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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

Symbol: SAGCEM
Series: EQ

Scrip Code: 502090

Dear Sirs

Sub: Conference Call on Q3 and FY 21 financial results

...

We are forwarding herewith the transcription of the Conference Call held by us on 21st January 2021 in connection with the recently announced un-audited stand-alone and consolidated financial results for the third quarter and nine months period ended 31st December, 2020.

Thanking you

Yours faithfully
For Sagar Cements Limited

R.Soundararajan
Company Secretary

Encl: a.a.

Sagar Cements Limited

Q3 FY21 Earnings Conference Call Transcript

January 21, 2021

Moderator: Good morning, Ladies and gentlemen, welcome you all to the Q3 FY21 results conference call of Sagar Cements Limited. We have with us from the management, Mr. Sreekanth Reddy – Joint Managing Director; Mr. K. Prasad – Chief Financial Officer; Mr. Rajesh Singh – Chief Marketing Officer and Mr. R. Soundararajan – Company Secretary. I would now hand over the call to Mr. Gavin Desa of CDR India for his opening remarks. Over to you Gavin.

Gavin Desa: Thank you Manish and a warm welcome to everyone for participating in this Sagar Cements Q3 & 9M FY21 earnings and investor conference call.

Manish has already introduced the management. So I just say that we will begin this call with opening remarks from the management following which, we will have the floor open for an interactive Q&A session. I would just like to point out that some of the statements made in today's discussions may be forward looking in nature and a note to this effect has been stated in the call invites sent to you earlier. We trust you have had a chance to go through the communication sent out yesterday. I would now like to hand over to Mr. Reddy for his opening remarks over to you Mr. Sreekanth.

Sreekanth Reddy: Thank you, Gavin. Good morning, everyone. Wish you a very happy new year.

I would like to welcome you all to Sagar Cements earnings call for the quarter ending December 31, 2020.

I will begin the discussion with key highlights across our markets with regards to demand and pricing scenario following which I will discuss Sagar specific developments.

Starting with demand – Steady pick up in housing and government infra projects has resulted in consistent demand across our markets. Project execution has picked up pace once again following the completion of the monsoon season. Talking about specific markets, demand in Andhra Pradesh is expected to remain steady on account of increased Government spending. Tamil Nadu, Kerala and Karnataka Government is also expected to increase their spending on infrastructure projects on account of the impending elections, which should help sustain the demand momentum in these regions. Telangana though, we expect the demand acceleration to moderate in light of slowing down of Government projects. Moving to the East, specifically Odisha, we expect demand to remain relatively steady. As far as the West is concerned, while we haven't seen a significant pick-up in demand as yet, we expect the trends to improve going forward, in line with pick up in overall infrastructure activities. As far as prices are concerned, we are seeing prices marginally soften in the South and West. In the eastern region with the impending new capacity additions also price drop is little more pronounced.

On a long term basis though, we expect the demand and realisation to remain steady in light of the Government's push towards infrastructure sector.

Moving on to Sagar specific developments, we are pleased with our performance for the quarter. Steady demand and realisation across our key markets helped us in delivering revenue growth of around 39% over previous year. Profitability, as well improved on the back of our consistent effort towards cost rationalization and improving operational efficiencies. Investments undertaken in recent past towards building the Captive Power Plant (CPP) and Waste Heat recovery system along with some modernization have started paying dividends for us. Also, the commissioning of Satguru and Jajpur should not only help us in further rationalizing our freight mix but will also aid us in enhancing product mix and accessing faster growing markets.

I am pleased to say that the work on Satguru Cement Pvt. Ltd & Jajpur Cements Pvt. Ltd., is progressing as per schedule and we expect the units to be commissioned before end of Q2 FY22.

Moving on to our financial performance for the quarter on a consolidated basis revenue from the operations stood at Rs. 364 crores as against Rs. 262 crore generated during the corresponding quarter last year, higher by almost 39%. Better realisations and steady volumes resulted in driving the growth. EBITDA for the quarter stood at Rs. 104 crores as against Rs. 20 crore reported during Q3 FY20, up almost 426% Y-o-Y, owing to better realisations and better cost management. Average fuel cost stood at Rs. 785 per ton as against Rs. 821 per ton reported during Q3 FY20. Optimization of thermal efficiency coupled with lower fuel cost resulted in lower per ton of fuel cost. Freight cost for the quarter stood at Rs. 740 per ton as against Rs. 714 per ton during Q3 FY20. Profit after tax for the quarter stood at Rs. 50 crores, as against loss of Rs. 9 crore reported during the Q3 FY20.

From an operational point of view Mattampally plant operated at 48% utilization level while Gudipadu and Bayyavaram plants operated at 80% and 62% respectively during the quarter.

As far as the key balance sheet items are concerned the gross debt as on 31st December 2020 stood at Rs. 636 crores out of which Rs. 529 crores as a long term debt and the remaining constitutes the working capital. The net worth of the company on a consolidated basis as on 31st December 2020 stood at Rs. 1,213 crores. Debt equity ratio stands at 0.44:1. Cash and bank balances were at Rs. 78 crores as on 31st December 2020.

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

Moderator: Thank you sir. We would now request all the participants to raise their hands on the zoom platform for any questions. We will wait for a moment while the question queue assembles.

