THE INDIA CEMENTS LIMITED
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11.08.2023

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MUMBAI 400 001.

Scrip Code : 530005

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Limited Exchange Plaza, 5th Floor
Plot No.C/1, G Block
Bandra-Kurla Complex
Bandra (E)
MUMBAI 400 051.

Scrip Code : INDIACEM

Dear Sirs,

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

In continuation to our letter dated 07.08.2023, please find enclosed the transcript of the conference call (concall) held on 07.08.2023 with representatives of various Investors / Analysts on the unaudited financial results of the Company for the quarter ended June 30, 2023.

Thanking you,

Yours faithfully,

for **THE INDIA CEMENTS LIMITED**

S. Sridharan

COMPANY SECRETARY

Encl.: As above

"The India Cements Ltd. Q1FY24 Conference Call"

August 07, 2023

MANAGEMENT:	**MR. N. SRINIVASAN – VICE CHAIRMAN AND MANAGING DIRECTOR, INDIA CEMENTS**
MODERATOR:	**MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY24 Conference Call of The India Cements Limited hosted by PhillipCapital (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. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you Mr. Agarwal.

Vaibhav Agarwal: Thank you, Michelle. Good afternoon, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q1 FY24 Call of the India Cements Limited.

On the call we have with us the entire Senior Management Team of the India Cements.

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

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

N. Srinivasan: Thank you. The essence of this quarter is one of severe cost cutting, improvement in financial results to the extent that we are EBITDA-positive now. When we started, we were 85 crores minus we went to Rs.65 crores minus which went to Rs.28 crores minus and now it is in the positive side. That is in spite of the spike in coal prices, the company took a lot of steps to improve the efficiency of the plants, and in this direction, we have FLSmidth, we have the German experts and we also have included to advise us Boston Consulting, as a result of which, a lot of plans have been drawn up for refurbishing the plants, and to reengineering the plants so that they will perform better. Although, all these improvements have not yet taken place fully, the result is there, that is, the whole company is working to gear to cut cost.

The coal prices which affected us, which was Rs.1.70 per kCal went up to Rs.3 per kCal. This kind of an increase was impossible for us to manage. Some companies have managed, but India has four regions. In the northern region, the prices were not affected, the selling price could be increased and therefore they escaped. Some parts of western India also had their advantage. So those who could increase the price of cement, escaped the wrath of the high oil prices. We are in the south. We are landlocked and we were not in a position to improve the prices once the tsunami of fuel price increase hit us. We were also at disadvantage as the shipping through the black sea was also affected. Slowly, some of these problems are behind us. The cost of coal now has softened considerably and therefore we can say with certain degree of certainty that going forward the results would be even better than what you see now.

It must be borne in mind that we have a collection of plants of different vintage, of different technology which did not help us quickly reorienting to the high cost of coal. But now that we have plans and we also have included Boston Consulting to give us further system approach, as a result of which, I am pretty certain that going forward, we will have good results, for example, the coal that is being fed into our kilns now is at about Rs.2.20 per kCal, but whereas I can buy outside at Rs.1.50 per kCal. So, I'm carrying the benefit of so much. The system of averaging the coal cost works against me in a falling market. So therefore, next month. I will have a much cheaper coal because I have in my inventory low cost coal.

These are the opening remarks I have. I am very happy to respond to any queries.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: My first question was around the cement volume. So, like generally we have seen that demand in the quarter has been good and volume growth has been strong for all companies, but I understand that it is not so for you. So, like what is the reason for this continuing market share loss, if I can call that?

Management: I won't call it quite market share loss, but the fact is that we did not grow at the same space than other people did. The answer is, see, we had two to three quarters of loss. This constricted our working capital and as a result of which our total sale was little smaller than it otherwise would have been. Now, we have taken steps to improve our working capital, we are disposing off some lands which is in the final stages, yield us about Rs.100 crores, which will bring us back on track.

Amit Murarka: But generally, like in the past we have seen there being better discipline in the market around these things. Why is it that we are not seeing it come back even though it's been almost like 1.5, 2 years, but seems like people are happy selling at lower pricing and earning lower margins?

