled with that, Telangana government as well as Andhra government is talking of low-cost housings.

So the good news is they are asking us not to talk about the pending money from the previous regimes. They are talking of something which they want to discuss going forward. So those discussions already we are engaged with them. So these are some of the things we believe should add up to the demand on a medium-to-long term.

Amit Murarka: Okay. Understood. In terms of the capacity additions, I think UltraTech's capacity got added recently. And I think only pending one is the Deccan clinker line, right?

Sreekanth Reddy: I think clinker line is already commissioned. We are waiting for their grinding capacity to be operational anytime soon. I do not have the exact timeline, but our understanding was it should be ready by December is what we have made to understand on that. And actually, the clinker line of My Home was also commissioned. Some portion of grinding also was commissioned, but I think there is one other line which is pending, which is likely before end of this financial year. These are the few projects which got commissioned during the last few quarters.

Amit Murarka: Deccan clinker line is commissioned, is it?

Sreekanth Reddy: Yes. I think it got commissioned a couple of months back, if I am not mistaken.

Amit Murarka: Okay. So then at least in the next 12 months, no more clinker lines are pending then?

Sreekanth Reddy: Yeah. I think except for Line 4 of Tadipatri, UltraTech, nothing is due over the next 12 to 18 months. Of course, Andhra's expansion is likely to get commissioned by March '26. But we don't expect a huge volume jump. It is more from an operational standpoint.

Amit Murarka: Understood. Understood. And I just missed your commentary on debt. What do you think your exit debt will be this year? If you could provide some guidance on that?

Sreekanth Reddy: I think our exit debt is going to remain very similar to what it has been. I think that is what we have narrated that the gross debt position would not be significantly different. But we did present in our quarterly presentation. I think our exit debt likely going to be somewhere around ₹1,500 crores. On a net debt basis, we should be somewhere around close to ₹1,300-odd crores. Yes. I think our idea is that whatever would have been paid, that is what we would like to borrow. Though we are running slightly ahead of time in terms of the project. So it might slowly blip up -- small blip up might happen, but I think our commitment to keep the debt levels very similar remains intact.

Amit Murarka: Sure. That's all from my side. Thank you.

Sreekanth Reddy: Thank you.

Gavin Desa: Thank you. Next question we take from, Ritesh Shah.

Ritesh Shah: Sir, couple of questions. How do you see supply side of the equation in South and at India level for say this fiscal and next two fiscals?

Sreekanth Reddy: Yeah. South, I think the demand/supply equation probably since the demand actually took a bigger hit, the gap naturally is going to widen up for the current year. But I think going forward, we expect a very similar situation, how it has been for over the last 1 to 1.5 decade. For specific numbers, I would be happy to share offline.

But I think broadly the demand/supply equation was more skewed towards supply than demand in South historically. I think the equation demand by/supply probably is going to be very, very similar for three more years in South. Whatever incremental demand, I think matching supply has already come by. So there may not be a significant change in overall kind of demand/supply equation in South.

India is too big for us. So yeah, I would rather share the numbers what has been compiled by the team, which I'm sure you are also reasonably well equipped to have those.

Ritesh Shah: Sure. My second question was how do you see pricing for fly ash and slag for the regions that we operate in?

Sreekanth Reddy: See, we have slag supply regions, only two of them. One is in Vizag and the other is in Jajpur. Vizag, at this point of time, we have not seen any major changes in the slag prices for last few years. And we don't expect it to be very different. But there are clouds hovering around the RINL asset itself in Vizag. So given that scenario, they are likely supply for Vizag would change from the current Vizag-centric to somewhere around Jagdalpur kind of area. So the landed cost of slag, we don't expect major savings to happen.

You would be very happy if prices remain where they are. We slowly started sourcing some amount of slag even from Jagdalpur area from the NMDC blast furnace. The landed cost, more or less, they matched with Vizag. But we have to see if Vizag plant closes down for whatever reasons, then we have to see how it will shape up. But the good news in Jajpur area is, we have quite a few blast furnaces that got restarted and few more are getting added up. So with that, we see slag prices slightly going down than where they are.

Our average execution cost of slag over last year or so, there has been a drop of almost 10% to 15%. So we are very happy to state that even with the low capacity utilisation at Jajpur, we are much, much above the water as far as Jajpur asset is concerned, thanks to the slag pricing itself.