Request all the participants to raise their hands for and get in the queue for the questions. We have the first question from Gaurav Birmiwal, please go ahead Gaurav.

Gaurav Birmiwal: Thanks for the opportunity Sir. I just wanted to ask a bit more on the drop in power costs. You mentioned that you have stocks for two more quarters. So will we see similar power costs for the next two quarters or will it marginally inch up? I mean, I just wanted to know if your low cost stock has been depleted. And the second part was what are the current petcoke and old price trends? I mean, how much should we build in going forward? I mean, how much has it increased?

Sreekanth Reddy: Good Morning, as stated earlier, the low cost pet coke for us would exhaust by end of this month. But fortunately, we could quickly act on the lower imported coal cost, which we have stocked all the way up to end of June. The current coal cost for us is at Rs. 6,100. But what you have to remember is from imported coal in the presentation what we have done, we have stated the pet coke average landed cost till Q3 FY21 is 6,814. Yeah, the current Australian coal, we procured around $57 which would last all the way up to June. Yeah, we expect an average around 50 to 55 rupees' incremental cost could go up for the current purchase, which is roughly around 16 to 17% over the previous quarter, whereas the current ongoing imported coal price are around $72.

In our case, we have $57 coal lasting all the way up to end of June. So all in all, we expect around 50 rupees' kind of an increment on account of power and fuel cost for the Q4 FY21.

Hope I've addressed the question.

Gaurav Birmiwal: Yes Sir. Thank You.

Moderator: Thank you. Our next question is from the line of Gunjan Prithyani. Gunjan Please go ahead.

Gunjan Prithyani: Hi, sir. Thanks for taking my questions. I got into the call a little later, could you give us some sense on how, you know, you mentioned in your presentation, that second half have seen some improvement on demand. So if you can talk about where is where you are seeing the demand improvement, which markets in particular, and if you can also lay out the growth expectations, like you usually do, you know, to give us some sense on market recovery.

Sreekanth Reddy: Good Morning. See our view again, is very limited to the Q4 FY21. Because, given the COVID impact, and we are just coming out of that. But I think we should, by end of the year in the markets that we operate, should end up being anywhere between 7.5% to 10% lower than the last year. The markets of AP, Tamil Nadu, Karnataka and Kerala are fairly doing well. The only market that we have seen slightly slowdown is the Telangana market, the primary reason being that the government spends in most of the other places is relatively higher compared to Telangana.

Again, the outlook for the next year, our internal assessment again, which needs some correction in due course of time, the impact probably has taken us back by two years. So we feel that the coming year we might at the best go back to last year. And then a year later probably we would go back to the FY18-19 kind of a number, which was one of the best years that we have seen on a long term, which makes us believe that the next couple of years, demand is likely to be relatively better. But it would take at least a year and half for us to go back to the best year that we have seen in the recent past, which is two years back.

This is primarily because of government's spent. Rest of all the other private spending in the housing, they have been study. That's one of the reason why the drop has not been very, very significant, even during very, very difficult time.

Gunjan Prithyani: Okay, so eventually saying that FY 22 goes back to FY 20 and FY 23 goes back to FY 19 is how you're looking at the market right now and within that, Telangana is one market which is lagging whereas you're seeing recovery in AP, Tamil Nadu and Kerala, is that understanding Correct?

Sreekanth Reddy: Yes.

Gunjan Prithyani: Okay, got it and the second question I had on the capacity side, are you seeing anything on the ground in any of the regions relevant to you?

Sreekanth Reddy: See, I think south, as indicated earlier, one major capacity addition that is due is Ramco Cements in Kurnool and we expect the ramp up from Chettinad as well as Penna, over next, in the current year to probably all the way up to Q1 FY22. East, of course, I think or next year to year and a half, we are expecting an incremental 10 to 12 million tons. capacity addition.

These are the two regions where we have reasonably good vision. We don't expect any major changes to happen over the next year in the other place where we are coming up, which is in Madhya Pradesh. Beyond that, of course, there have been announcements where Ultratech is adding up on more grinding capacity in Dhar. This is where we track closely so that would be our understanding of those markets in terms of the supply.

Gunjan Prithyani: Okay, just last question from my side on when you're seeing the demand comeback, is there any change in the competitive intensity that you're sensing because it's after quite a while that South markets are seeing some uptick? So any change there?

Sreekanth Reddy: Let me clarify, I don't think we are seeing any uptick Gunjan, in the market

Gunjan Prithyani: Or let me say normalization from what we saw such a big dent.

Sreekanth Reddy: That we are going to be anywhere between 10 to 12% lower in South either way, I mean compared to last year to this year.

And fortunately, we are not expecting any surge in supply from any new capacities for the current year at least till the middle of next year. So from a supply side we are not seeing anything majorly getting into the market, but for some other players who are trying to push for incremental kind of volumes in these difficult markets, but fortunately they are in minority markets more or less have been very similar for more than a decade. So nothing much is new in terms of the supply.

So looking from a competitive intensity perspective, yeah, there are some players who are trying to ramp up. But that fortunately did not alter the market equations significantly, though we have seen some amount of competitive intensity in the non-trade. But trade market more or less has been very, very steady. That's one of the reason why the prices did not dilute, like how they used to fluctuate in the past. I'm telling that prices remained at a high elevated level, but they did not dilute as they used to happen in the past.

