



THE INDIA CEMENTS LIMITED

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14.11.2022

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Scrip Code : 530005

Scrip Code : INDIACEM

Dear Sirs,

**Sub.: Transcript of Investors Call / Analysts' Meet – Disclosure under
Regulation 30 of SEBI (Listing Obligations and Disclosure
Requirements) Regulations, 2015**

In continuation to our letter dated 07.11.2022, please find enclosed the transcript of the conference call (concall) held on 07.11.2022 with representatives of various Investors / Analysts on the unaudited Financial Results of the Company for the quarter and half year ended September 30, 2022.

Thanking you,

Yours faithfully,
for THE INDIA CEMENTS LIMITED

COMPANY SECRETARY

Encl.: As above



“The India Cements Q2 & H1 FY23 Earnings
Conference Call”

November 7, 2022



**MANAGEMENT: MR. N. SRINIVASAN – VICE CHAIRMAN & MANAGING
DIRECTOR – INDIA CEMENTS LIMITED**

**MODERATOR: MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA)
PRIVATE LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to The India Cements Q2 and H1 FY23 Earnings Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you, and over to you, sir.

Vaibhav Agarwal:

Yes. Thank you, Tanvi. Good afternoon everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to Q2 and H1 FY23 Call of The India Cements Limited. On the call we have with us the entire Senior Management team of the India Cements.

I would like to mention on behalf of The India Cements Limited and its management, that certain statements that may be made or discussed on this conference call may be forward-looking statements related to future developments and the current performance. These statements are subject to a number of risks, uncertainties and other important factors that may cause the actual developments and results to differ materially from the statements made. The India Cements Limited and the management of the company assumes no obligation to publicly update or alter these forward-looking statements whether as a result of new information or future events or otherwise.

I will now hand over the floor to Mr. N. Srinivasan – Vice Chairman & Managing Director of the company for his opening remarks, which will be followed by interactive Q&A.

Thank you and over to you, Srinivasan sir.

Management:

Thanks, Vaibhav. Good afternoon, ladies and gentlemen. The second quarter India Cements incurred posted a loss, which is the highest in its history so far. What caused this? An unprecedented rise in the cost of coal which naturally increase the cost of production which could not be compensated by an immediate price increase. As a result of which, see, the cost increased because of direct fuel cost, it increased because of the cost of power. Coal to power also went up and packing materials. As a result of which it was impossible at that time to immediately pass on the increase in cost to the consumer. So, we had to bear it. There is no other reason except that the material cost of coal shot through the roof.

Efficiency of the factories were okay. We really did not have any other reason for the increase in cost and consequence variable cost going up. I mean, what was 2,300, 2,000, 2,100 went up to 3,600, 3,700, and it was not possible to what happens now? We have now the cement industry as a whole I think I have seen the cost increase, and as a whole I think there is a general feeling that all prices must go up. We are seeing signs of it with the last month we had there was an increase, and this month there will be a further increase.

So, I expect that by the end of this month, the prices of cement, cement prices would have gone up to such an extent that they will for all companies it will be close to breakeven, and next month the increase contemplated will push cement industry into the black. This is the plan. Hopefully, it fructifies. And if you ask me, I have no doubt that it will fructify.

I am happy to take any questions that the members have.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Manish Oswal from Nirmal Bang Securities. Please go ahead.

Manish Oswal: Thank you for the opportunity. My first question on our average coal cost per ton in this quarter compared to quarter one FY '23.

Management: Coal cost per ton current quarter compared to --

Management: 2,600 average cost. Current Quarter 20,552.

Management: 20,552.

Manish Oswal: Versus last quarter, sir?

Management: 17,285.

Manish Oswal: Secondly, sir, you comment about the industry turning into black in the next quarter. So, how is the pricing after the festive season in the market?

Management: See, I am not talking of the industry as a whole. It is possible that the industry will turn into the black provided people increase the prices. After the festive season, the demand is brisk. The demand is showing signs of picking up after Diwali.

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

Amit Murarka: So, continuing on the power and fuel costs, so what kind of decline are we expecting in the third quarter on that number?

Management: You see I am not expecting a decline in the cost of coal. Coal, you see, for example, if you were to import American coal, the lead time is 2.5 months. So, I should have booked coal now. The coal I have booked is at the current prices which will land 2.5. So, for 2.5 months there will be no effective increase, decrease in the cost of coal. What I meant was that the price of cement will go up. The margins will reappear not because the coal cost is going down. It is because the cement price is going up, which is what we expect.

