THE RAMCO CEMENTS LIMITED

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11 February 2023

National Stock Exchange of India Limited, Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051. Scrip Code: RAMCOCEM
BSE Limited, Floor 25, "P.J.Towers", Dalal Street, Mumbai – 400 001. Scrip Code: 500260

Dear Sir,

Sub: Transcript of the Audio Recording of Conference Call - 3QFY23 Results

Ref: Disclosure under Clause 15(b) of Para A, Part A of Schedule III, read with Regulation 30 of SEBI (LODR) Regulations, 2015.

In continuation of our letter dated 7th February 2023, providing you the weblink of the Audio Recording of Conference Call with respect to 3QFY23 Results held on 07.02.2023, organised by Antique Stock Broking Limited, we attach the transcript of the conference call and the same is also made available at –

https://ramcocements.in/cms/uploads/Ramco_Cements_Earnings_Transcript_3_QFY_23_0cb8748061.pdf

Thanking you,

Yours faithfully,
For **THE RAMCO CEMENTS LIMITED,**

KUNJITHAPADHAM SELVANAYAGAM
Digitally signed by KUNJITHAPADHAM SELVANAYAGAM
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K.SELVANAYAGAM
SECRETARY

"The Ramco Cements Limited
Q3 FY '23 Earnings Conference Call"
February 07, 2023

MANAGEMENT: **MR. P.R. VENKETRAMA RAJA – MANAGING DIRECTOR – THE RAMCO CEMENTS LIMITED**
MR. A. V. DHARMAKRISHNAN – CHIEF EXECUTIVE OFFICER – THE RAMCO CEMENTS LIMITED
MR. S. VAITHIYANATHAN – CHIEF FINANCIAL OFFICER – THE RAMCO CEMENTS LIMITED

MODERATOR: **MR. KRUPAL MANIAR – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Ramco Cements Q3 FY '23 Earnings Conference Call, hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Krupal Maniar from Antique Stock Broking Limited. Thank you, and over to you.

Krupal Maniar: Thanks, Ryan. Good evening and a warm welcome to everyone. On behalf of Antique Stock Broking, we welcome you to the third quarter FY '23 Earnings Call of the Ramco Cements Limited. On the call, we have with us Mr. P.R. Venketrama Raja, Managing Director; Mr. A. V. Dharmakrishnan, CEO; and Mr. S. Vaithiyanathan, CFO of the company.

I would now like to hand over the floor to the management for their opening remarks, which will be followed by interactive session. Thank you, and over to you, sir.

P.R. Venketrama Raja: Good evening. This is Venketrama Raja, the Managing Director speaking. I warmly welcome all of you to the earnings call of Ramco Cements to discuss the unaudited results of quarter 3 financial year '23. Thank you all for taking the time to join us on the call, and we hope all of you have seen the results. Let me give you a quick update on the market scenario. The current demand for cement is good in the individual house builder market and as well as the infrastructure segments.

In the budget of 2023, increased allocation is made towards the PMAY scheme, capital outlay for railways, urban infrastructure development, transport infrastructure projects for end-to-end connectivity for ports, steel and fertilizer sectors etc, for around INR 14 lakh crores. This is a big positive for the cement industry, which I am sure will sustain the momentum of the cement demand in the coming medium term. The factors like good monsoon, water levels and reservoirs and upcoming elections is also expected to boost the cement demand further.

Then, I would like to summarize the key highlights of our performance in the third quarter. Our revenue increased year-on-year from INR 1,556 crores to INR 2,018 crores for the quarter 3 financial year '23. This is the first time that the quarterly revenue has surpassed INR 2,000 crores mark. EBITDA for the quarter has increased year-on-year from INR 238 crores to INR 294 crores in quarter 3 amid strong volume growth. Blended EBITDA per ton for the quarter stood at INR 823 per ton as against INR 719 per ton in the corresponding previous period. During the quarter, railways have re-imposed this busy season surcharge of 15% on inbound and outbound material movements, which resulted in a reduction in EBITDA by around INR 50 per ton. Profit before tax stood at INR 97 crores during the quarter as against INR 113 crores during the corresponding period. This is despite an improvement in the average price of cement during the quarter. However, we could not cover a fuel cost increase since the pet coke/coal prices remain at elevated levels. The profitability of cement business continues to be challenging in the last few quarters in view of high fuel prices trending for such a long time amid geo-political uncertainties. However, we are optimistic about long-term prospects and opportunities in the business.