Gunjan Prithyani: Okay, got it, thank you so much.

Moderator: Thank you. The next question is from Kruttika Mishra. Please go ahead.

Kruttika Mishra: Hello, sir. Good morning. Thank you for taking my question. If you could throw some light on, you know, the outlook of cement prices, that would be great if you can share, what is your outlook on cement prices?

Sreekanth Reddy: Yeah, I wish I had a very straight forward answer. We generally, internally work with multiple scenarios. So we strongly think that the volumes are going to be very similar to last quarter, we don't expect a major changes in the pricing environment.

The other good scenario could be if volumes remain lower than what it has happened during the Q3, I think we expect pricing scenario to be relatively better. But if there is any attrition to this equation, of people trying to push more volumes into the market, we expect drop in the prices. Fortunately, one third of the quarter is already done. So our observation in the market is that the dilution is not much from the December exit prices. Some other markets for the second fortnight of January, we have already started seeing at least 5 to 8 rupees' kind of an increase in AP and Telangana markets and the rest of the other markets either are flat with a positive bias. But all said and done I think January month more or less is going to be very, very similar or slightly negative compared to December.

But one important and good observation that we have seen is the AP, Telangana market which got diluted by almost 15 to 20 rupees at a retail level.

We started seeing though it's in the early stage, but we started seeing 5 to 10 rupees' kind of an increase already, Post festival season, if it gets sustained, we think price trends, may be flat to better than what we have seen in Q3. But we as stated earlier, we operate on these three scenarios. If there is surge in the volumes into the market, like in the past, our experience has been that the dilution could be there. If volumes don't come back aggressively. Yeah, it could be flagged to some kind of positive bias. Yeah, beyond this, it's always a challenge because, that's one area where we are not able to predict that well now.

Kruttika Mishra: Right, right. So thank you so much.

Sreekanth Reddy: Thank you.

Moderator: Thank you. The next question is from Jainam Mehta. Please go ahead.

Jainam Mehta: Okay. Hi. Sir congratulations on the super quarter and thanks for letting me ask the question. So, I wanted to know, what are some capital allocation decisions that we can expect? Like, I mean, I'm sure you know that the stock is cheap on a valuation basis. Well, so can we expect a buyback or anything like that soon?

Sreekanth Reddy: Mr. Jainam, I can only talk to a certain extent where we know for sure we have no plans for a buy back at least for some time. Yeah, we strongly believe that we are undervalued stock, but our job is to work on, since we are a growing company. So most of the capital is allocated for growth, as well as optimization right now. From a board and from most of the large stakeholders, we know for sure that there are no intentions for a buyback at this point of time.

Jainam Mehta: Okay and my other question was, it could be great if you could just shed some light on the capex for the quarter.

Sreekanth Reddy: Yeah, now this year, as indicated earlier, our capex planning for the full year was somewhere close to around 400 to 450 crores for the current year, as we are implementing two projects, out of which we have already done 300 crores in the current year so far, likely that we might end up spending another 125 crores in the current next two months that is in the current quarter itself. That leaves us with another 125 crores to be spent, which is likely to happen over the next two quarters of next financial year.

Jainam Mehta: Okay, that answers my question. Thank you.

Sreekanth Reddy: Thank you.

Moderator: Thank you. The next question is from Ritesh Shah. Please go ahead.

Ritesh Shah: Hi Sir, thanks for the opportunity. Sir My first question is, you indicated 10 to 12 million tons of capacity addition. Can you please break it up? Company or Plant wise?

Sreekanth Reddy: I never told 10 million, you're talking about the Odisha market.

Ritesh Shah: Yes, sir. You refer to incremental capacity additions in the region, you highlighted in central India not much except for Ultratech and in Southern India, you refer to Chettinad and one of the brands Kurnool of Ramco, so I am referring to that.

Sreekanth Reddy: I'm very happy to give the breakup post this call because there is no point in reading out the numbers, you know for sure ours is 1.5 million. There is Chettinad, there is Ultratech. But we would be more than happy to share that offline.

Ritesh Shah: Done. Perfect. That sounds good. Sir my second question is, there has been a lot of new capacity which has come in off late in southern and eastern India, I am referring to two large players. How is the industry responded to absorbing this capacity? That's is one question and the second question related to this is, has there been any major shift in regional trade patterns given pricing is a bit depressed in Chhattisgarh market and obviously, there will be a lot more material moving? So is there some abnormality in pricing or trade patterns on back of this regional commissioning and expansion? Thanks.

Sreekanth Reddy: Yeah, see, I can only comment about where we operate Mr. Ritesh. Unfortunately, I don't have a handle on the other regions as much as I should. But in South we have not seen a major shift either way, because I think the Chhattisgarh market as always been the same. So there has not been much of a change. But we have not seen Chhattisgarh material coming to south, when South market was relatively better place when it comes to pricing. I mean, it's natural that prices might be looking higher or way higher related to that market. But I think freight and the other logistic challenges have always constrained from those inter regional movements. For example, even in East the pricing that probably is one area in the entire country where east is not doing very well on the price. In fact, that's one place where the prices look to be very, very unfeasible and difficult to sustain at current low levels. But we have not seen the eastern volumes coming into South at least the northern tip of south, earlier we have seen a lot of material used to come from Chhattisgarh and Orissa into Vizag, but we have not seen that happening in a major way. At least this time around, I'm only commenting for last three quarters, but during the last three quarters, 50% of it has been a very, very difficult kind of an environment. So that doesn't say much, but we have not seen a major shift in the inter regional movement so far. Though, there are some shifts, which are likely for a short period, because the long range freights above 1000 kilometers, there has been some optimization and rationalization of railway freight. So we keep hearing that some amount of South material actually was splashed into the central region. But that still is a very very negligible volume is what we hear, again, this is what we have observed. But we have not seen a major Eastern flow of material coming into South or far of markets. But what we have seen is some of the players, South players going into the central region, but that looks to be a very, very limited kind of a number, not something which is a huge kind of shift. I don't think it is very strategic shift, but I think it is more an opportunistic kind of shift.

Ritesh Shah: That’s very useful. Sir just last one question, still we await fine print on the new mining regulations. Sir how would it will impact capital allocation for Sagar and how do you see a few specific variables like rationalization of royalties, stamp duty and specific aspect of surplus reserves overall for Sagar and for the industry? Thank you. That's the last question

Sreekanth Reddy: Yeah. I think, that really facilitates some amount of mergers and acquisitions, because it looks to have removed the big constraints, especially for the limestone, where we had the transfer rules, applicability where there was a huge upfront cash investment, and even the OPEX was getting impacted, because the royalty was almost 80% additional. So on the face of it, I think that's an extremely welcome move. In our own case, yeah, we would want to study it whenever there is an opportunity and if it comes by the same way as we have understood, yeah, we would, not think twice to merge the Gudipadu unit, erstwhile BMM into Sagar, because that was one of the constraint that we were facing from the merger, because that would have optimized some amount of income tax outflow because there are accumulated losses that are available in BMM. That probably post-merger, we may have some optimization opportunities there, but we would want to study and take a call on that. Secondly, I think it will definitely help us look at options lot more from business planning perspective, with the OPEX and capex getting rationalized on these regulations, it should help. The only negative flip side is the lot of mines which are in PL stage or PL due for conversion to ML, some of us have do have some PL's, which have been long waiting for conversion to ML. I think there, it's not an issue of companies, but most of the governments have kept it pending for whatever PL's is that we have had, we were waiting for more than seven to eight years for them to get converted to ML, that has not happened that probably is one area which we thought they should have given some more time. But that as it looks like stands cancelled.

But it looks favorable from a M&A environment. So that should make some small little additional push towards consolidation. Yeah, that was a constraint which was existing before, with this ordinance slash act, should help some additional consolidation to happen into the market.

Ritesh Shah: Thank you so much for answering my questions, I have more questions, I will join back the que. Thank you so much.

Moderator: Thank you. The next question is from the line of Indrajit Agarwal.

Indrajit Agarwal: Hi, sir. Thank you for the opportunity. I have a few questions from my side. One, you talked about several aspects of demand. While you talked about infrastructure, how are you seeing the other levers of demand, so to speak, rural segment shaping up in the areas that we operate?

Sreekanth Reddy: Yeah, Good morning, I think our comment is very straight forward. I think in the market where we operate the housing market has been very, very study. It has been stable. Yeah, I would not comment on whether it's a metro or a non-Metro market. I think we are way beyond that. Because in the Q1, it was more rural or the non-Metro market, Q2 metro market actually picked up now more or less, we are back to the old system where, we don't generally look at Metro or non-Metro markets around, especially on the housing side, things are normal. The only thing that we have seen is the government demand. I think that actually for us is a very, very positive surprise, especially the Andhra government, when they initially had the discussions and the projections they made. We were skeptical, but to our surprise, I think they're very near to what they had projected. So that and along with that, the Tamil Nadu government, Kerala government slowly started picking up in a big way I mean that for us is a very, very positive surprise.

Indrajit Agarwal: Thanks, that's helpful. On power cost, you have explained in detail. So, what I understand is fourth quarter per ton cost could be about 15% higher than the third quarter just because you have this low cost pet coke, a low cost imported coal. Now, if you were to mark to market at current coal price or current pet coke price, what could be the kind of increase that we can see, say from third quarter level? It could be like 20 to 22% plus.

Sreekanth Reddy: We are simply doing one simple arithmetic. See, in our own case, this probably may not be applicable to the entire industry. Our procurement costs on per kcal was at 91 to 92 paisa for pet coke during Q3. Yeah, the same thing in our own case, it went up to Rupee 1.08 Paisa, for the Australian coal on a per kcal, because that would rationalize at what we consume. Yeah, this in a normal course again, yeah what we have got the current spot rates, we have procured it at $57 that actually moved to $72 now, so that in a normal course would have increased to anywhere between 1.21 to 1.22 paisa. So for us, it remained anywhere between 15 to 18%. The current spot prices look anywhere close to around 25 to 30%. From our procurement price, again, our procurement price for Q3 also was relatively lower, because we have been buying six months ahead. This is related to our procurement price. I exactly don't know if this could be applicable to the entire industry.

Indrajit Agarwal: No. Sure that's helpful, that's really helpful. And again, a similar question on freight. Sir there has been diesel price increase, but a large part of freight cost is also the truck rentals and all. So do you think diesel price aside the truck rental part? Are you seeing upward pressure or those are now more or less stabilized?

