



THE RAMCO CEMENTS LIMITED

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23 May 2023

National Stock Exchange of India Limited,
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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 to discuss the audited results of FY23

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 19th May 2023, providing you the weblink of the Audio Recording of Conference Call with respect to the audited results of FY23, held on 19.05.2023, organised by Batlivala & Karani Securities India Pvt. Ltd, we attach the transcript of the conference call and the same is also made available at –

https://ramcocements.in/cms/uploads/Transcript_Q4_FY_23_TRCL_caf13bc07a.pdf

Thanking you,

Yours faithfully,

For **THE RAMCO CEMENTS LIMITED,**

K.SELVANAYAGAM
SECRETARY

Encl: as above



“The Ramco Cements Limited Q4 Earnings Conference Call”

May 19, 2023



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

MODERATOR: **MR. AMIT SRIVASTAVA – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Ramco Cement Limited Q4FY23 Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited.

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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Srivastava from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Amit Srivastava: Thank you. Good afternoon, everyone. On behalf of B&K Securities, welcome you all to the 4QFY23 Earnings Conference Call of The Ramco Cements. We have with us from the management, Mr. P.R.Venketrama Raja – Managing Director; Mr. A.V. Dharmakrishnan – CEO; Mr. S. Vaithyanathan – CFO.

We would start the call with the “Opening Remarks” from the Management, which will be followed by Q&A. Over to you, sir.

P.R.V. Raja: Good evening, everybody. I warmly welcome you all to the Earnings Call of Ramco Cements and discuss the Audited Results of Quarter 4 Financial Year '23. Thank you for taking the time to join us for the call. We hope all of you have seen our results and updates. I would like to summarize the key highlights of our performance for the Quarter 4 Financial Year '23:

Sales volumes for the quarter ended 31st March 2023 stands at 4.7 million tons as against 3.23 million tons during the corresponding previous period with a growth of 46%. Revenue for the quarter ended 31st March 2023 increased year-on-year from Rs. 1,719 crores to Rs. 2,581 crores. Revenue for the quarter ended 31st March 2023 surpassed Rs. 2,500 crores for the first time per quarter. EBITDA for the quarter has increased year-on-year from Rs.305 crores to Rs.424 crores in the Quarter 4 Financial Year '23 with a strong volume growth of 46%.

During the 4th Quarter Financial Year '23, blended EBITDA per ton is Rs. 917 compared to Rs. 956 in Quarter 4 Financial Year 2022. Profit before tax for Quarter 4 Financial Year'23 is Rs.207 crores as against Rs.164 crores during the Quarter 4 Financial Year 2022 with a growth of 26%. We have commissioned the line 3 kiln of 1 MTPA and a dry motor unit of 1 LTPA in our R.R. Nagar unit in March '23. The infrastructure facility like 4 MW WHRS, 18 MW TPP and Railway siding in our Kolimigundla plant, the limestone beneficiation in R.R. Nagar are to be completed during the Financial Year'24. Additional grinding capacity of 0.9 million tons in Odisha will be commissioned in Financial Year'24. Other units of dry mortar units in Odisha and Jayanthipuram will also be completed in the Financial Year'24.



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Current demand for cement is good in the individual homebuilder segment as well as the infra segments. The cement demand in the medium term is expected to be resilient in view of the common focus on the infra spend and upcoming elections and the forecast of normal monsoon for 2023.

The profitability of the cement business was challenging in the last few quarters in view of high fuel prices for such a long time. The CIF spot rate for pet coke was at \$178 in February'23, and has been softening from then on. Now the current price stands at around \$125 per ton. The margins are expected to improve from Quarter 2 Financial Year'24.

Thank you very much for your patience, and I would like to now start the question-and-answer session. Mr. Dharmakrishnan – our CEO will handle the question and answers along with our CFO.

Moderator: We will now begin with the question-and-answer session. We take our first question from the line of Shravan Shah from Dolat Capital. Please go ahead, sir.

Shravan Shah: First of all, congratulations on the super numbers, particularly on the volume growth. Sir just wanted first clarification. R.R. Nagar clinker line, so the clinker capacity that we are mentioning 14.99, I think previously, our stand was it will be a replacement of old kiln and only 0.35 million tons new capacity will be added net-net. So, are we also maintaining the old kiln and the new line added for both together? Therefore, that is the first. In addition, we did not previously mention 1 million ton grinding unit at R. R. Nagar and this quarter suddenly, we see addition of 1 million ton. So, just needed clarification on that.