I would like to update you on the status of our capacity expansion. The production in our Kolimigundla plant has stabilized in quick time and the plant load factor for clinkers around 55% in the quarter, which just ended. This is improving steadily. Out of the 12 MW of WHRS in Kolimigundla, 5 MW was commissioned in Nov’22, another 3 MW will be commissioned in February i.e by end of this month, and the balance 4 MW will be commissioned by May 2023. The TPP of 18 megawatts and railway siding is expected to be commissioned in the financial year 2024. The third kiln at R.R Nagar will be commissioned before by the end of March 23.

With regard to proposed expansion capacity of dry mix products in 2 locations in Tamil Nadu, production has started in 1 unit in December 22, and another unit is expected to be operational by February 23. The remaining 2 units in AP and Odisha will be commissioned in financial year '24. During the quarter 3 of financial year '23, the company has incurred a capex of INR 390 crores, including for the above-mentioned capacity expansion program.

The net debt for the company as on 31/12/2022 is INR 4,556 crores as compared to INR 4,741 crores as on 30/9/2022. Out of which INR 564 crores is short-term loan. The average cost of interest borrowing for the quarter 3 financial year '23 has increased to 7.13% from 5.44% in the corresponding previous year period. This increase is due to the repo rate increase of 225 bps during the current year. This ends my short introduction to the call. Now we are open to questions.

Moderator: Our first question is from the line of Amit Murarka from Axis Capital.

Amit Murarka: My first question was around the capex update. Like in the last call, you had shared the detailed project-wise update. I think in this quarter presentation, which is not there. So I just wanted to check, like is there any change from the last quarter plan or we are still there?

Management: There is no change in the plan.

Amit Murarka: Okay. So the overall capex guidance remains what it was guided for in the last quarter?

Management: Yes.

Amit Murarka: Okay. Got it. And secondly, just a question on the debt levels and the working capital like generally because fuel costs are coming off, there is good working capital release we are seeing across companies. So how much is the reduction are you expecting now in Q4?

Management: Regarding working capital...

Amit Murarka: Yes.

Management: It will be more or less the same because we do not hold more inventory, and we do not have that much of working capital. Therefore, there will not be any release on working capital as far as the Q4 is concerned.

Amit Murarka: Okay. Sure. And like on power and fuel cost, like what kind of reduction would you be expecting now with the fall in the coal cost and everything that you have seen in the last couple of months?

Management: So fuel prices have started increasing again. There was a brief fall in one month. We are not sure about what is going to be the prices in coming months. We expect that the average prices will be same as Q3.

Amit Murarka: So 2.43 per kcal what you have guided for what was in Q3. So you were saying that it will be more of a flat in Q4 as well.

Management: Yes.

Amit Murarka: Okay. I will come back in the queue for more questions.

Moderator: Thank you. Our next question comes from the line of Satyadeep Jain from Ambit Capital.

Satyadeep Jain: Sir, first question on Kurnool, in the presentation, it mentioned that there are rate charges for sending clinker from Andhra Pradesh to Tamil Nadu. Is it given that Kurnool has commissioned, can you maybe talk about where that excess clinker is going between Tamil Nadu and East. And what would be the strategy in the next 12-odd months, and you would have, I guess, the Eastern GU also come up 0.9 million tons in the next few months.

Management: First of all, from Kurnool, there will not be any movement to East. Let me make it very clear. In Kurnool, the cement grinding has stabilized only in the month of December. So October and November, we moved some Clinker to Salem grinding plant, Chennai grinding plant and Mathod in Karnataka. So, then from coming quarters, movement to Salem and Chennai Grinding Plant will marginally come down as we started making cement in Kolimigundla and cement will move to the various markets. So, in the coming quarters we can say that the clinker movement will relatively come down from Kolimigundla to Tamil Nadu markets.

Satyadeep Jain: Okay sir, secondly, on that Karnataka green field plant, any update on any progress on land acquisition since the last quarter

Management: We are prepared for land acquisition, but government approval is awaited. Once government approval comes, we will start the land acquisition. We are prepared for that.

Satyadeep Jain: So it has not started yet?