Sreekanth Reddy: In our case, the contractors have been stable. So we have not made any corrections to other than fuel prices over the last one to one and a half year.

Because there were significant changes that we ‘have done in the previous increase that we have taken, where we had to make adjustments to the tollages, we had to make an adjustment to the tire rates, we had to make adjustments to their own other operating costs other than fuel for last year, to year and half, we were only making adjustments to the fuel. Again, this is very specific to us that I don't think I'm addressing for the industry what we have seen in June, the diesel price was close to around 78 rupees 39 paisa. But by October it moved to almost 80 rupees per liter and January start of January it was 80 rupees 29 paisa, but middle of January it is already at Rupees 80.39. So, in our own case, the last increase that we have taken was from July 1, from then to now. Yeah, we have seen a shift of almost close to 4.5 to 5 rupees that effectively has made us increased by

3.5 to 4% on an overall freight costs. But this is very dynamic going forward because if prices move up, we take every week kind of a course correction. I don't know where it will end up, but from June to now. From first of February, we expect the freights to go up anywhere between 3.5 to 4% in our case. we have not made any corrections to the other than fuel costs so far.

There is always ask from the transport contractors, but so far we have not made any corrections in that regard. If at all if you have to make probably we will be considering only from first of April after better understanding of what other costs would have gone up in their case. But right now, we are only taking the fuel correction.

Indrajit Agarwal: Sure this is very helpful. Thank you so much for your response.

Moderator: Thank you. The next question is from the line of Girish Choudhary. Please go ahead.

Girish Choudhary: Hi Sreekanth, thanks for taking my question. Firstly, on the debt, we have seen an increase of around 100 odd crores from September levels and we did generate a EBITDA of 100 plus crores So, if you could just highlight the capex and also the operating cash flow for generation during the quarter?

Sreekanth Reddy: Yeah, Good morning Girish, see as indicated in our capex we have done so far 300 crores so far current year, likely that we might end up with 125 crores on the capex side before the end of this financial year, that leaves us with another 125 to 130 crores for the next financial year, which is likely to be completed by middle of next year that is in the H1 end of H1 FY22 we should be completing the entire capex. So, the current net debt is at around 558 crores. So, we might end up the FY21 with a net debt of anywhere between 675 to 700 crores, peak debt could end up anywhere between 750 to 775 by H1 of end of H1 of FY22. So, now the cash flow scenario is very simple Girish, as mentioned earlier, we make three scenario base but we think minimum Ebitda kind of a generation should be anywhere between 70 to 75 crores for the current quarter. So basis that we have done. The overall kind of a plan, any change to that cash flow would alter things accordingly. But we think that we might, we might pick out somewhere around the middle of next year with a net debt of anywhere between 750 to 775. On a conservative kind of an estimate.

Girish Choudhary: That's helpful. And secondly, you did also mention on some of the cost trends, especially on coal and freight, but in terms of other raw material costs, where are you seeing fly ash, maybe slag and also the packaging cost? Because we are hearing that some inflation with respect to fly ash and slag as well.

Sreekanth Reddy: Except for the freight correction, we have not done to any basic material Girish. we have two months to go for the current year, our internal material is also available. So, for us, we are not expecting any major costs to change on the raw material side, at least for the current year. But for sure, during the coming Q1 for the next year, yeah, we may have to make the inward freight adjustments because the material for the current year is already there with us.

But with the diesel price the way it is I'm sure we have to make some for the inward freight, but it also might influence some amount of their mining costs. But we are good for Q4. For Q1, yeah, we probably need some additional time before taking a call when it comes to the other raw material increases. But it is likely that it could go up, may not be very significant. very specifically talking about the fly ash, The Fly ash costs picked out during the Q2 FY21, because some of the thermal stations in our neighborhood from where we procure our fly ash were down primarily because of the seasonality and the electricity off take was very minimal. But on that count things have improved. So things have improved. So even some small corrections here or there should not make fly ash cost going beyond what we have already incurred so far.

Slag we have to wait and watch in our own case, our sourcing points. But for the inward freight cost adjustments, we don't expect any major changes. But we still have to wait till somewhere around start to middle of April, for us to really know how those material costs are going to change. Internally we prepared ourselves for 3 to 5% cost changes on any of those materials. But we have to wait till the time for us to understand how it is going to shape upon those materials.

Girish Choudhary: Got it. Thanks a lot. All the very best.

Sreekanth Reddy: Thank you.

Moderator: Thank you. The next question is from the line of Kunal Shah.

Kunal Shah: Congratulations on a very good set of numbers. Sir just one question from my side. Hypothetically speaking, if Sagar had to operate the Jajpur plant in the current pricing and cost scenario. What could be the kind of per ton profitability that you would be able to generate? Thank you.

Sreekanth Reddy: Kunal, I think we discussed this issue, even in the earlier calls. We simulated a scenario, which was very similar. Yeah. Barring that it actually has already touched the worst case scenario that we have put, I think we should still end up getting somewhere around 300 to 350 rupees EBITDA per ton.

Kunal Shah: Okay. Thank You sir, that's it from my side.

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

Amit Murarka: Good afternoon Sreekanth. Just a couple of things. So firstly, on the realization, I don't know if it's been discussed already. So this quarter per ton realization seems to have dropped 6% QoQ? So I was just trying to understand is there some mix effect to that, like more government volumes or something like that to it? Or is it purely market pricing fall?

Sreekanth Reddy: Good Afternoon Amit, See I think that question has two parts to it. One, definitely prices have softened. But I will not attribute the entire drop in realizations to only the pricing scenario. In our own case, the market spread as well as the institutional and the government sale also has got increased. So it's a mixed bag. It's with softening of pricing, along with the government supplies being incrementally higher compared to Q2 and at the same time, a slight shift towards from a more into the institutional sale. I think it's a mixed bag. It has been a mixed bag. But for sure, yeah we stayed away from very competitive kind of a price environment on the non-trade side. That's probably one of the reasons why the drop was not as significant as the price has been, in some instances, especially the non-trade price.

The price drop has been quite significant across some of the markets that we operate, we shied away from those markets. Trade prices, I would put it has been very stable. They have not been flat but they have been very stable. Seasonal correction was there and from on season, we have not seen that increasing the drop is not as significant as it has been in non-trade. So, trade prices more or less from season to offseason they got corrected from an offseason to season Yeah, they did not correct back to higher side they remained there. So, that's one of the observations that we had in the markets that we operate. East as you know, that we have seen drop, we do sell some volumes, there we have seen quite sharp corrections on the pricing.

Some of the other markets that we have seen either prices remained flat, a slight negative bias not but it was not a big drop, the drop in realization does not reflect a huge price drop. In certain segments, there has been a huge price drop, but our realizations have dropped on other accounts also because of the distribution pattern regional mix as well as some segments mix also.

Amit Murarka: Also, one more thing I was just wondering like, So, generally if we look back on the pricing state wise and all that, generally Orissa market pricing has been better than let's say, AP, Telangana pricing. But in the last six, eight months, actually, it's been the reverse particularly in recent December month it was quite evident wherein price dropped further in Orissa whereas it was relatively better in AP, Telangana. So, how does that change the trade balance between these adjacent states and the flow of material?

Sreekanth Reddy: No, Amit, the prices in South have been good. So, I would not like to compare with state to state because most of the time, people only look at the gross pricing and get carried away with they being better. We need to make the freight adjustments right. So our own observation is that our markets in AP are always been better than the markets in Orissa, irrespective of where it was, that was the case for many years. If you look at decadal pricing also, the worst of the AP market was probably at par with best of the Orissa market. That has been the historical kind of a number. Though optically, some of the prices look relatively higher, but cost to those markets are also high. So when you normalize, or rationalize or whatever you might call the eastern prices have relatively been lower compared to the markets that we operate in south.

Amit Murarka: Okay. And on the power and fuel side, like just to confirm you said that you expect a 15% QoQ inflation for Q4? So that would roughly be about 100 to 110 rupees per tonne, let's say

Sreekanth Reddy: No. Now, you have to be very specific. We expect it at a clinker level that kind of a number Amit. But when it comes to conversion, and all probably we would end up anywhere between 50 to 60 rupees' kind of an increase on a power and fuel cost on a per ton of cement or a ton of material that we sell, up to clinker, you're right, it probably would increase by 15%. In our own case, because that has been a shift for us. The fuel costs would get increased by 15% at a clinker level when it comes to cement, our conversion ratios and all drag this down to somewhere around 7 to 8% on the higher side.

Amit Murarka: Sure. Thank you.

Moderator: Thank you. The next question is from Bhavin Chhedda. Please go ahead.

Bhavin Chhedda: Yeah, good afternoon. How are you?

Sreekanth Reddy: Good Sir.

Bhavin Chhedda: Yeah, congrats on a good set of numbers, sir just an overall update on the industry, though, as we see the numbers AP, Telangana was close to 30 million market, it grew in double digits, during last two years, we are seeing over 20% fall. So one on that market, what's your outlook when should we back to that peak 30 million consumptions on a year basis. And second, I would ask on the Orissa market, which has suddenly seen a very big growth numbers and operating at all-time high consumption numbers. So what is happening particularly in Orissa market and how long you think this high growth can sustain in Orissa market?

Sreekanth Reddy: Yeah, now specific to AP and Telangana, sir, our view is that we went back by two years, and even historically, pre-election years typically tend to be higher compared to the post-election years. So I think over the next few years, we will again come back to, to kind of pre-election kind of years. So we think that it would take a year and a half to two years from now, to go back to those numbers. I mean, that that's what we strongly think it would take that much time for it to go back to those numbers, going back to Orissa, Orissa has always been growing sir I mean Orissa is one state or some of the states in East which is consistently growing at least close to 10% or more during past seven to eight years. So Orissa is no exception. The problem with the Orissa market is more to do with the supply rather than the demand. So, that actually took a toll on the pricing environment Now, how soon this would recover, it is anybody's guess. But at current level of pricing. It's very, very unfeasible for all the players So, we think that the prices have to correct upward, sooner the better, but how long it is going to take? Honestly, I have no answer. I have no idea how soon it is going to take but we know for sure at this level. I don't think anybody is making money.

Bhavin Chhedda: Thanks Sreekanth.

Moderator: Thank you. The next question is from the line of Prateek Kumar, please go ahead.

Prateek Kumar: Hello, yeah. Good morning. Sir. I have a few questions. Firstly, like post Sankranti there have been some pickup in pricing in South, has there been any reversal in like Odisha or that has like has remained in downward trajectory, which was their startup of the month?