A.V. Dharmakrishnan: As far as R.R. Nagar is concerned, we keep our option open to continue the second line also. With regard to Line II Kiln, either we can operate, or we can discontinue. However, as of now, we want to operate. With regard to 1 MTPA cement capacity, this has been created by debottlenecking the existing infrastructure.

Shravan Shah: Sir, also just wanted to understand in terms of if you can share the clinker production for FY23 and Q4 and the cement production? In the sense, I want to understand the CC ratio. So, how much more growth we can see in FY24 and '25 on the volume front?

A.V. Dharmakrishnan: You want for the whole year or only for the quarter?

Shravan Shah: I need for both, clinker and cement production.

A.V. Dharmakrishnan: See, the clinker production is 11.87 million tons. This is for the year.

Shravan Shah: And cement production?



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- A.V. Dharmakrishnan:** Our cement production is 14.86 million tons.
- Shravan Shah:** So, then broadly, it works out around the same 1.25 CC ratio, which normally we have for last 3-4 years. So, just trying to understand how much more volume growth we can see. So, even for this quarter also, to achieve this at our blended level, we have mentioned that for Kurnool clinker, it is 85% utilization. To achieve this 4.7 million volume, the other kiln should be working more than 100% utilization. In the case of net-net for FY24, how one can look at the volume growth considering the 1.25 to 1.3 CC ratio.
- A.V. Dharmakrishnan:** See, our cement capacity for R.R. Nagar, whatever we complete it will be around 22 million tons. To backup that, we have clinker capacity for the same whatever conversion ratio we are talking about.
- Shravan Shah:** Sorry, sir, I didn't get.
- A.V. Dharmakrishnan:** See, our cement capacity is 22 million tons. With the conversion ratio, whatever you mentioned, we have backup clinker capacity.
- Shravan Shah:** Now the other question on the CAPEX front. So, for '24 and '25, so considering previously, we were looking at expansion at Karnataka also. So, when can we start the new expansion CAPEX? And without that also, previously, we mentioned Rs. 892 crore CAPEX for FY24. So, what is the stand? And accordingly, how do we see the net debt for FY24.
- A.V. Dharmakrishnan:** See, whatever guidance we have given earlier that will continue. So, unless you people advise me, because of good growth you want me to expand at the earliest, we will do that.
- Moderator:** We will take the next question from the line from Noel Vaz from Union Asset Management. Please go ahead, sir.
- Noel Vaz:** Just to confirm, just regarding the volume guidance for FY24 and '25, so currently, we have seen very strong numbers for FY'23. So, what kind of growth should we expect. I think last time we had guided for roughly about low double-digit kind of a number.
- A.V. Dharmakrishnan:** So, internally, we have growth target of 30% for the year FY'23-24.
- Noel Vaz:** Just one more thing is, so the company has been able to deliver a much stronger growth in the industry level, both at the end of 4th Quarter as well as in your guidance as well. So, what exactly is going to enable Ramco to grow the industry to such a large extent? I just want to know the factor as well.



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A.V. Dharmakrishnan: See, 4 things happened. Number 1, we had the capacity. Number 2, the demand was very strong. Number 3, we created necessary infrastructure to service this. That is in the last 3-4 quarters, repeatedly I was telling we invested so much money to create the infrastructure to service this kind of spurt in demand. See, you know very well, we are also promoting what is called the right cement for the right application. Nearly 12 types of cement we are manufacturing. That caught up very well. So, wherever we are giving our cement, that is accepted very well. So, because we are able to tailor-made and we meet the requirements of different customers, we are able to get repeat orders, so the growth is really good. So, whatever we had said in the last 3 quarters that everything falls in line this quarter.

Moderator: We take the next question from the line of Mr. Satyadeep Jain from Ambit Capital. Please go ahead, sir.

Satyadeep Jain: A couple of questions. You're guiding us to 20% volume growth, which implies almost 18 million tons sales in FY24. You also mentioned the right cement for right application. Given there is so many varieties of cement being produced, does it limit your capacity of 22 million tons to something below 22 million tons? And tied to that would be, would it basically mean that you need to look at some capacity expansion in FY25, FY26 to build some volume growth there?