Management: See, you must understand that coal is the main fuel for cement. When coal goes from cost of Rs.1.30 paise per kCal to Rs.3 per kCal, there's nothing we can do except bear it. There is no equipment, there is no system that can combat such an increase, and for such an increase for such a long time, so, we were victims of that. We will recover and we will make profits again.

And also, one more point is that the price of cement did not go up. Usually when this happens, price of cement goes up. This time alone, the price of cement did not go up.

Amit Murarka: Yes, exactly, that was my question that why is it so like it's been like almost two years, we've not seen any movement in cement prices almost in south, in fact it's only been way down, so just wondering why is it so?

Management: The reason is, the cement industry has been hammered, it was impossible for anybody to increase the price. Such was the pressure on the cement industry. So as a result, today some companies are making profit who are in the right region, we are not in the right region. See, we have petitioned the government to give us the telescopic freight so that we can move North. The demand is there in the north. So, we will have a situation where the North will be flourished, they will have high prices and make huge profits, whereas we will suffer.

Amit Murarka: Another thing which has recently been coming up in discussion and I notice is the price gap between Andhra markets and Tamil Nadu markets has gone down to almost zero. Any specific reason for that?

Management: I think basically see your first question and second questions are all related. There are few big players who are fighting for market share, which is natural and that is what is bringing the prices down. See, when demand/supply equation in south also slowly balancing, people are obviously fighting for market share and some players had some additional capacities to spare, so they have done that. It is natural. In any free economy, in a competitive market this happens. We have to possibly see as the time passes and everybody sees that there's pressure on EBITDA or margins in South I suppose as we go along, things will improve and prices will improve. But we have to wait and watch. I agree it's still long never happened in South so much, but it is happening right now. We have to wait and watch.

Amit Murarka: But any reason in Andhra, it's been better apparently like prices have actually moved up in the last -

Management: With all the capacity additions happened towards the southern part, that means Tamil Nadu, so maybe they were trying to get more market share that may be the reason also.

Management: See, you have to understand that there are two, three things happening in the cement industry. Those factories in the North, they are in velvet, the factories in the south are really suffering, but there is also an element with companies…let us say I'm a cement producer. I do not want others to do well. I cut price in their area. So, this phenomenon also for the first time we are visiting that the response to a price increase by one or two companies is negative.

Management: And to add to that, see, basically in Andhra, to answer the question, there is avenue to go to Maharashtra or East whereas people in Tamil Nadu if they want to increase market share, price automatically becomes a casualty. So, as you said rightly, it is the first time it is happening like that Tamil Nadu prices are so low. But I guess as the time passes, things will be better. How long? I don't know. It looks like we have seen the worst and things to improve from here.

Moderator: The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Hi, sir, first, could you share the production and sales volume number for this quarter and then the shipping, wind and EBITDA?

Management: The volume for the quarter is 26.66 lakh tons.

Rajesh Ravi: This is sales and production similar numbers?

Management: 26.92 lakh tons was the production. Shipping revenue was 13.56 crores and 9.7 crores were EBITDA. Windmill was 5.15 crores revenue and 3.24 crores EBITDA. And the RMC was around 26 crores and EBITDA was 1.2 crores.

Rajesh Ravi: What is your average fuel cost in rupees per kCal in Q1 and what is it currently?

Management: Q1 was around 2.38 cost per kCal. Currently, it will be around 2.25 it's a weighted average, which is going in.

Rajesh Ravi: And given that the spot price will be much lower, by when do you expect these numbers to fall for you to come down below Rs.2?

Management: Next quarter, yes.

Rajesh Ravi: Next quarter means post Q2, you're looking at Rs.2.

Management: Yes.

Rajesh Ravi: You said that you're looking to monetize some of the land parcels close to Rs.100 crores, right?

Management: Yes.

Rajesh Ravi: Any big chunk of parcels which you're expecting, say 500 number which will give you a major boost to your balance sheet?

Management: This quarter to start with we will have smaller parcels of land going.

Management: This quarter, we will dispose about 80, 90 acres of land, which should yield about 100 crores and going forward, it depends on the appetite.

Moderator: The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: My first question is on the cost saving initiatives which you are working on with some consultants. So, what is the kind of cash or expense outgo which -?