Ritesh Shah: Just a follow-up over here. Have we ever factored imports of fly ash and slag, is it viable? Or is that just a no goes on?

Sreekanth Reddy: I think for the assets that we have, both in Vizag as well as in Jajpur, we keep getting quite a bit of supply offers, but at this point of time, they are almost 25% to 30% at a higher price than what it is. Fly ash is ruled out. Fly ash, the current supply what we have is very, very compelling. I don't think import could be an option for us at this point of time.

Ritesh Shah: Sure, thank you so much and all the very best.

Sreekanth Reddy: Thank you.

Gavin Desa: Thank you. We take the next question from Raman KV.

Raman KV: Good morning. Yes, I just want to know the guidance for FY '25 either in terms of revenue growth or volume growth?

Sreekanth Reddy: No, I think we did indicate to be around 5.75 million in terms of volume. Revenue, it is still a challenging position for us to take a call on the realisation front, Mr. Raman.

Raman KV: 5 point...?

Sreekanth Reddy: 5.75 million.

Raman KV: Okay. Thank you.

Gavin Desa: Thank you. The next question we take is from Rajesh Ravi.

Rajesh Ravi: Hi, good morning. First question is on the incentives. You mentioned ₹23 crores was booked in Q2? And this is pertaining to before FY '24.

Sreekanth Reddy: Yes.

Rajesh Ravi: Okay. And are we not booking these incentives on accrual basis?

Sreekanth Reddy: Yeah, we are booking on it. No, no, on receipt basis only, Mr. Rajesh.

Rajesh Ravi: Okay. And are these 23 number fixed in terms of value or?

Sreekanth Reddy: Yes, I think there is a marginal gap, but I think that number should be around ₹21-odd crore for sure. It's ₹150 crores divided by 7. And some amount of electricity and all, which is a variable one, but that should be less than ₹1 crores to ₹1.5 crores per year.

Rajesh Ravi: And FY '24, also you're expecting to come through...

Sreekanth Reddy: Something similar number is expected.

Rajesh Ravi: H2 anytime it can?

Sreekanth Reddy: Yes, it should hit us anytime in H2.

Rajesh Ravi: Okay. And second, how are we looking at the scenario? Ex of these incentives, we are at EBITDA loss in Q3, prices are further down from Q2 in your full...

Sreekanth Reddy: I think, it's more an issue of demand. Because in our case, if you look from a cost side, we are doing reasonably well. More an operating kind of -- I think we come back to on an average at a group level, 55% to 60% capacity utilisation. I think ₹400 to ₹500 EBITDA per ton is given.

Rajesh Ravi: Yeah. For that, the pricing needs to improve, but...

Sreekanth Reddy: No, I think more than that, our operating leverage itself should help us get to that number.

Rajesh Ravi: Okay. And if I look at...

Sreekanth Reddy: Plus, if you look at salary figure -- if you look at wage bill itself, if you kind of improve, that should itself contribute close to ₹150 straightaway.

Rajesh Ravi: Sorry, what will contribute to ₹150?

Sreekanth Reddy: Salaries and wages on an EBITDA per ton number should come down by half or close to that number, just if you increase our group level capacity utilisation, 55% to 60%.

Rajesh Ravi: Okay. And the net debt-to-EBITDA number, now we are north of 6x. What is the...

Sreekanth Reddy: I think that you should look at a more linear number rather than one-off number, Mr. Rajesh.

Rajesh Ravi: Correct. No, I'm looking at how will this trend lower?

Sreekanth Reddy: I think, in a normal year, we should have come down to sub 3. I think this time, it has been a very difficult year. So we expect this year to come down sub 3 number.

Rajesh Ravi: Okay. Because FY '25 seems to be on a slippery slope for everyone. Even UltraTech and all could hardly manage this quarter. If I look at the grey cement margin, would not be north of ₹650. So obviously, everyone is under pressure.

Sreekanth Reddy: Yeah, if you look at our EBITDA per ton number in Jeerabad without doing much also is at ₹1,700, thanks to the incentives. Those are all optical. But I think more a linear number would be sub 3 is the target internally. So we would come down to that number. I think FY '25 has always been a challenge for us. So I think this should be an exceptional year for us. In a normal course, we should come back to less than 3 kind of a number.

Rajesh Ravi: Okay. And lastly, on the land parcel, this Andhra Cement land sale.