A.V. Dharmakrishnan: You might have seen our conversion ratio. See, the right cement for the right application, we are doing for last almost 1.5 years. You might have seen consistency in conversion ratio to the extent it will not limit our capacity utilization. See, whatever capacity utilization we are doing, 22 million ton definitely is achievable. Given the demand and the capacity utilization, we have to definitely go for expansion. So, we will time it and we will let you know.

Satyadeep Jain: Just a small clarification. Next leg of growth would be Karnataka greenfield or could there be a brownfield, either it can be in Kurnool?

A.V. Dharmakrishnan: First, we will take up the Kurnool second line, then we will go to Karnataka because Karnataka, we have to buy the land whereas in Kurnool, we have everything ready, all the infrastructure is ready. What is needed is you have to put 4 equipments, that is raw mill, coal mill, kiln and one cement mill, that's all. Otherwise, all other infrastructures are ready. So, first, definitely we will go for Kurnool second line. Then we will go for Karnataka. In the meantime, just I want to tell you, Karnataka we got necessary approval for land purchase, now we started buying the land.

Satyadeep Jain: And the second line possibly before it comes, railway siding would be up and running, I'm guessing before that?

A.V. Dharmakrishnan: Yes, it is possible. See, now we are also creating capability even without railway siding how to service the second line. Also, we are creating necessary facilities for that. Definitely, railway



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siding is going to be helpful, but our expansion is not dependent upon railway siding. It's not very constrained because of that. But the railway siding is also progressing fast. Since it is long almost 25 kilometers, taking little time. But definitely, railway siding will help us at least in transport of coal and all these things. But our marketing of cement is not going to depend upon railway siding.

Satyadeep Jain: Second question was on cash flow. So, given, let's say, you do decide to go ahead with Kurnool second phase, would there be an upside to the CAPEX target we discussed for FY24? And there was very strong performance in the working capital cycle where receivable days and inventory days shrunk. Is that sustainable going into FY24, this lean working capital cycle?

A.V. Dharmakrishnan: Once we finalize that, we will come back to you.

Moderator: We take the next question from the line of Mr. Prateek Kumar from Jefferies. Please go ahead, sir.

Prateek Kumar: Congrats for great results. My first question is a data question. So, we have reported our volume numbers including dry mortar. So, what is the contribution of dry mortar in the volume for 3Q and 4Q?

A.V. Dharmakrishnan: See, dry mortar volume. For the whole year is 0.2 million i.e 2 lakh tons; for the quarter is around 70,000 tons.

Prateek Kumar: My other question is on your Northeast foray. So, we have been also trying to sell volumes in Northeast as we understand. So, how much of the non-South 25% would be Northeast volumes for us?

A.V. Dharmakrishnan: See, yes, same, around 25%, Whatever in the first 3 quarters, we are maintaining that nothing changed in that.

Prateek Kumar: So, I'm asking specifically on the Northeast which is other than East.

A.V. Dharmakrishnan: The Northeast includes East, It all depends upon price realization, cost, all these things we are talking. So, mostly Northeast, you are only servicing non-trade orders, not trade orders, Northeast, okay. To that extent, it does not matter whether Northeast or East because whenever we get good realization, then definitely we can go up to Arunachal Pradesh, Sikkim, and all these places.

Prateek Kumar: And then we are versus our peak debt of Rs. 4,700 crores, we are off like around Rs. 400 crores, something that we also talked about during the interaction in one of the quarters. So, what would be our target net debt like for the next year, what we are looking at?