Management: Sorry?

Satyadeep Jain: The land acquisition has not started yet.

Management: It is not started yet because government approvals are awaited.

Satyadeep Jain: Just one more clarification question on the long-pending Tamil Nadu limestone auction. Any update or expectation on that?

Management: No, sir, so far, no. We are also awaiting for the notification from the government.

Satyadeep Jain: Thank you.

Moderator: Our next question comes from the line of Prateek Kumar from Jefferies.

Prateek Kumar: My first question is on industry pricing trends like getting into this quarter, like after like relatively muted December and last quarter as well, prices have continued to slip in southern region in January. Switch is implying like in fourth quarter, we might see a Q-on-Q decline in prices. Is that the correct assessment for the quarter?

Management: The prices are very volatile. We cannot assume the prices will only decline. There are chances the price will go up also because these prices are very unviable too far many players.

Prateek Kumar: So we are expecting any major uptick in pricing in near term or like this would be only in April.

Management: Possible. Definitely, anytime it is possible.

Prateek Kumar: Sir, Second question is on your capex and leverage position. So we have been able to reduce like INR 200 crores of net debt. So while our cash PAT during the quarter was also similar numbers. So is there any significant delays of working capital or some sale of non-core assets, which has helped us to pay down our debt as well as do capex?

Management: See, we are planning a sale of non-core assets that already we are discussing with many people because mainly these are land banks, which we purchase for a certain specific purpose, which is not required now. That will happen. Maybe this quarter also it will happen and in the coming quarters also, it will happen. Number two, the release of working capital is not possible in Q4 because the pet coke price remains at the same level of Q3. And for any contingency, we also maintain the same stock level. We do not want to reduce it.

Prateek Kumar: So in 3Q, I was actually regarding 3Q, there was a release of working capital to the tune of around INR 300 crores in last quarter, I mean any sale of non-core asset sale?

Management: No, last quarter, there is no sale of any non-core assets. See what I told, there won't be any release of working capital for Q4, but definitely, there has been some release of working capital happened in Q3.

Prateek Kumar: And is it possible to quantify the value, which we derive from sale of non-core assets?

Management: May be totally we identified around INR 300 crores to INR 400 crores of non-core assets. This is only land bank nothing else.

Moderator: Our next question comes from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: I just have a question on overall the market dynamics in Tamil Nadu. So after many years, you have chunky capacity additions happening over the next 2 years by one by Dalmia and then by Ultratech. So how do you see the market dynamics changing the pricing environment changing there? Overall, I mean, what would be the size of Tamil Nadu as far as demand? I mean my sense is roughly a 20 million tons market. In the last 7, 8 years, the size has been quite stable. I mean consumption in the state level has not increased. So if you can just share some understanding on the market demand size of the overall state?

Management: Okay. Both the companies, they are not increasing the clinker capacity here. They are increasing grinding capacity. They can bring clinker from outside state. So we will see at that time. As far as I am concerned, I do not see the dynamics to change dramatically.

Sumangal Nevatia: **W**hat would be the overall demand at the state level? How has it moved in the last 8, 10 years?

Management: The state is growing by almost 10% to 12%.

Sumangal Nevatia: 10% to 12% CAGR in the last 10 years? Sir, I am asking the trend over the last, say, one decade

Management: One Decade, it is 4% to 5%. For this year, the market has grown by 12%.

Moderator: Our next question comes from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Just again, I wanted to check, is there any specific reason that we have removed the capex slide from the presentation this time?

Management: See, we have given for the benefit of info and for the investors' understanding; we gave it in last quarter. It does not mean that we should give every time. As and when it is required, we will be given; there is nothing new or change in the capex guidance during the current quarter. If there is a change in the capex, we would have intimated.

Shravan Shah: So in terms of the number that last time we have spoken in terms of the next year FY '24, INR 892 crores. So is there anything like you previously mentioned in answer to one of the participants that the Karnataka expansion where you are likely to go for land acquisition. So anything, which can come up in next 1 or 2 quarters where you start and this capex number of INR 892 crores for FY '24 can go up for this number is -- you will try not to increase this number?

Management: See, actually, if you look at the previous presentation, we earmarked INR 100 crores for Bommanahalli project for Q4 and INR 250 crores in the next financial year. We are ready to start. We await approval from the government, how quickly we go ahead with this land acquisition depends on that.

Management: Second, if the cash flow is better and when we are able to sell non-core, we may expedite this land purchase faster.

Shravan Shah: But broadly, my point was that close to INR 900 crores capex number because previously, whatever we have guided, actual number has actually much higher in last 1 or 2 years. So that is my point, is there a possibility that any new capex or the expense we will announce in the next 2 quarters? And this INR 900 crores for FY '24 can go up to INR 1300 cores, INR 1,400 crores.

Management: This thing we will announce, once it start kicking, then we will come to know about it. We are not envisaging any new capital expenditure as of now.

Shravan Shah: **B**roadly, in terms of the net debt, which is currently at INR 4,556 crores. Any thought process we can see next -- by March or by maybe next 6 months about how much reduction we can see?

Management: See, it depends upon the prices. If the profitability improvement subject to capex expenditure, the balance would go towards only reduction of the debt.

Shravan Shah: Odisha grinding unit 0.9 MTPA when it would be likely to start?

Management: So already, we started civil construction and in another 9 months times it will be completed.

Shravan Shah: So by September, it should be operational?

Management: Yes, September it should be. Because it is only in cement mill, all other things are in place.

Shravan Shah: Lastly, on the trade set for this quarter, what was the trade set?

Management: Trade volume?

Shravan Shah: Yes, trade volume or our trade sale. So last quarter, we said it was close to, I think, about 69%...

Management: 63%.

Shravan Shah: 63%. Okay. We have seen a decent Q-o-Q improvement in realization. So anything specific you want to highlight from where we have seen such a significant increase and currently till January and the seven days, the average realization, is it at par with the average of third quarter or is there any some decline, is already there?

Management: See, for January, we will discuss in the next quarter. Therefore, with regard to Q3, definitely, the prices have improved with respect to Q2.

Shravan Shah: I was asking, is there any specific state where you have seen a higher or in terms of the price, we have between trade, non-trade, anything you want to highlight?

Management: If you see the market mix, the market mix has not changed dramatically. Of course, the prices are varying across the markets. If you look at the East markets, the prices have marginally improved. South also is equally improved. The volumes are good in both the markets. This variation is due to market mix and the price mix. Not much to tell about with regard to change in the trade, non-trade mix, that kind of a change has not happened.

Shravan Shah: And lastly, on the volume front, we have done a good job in terms of a 30% kind of growth in 9 months. So we were previously looking at 33% for this year and maybe a significant growth in the next year FY '24. So anything, you want to highlight, sir?

Management: We will try to maintain our growth rate. Our concept of right product for right applications is well accepted in many segments, and the project is approved in many of the new projects. So whatever growth rate we earlier told that will be maintained.

Moderator: Our next question comes from the line of Krishna Kumar from Lion Hill Capital.

Krishnakumar: Sir, in terms of various costs that we incur on a per ton basis, how do we see that into the next one year more from the benefits of the new plants that have come in the grinding units, etcetera. So what kind of costs we can see some improvements with other things remaining same, from your investments made, either logistics cost, etcetera, what kind of improvement over the next 6 to 12 months, we can expect sir, for any thoughts you can share?

Management: Thank you, KK, for your compliments. See, number one, the Waste Heat Recovery what we implemented and now we are able to get almost 25 to 26 megawatt Waste Heat Recovery from Jayanthipuram plant, which met almost 50% of our power requirement there. In coming quarters also, balance WHRS capacity in Kurnool plant will be commissioned. That will also reduce our power cost by at least INR 80 to INR 100 per ton. In Tamil Nadu, we have a lot of windmills and currently, we are selling the power to the Board.

Now already we made application for converting into captive consumption that is pending with the TNEB. Once it is approved, here also the power costs can be reduced by INR 50 to INR 80 per ton. These are the areas where there we have direct control. Pet coke price is volatile. The pet coke and coal prices are going up in 2 weeks, in another 2 weeks, it's coming down. Little uncertainty is there. Therefore, once this is uncertainty is over, we are confident there is a scope to reduce by INR 200 to INR 300 per ton.

As far as the grinding units are concerned, already, our grinding units are located at strategic locations. The advantage we will continue to get it. As far as the RR Nagar is concerned, we are expanding where already we are moving certain amount of clinker from Ariyalur plant to RR Nagar plant because RR Nagar is having almost 2 million tons of cement grinding capacity against its on clinker capacity equator clinker capacity 1.2 million tons. So we are transferring clinker from Ariyalur to RR Nagar for around 0.7 million tons. By end of March, we will be commissioning the third line. Transport costs advantage will definitely accrue in the next year on day number one.

Krishnakumar: So just on the product mix, sir, we have been pioneering this right product for the right application, etc. So from that kind of mix change, sir, over 1, 2 years, is there a possibility to improve contribution by INR 5, INR 10 per bag, sir, at the level, is that kind of improvement…

Management: Now definitely, we will get more than INR 5, INR 10 per bag. So more than that, we have segmented the customer's requirement. Since we have segmented the customer requirements, we are confident our growth will be very steady. So more than the contribution improvement, what we are seeing is the segment improvement.

Moderator: Our next question comes from the line of Girish Choudhary from Avendus Spark.

Girish Choudhary: Firstly, on this volume growth performance of 19%, if you can share a little more details on what drove this performance in terms of regions or states?

Management: The regional mix has not changed, as I mentioned earlier. So the east and the south mix maintained at the same level as of in the earlier quarters.

Girish Choudhary: So if you look at your capacity utilization this quarter growth is around 70%, if you can share in terms of how much south was operating, how much east was operating, that would be helpful?

Management: I will share it in the offline. I do not have the numbers right now. I share it later.

Girish Choudhary: The other thing, which I also noticed that you mentioned about Northeast demand improving. So if you can share how much contribution is coming from this market? Is it relevant or still is just a market which where you have just started operations?

Management: See, we will not be able to share the exact contribution numbers. But definitely, it is EBITDA accretive and profitable only.

Moderator: Our next question comes from the line of Rajesh Kumar Ravi from HDFC Securities.

Rajesh Kumar Ravi: Hoping to see this first quarter of operations and you have been able to achieve 54% utilization for the clinker at Kurnool -- is that understanding right?

Management: Yes, that is what we have mentioned.

Rajesh Kumar Ravi: So day 1, even in the first few months, only your plant has started to yield the numbers, right?

Management: So the clinker production, we have stepped up even much earlier, but for the cement mill was not ready. Otherwise, normally any of our plant within 30 days, we go to 100% capacity utilization. That is not a problem.

Rajesh Kumar Ravi: And sir, coming back to the leverage, because this quarter also our net debt-to-EBITDA number still significantly stretch more than 4x. And given the capex expenditures for this year and next year, whatever we have guided earlier stage. The leverage ratio will remain at 3x. So you know, you are still looking at your Karnataka expansion plans. So how do you see your balance sheet deleveraging happening by when, what comfortable numbers you are looking at?

Management: No, deleveraging has already started. INR 150 crores has already reduced even the current quarter. See there are two things. We have to balance between the growth and market share. See there are many players, who are growing in the market. We also should not lose our market share. See both we have to balance it, but we are confident with the debt level we have, definitely, we can meet all of our obligations in time, and there will not be any default. This debt level is manageable for the size our capacity because we increased the capacity of 12 million to 21 million tons. So with that comfortably, we can meet our repayment obligation and our goal of deleveraging both can be achieved.

Rajesh Kumar Ravi: This year you would be doing 30% or at least volume growth, but for next year you are looking at what a normalized 10% sort of growth or?

Management: We will do more than that.

Rajesh Kumar Ravi: More to something like any particular range you are looking at that you would continue to grow for may be two-three years?

Management: Any number you will be interested we will do that. Since lot of new infrastructure projects are coming up, our cement is approved in many new projects. So far, we were concentrating only on trade. Now we started targeting non-trade customers also, we are able to get good orders. So we are confident very decent growth in next year also.

Rajesh Kumar Ravi: So your non-trade will also drive your volume growth.

Management: Yes.

Rajesh Kumar Ravi: But would it not be, your blended margins may not expand significantly but on absolute basis, you can see a strong growth.

Management: It depends upon price. See the price, if the trade price goes up, non-trade price also will go up automatically. So there is no big difference, there is no big discount to trade price as far as we are concerned. If you see really, whatever the trade price minus discount given to the dealers and considering various schemes, non-trade price is not that bad.