- Amit Murarka:** Also on volumes, like can you please share the number or break up in terms of whatever cement sales and clinker sales?
- Management:** 22.23 lakh tons was the cement sales and clinker sales was only 4,000. Sorry. 22.50 lakh tons was the sale of cement and 0.04 lakh tons was the sale of clinker.
- Amit Murarka:** 22.5 and 0.4.
- Management:** 22.54 in total, clinker and cement put together.
- Amit Murarka:** So, 22.54 which includes 0.4 of clinker.
- Management:** Correct. 0.04. 4,000 tons of clinker sale. 0.04.
- Amit Murarka:** 0.04. And also like generally after the entry of Adani, like, generally, there is an expectation of consolidation in the sector and all that. So, what are your views on that? Like do you also think that there could be a lot of consolidation here.
- Management:** I am busy trying to increase the price of cement. See the consolidation, if it happens, it happens, but I have no view.
- Amit Murarka:** So, far, I mean, as a service business as usual as of now even though --
- Management:** Yes, business as usual.
- Amit Murarka:** And the last question is, also, there was some change in the discounting structure and pricing structure that was being attempted after I believe the change of ownership. So, how do you think this will impact the price realizations generally for the industry?
- Management:** See the people do not, they wanted the invoice price to be respected, and you sell at the invoice price, don't allow the sale at a lower price, and then compensate the dealer later. This is what was suggested by the Adani. Some companies have accepted and adopted it although everyone accepted it. It is followed by some, by some not.
- Amit Murarka:** So, it's not industry-wide that this has happened then?
- Management:** You see the attempt is industry wide.
- Amit Murarka:** But does it not reduce the price flexibility and like ability to kind of react to demand patterns and all that in case this happens?
- Management:** No, which you say is the, are you saying the new system is better than the old system?

- Amit Murarka:** No, I think in the new system, doesn't it reduce the flexibility to react to changes in demand and all that if you follow the invoice pricing?
- Management:** See, ultimately, in any product, invoice has to be respected, isn't it? See, if you go to buy a motorcar, can you buy it in less than the invoice price? So, it is a good system, but it needs a lot of concentration and a lot of effort to make it happen. Some companies are doing it very well. Some are halfway, but I think, ultimately, it is a good system for the industry.
- Moderator:** Thank you. The next question is from the line of Krishna Kumar from Lion Hill Capital. Please go ahead.
- Krishna Kumar:** Sir, just a question on the pricing that's happening in the industry. We have also other players in South which have commissioned, you know, capacities and also on the grinding side also added capacity. So, given the current environment of supply etc., is it reasonable to expect pricing to be stronger, sir, in the next six months to one year at least, given that so much supply also is coming to the market, sir?
- Management:** You see, cement is a product where if one, I mean, you can choose volume; you can choose price. If you choose volume over price, you will have a problem, because our experience shows that even though more capacities come, I don't know where the integrated capacity in South is coming. In south means I am talking Tamil Nadu. The other grinding units, they need clinker from some source. But to answer your question, I still expect pricing to be strong.
- Krishna Kumar:** Sir, the other question is on the transaction we did in early October. So, we have about another 100 crores to be received basically. So, is it a correct understanding, sir, on the transaction?
- Management:** You mean transaction of India Cements?
- Management:** See, we have received 500. We are yet to receive 100.
- Krishna Kumar:** And this completely goes towards your balance sheet reduction in terms of debt, sir, consideration?
- Management:** See, what we have done is about 200 crores has gone for correcting the current ratio. Balance money is sitting as a reserve. We will repay all our obligations, debt obligations without touching this cash hold.
- Krishna Kumar:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Sir, couple of questions. First is on power and fuel cost. Can you indicate on a rupees per Kcal basis, how much was it for the quarter and in the prior quarter?
- Management:** Coal was Rs. 3.26 per Kcal.

- Ritesh Shah:** So, that was in Q2. And in Q1?
- Management:** 2.69.
- Ritesh Shah:** 2.69. And sir, can you give a directional, basically, some commentary on how it could actually fare into Q3 or Q4 based on the inventory that we have or the bookings that we have done?
- Management:** You see, the expectation is that coal will be closer to 3 and maybe just a shade under Rs. 3 per Kilocal.
- Ritesh Shah:** So, this looks higher than what we had in this quarter. So, is it on back of are we carrying some high-cost inventory? Or is it on the back of the trend line that we are looking at when it comes to fuel prices?
- Management:** Lower than quarter 2.
- Management:** It will be lower than quarter 2. Quarter 2 is 3.26. Quarter 1 is 2.69. So, we are expecting the third quarter to be hovering around Rs. 3.
- Ritesh Shah:** Rs. 3. That helps. Sir, my second question was on pricing. Srinivasan sir, you indicated that few mills are actually going ahead on reducing the price between the invoice price and the mail price. So, I just wanted to understand broader at a industry level, why would few mills actually not do this because it is in the benefit for everyone, right? If you could broadly explain at a industry level, that would be very useful.
- Management:** I cannot answer for the others what they do, because all I can say is a suggestion made that why not have greater importance to the invoice price. I agree. I hold the same view. So, slowly people will change to it.
- Ritesh Shah:** Sir, I had a related, not exactly a related question but more on taxation. Sir, recently, government came up with a notification wherein if it comes to gold coins or overseas trips that we do it for the dealers, there would be an additional tax also on that. Sir, what will be our stance over here? How should we look at it? So, if you are giving gold coins to dealers, how should we look at it? Like does the math change. How should we understand this, sir?
- Management:** Most of our discounts are only through credit notes. Only a very fraction of the discount is given as gold coins. Wherever gold coins are issued, effective the new section – 194R came into effect. We are deducting tax and remitting it to the government.
- Ritesh Shah:** That's quite helpful. And sir, lastly, a question on Springway. Sir, so we got pretty decent valuations over that. I just had a clarification. Did we have any incentives on that particular asset from the state government?