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- A.V. Dharmakrishnan:** We would see the growth as well debt reduction.
- Moderator:** We take the next question from the line of Amit Murarka from Axis Capital. Please go ahead, sir.
- Amit Murarka:** Congratulations on a great number. Just a couple of questions. Firstly, on volume target of 20% growth, as I understand, your clinker utilization was about 75% in FY23. So, this would take the utilization to almost 90% in FY24. So, like what are the growth plans? Because for FY25, then probably we will need more capacity to kind of participate in the growth after '24?
- A.V. Dharmakrishnan:** I told you, we have growth plans. We have plans to expand our Kurnool second line. Then we will put up the plant in Karnataka also. So, the exact timing, definitely, we will let you know. As soon as the Board has taken a decision, definitely we will let you know.
- Amit Murarka:** And the CAPEX, like as of now, what is the CAPEX for '24? Like you had earlier guided for Rs 850 crores I think in the prior Q4 quarter call.
- A.V. Dharmakrishnan:** Yes, around Rs. 800 to Rs. 850 crores.
- Amit Murarka:** And just the third question is on R.R. Nagar upgradation. Like post upgradation, what is the capacity there? Like there is slight confusion on the capacity number.
- A.V. Dharmakrishnan:** 3 million tons cement because there we make 100% PPC and 2.2 million tons clinker.
- Amit Murarka:** So, if I am not mistaken, earlier I think the plan was to kind of scrap one of the older units and then bring this unit in its place. So, now you are still running the older unit now, is it?
- A.V. Dharmakrishnan:** Yes. See, second plant we thought of shutting down. We are keeping our options open now. As of now, we have plans to run it.
- Moderator:** The next question is from the line of Mr. Rajesh Kumar Ravi from HDFC Securities. Please go ahead, sir.
- Rajesh Kumar Ravi:** Sir, the volume guidance is 20%. I see in FY23, you have delivered strong growth both in trades and non-trades. In terms of volume, you would have grown by around 60%. So, any thought on increasing your blending ratio or the trade sale which is blended cement which is 70%. Will you see this number going up in FY24? Or you would be mostly targeting aggressively the non-trade market?



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- A.V. Dharmakrishnan:** So, we will try to meet it. Even though we have aggressively done in Q4, even though it's very aggressive growth, the blended ratio is same. Maybe 1% or 2% here and there can be there. There will not be a major deviation.
- Rajesh Kumar Ravi:** So, this 70% is what you are comfortable, or you are looking this to go to 75%, 80% in next 1-2 years?
- A.V. Dharmakrishnan:** No, it is depending upon markets. See, I can't give you a particular number. These are depending upon market. If the trade grows, definitely I'll go for more trade growth. If the trade does not grow, then if nontrade grows, there also we are there. It all depends upon price, cost and where we can have the growth.
- Rajesh Kumar Ravi:** And sir, currently March end, your CWIP stands at Rs. 2,000 crores, most of your ongoing projects are already done. And only few projects are up for execution. So, what is this Rs. 2,000 crore CWIP pertaining to majorly?
- A.V. Dharmakrishnan:** Mainly balance works like TPP & Railway Siding etc. in Kurnool, R.R. Nagar beneficiation system, dry mortar expansion, Budawada mines railway siding and crusher etc.
- Rajesh Kumar Ravi:** And sir, 1 or 2 questions. You have seen that you have done phenomenally good on ramping up your green power usage. Last year, you had targeted 70% of your clinkerisation electricity requirement will be met through green power. I think we have still to go or you have achieved closer to that number.
- A.V. Dharmakrishnan:** Not for entire company, I told you for Andhra Pradesh. See, what I told, Andhra Pradesh already 70% to 80% of the clinker is green power. That is waste heat recovery. Tamil Nadu, what I told we have wind power, which are all almost 175 megawatts we have. If you see the plant load factor it is around 40 megawatts. So, far they used to sell the power, now they are converting into captive consumption. At the year-end, by '24, the green power would be around 34% for the total cement and after that, the total for cement would be 34%.
- Rajesh Kumar Ravi:** Sir, alternate fuel usage, last year you did very good, but in FY23, that share came down from 20% to 13%
- A.V. Dharmakrishnan:** The cost has gone up more than the coal, so we stopped using that.
- Rajesh Kumar Ravi:** So, it's more than the coal that are you purchasing.
- A.V. Dharmakrishnan:** Yes. If everybody goes to that place, then the cost goes up. So, now we have to see alternate to alternates.



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- Rajesh Kumar Ravi:** Sir, lastly on the leverage, what is your comfort level at which you would want to operate, net debt to EBITDA?
- A.V. Dharmakrishnan:** I will have an open conference with you. Whatever you suggest, we will follow that. If I say something, sometimes people are getting upset. Whatever is comfortable to me is not comfortable to you. So, I will go there. Let us have an open house. Whatever you people suggest, we will carry it out.
- Moderator:** We take the next question from the line of Mr. Pankaj Tibrewal from Kotak Mutual Funds. Please go ahead, sir.
- Pankaj Tibrewal:** First of all, congratulations on a good set of results. I have 2 questions. The first one is on the cash flows. We have seen a very strong generation of OCF this year. And a part of that was also because we released some money out of working capital. Can you help us understand from an overall cash flow perspective, how should we look at from FY24 perspective, in terms of CAPEX and in terms of debt deleveraging? I heard you that between CAPEX and growth and deleveraging still you haven't made up your mind. But any thoughts on that will be appreciated. Then I will come to my second question.
- A.V. Dharmakrishnan:** The market is very dynamic, Pankaj. So, I have to blend both. Suppose if I look at only debt deleveraging and if I don't take part in the growth, then you'll tell me, everybody else is in growth path, you don't have a growth path. At the same time, if I don't deleverage, yes, people can say, okay, for this capacity others are having so much debt, but your debt is higher. So, we are taking a very, very conscious step to how to balance that. So, definitely you might have seen, whatever efforts I explained to you in person, I explained to you in many of my meetings, whatever efforts we are making in promoting our new products and all these things will give good results. Last 2 quarters, definitely, we have done excellent job in that and coming quarters also, we are expecting that good growth and good realization is bound to come. See, definitely next year I have CAPEX plan of Rs. 800 crores, I can't reduce that. See, the balance amount as of now, I have plans to deleverage it. If the demand is so good, I have no option but to expand. Definitely, I will come there, discuss with you people, explain to you, then we will take a decision.
- Pankaj Tibrewal:** Will there be scope for release from working capital? Because the pet coke prices have started to come down.
- A.V. Dharmakrishnan:** Yes, definitely possible. Not big money, Rs. 100 crores to Rs. 200 crores is possible. Also, I told you that we are also planning to sell some surplus land. Some progress is made. I don't say great progress is made; some progress is made. Here and there we are able to find some buyers for the small parcel of lands.



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- Pankaj Tibrewal:** But is there a scope for non-core assets to be disposed?
- A.V. Dharmakrishnan:** Non-core asset is only land.
- Pankaj Tibrewal:** And that can be disposed-off to fund a part of your land acquisition. Is that understanding correct?
- A.V. Dharmakrishnan:** Yes.
- Pankaj Tibrewal:** Second one is sir, when I look at your return on capital post tax, obviously, this was not a very good year except the 4th Quarter. Any thoughts on how you want to grow because growing at a faster clip without return on capital, the growth could be a little toxic because the returns won't support that growth. Any thoughts on that, at least that threshold level on the return on capital and then start the next CAPEX side. Any thoughts on that will be appreciated.
- A.V. Dharmakrishnan:** See, Pankaj, many times I explained in person as well as in meetings also, so many of our CAPEX expenditure is number 1, to reduce the cost compared to others because the time like this definitely whatever investment we made is going to help us. Number 2, also we created lot of facilities so that any big jump like this, okay, suppose not invested in many siloes, and also railway sidings in all the plants, had we not invested, definitely we can't take advantage of growth like this. So, I explained to you also in my earlier meetings, my incremental CAPEX is going to be much less. So, at that time when I expand further, definitely my return of the investment will jump. There will be quantum jump in return on investment when I have scaled capital expenditure on. Because my incremental capital expenditure what is needed to create maybe another 5 million or 10 million tons capacity is going to be much less compared to my earlier capacities and also compared to anybody else in the industry.
- Pankaj Tibrewal:** I mean as shareholders, we would like to see the double digit return on capital back.
- A.V. Dharmakrishnan:** See, only last 2 years, Pankaj. Before that, we have given the best return on investment.
- Pankaj Tibrewal:** Yes, absolutely, that's what I'm saying that we want to see that again.
- A.V. Dharmakrishnan:** See, last 2 years of aberration because there was some delay in the execution of Kurnool project. Otherwise, before '21, tell me who has given the best return in the market.
- Pankaj Tibrewal:** We will look forward for that, sir.
- Moderator:** The next question from the line of Mr. Parth Bhavsar from Investec India. Please go ahead.