Sreekanth Reddy: Yeah, in our observation in the AP market and Telangana market the retail pricing definitely has picked up. I think Orissa pricing has been poor, I don't think it has dropped further. I think it is stable right now, but we are watching it a lot closer. Because for them, there is no break the festival is not state festival. So, we have not seen a drop in price, but prices are very, very unfeasible and at a very low level. So fortunately, we think that it has bottomed out it might roll down by another one to two rupees beyond that I think people would be aggressively losing money from hereon.

Prateek Kumar: okay and just confirming on your capex. So have you, I mean on the 800 crore, two expansions? Have we incurred 550 crores till December just wanted to confirm this number?

Sreekanth Reddy: Near that number. So, we did spend? Yeah, we have spent almost close to that number in the current year itself, probably we should be ending up at 425.

Prateek Kumar: Right. In freight costs, we have seen some decline on a QoQ basis. This is related to lower lead distance as mentioned in presentation.

Sreekanth Reddy: Yes, I think it is very clearly stated, diesel price has gone up, but in our case the lead distance has come down so.

Prateek Kumar: And sir on freight in this power and fuel cost, the understanding is not very clear from like to like basis, how much has there been an increase which we have seen in this quarter from burn fuel, like for like number.

Sreekanth Reddy: In our case it has come down Prateek, it has come down by almost 5%. That's what we have indicated even in the presentation.

Because for us it's to do with the mix it is also to do with some alternate fuel usage. So we were blessed that the power and fuel effectively has come down for us even on a quarter on quarter.

Prateek Kumar: But that would have some inventory effect right?

Sreekanth Reddy: We think it is kind of a mixed bag. Yeah. The inventory as mentioned for us, the inventory cost, holding costs have been studied because the low cost fuel has been there with us for quite some time.

Prateek Kumar: Okay, and just one question on your trade mix. What is the current trade mix versus like last quarter?

Sreekanth Reddy: I think we are very similar to how we have been last quarter except for a small basis point drop, non-trade slightly got increased, non-trade got increased purely because of the government exposure.

Prateek Kumar: Sir, what would be those numbers?

Sreekanth Reddy: Okay, can I revert?

Prateek Kumar: Sure, sure. Okay. Thank you. Okay, that's it from my side.

Moderator: Thank you a reminder to all the participants if you have a question you may indicate by raise of hands on the zoom platform. The next question is from the line of Sanjay Nandi. Sanjay Please go ahead.

Sanjay Nandi: Good noon, sir. Congrats for good set of numbers. Sir, correct me if I'm wrong, like just you quoted like as of now the Australian coal is trading at $72 per ton with a base whereas the current pet coke price is hovering around $100 per ton. So is it feasible for us to shift on from the Pet coke to the Australian coal or we're still sticking on to that use of pet coke.

Sreekanth Reddy: Mr. Sanjay, as mentioned earlier, we already have the low cost pet coke all the way up to the end of this month. That is end of January, we have stocked up the Australian coal, so we will be switching over from the low cost pet coke to Australian coal starting from last week of January itself. The pet coke again, these are all the offers that we have received from what we understood, the current Saudi pet coke is available. The Saudi pet coke offer is at $107. The US Pet coke is at $115. Spot rate that we have received for Australian coal is at $72. South African RB2 is at $80 and RB3 is at $63. Yeah, but we have stocks of which we procured the Australian coal at $57 lasting all the way up to end of June.

Sanjay Nandi: Okay, right Sir thank you. Sir thank you so much, sir.

Sreekanth Reddy: Thank you.

Moderator: Thank you a reminder to all participants, if you have a question, you may please indicate by raise of hands.

Manish Valecha: Sir, just one question from my side. Sir as you indicated for the Jajpur plant can you also give us an indication on what could be the profitability levels in the Satguru plant, as per today's pricing and even the cost structure?

Sreekanth Reddy: Yeah, Manish, what you have to remember, we are only trying to make an inference about the current price, current price is fairly early in the market that we have estimated. So I'll stick to the current cost structure and the current price, I think we should make a EBITDA per ton of anywhere Rs. 1,500 plus kind of in those regions that we operate to the cost structure that we have. Yeah, I'm trying to be conservative on the current pricing, the current price can continue the way it is for next six months. And we get it I think even Rs. 1,600 Plus is a possibility. But with the current environment in terms of the price as well as the input costs, I think Rs. 1,500 is a possibility there at EBITDA level.

Manish Valecha: Okay. Thank you and sir on the timeline front. We should be commissioning both by September or Is there some earlier?

Sreekanth Reddy: Satguru, it looks like we are slightly ahead of time. But I will still stick to September. Yeah. Jajpur also we are going to be on time, probably may be 15 days is what we are factoring for the Jajpur, Satguru it looks like we are going to be at least a month ahead of time is what we foresee. But we will be closer to the date, we will be happy to come. We are more than hopeful to commission much before September that's what I would like to stick at this point of time.

Manish Valecha: Sure Sir, so can we model a 45 to 50% kind of utilization for both these plants for this year? For the six months' period?

Sreekanth Reddy: Yeah, for the first six months, we think 50% is a possibility for both the assets, which roughly would translate to a quarter of a percent for the full year, next year.

Manish Valecha: Thank you Sir, that's it from myself.

Moderator: Anyone who has a question may please indicate by raise of hands. We have the next question from Hiten Boricha, please go ahead.

Hiten you may please unmute your line and go ahead.

Hiten Boricha: Good afternoon, sir. Thanks for the opportunity. Sir my question is on the Pet coke prices. You mentioned the current pet coke prices around $100 per ton. So what was prices for Q2 and Q3 last quarter. Like I just wanted to understand what is the price increase in last couple of quarters of FY21?

Sreekanth Reddy: I think we have presented in the slides of investors presentation about what has been our procurement costs for right from Q1 of last year in rupees per tonne on a landed basis.

Yeah, the indicative price again, I'm just trying to give you for convenience, It's around 60 odd dollars.

Hiten Boricha: $60 in Q3, right.

Sreekanth Reddy: Yeah, no, but Yeah, it's a weighted average that we have reached all the way up to Q3. Then it has been procured over a period of time. The current pet coke prices what we have indicated is not at $100. US pet coke we have received at $115 and Saudi Arabia; we have received offer at $107. But those are way expensive. So we switched over to the Australian coal as mentioned earlier, up to June we have enough stocks available with us, which we procured $57 on an average CIF Krishnapatnam port.

Hiten Boricha: Okay, okay, so can you throw some color like what, what is the outlook, can we expect the pet coke prices to cool down in coming few quarters, and it'd be back to those levels.

Sreekanth Reddy: I have absolutely no clue about how they are shaping up. So for next six months, we were informed by some of the players that we regularly interact who have been our traders who have been our advisors, that next few months probably highly unlikely that prices may cool off. So, we ended up buying slightly ahead for next three months for sure, we believe that there may not be a significant kind of change in the price environment.

Hiten Boricha: Thank you.

Moderator: Thank you. The next question is from the line of Mudit Agarwal, please go ahead.

Mudit Agarwal: Hi, good afternoon, sir. Thanks for the opportunity. My question is related to the power source for Satguru plant, whether it would completely through the grid power or we have planned to put any WHRS or captive power plant or any solar, we have a plan for them?

Sreekanth Reddy: Mr. Mudit, that plant actually comes with a 5 megawatt waste heat recovery system. So, it is also getting parallely commissioned with the plant, it typically needs close to around 9.5 to 10 megawatt of connected load. So 50% of it or close to 40% of it is actually coming from the Waste heat recovery.

We are planning for a 1 megawatt solar plant, which probably will happen six months' post commissioning, the residual power is coming from the grid, yeah grid, part of the state incentives, it is at a discounted price for the first five years.

Mudit Agarwal: Okay, okay. Thank you. So that's it from my side. Thank you.

Moderator: Thank you. Anyone who has a question may indicate on the zoom platform by raise of hands.

As there are no further questions, I would now like to hand over the call to Mr. Sreekanth reddy for his closing comments. Sorry. So we can take one last question we have from Karthik.

Sreekanth Reddy: Sure. Sure. Mr. Manish Yeah,

Moderator: Karthik. Yeah you can go ahead with your question.

Karthik Chellappa: Thank you very much. I just wanted to clarify one thing. You had said that in TN and Kerala, you do expect the demand to start picking up and we are probably just about 4 or 5 months away from the elections. Despite that in Q3 we have seen a 5% QoQ drop in lead distance. Would that suggest that the demand from TN and Kerala were probably weaker in Q3 and what would explain that?

Sreekanth Reddy: Yeah, Mr. Karthik, what do you have to remember, for us, the drop is primarily because of realigning the dispatches from the inter unit itself. In the earlier quarter, because of the maintenance, we moved material from Mattampally all the way to south Tamilnadu. Just by reorienting the freight drop would happen. See, that's one of the advantage for the locations that we have. So Gudipadu, as indicated is operating at 80% in the last quarter so that we could shift the material back to Gudipadu that itself optimized our freight, we don't go all the way to Kerala because our exposure to Kerala market is very, very limited because even the southernmost plant that we have, which is Gudipadu plant is reasonably far from Kerala market Mr. Karthik. Freight drop is primarily because of the shift in the dispatch of the material from inter unit adjustments.

Karthik Chellappa: That's great. So sir, which means that in Q4, if you were to see a revival of demand in TN ahead of elections, the lead distance per se need not increase? Because you have kind of optimized your transportation schedule already.

Sreekanth Reddy: Mr. Karthik, we are already operating close to 80% at Gudipadu. So we don't expect a major shift when it comes to the lead distance as far as we're concerned.

Karthik Chellappa: Okay, thank you. So thank you very much for clarifying this, Wish you and your team, All the best.

Sreekanth Reddy: Thank you.

Moderator: Thank you. I would now like to hand over the call to Mr. Sreekanth, for his closing comments.

Sreekanth Reddy: Yeah, we would once again, like to thank each one of you for taking your time for joining the call. Yeah, I hope most of your questions have been answered or addressed. Yeah, please feel free to connect with any of our team at sagar or CDR just in case if you have any questions. We will be more than happy doing it. I would also like to wish on behalf of Sagar cements to each one of you a very happy and prosperous new year. Stay safe. Thank you again. I would also like to thank Manish for coordinating this call and for handling this call extremely well. Thank you again. Have a nice day.

Moderator: Thank you, sir and thank you all the participants, you would now can disconnect the line. Thank you