- Management:** No, we did not start producing, no?
- Ritesh Shah:** Correct.
- Management:** But that is a separate company. So, it has nothing to do with us. India Cements is the investors here.
- Moderator:** Thank you. The next question is from the lion of Shouvik Chakraborty from Dolat Capital. Please go ahead.
- Shouvik Chakraborty:** Sir, I would like to know the, can you just share the fuel mix for this quarter?
- Management:** Coal is 84%. Petcoke 11%.
- Shouvik Chakraborty:** So, can you just repeat? Sir, I was not able to get it. You said 7% Petcoke, right?
- Management:** Coal is 84%. Petcoke is 11%.
- Shouvik Chakraborty:** And also, can you please let me know the consumption cost per Kcal in Q2 FY22? Consumption cost per Kcal for Q2 FY22?
- Management:** Q2? Q2 last year, 1.67.
- Shouvik Chakraborty:** 1.67. And also, the last question on the pricing front. So, you said that you saw price hike both in October and in November. Can you quantify that number? By how much did you see that increase in October and also in November, like starting in November whatever you saw?
- Management:** The full invoice price we did not get, but we got an increase. See the rate is that was updated. It is that in different states we got different prices. For example, Maharashtra, Gujarat, MP, Rajasthan East, we got nothing, zero. There was no increase at all whatsoever, whereas in Tamil Nadu, Kerala, Karnataka, Andhra, Telangana, we got between Rs. 30 to Rs. 40 a bag. So, you have to look at the average for total sales, and that is the price increase. Another Rs. 20 from Rs. 15 to Rs. 20 is being attempted from 3rd of November.
- Shouvik Chakraborty:** And also, this last question on the volume front. Can you please share the volume for Q2 FY22, I mean, last year, Quarter 2?
- Management:** 22.53 lakh tons of cement and 1.07 lakh tons of clinker.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.
- Prateek Kumar:** My first question is on the segmental data, which you generally give shipping, windmill and RMC revenue and EBITDA.

- Management:** Shipping revenue for the quarter is 14.43 crores. And EBITDA is 8.92 crores. Windmill is 8.02 crores of total revenue, EBITDA of 6.61. RMC is 29.16 revenue and EBITDA of 2.28 crores.
- Prateek Kumar:** Sir, how much was the windmill EBITDA you mentioned? You mentioned windmill revenue of 8.02 crores. EBITDA was how much?
- Management:** 6.61.
- Prateek Kumar:** 6.61.
- Management:** Revenue 8.02, not 8.22. And EBITDA of 6.61.
- Prateek Kumar:** And what's the net debt position as of first half FY23? Net debt position as of FY first half '23?
- Management:** Debt position.
- Management:** Total debt as of September 30.
- Management:** No, net debt he wants.
- Management:** Net debt not much of difference.
- Management:** Not much of a difference. The total debt is 2,937 crores. 2,937 crores as of September 30.
- Prateek Kumar:** And it should go down by 500 crores post the receipt of money on the sale of MP business?
- Management:** Not 500 crores. 300 crores.
- Prateek Kumar:** 300 crores. And just one question on last quarter call we mentioned about there were some queries from CCI from various companies in South and in other regions. Has that thing been settled now? Or it has like been pushed to a later period?
- Management:** There is no action on that. We have not heard anything about it. We have filed our replies and waiting for a response from CCI.
- Moderator:** Thank you. The next question is from the line of Ravi, individual investor. Please go ahead.
- Ravi:** My question is, can you please provide the RMC and shipping, windmill segment wise data quarter-on-quarter as well?
- Management:** RMC Q1 total revenue is 26.04 crores and EBITDA 1.46 crores. Windmill, total revenue 5.66 crores, and EBITDA 4.44 crores. Shipping 3.32 crores is the total revenue, and EBITDA of (-1.39) crores.

- Ravi:** And RMC for current quarter was?
- Management:** RMC for the current quarter was 29.16 crores of total revenue and 2.28 crores of EBITDA.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Vaibhav Agarwal for closing comments.
- Vaibhav Agarwal:** Thank you. On behalf of PhillipCapital (India) Private Limited, I like to thank the management of The India Cements for the call, and many thanks for supporting joining the call. Thank you very much. You may now conclude the call, Tanvi. Thank you.
- Moderator:** Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.