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- Parth Bhavsar:** Sir, I have 2 questions. The first one is on the volume. So, you reported a very good set of volumes. So, just want to understand that in the area of your operation, which region did like pay better than the other one? if you could help us.
- A.V. Dharmakrishnan:** All regions have performed equally.
- Parth Bhavsar:** Every region?
- A.V. Dharmakrishnan:** Every region.
- Parth Bhavsar:** It was like, put it another way, like East performed better than South.
- A.V. Dharmakrishnan:** That is why I told you, my market mix is the same. There is no shift in the market mix.
- Parth Bhavsar:** So, you are saying growth in both the regions were the same?
- A.V. Dharmakrishnan:** Yes. In whatever state we are, everywhere we have grown.
- Parth Bhavsar:** And the other question was the R.R. Nagar modernization, the R.R. Nagar plant, that you were saying that you operated 1 million ton. So, what are the cost overruns over there?
- A.V. Dharmakrishnan:** Around Rs. 120 crores. See, the cost overrun is mainly because of steel price increase.
- Parth Bhavsar:** Where do we draw a line where we have stopped using that plant, like the 1 million ton, where do we draw the line?
- A.V. Dharmakrishnan:** It depends upon demand growth and cost.
- Parth Bhavsar:** And there is no scope to also improvement as you said that all the CAPEX is being spent towards making plants better. So, is there any scope to improve?
- A.V. Dharmakrishnan:** No, in the entire company, only the second line of R.R. Nagar is a little inefficient. Either we can upgrade it or operate as it is. See, whenever say it is inefficient compared to our standard, not for industry standards. So, either we try to run it if the demand is good. Or if there is slack in demand, definitely, we will shut down for 3-4 months, and we will upgrade that.
- Parth Bhavsar:** And sir, if I can squeeze in one more. What are the limestone reserves at Tamil Nadu? And can we increase clinker capacity hereon?
- A.V. Dharmakrishnan:** We have lot of lands. The bidding has to take place. If the bidding takes place, then I will let you what is the exact reserves. In Tamil Nadu, from 2014 till today, no bidding took place. So, whether to tell you what are the limestone depth after whatever mining and all these things, it



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will be too exhaustive. If the bidding takes place because these lands are owned by us, so most definitely we will get it. So, there is no problem as far as the limestone reserves are concerned in Tamil Nadu. In Tamil Nadu, without that, we can't venture to expand in Tamil Nadu, we expanded. That shows that we have enough limestone.

- Parth Bhavsar:** What would be the current reserve of limestone?
- A.V. Dharmakrishnan:** That is why I told you, we have enough lands. If everything comes for bidding, then definitely we have enough limestone reserve even for next 30-40 years.
- Parth Bhavsar:** Sir, any mines, is it coming near the expiry? I mean any leases that are near expiry.
- A.V. Dharmakrishnan:** No, that would be beyond 2030, not now.
- Moderator:** The next question from the line of Mr. Keshav Lahoti from HDFC Securities. Please go ahead, sir.
- Keshav Lahoti:** Sir, can you please share the revenue and EBITDA number from dry mortar for FY23?
- A.V. Dharmakrishnan:** It is too small a quantity, 2 lakh tons, what is the EBITDA you wanted to see. See, when we have done 15 million tons, this is 2 lakh tons, do you want to know the number? For 15 million tons of volume, I told you our sale of dry mix is only 2 lakh tons. This isn't going to change anything.
- Keshav Lahoti:** No, I was trying to get actual EBITDA from that.
- A.V. Dharmakrishnan:** Is it going to change the number, 15 million to 2 lakh tons, put the ratio.
- Keshav Lahoti:** We have seen a sharp fall in you CO2 emission, a 20% fall in FY23. So, what your main reason for that and will the trend continue?
- A.V. Dharmakrishnan:** I told you that our focus on right cement for right application, so in many projects, we are participating. Definitely, we are able to get repeat orders and ours is the most preferred product in all the major projects. So, that gives us confidence to grow.
- Keshav Lahoti:** And can you please give a broad bifurcation of your FY23 CAPEX plant wise, where and how much you have done the expense?
- A.V. Dharmakrishnan:** Kurnool is around Rs. 600 crores, the R.R. Nagar is around Rs. 500 crores.
- Moderator:** The next question from the line of Mr. Kamlesh Bagmar from Lotus Asset Managers. Please go ahead, sir.



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Kamlesh Bagmar: And lot of congratulations on exemplary performance, sir. Sir, just one question on the part of like say the volume growth which we are targeting around 20 odd percent next year, so how do you see the margins? What is the trade-off between the margins? Like, would we be interested in pushing volumes even if it comes at like say, Rs. 900, Rs. 950 EBITDA per ton? How do you see the trajectory of the margins?