Management: We have asked them to suggest economy measures without CAPEX, which is the first thing that they're looking at. For example, Boston Consultants, have told us that without any investment they will reduce Rs.200 per ton in the variable cost. So, we are quite hopeful that this exercise will yield results.

Prateek Kumar: Rs.200 on cost of production, so that would be it or there's like a longer-term goal as well like this would be near term that?

Management: No, this does not take into account the fluctuation the price of coal. Given the coal cost, they will reduce Rs.200 per ton.

Prateek Kumar: So, this is the final goal of reducing Rs.200 per ton or there is even a longer goal of maybe Rs.500 per ton or maybe a higher number?

Management: They have given a bank guarantee for this amount.

Management: So basically, there are two parts to it. What you said is right up to March they are working along with us to give us a saving of Rs.200 approx. And of course, there will be certain other savings will come basis CAPEX to be done which again a separate proposal will come and that is what we are talking about, FLSmidth and others we are talking. So, along with BCG, they will work and we have to work on when the final number comes. But Rs.200, 300 can come there provided we put that money as a CAPEX, that is a little longer term, that means once you start investing it will take three months for you to really get the result of that. So, we are talking about what will come, which is a low hanging fruit will come immediately in next three, four, five months. By March, we should be seeing the full benefit of that first part, that is Rs.200.

Prateek Kumar: And this year, we are like assuming that we are now not expanding on this cost initiative on CAPEX, so what would be CAPEX for this year?

Management: We are looking at two or three projects specifically. One is in Chilamkur waste heat recovery. Two is, we're looking at some marginal improvements in Vishnupuram. Both put together this is at an aggregate cost of about Rs.300 crores. And there are certain suggestions made by the consultants which will cost us approximately about Rs.40 crores. So all put together, the aggregate CAPEX is likely to be Rs.350 crores, out of which probably about 200, 250 crores will be in this year, balance could be spent in the next financial year.

Prateek Kumar: What would be the cost related to the hiring of consultant and their consultancy job?

Management: It's not high compared to the overall benefit that we get…it's rear-ended based on the benefits.

Prateek Kumar: What would be your net debt position as of 1Q end?

Management: Rs.2,947 crores is the total debt which includes the cash credit, working capital, all put together.

Prateek Kumar: So, this outside help which has been taken now is only to address like the cost part of the business, not on balance sheet like deleveraging or anything of that sort?

Management: This is a benefit directed towards improving operating efficiencies, therefore achieving reduction in cost.

Moderator: We'll take the next question from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: I missed the net debt number. Sir, could you come again with the net debt number and the term loan and the working capital?

Management: Rs.2,947 crores is the total debt. Cash credit is about Rs.552 crores. Interest free is about 96 crores. Other short-term loans are 231 crores. And term loans are Rs.2,068 crores.

Saket Kapoor: And what are the current maturities, sir?

Management: See, for the financial year '23-24 is Rs.400 crores, out of which Rs.100 crores has been repaid. So, there is 300 crores to be repaid between July 1, 2023 to March 31, 2024.

Saket Kapoor: So, sir, this will also be paid from the internal accruals only or we will take any -?

Management: Yes, because out of the balance 300 crores payable, about 113 crores is payable on 31st of March 2024. So, we are looking technically only Rs.200 crores of principal amount to be paid between now and 28th Feb.

Saket Kapoor: Do you have the cash generation for this quarter… how much cash you have?

Management: You're talking about the quarter that has gone by?

Saket Kapoor: Yes, sir, the June quarter.

Management: It's a cash loss.

Saket Kapoor: **For** cost in the power and fuel mix so what steps are we taking to reduce these two-line items or to rationalize in the cost?

Management: About 45 crores will be the negative cash.

Saket Kapoor: So, in order to support this, we are depending upon further borrowing and now with the land sale, these anomalies will be net off, is what the strategy is going?

Management: We're not borrowing any money. It is going to be out of sale of non-core assets.