Sreekanth Reddy: Yeah, we would wait to give clarity by Q3 results, because the government slowly started working. So we have out of three, one we completed. We have two more steps to cover. So I think we do expect some amount of interface to get increased now. So we'll be in a much better situation to give update on that by end of Q3.

Rajesh Ravi: Okay. And last question, what would be the total CapEx target for this year and next year?

Sreekanth Reddy: Yeah, I think this year, we should end up, so far, we did close to around ₹69 crore, ₹70 crore so far in H1. So likely, from what we have indicated at 329, we should end up close to ₹200-odd crore.

Rajesh Ravi: Next year, how much you are targeting?

Sreekanth Reddy: Around ₹300 crore.

Rajesh Ravi: ₹200 crore this year, ₹300 next year.

Sreekanth Reddy: Yes.

Rajesh Ravi: Great, thank you, all the best. I will come back in queue.

Gavin Desa: Thank you. We take the next question from Kamlesh Jain.

Kamlesh Jain: Yeah. Thanks for the opportunity. Just one question on the part of your CapEx. Like say, you are like based on the timelines which have been provided in the presentation, so the waste heat recovery at

Dachepalli is expected to come around, like, say, four years from now. So why is such a big timeline over there and?

Sreekanth Reddy: It's all to do with the Capex. So it's all to do with the CapEx planning. See, the whole idea is that in Dachepalli, so we would want to stabilise the Kiln 2 first because it's under construction. The preheater is under construction that is likely to complete by March of '26, though we are running a couple of months ahead of time. So after a year of stabilisation only then we would want to start the waste heat recovery on that. And also it is to do with overall kind of cash flow planning.

Kamlesh Jain: Great, that's all my question.

Gavin Desa: The next question we take is from Parth Bhavsar.

Parth Bhavsar: Hi, thank you for the opportunity. I have a few questions. The first one, I wanted to know like when do we expect Andhra Cement facilities to become efficient at par with our units?

Sreekanth Reddy: March '26.

Parth Bhavsar: Okay, March '26. And what sort of EBITDA, like would it be at par with our facility like EBITDA per ton?

Sreekanth Reddy: Yeah, slightly better than Sagar, Mattampally, because realisation is same because it's the same brand. The cost impact is the reason for this upgradation is to save on the overall kind of -- overall costing, primarily to improve the efficiency of it. So it should get aligned or become better than Mattampally because it's a new generation preheater that is being used in Andhra.

Parth Bhavsar: Okay. And like all the cement, they are mentioning that they are looking at cost savings in the range of ₹150 to ₹200 or ₹300 depending to company to company over the next two to three years. Do we have any such internal target?

Sreekanth Reddy: Yeah, I think we definitely have a target. I think numbers may not be as high as most of the other people, because fortunately, in our case, most of the assets barring in Andhra's current this thing, are all upgraded and relatively new. As far as ability to save is not as aggressive. The other saving potential that we're looking at is the investments that we are doing on the renewable side, which again, we have indicated the timeline. Once they get implemented, the spread over a time. So by FY '27 to FY '28, likely that we should have a good saving on power and energy.

Parth Bhavsar: Can you like give numbers on this, like cost...

Sreekanth Reddy: Yeah, I think at this point of time, it's a challenge, but we would definitely revert as soon as we compile on those. We would work on that, and we'll be happy to share as and when it is available.

Parth Bhavsar: Fair enough. And one last question. Given weak cement pricing in Andhra and Telangana and also weak in demand, are there any low-hanging fruits in terms of assets that can get acquired?

Sreekanth Reddy: I think we don't know whether there are so many sellers or so many buyers, but the buzz in the market is that everybody is talking to everybody. We don't know who is selling and who is buying. That is the current situation.

Parth Bhavsar: Okay, thank you so much for answering my questions.

Sreekanth Reddy: Thank you.

Gavin Desa: Okay. We have a follow-up then from Shravan Shah.

Shravan Shah: Yeah, Just wanted to check in presentation, Slide #16, the 68-kilowatt hours for a metric ton and kcal 714, which was there for Q2 and even Q1 also the similar. But for FY '25, the same number is decently higher. So from 68...

Sreekanth Reddy: No, it's all to do with the operating leverage. It's because we did not run kiln for most of the time. And this being monsoon season, usually it gets played up.

Shravan Shah: No. So that's what I'm saying. So once it increases, it should reduce. Why for FY '25, we are saying it is on the higher side?

Sreekanth Reddy: So these are all averages at a consol level. So that's how it is presented. But I'm sure we should be much lower. But we did do some improvements in Andhra that actually helped us to be slightly better.

Shravan Shah: Okay. And then similar for green share, so Q1 was 14% and now 11.43%. So close to 12%, 13% for 1H, and for FY '25, we are seeing a 20%, but if I look at in terms of the new capacities that will be coming for solar, is not there. So how this number will be?

Sreekanth Reddy: You should understand that our hydro stations are operational right now, which they were not available for H1. But post-monsoon, our hydro stations start generating. They are available from now all the way up to March, which were also not operational for last year because the reservoirs were empty. But fortunately, this time, I think reservoirs are full and for the next two years, the outlook on hydro assets is extremely good for us.

Shravan Shah: Okay. And lastly, lead distance, this quarter 269-kilometer versus 255 in Q1. Is there any specific reason? And is it fair to say once again, it will come back to the 250, 255 level?

Sreekanth Reddy: Our target is sub-275. Our target was below 300. We are not going to most parts of South, Tamil Nadu in this point of time because the prices are not viable. I think if you go back to those markets, lead distance probably would move up with the volumes, because at this point of time, we withdrew from some of these opportunistic markets, which are not remunerated. So once market slowly improves, there is a possibility that lead distance also will move up.

So then our target is to be below 300. So I think I would stick to that number. At this point of time, we have not done much into South Tamil Nadu or far off places because those markets were not as remunerative. So most of those opportunistic orders, we did not fulfil.

Shravan Shah: I got it, but I didn't understand. So in Q2, despite the volume was lower, the lead distance has increased decently, close to 14-odd kilometres.

Sreekanth Reddy: Yes, we did service. No, it decreased. I think you're reading it slightly lower. It actually got reduced.

Shravan Shah: Okay. My mistake. I got it. Thank you.

Sreekanth Reddy: Thank you.

Gavin Desa: Thank you. We have the next question from Tom A. Kadavil

Tom A Kadavil: Yeah. I just wanted to know about the land monetisation. Approximately how many months we will take to get the monetisation done?

Sreekanth Reddy: Yeah. as I mentioned, I think we would be in a much better situation to give a clear update only by end of Q3 in that regard because the government approvals out of three major approvals, we only received one. Two more are pending. But we'll have a lot more clarity by end of Q3.

Tom A Kadavil: Okay, that's it. Thank you.

Sreekanth Reddy: Thank you.

Gavin Desa: Thank you, Tom. We have a next question from Shreyans Jain. Shreyans, you can go ahead.

Shreyans Jain: Can you just share the demand outlook for the Southern market and the pricing environment for the next like let's say, H2 and FY '26, what are you expecting?

Sreekanth Reddy: Yeah, at this point of time, we are not in a situation to talk of outlook for the coming year. We would want to wait for the demand to shape up. But we do have a huge expectation for the coming year because we believe in our business, most of the time when the demand gets muted, especially because of difficult weather, we believe that gets postponed.

So we believe in the last quarter, most of the demand got muted purely because of difficult weather, that is likely to get spread over coming few quarters as well as into the next year. At this point of time, we believe it's too soon for us to take a call for the coming year. But for half of Q3, it has been absolutely very similar to how it has been in Q2 because of the weather. And especially in the current month where the October month has two festivals. So it is likely going to be very low.

But we do expect from November onwards it to pick up. We believe it is going to be at least 15% to 20% higher compared to the first half, for the second half. And most of it is likely to happen starting from November all the way up to March. Next year, we will be happy to comment on that, probably middle of Q4. By then, we would have had a lot more clarity on some of the important projects that are happening in the market that we are in.

Shreyans Jain: Thank you so much.

Gavin Desa: Thank you, Shreyans. We have no further questions. So I request Sreekanth to conclude with his closing remarks. Sreekanth, can you go ahead, please.

Sreekanth Reddy: Yeah, thank you. We would once again like to thank each of you for joining us on the call. I hope you have got all the answers you were looking for. Please feel free to contact our team at Sagar or CDR should you need any further information or have any further queries, we'll be more than happy to discuss them with you. Thank you, and have a good day, and Happy Deepavali.