Moderator: Our next question comes from the line of Parth Bhavsar from Investec India.

Parth Bhavsar: I just wanted to understand that what would be your share of premium cement in Q3? I guess the PPT mentions 25% for 9M.

Management: It is 26%.

Parth Bhavsar: **W**hat was this number for last year?

Management: Last year third quarter it was 23%. But you cannot see the share percentage alone because our volume has also increased.

Parth Bhavsar: That is also good for realization, right? Because it fetches premium.

Management: Yes, you are right.

Parth Bhavsar: Even that would have helped the price improvement right, year-on-year and Q-o-Q?

Management: Yes

Parth Bhavsar: And this number what was it last quarter, if you could help?

Management: Last quarter it was 25%

Parth Bhavsar: **I**n terms of volume, I understand the mix, the geo-mix has remained the same but like if you had to put a number what would it be like, would it be in the same range as your capacity mix?

Management: No, the premium product ratios would go up.

Parth Bhavsar: **N**ot premium products, volume, the overall volume, how is it like between south and east?

Management: Same that is in this way, Mr.Vaithiyanathan have already explained that the ratio is same.

Parth Bhavsar: It would be in the same range as your capacity mix?

Management: Yes, yes. It is proportionate to the capacity only.

Parth Bhavsar: **S**ir, just wanted one clarification that R.R.Nagar, what is the incremental capacity are we looking at?

Management: It is 1.5 million tons.

Parth Bhavsar: 1.5 million tons and this would like come on stream in over the next two-three months, right?

Management: It will be commissioned before March.

Moderator: Our next question comes from the line of Abhimanyu Kasliwal from Choice International.

Abhimanyu Kasliwal: So most of my questions have been answered, so I wanted to ask you one question. We are combining our capacity utilization which, do we have a hope to increase it? Do we have hope to increase the off-take, especially due to new infrastructure orders and non-trading orders? On a combined manner, what do you see is the outlook for FY'24? That can we see noticeable improvement in capacity utilization because our capex, whilst we are doing a lot of maintenance capex, we are not doing so much capex to increase our capacity if I understand correctly. So what would you have to say in this combined manner?

Management: **W**e have increased the capacity from 12 million to 21 million tons. Then how do you say? Its almost 75% increase in capacity. How do you say that we are not increasing?

Abhimanyu Kasliwal: I meant that incrementally from this point.

Management: Yes, incrementally again, it is not the question of only operational capacity. It is also, what are the capex that should be completed. See, in any project, all the facilities are not going to come day number one. See, for example, we have to create a colony, that amount is to be spent. We have to create some more infrastructure facilities. See, those things also is to be completed. In addition, for the second line, already we have made provisions that also we are completing it. For example, take our Kurnool project today; people may think our capital cost is very high. Nevertheless, that is not true because all the facilities we created now itself considering the future capacity expansions there. So like that, see whenever the opportunity comes we will go on incurring capital expenditure so that operating cost is always kept at minimum.

Abhimanyu Kasliwal: And due to the infra projects do we expect to see like I mean, I know you are hesitant to give numbers but utilization may touch 75% for some example from current 70% to 80% anything?

Management: It will be 80% plus.

Moderator: Our next question comes from the line of Mudit Agarwal from Motilal Oswal Financial Services.

Mudit Agarwal: Hello. Thank you sir for the opportunity. I have just one question regarding the other expenses. So I just want to understand, apart from the variable component and the other expenses, is there any major improvement in the advertisement and other fixed expenses during the quarter? How will be the run rate in the other expenses, going forward?

Management: See, other expenditure includes advertisement also. One variable component is the packing material consumption. So, rest of the expenses are more or less fixed in nature. Therefore, definitely this year, advertisement expenses have increased. We have stepped up advertisement activities during the current year for brand building. Therefore, to that extent, there has been an increase in the other expenditure. Last year, because of COVID restrictions for the first two quarters, travelling expenses was not that much. This year, market is fully opened. Therefore, there has been some increase in the traveling expenses. But for these two heads, there are other heads now that there are not much of increase in expenses. For employee cost of about a 6 to 8% increase, which is a normal thing.

Mudit Agarwal: Going forward will be in the same range or any other further increase we are expecting there?

Management: Same range.