A.V. Dharmakrishnan: See, I am not pushing the volume. I am operating only in the South and East. In other regions, the margins are not that great compared to ours. For all the company if you see, the EBITDA per ton is more or less in same range. To that extent, it's all mainly demand and supply, different players strategy to expand the market. We will not spoil the price. Definitely, we want price because we make so much efforts in expanding, in modernizing, in introducing new products. If there is no big margin then what is the point in hard work. So, definitely, we want price, but it all depends upon market dynamics.

Kamlesh Bagmar: And sir, secondly on the Kurnool side, like how much CAPEX we would be spending on that second line and when can we expect the commissioning the orders to flow in the market, sir?

A.V. Dharmakrishnan: See, the amount that we required for the second line is anywhere between Rs. 800 to Rs. 900 crores. We repeat the same capacity. And the timeline, as I told you earlier, we will let you know.

Kamlesh Bagmar: And lastly, sir, this conversion of grids wind capacity to captive, 19% odd percent you have converted it. So, what is the target for that in FY24? Would it be entirely converted or how much that would be? I know you have given a 10% incremental or 10% incremental share of renewables coming in next year.

A.V. Dharmakrishnan: Almost 60% of the wind mills are converted into captive; another 40% will be converted in another month or two. Before wind season, everything we will get it converted.

Kamlesh Bagmar: So, entire, it would be converted. But the way, the fuel prices are there in the market, do you see your margins getting improved from the exit of Q4 or the average of the Q4 leanings?

A.V. Dharmakrishnan: See, the margin depends not only in cost, it all depends upon prices also. See, whatever cost reduction definitely will accrue. In the first quarter there will be a small reduction, but second quarter onwards, I am expecting big reduction in the cost. For prices, you have to watch the market.

Moderator: We take the next question from the line of Mr. Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Congratulations on a good set of numbers. First question, first one is a bookkeeping one. if you can share what is the non-trade mix in 4Q and last year, what was it?



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- A.V. Dharmakrishnan:** Same thing, there is no change here. Our percentage is around 35%. See, 1% or 2% here and there will be there. That's all. Otherwise, the percentage is the same.
- Sumangal Nevatia:** Sir, second question, I mean when you are evaluating and the focus currently is on deleveraging and you are evaluating when to kind of start the next phase, I mean what sort of matrix are we kind of focusing on and any particular say net debt to EBITDA kind of matrix we are tracking and what level we are comfortable before?
- A.V. Dharmakrishnan:** See, net debt to EBITDA should be around 2 to 2.5. So, could be ideal.
- Sumangal Nevatia:** So, once it approaches this range, we will be kind of starting the next phase. That is the way to think?
- A.V. Dharmakrishnan:** Yes. That is the right way to go. Again, that is why I am saying it all depends upon market growth also. If that is the case, maybe little bit we have to deviate here and there. See, otherwise, net debt to EBITDA, we want to maintain 2 to 2.5.
- Sumangal Nevatia:** Sir, and then our priority and strategy, is there any inorganic growth, which fits in, or you are evaluating or largely focus is on organic opportunity?
- A.V. Dharmakrishnan:** As of now, there is enough scope for organic growth also at a very, very reasonable cost. See, that is why I told you, my incremental capital cost will be much lower. As I told you earlier, to counter for Mr. Pankaj I have to give him good return on investment also. So, that is possible by this organic growth. That may not be possible to give in inorganic growth.
- Sumangal Nevatia:** And sir, just one last question. On the volume growth, I mean you said it is quite even. I mean, think this kind of growth is something which is sustainable and any particular project, any peculiar thing that has contributed to this level of growth in the last say few quarters.
- A.V. Dharmakrishnan:** See, I told you, even before we also had demand but we did not have capacity to support it. See, now I created capacity, so since you are able to take advantage of whatever good efforts we made in the last 1 year, that I may be able to take full advantage of what all the efforts we made because the capacity has come up.
- Moderator:** The next question from the line of Mr. Amit Murarka from Axis Capital. Please go ahead.
- Amit Murarka:** So, I wanted to know like what was your clinker production in FY23 or if you could tell me what was the cement clinker ratio for '23?
- A.V. Dharmakrishnan:** My clinker production was around 11.872 million tons.



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- Amit Murarka:** And cement?
- A.V. Dharmakrishnan:** 14.866.
- Amit Murarka:** And also, on AFR, you like ramped up AFR mix a lot in FY23. Do you see that going up further in FY24?
- A.V. Dharmakrishnan:** It depends upon cost.
- Amit Murarka:** In rupees per kcal, like what will be the AFR cost versus let us say coke cost?
- A.V. Dharmakrishnan:** It used to be less than Rs. 1. Now it almost equal to coal cost.
- Amit Murarka:** And also, the fuel cost that you mentioned in the presentation like Rs. 2.21 this quarter, that doesn't include the AFR cost, right? It is not average for AFR.
- A.V. Dharmakrishnan:** Average of everything.
- Amit Murarka:** It includes the AFR as well, is it?
- A.V. Dharmakrishnan:** It includes AFR also.
- Moderator:** The next question from the line of Mr. Parthiv Shah from TSBPL. Please go ahead, sir.
- Parthiv Shah:** Congratulations for very good set of numbers. Sir, just a long-term sense. Basically, I do understand as and when time comes, you are not going to be shy to expand. Just for my understanding, you have done a lot of spending of your CAPEX at the risk of lower ROCE. But I do understand you have done a smart thing by building up a lot of infrastructure which you will not have to repeat again. So, if I have to assume that over the next 3 years, you were to add another 5 million tons or for that matter say another 10 million tons in your existing plant capacity, can it come at around \$60 EV by ton which is around Rs 5,000 crores. Is my assessment correct?
- A.V. Dharmakrishnan:** Even lower than that, we can do that. My cost will be lower than Rs. 5,000 crores even for 10 million tons.
- Parthiv Shah:** Sir, my second question is regarding pet coke. So, pet coke prices have come down. I do understand you had previously had a policy of hedging pet coke prices at the price where you are feeling it's comfortable. How much more inventory of high-cost pet coke we still have? Have we replenished that?



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- A.V. Dharmakrishnan:** At any point of time, we have only 2 months stock. See, less than \$100 only we will build more. More than \$100, our policy is to have only 2 to 2.5 months stock maximum.
- Parthiv Shah:** So, current average cost for 2 months would be what around?
- A.V. Dharmakrishnan:** See, January, it was \$176, February \$178, and March was \$161.
- Parthiv Shah:** So, only from the third month onwards you can expect \$125 benefit, right?
- A.V. Dharmakrishnan:** Second quarter.
- Moderator:** The next follow up question from the line of Mr. Shravan shah from Dolat Capital. Please go ahead, sir.
- Shravan Shah:** Sir, in terms of the prices, so since the March exit till now, 1.5 months, sir, in terms of where we operate the current prices or the average prices for 1.5 months is similar or slightly lower than the 4th Quarter average?
- A.V. Dharmakrishnan:** So, you people know very well, you can do market check and find out what are the prices.
- Shravan Shah:** Sir, that we are doing, but just wanted your confirmation.
- A.V. Dharmakrishnan:** The prices vary every day. Goes up, also comes down. I am not saying it is coming down only, goes up, also coming down.
- Shravan Shah:** Sir, just one thing. In terms of Odisha, 0.9 mtpa grinding, we mentioned that it will come by second half. So, will it be in Q3FY24 or Q4 it will start.
- A.V. Dharmakrishnan:** Q3.
- Shravan Shah:** And this Kurnool, when we say Rs. 800 crores, Rs. 900 crores CAPEX that we can look at when we start for the second line, so this will have around 2.25 clinker and 2-to-3-million-ton grinding.
- A.V. Dharmakrishnan:** Yes, you are right.
- Moderator:** Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.
- P.R.V. Raja:** So, I would like to thank everybody for their very interesting questions all of you asked and I hope we have answered all of them to your satisfaction. I'd like to say that we are working towards a sustained growth and we will be able to let you know on a plan as we slice. So, hope



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to meet you all again and explain our growth plans, etc, as we make our decisions. Thank you very much.

A.V. Dharmakrishnan: Thank you for all the participants.

Amit Srivastava: Thank you, sir.

A.V. Dharmakrishnan: Thank you, Amit,

Moderator: On behalf of Batlivala & Karani Securities, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.