Saket Kapoor: Secondly, a point to Srinivasan sir, with all due respect, sir, going ahead as we are seeing that there is lot of M&A interest in the sector, with now Adani going ahead with the small player in the western part of the country, M&A activity for southern India has not been seen for a very long time because of the overcapacity issue entered with aging factor also and with the type of we are having vintage plants and the issues with them, so what is the message for your investing community, say three years or so down the line, how are you trying to contemplate what India Cements would look like operationally and -?

Management: India Cements will be a very strong company because of the steps we are taking now, I will not be at a disadvantage at the more modern plants. So, we will be strong. You will see it in the next 2-3 years.

Saket Kapoor: Can you give us the road map like what kind of cost reduction or what is the blueprint which you have with us according to which you are confident that 2-3 years down the line we will be a different company because that has not been the case for us, sir?

Management: You see, the Boston Consulting not technical on systems, they have said that they will reduce Rs.200 per ton of cost, which is without investment, and then with the investment we are yet to get the final figure, but with marginal investment, we can further reduce the cost. That of course will take a little time before we outline it. See, for CAPEX, we have a line of credit which is almost there and you see, if you take into account our Sankar Nagar plant, Sankar Nagar plant, we are importing limestone. Now, we have got permission to use our own limestone which will reduce my cost at Sankar Nagar by Rs.400 per ton. Similarly, we are replacing coolers in many places so that the generation of heat is contained within the system. So, I can go on and on. I mean when somebody is a technical person, I will give entire details, but I don't think you want that.

Saket Kapoor: No, sir, I am only looking at the sustainable profitability trajectory that you just outlined to us.

Management: Sustained profitability is there. See, we are attacking pyro processing, we are attacking limestone, we are attacking heat generation and cooler. See, we have not attacked this because the prices were okay. Now, the prices are not are not going up at the same rate, we will very quickly… cement production is not rocket science. We will very quickly come to level with our competitors.

Saket Kapoor: Two small points, sir. What is our capacity utilization levels for this quarter and for Sankar Nagar plant, what is the installed capacity and its utilization level?

Management: Installed capacity is 2.1 million tons per year.

Management: It is operating at around 69%.

Saket Kapoor: And what is our installed capacity and what is our clinker capacity?

Management: Installed capacity is 15.5 million tons.

Saket Kapoor: Mr. Srinivasan, taking into account the M&A activity, is India Cements also open to a strategic alliance or a type of M&A activity that is happening in the western part, hypothetically, if there are interest envisaged from the community or if Boston is also given the mandate of looking for -?

Management: We have not given that mandate to Boston and we have no interest in any other company.

Management: Please understand, BCG is helping us to reduce the variable cost only, that too more from the angle of supply chain management and things like that. So that is what it is. No other mandate has been given. And as M.D. said, we are not interested.

Moderator: We will move on to the next question, which is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo: You mentioned that as a company we are engaging with the consultant for, as just said for some supply chain management related thing that saves us Rs.200 per ton or so and then we are also engaging with the likes of FLSmidth and other German equipment manufacturers who will help streamline production as you said on the waste heat recovery side and on the cooling equipment side. So, my question was that does any of these initiatives and more so from the equipment manufacturers, will it lead to any temporary hit on production or some impact there before we see the outcome or -?

Management: This is also being looked at by both Boston as well as FLS, that is with the minimum downtime to get back on string.

Management: Any of those changes normally we take annual shutdown, at that point of time these are things taken.

Management: Most of the things will go on parallel, parallel erections will be happening and only hook up time will be there. So, it will be the minimum time that will be consumed.

Navin Sahadeo: My second question was when we engage with these consultants, so the remuneration to them will be a percentage of the promised savings that they have said because Rs.200 per ton is a very big number and for us definitely much bigger given we have been struggling or our profitability is a little less as compared to like other industry peers, so, the remuneration to these consultants is a percentage of the savings that they are promising or it's a fixed lump sum numbers if you could just help us understand that.

Management: We are bound by some contract. I think we cannot discuss this here.

Moderator: The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: First is on the CAPEX. You have Rs.200 crores outgo on the WHR and there is a project, and you also have 400 crores of debt repayment, so total of 600 crores outflow, and you said that this will not lead to debt increase on books, refinancing may not be required. Because this quarter EBITDA margin seems to be slightly negative, so are you looking significant jump in your operating profits?