Moderator: Our next question comes from the line of Prateek Kumar from Jefferies.

Prateek Kumar: My first question is on fuel mix. While pet coke has started to increase more recently, but the international coal is declining and you have like 30%-35% mix of coal as well. So when do you like sort of shift from pet coke to coal again, like in terms of fuel mix?

Management: See, whatever be the type of fuel per calorific value is cheaper, we will go for that. If the coal is cheaper, we can shift to coal. It will not take much time. It all depends upon, the fuel mix and cost per calorific value. We can shift to any fuel at any point of time.

Prateek Kumar: So pet coke is $180. So you, at what price of international coal it becomes competitive

Management: Because the coal is not one quality. We have many verities of coal depending upon moisture, calorific value and Sulphur. Therefore, it cannot have a benchmark because the coal available even today, the coal is available for $55, and it is also available at $150. We have to see calorific value. The coal cost per CV is today around INR 2.50

Prateek..., actually, the coal prices are trending slightly higher than the pet coke on a per kcal basis. That is why we started increasing their pet coke consumption. So again, there is an opportunity to buy coal depending on the market price on a kcal basis. If that opportunity comes, we will shift it. However, at this stage, we cannot say that at what percentage we will maintain for next quarter or next year or so. It will be difficult to say. It all depends on the prices of pet coke vis-à-vis the prices of the coal.

Prateek Kumar: INR 2.43 which we have reported for the overall fuel cost per CV for third quarter, how would that be for coal and pet coke for individually if we have that data?

Management: Sorry?

Prateek Kumar: We have reported 2.43 on a kilo cal basis cost for this quarter, fuel cost for third quarter.

Management: It is 2.43 is a blended cost per kcal basis for this quarter, you want to have a previous year quarters number?

Prateek Kumar: No, I wanted to understand what how would that be different between pet coke and coal for last quarter?

Management: I do not have the details; break up details of coal and pet coke. I have only combined numbers of 2.43. The coal is costlier than pet coke. One thing is sure that currently the coal cost per calorific value is costlier than pet coke. Coal mainly we use for power plants and pet coke mostly we use for our kiln.

Prateek Kumar: And our alternate fuels have dropped from 25% to 30% to sub 10% now. So, I mean what is sort of leading to that decline in terms of procurement of that fuel?

Management: As for as alternate fuel is concerned, the availability is not consistent throughout the period. Again, it depends on the price and availability. Sometimes some alternate fuel also will interfere severely with the pyro process. Therefore, we use the alternate fuels currently, depending on the process requirement as well as the overall cost benefits involved in this alternate fuel.

Moderator: Our next question comes from the line of Ajit Motwani from Pinpoint Asset Management.

Ajit Motwani: Just want to understand after R. R. plant is commissioned, you said 0.7 million ton of clinker that are moving from Ariyalur to R. R. Nagar, that the inter-unit clinker cost you will save, right? Am I correct?

Management: Right.

Ajit Motwani: So, alternately, as this any other benefit came from the R. R. Nagar internal efficiency, will the plant go up?

Management: R. R. Nagar is the closest to the highest realization markets for us. Therefore, any incremental production coming from that plant will have an EBITDA accretive clearly.

Ajit Motwani: So you are saying the additional capacity, cement capacity there is also going up apart from the movement of clinker?

Management: No, we have cement capacity already. There is no change in the cement capacity as of now. The additional clinker that we will be producing in R. R. Nagar will be consumed for production of cement and in turn, the moving of clinker from Ariyalur will be eliminated.

Ajit Motwani: Secondly, to service the Kerala market, will this clinker be utilized or the Ariyalur one will be utilized?

Management: For South Kerala RR Nagar will be used. For North Kerala, Ariyalur will be used.

Ajit Motwani: So, incremental, the one, the clinker that you are not moving from let us say Ariyalur that will help us serve the Kerala market?

Management: No, it will serve both Tamil Nadu market as well as Kerala market.

Ajit Motwani: So essentially what you are trying to say is that…

Management: The only thing, whatever the Ariyalur to R. R. Nagar, the transport cost will be saved. Whatever R. R. Nagar incremental capacity sold both in Tamil Nadu as well as in Kerala.

Ajit Motwani: Yes. My question really is that does the project help us capture higher share of the market

Management: Higher share of the market share as well as higher realization.

Ajit Motwani: And in terms of, you alluded to, sale of some land bank which you have identified, how close are we to monetizing it and what's the kind of value we can monetize it from those land?

Management: We have just floated inquiries, maybe around INR 300 crores to INR 400 crores we are estimating towards monetizing of non-core lands.

Ajit Motwani: And the timelines for, such monetization?

Management: We cannot say because buying and selling of land involves a lot of negotiations. Because these are also large parcels, so you should also find the right buyer to get right value.

Ajit Motwani: Also for INR 4,500 odd crores debt that we have, how much do we have any interest free sales tax loan that used to be there as a part of our debt earlier? You got something which is there or that is done?

Management: The soft loan is around INR 192 crores out of INR 4,555 crores.

Ajit Motwani: You alluded that the windmill capacity is in Tamil Nadu, which you are supplying it externally. That also you utilize for captive purposes.

Management: Yes, there is an opportunity because we have been selling at lower prices to the electricity board, which we can convert it into captive use. There is an opportunity to use that captively. We are working on with this government to seek, to get appropriate approval and convert it into captive use.

Ajit Motwani: But wouldn't you have tied up for, with the boards there and will it not be difficult to move it in house? Just my question.

Management: TNEB should approve it. Already there is an agreement with the TNEB for sale of wind power. That agreement should be cancelled and it should be converted into captive. There is a procedure to be followed.

Ajit Motwani: And it is possible you think?

Management: It is possible. We got necessary orders from the court also. They already given direction to convert it into captive. Already the court also given direction to TNEB. Part of the windmill we have already converted into captive use from the sale to board. Therefore, it is possible.

Ajit Motwani: So on energy front, putting WHR, which is yet to be stabilized at Kurnool and this, how much good this seems to be self-help measures. How much benefit can we see?

Management Yes, another 5-megawatt WHRs we will be getting from the Kurnool plant.

Ajit Motwani: And the windmill conversion from external to captive?

Management: Yes, totally we have 166-megawatt windmill. So today, that will give, suppose if you take the plant load factor of 22%, it will be around 35 megawatt to 40 megawatt. Out of that, today we are consuming 15 megawatts. Another 25 megawatt will be used captively.

Ajit Motwani: So on those 25 megawatts of windmill and another 10 megawatts on WHR?

Management: Yes.

Ajit Motwani: And one last question. The sequential increase in the freight cost on a per ton basis, how much of that is because of the increase in busy season for charge by railways and how much is, but still that seems to be the increase is higher than what? You had said INR 50 per ton

Management: INR 50 per ton is including outbound as well as inbound. Maybe if you look at only outbound, maybe it will be around INR 20 to INR 25 per ton.

Moderator: Our next question comes from the line of Vishal Periwal from IDBI Capital.

Vishal Periwal: One thing, which I might have missed, this number if you have stated, what is the net debt number as of December?

Management: Net debt is INR 4,556 crores. It is there in our press release.

Vishal Periwal: And second, on this fuel cost, I think you mentioned this is likely to be same as we are moving in quarter 4, vis-a-vis the index level may be if the industry participants are guiding for marginal dip. So on this particular front are we a little conservative or we are sitting on high cost fuel inventory, thought to get some clarity?

Management: We are very conservative. We just dwell upon basis what is happening in the market. Even yesterday, the pet coke price has gone up by $5 in Index price.

Vishal Periwal: So that means like probably fuel cost there are certain chances maybe like, it could see…

Management: Compared to Q4, definitely it will come down. Compared to current Q3, it is very difficult to say whether it will come down or may not go up also much. That is our estimate.

Vishal Periwal: When you say, Q4, it is for the year-on-year basis.

Management: Yes. you are right.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Krupal Maniar from Antique Stock Broking Limited for closing comments. Please go ahead.

Krupal Maniar: Thanks, Ryan. On behalf of Antique Stock Broking, we would like to thank everyone for their participation and the management team for providing us this opportunity. You may now conclude the call, Ryan. Thanks.

Management: Thanks, Krupal.

Krupal Maniar: Thanks, sir.

Management: Thanks for all the participants.

Moderator: Thank you. On behalf of Antique Stock Broking, we conclude this conference. Thank you for joining us and you may now disconnect your lines.