Management: Mr. Ravi, we are looking to raise some term loans to about Rs.350 crores primarily because the sale of land could happen tomorrow, it could happen three months down the road. So, we are not able to fix the definitive date by which we will be able to encash on this.

Management: Also, you have to take into account that most of the work for the waste heat recovery has already been done, a lot of work has been done and only little work is pending.

Rajesh Ravi: So, this year FY24 how much you focus to be spent, sir?

Management: Actually, in case of the waste heat recovery plant, all the equipments have been imported, the installation and erection job have to be done. And we expect about 80-90 crores of spend on WHRS, which is what we are targeting to complete before end of the financial year. We have not got the detailed drawings yet. Once we get the detailed drawings, we will come back to you.

Rajesh Ravi: The WHRS, what will be the capacity size?

Management: Eight MW.

Rajesh Ravi: And how much savings you're looking at from this stabilization… quarterly savings from the WHRS once it is stabilized.

Management: Maybe about Rs.200 to Rs.250 per ton of cement from the time it starts working full steam for that plant, for Chilamkur.

Moderator: Ladies and gentlemen, this will be the last question for today, which is from the line of Pratik Gadgil, an individual investor. Please go ahead.

Pratik Gadgil: So, sir, can you please brief us on the sustainability and environmental initiatives you have undertaken in this quarter along with the figures?

Management: It's a continuous process and we have given a detailed report in our annual accounts. We don't give quarter wise; we give in annual report. This is a continuous process. Sustainability is something which you cannot talk for a day or a quarter. It's a continuous process on whether it's a utilization of low carbon, fly ash, carbon capturing, everything is a continuous process. So, we report this in the annual report. I don't have anything specific to tell you on this.

Pratik Gadgil: But approximate spends for this quarter?

Management: This is a very wide question. If you look at our report, it talks about 100 things right from mining to the disposal of bags. We have 100 things we have talked about. So, I don't know how to quantify that. In the report annually we are able to quantify it. So that's what we have given. I've taken your question. Maybe we will understand that a little bit more and come back.

Pratik Gadgil: Sir, can you also brief on the figures for the rail and road mix and the blended mix?

Management: See, blended is around 60%, 62%, that is a blended cement we do, and primarily it is the road thing we do around 85% approximately and balance is the rail is how we normally operate.

Vaibhav Agarwal: Before I conclude the call, just one question from my side. Sir, I just wanted to know that you spoke about Rs.200 benefit coming to the costing by your assignment given to BCG on the technical side. And you also mentioned that your assignment is not limited to the technical, will also include the other part of supply chain management, etc., So this Rs.200 is only from the technical side and can we expect more gains in the coming quarters from supply/demand, is that the right way to read or -?

Management: Rs.200 per ton is from Boston.

Vaibhav Agarwal: Right, Sir, but that is from the technical side on the operating efficiency.

Management: They're talking of the operation.

Management: I will just summarize it for you. Actually, there are some 38 levers on which they will work, so different things and some will be commercial, different, different small, small bits and pieces and somewhere something else goes up. So that is how they are planning to give results from some commercial, some technical, that thing, but -

Vaibhav Agarwal: So all of it will be happening simultaneously.

Management: They will do this every plant; they give you some basically a piece of advice that they monitor it and make sure it happens. You'll then get the full benefit you'll get by end of March only. You don't pick up everything today itself. So, if you start doing it, maybe this quarter may get Rs.60, 70, next quarter may get Rs.90, 100 like that. But there are 38 levers on which they work, they don't work on one or two things. So, I can't tell you on what they're working on, but that will be very minimal, that'll be Rs.30-40 crore only.

Vaibhav Agarwal: Just your assessment based on your confidence with Boston as to will you go to Rs.1,000 kind of EBITDA per ton and maybe, say two years of time driven by all the efficiency efforts which have because we have certain kind of a benchmark in the past and we have been suffering for last three months?

Management: How to make such a prediction?

Vaibhav Agarwal: So, on behalf of PhillipCapital (India) Private Limited, I would like to thank the management of India Cements for the call and also many thanks participants for joining the call.

Moderator: Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines.