August 10, 2023

Bombay Stock Exchange Limited
New Trading Ring,
Rotunda Building, P J Towers,
Dalal Street, Fort
Mumbai-400001
Security Code: 535754

National Stock Exchange of India Limited
"Exchange Plaza", Plot No. C-1, Block G
Bandra – Kurla Complex, Bandra (East),
Mumbai – 400 051

Symbol: ORIENTCEM

Sub: Transcript of Investors/Analysts Conference Call for the quarter ended June 30, 2023

Dear Sir(s),

This is in continuation to our earlier letter dated August 3, 2023, sharing the audio link of the investors/analysts Conference Call, held to discuss the Unaudited Financial Results of the Company for the quarter ended June 30, 2023, on Thursday, August 3, 2023, at 3:00 P.M. (IST).

In this regard, please find enclosed herewith the transcript of the aforementioned investors/analysts Conference Call.

The said transcript is also available on the website of the Company, www.orientcement.com. You are requested to take the same on record.

Yours sincerely,
For **Orient Cement Limited**

NIDHI BISARIA Digitally signed by NIDHI BISARIA Date: 2023.08.10 17:53:03 +05'30'

Nidhi Bisaria
(Company Secretary)

Encl.: as stated

"Orient Cement Limited
Q1 FY2024 Earnings Conference Call"

August 03, 2023

ANALYST: **MR. NAVIN SAHADEO - ICICI SECURITIES LIMITED**

MANAGEMENT: **MR. DEEPAK KHETRAPAL - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - ORIENT CEMENT LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Q1 FY2024 earnings conference call of Orient Cement Limited hosted by ICICI Securities. 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. Navin Sahadeo from ICICI Securities. Thank you and over to you!

Navin Sahadeo: Thank you Yashashri. Good afternoon, everyone. On behalf of ICICI Securities I welcome you all to the Q1 FY2024 earnings call of Orient Cement. From the management we have with us MD and CEO, Mr. Deepak Khetrapal, so without any further ado I hand over the call to Mr. Khetrapal for his opening comments followed by interactive Q&A. Over to you Sir!

Deepak Khetrapal: Thank you Navin and good afternoon all the participants who already joined in. I am told that number is still going up, but I think we do not want to keep the people who joined in time waiting, so a very warm welcome to this earnings call. Happy to have you here and thankful to all of you to take time out and listen to us. In terms of I think the Q1 FY2024 performance the most important thing that I would first like to start with which was actually towards the end of my call that I did on Q4 where I had already indicated that this Q1 on the surface is likely to look soft. I had sort of in a way made the disclosure three months ago itself and this is how it spans out and I am using the word carefully it looks like it is softer and I think the number that you have seen, you would have actually seen that while we are reporting a very strong growth in volumes in terms of EBITDA obviously the numbers look a little soft so here is the perspective which I started building last quarter itself, so we actually went through the planned shutdown of the kiln at Chittapur at Gulbarga that is the only kiln and that plant is very far away from everything else. So the maintenance shutdown of that kiln actually has a lot more impact on our operations compared to anything else and this particular year we have done the maintenance of the kiln and the supporting equipment after nearly 23 months because the last shutdown of that kiln was actually in April 1921 (Company Comments : Please read 2021), which is unheard of in the cement industry including the suppliers of the equipment were surprised how we managed to sort of keep working with the same kiln without doing the shutdown and replacement of the factory for that long, but I think that is something that we take a great amount of pride in but at the same time what happened was by the time we decided to take the shutdown it was also a time in the market Q1 typically happens to be buoyant quarter but we were left with no option having run it for nearly 23 months I do not think we could have taken any further risk with it so we finally took the maintenance shutdown in April.

Like I said the impact of that on our books obviously is the one what is euphemistically called annual shutdown actually most of the industry does it in about 270 days of running, but since it is done on an average once in a year it is called annual I cannot call it annual because we have actually done it after nearly two years, so it has bunched up cost that happens the entire refractories gets replaced, all the other equipments are overhauled and are repaired so it is a fairly large cost that hits the books of the company in one particular month whereas the benefits of that obviously flow into the rest of the year that is why it is called the annual shutdown. I think that’s one part of the framework that we have to remember. For us the other challenge was because not only did we have for example, if we do the same maintenance at Devapur we do not have other complications because we have three kilns and we can plan the inventories of both clinker and cement so that we do not see much of a problem in availability of cement but around the Chittapur plant, earlier also I mentioned last quarter I had told you that we had actually worked at a capacity which was higher than the capacity which was given under the consent to operate document that we have, so where the demands were buoyant and more importantly some of the customers who have become very heavily dependent on our cement because their processes are run with our quality of cement we did not have the option to let them down and as a result of that we did not regret any of our large loyal customers. Actually, every single bag of cement that they needed every single ton of cement that they needed we made sure that we make available to them. That we could do when the kiln at Chittapur was shut only by transporting clinker from our other plant which is in Telangana, Devapur as we keep calling it. So obviously there is a huge amount of I would say movement of clinker that we had to make. Totally nearly 72,000 tonnes of clinker was used at Chittapur which was actually produced in Devapur in the month of April besides the inventory that we have already built up at Chittapur. It is a matter of pride for us that our customers who depends on us we managed to meet their entire demand and we took the costs as a part of remaining in the market, maintaining our relationship with the customers, so those relationships have been become stronger and every customer was aware that our kiln was not there and clinker was not available, but they know that no matter what it costed to us we met the entire demand, which I am sure goes towards strengthening our relationship with those customers even further. If you read our annual report, we keep talking about responsibility, we keep talking about agility, so all those things we actually demonstrate not just talking within ourselves in the company, but our customers get to see it all the time, so which is something that we do take a great amount of pride in. At the same time some of the markets which in the overall process falls somewhere between our Telangana plant and our Gulbarga Karnataka plant, we also decided to service those markets directly from the Telangana plant, although they are closer to our Chittapur plant which means our logistics cost per ton also gets a little distorted for the time that we made these rearrangements.

So with all these challenges we have reported as you have already noticed the volume growth over last year of 15%, sequentially yes, there is a degrowth of 7% but that I believe all of us do expect that Q4 numbers are always the highest and Q1 while it trails Q4 but it does not quite become a Q4, so 7% degrowth there and I would say we obviously have seen the industry numbers, some of the players have reported higher growths, but I believe those higher growths are being reported courtesy the new capacity that has got added during the year. I do not think from the same facility, same capacities people are achieving the kind of growth that we have reported, subject to correction that is my impression. Now the part which I think the investors would certainly not be happy because we are also not happy that despite such strong demand the prices in the market actually have stayed flattish with a little bit I would say softer bias, as a result of that some of the initiatives that I have been talking about in the past in terms of repositioning of our brand in terms of also moving up the sales of our premium products both StrongCrete and OrientGreen now, courtesy of all of that Y-O-Y we have managed to maintain our realisations almost there. We are a shade under Rs.5200 a tone which is flat over last year but what I understand some people are actually taken by surprise that Q-on-Q we have reported a higher realization than we had in the preceding quarter that is Q4. Now this obviously has enabled us to report also a revenue growth of 15% and the sequential shrinkage in the rupees terms, in terms of turnover we managed to contain up to 6% against the loss of revenue or the decrease in revenue over 7%, so that is on the sales and the volume side, but on the maintenance and freight cost I have already mentioned the impact that is there. The EBITDA for the quarter which has shown I think it was 103 Crores it is flat over last year while on the surface as I said this might look a little soft, but if you actually account for the fact and make a more apple-to-apple comparison I am not saying the costs are normal. Please do not misunderstand me these costs are not abnormal kiln maintenance costs are normal part of the operations of the company. It is just that in the book it gets booked in one month and one quarter and for us that one quarter happens to be rather big, so I am highlighting that part, but typically I would say if I was to look at total costs of maintenance and transportation of clinker and the impact of realigning some of the customers with the Telangana plant instead of Chittapur plant which is closer our total cost for the quarter would be just on that above 20 cores for the quarter and also the other thing that we had mentioned that we would actually engage the services of McKinsey to do a certain amount of validation of our investment hypothesis doing a little bit of more market research in terms of how we are faring with competition in those individual markets so that cost also has been booked in the same quarter. So, the 20 plus crores actually, 23-24 Crores, little bit of distortion please do not take that **(inaudible) 10:38**. The transportation cost increased clinker transport from Devapur to Chittapur is a one-off cost that is not going to be repeated, but the maintenance costs are part of the cycle of the cement industry so I am just reminding people that we need to remember despite taking nearly 25 Crores in additional costs over last year same quarter we still are reporting flat EBITDA so that is something that I thought I will just highlight here.

What would surprise you and I know because typically the commentary in the market by all the investors and all of you analysts also has been around the fact that the international fuel prices are low and so we should benefit and that would surprise you when you see that our fuel prices over let us say sequentially they are not that much down and even over June 2022 that means Y-O-Y also they are not looking as low as we should have expected right given the softening of international fuel prices. I am emphasizing the word international because while the international fuel prices both coal and pet coke have definitely dropped what we have to remember is in the meantime the domestic coal prices have actually gone up and the fact of the matter is I am sure many plants in the industry in India are still using / dependent on coal which is being supplied by Coal India and Singareni Collieries and other Indian companies. In our case as most of you have been attending our calls, we have been informing you that our Devapur plant in Telangana because of its proximity to Singareni Coal Mines depends almost entirely on domestic coal whereas the Karnataka Chittapur plant that runs more or less entirely on the pet coke so the mix of different fuels for two different plants is the reason behind the improvement in fuel cost not being visible. Please remember in April our Chittapur plant was shut so the overall pet coke consumed there was lower so savings at Chittapur itself became lower because nearly a month out of three we did not use pet coke. On top of that the additional clinker that we transported 72,000 tonnes or thereabouts that was actually produced at Devapur where we use more domestic coal or exclusive domestic coal, so the nuances are important to see behind the numbers. Our proportion of domestic coal consumption went up in this particular quarter, which if you compare the domestic coal prices, they have actually gone up during the year by 17 to 18% over the same quarter last year. If you make a similar comparison with Chittapur obviously the pet coke prices are lower by 14% for the quarter, now these are actual prices. Domestic prices are up 17-18% coal prices and international pet coke prices as we received in March are down by about 14% so which is a fact, and which is there but it is not getting reflected in power and fuel costs which should have been softer and the second reason which is important also to remember is that this is a combination of power and fuel, two states during this particular quarter Maharashtra and also Karnataka they have changed their prices on the grid power and despite having solar power at Jalgaon and despite having our captive power plant in Chittapur, we do have some committed loads from the grid because just in case of any failure we do not want to be completely powerless so we obviously make a certain commitment to the government, to the state electricity board and they keep us connected and they have fairly steep fixed charges which we still have to incur even if we do not draw enough or any power from them and those costs have actually been increased during this quarter. So, power costs have gone up, coal including for CPC has gone up that is all domestic coal and as a result of that, the power and fuel number I thought needed a little bit of explanation. So, I have taken a few extra minutes just to explain to you why that looks the way it looks.

Obviously, the impact of international fuel prices has got blunted with the plant mix in this particular quarter and with the coal and the fuel mix that we have had to use. If you are curious about the number at our Devapur plant the overall fuel costs not counting power, the fuel cost for the kiln they are down to about 1925 per million kilocalories and down by nearly 9% and at Chittapur on landed cost million kilocalories basis they are down about 12%. The power and fuel cost put together is up despite this and that is led by the fuel mix that we have had to use. In the raw material side, the transportation costs for transport of clinker has been parked obviously as accounting norms are in the raw materials because we use the landed cost of raw material, so some costs are parked in the raw material also and besides that obviously some gypsum and fly ash costs also have gone up both on Y-O-Y and quarter-on-quarter basis. Also there has been a little bit of difficulty in improving our alternative fuels on which we are beginning to depend a lot more but in the last quarter we did not get as much supply of alternative fuels as we would have wanted to as a result of that what I reported 13% being the AFR percentage for us in the previous quarter has actually been a little less at 12% and the renewable power that we have used at Jalgaon is as high as 64% in this particular quarter. The benefit that we are seeing in the solar power that we are buying at Jalgaon now has obviously has encouraged us to invest more in the supply of captive solar power for which you would have seen we have made announcement a few weeks ago. We have signed a new agreement to add another 21 odd megawatts of solar power in captive capacity basis on which we acquired over 28% of the SPV company which we will be setting it up and that agreement is signed with the company called Cleantech Solar, which is Singapore based it happens to be a joint venture of Shell, the oil company and we got very, very competitive rates when it comes to setting up and supply of solar power, which they have committed to start supplying to us in about 9 months from the time we sign the agreement. So these are the broad highlights for the quarter, another highlight for the quarter at least we internally in the company feel very good about it because it is more about the kind of company we are, and we want to be. In the quarter not this quarter we received a little while ago, the certification continuously for many years now again as a great place to work with the scores, which actually are surprisingly in the 90s already nearly every single employee working with the company participating in the survey process. So, we are a great place to work again certified not only that we jumped, let's say last year we are just outside the top 100 companies in India this year we have got the rank of 70th company in the ranking, which includes all companies which undertake this survey, and we are the only company from the cement industry in the top 100 list. We are delighted because we take huge amount of pride in our culture; the way we are as an organisation and our annual reports every year that we send out we do try and introduce the story of Orient Cement as an organization beyond what we do as a business and I am sure all of you would have seen this year's annual report as well and we continued the theme of being responsible and being agile.

The theme of responsibility actually is further amplification of I would say our effort that we made in terms of launching another premium brand OrientGreen as all of you know we have launched that a few months ago and that cement is called the responsible cement for the responsible consumer and the sense of responsibility we wanted to link it to what else we do and that is why the annual report theme is completely aligned with who we are and what we do including being a great place to work for people and that is the reason as a result we are having perhaps excellent collection of top talent from the cement industry who is proud to be working here. On the customer mix side there is always curiosity and valid curiosity so I may give you the answer before the question gets asked. In this quarter also the B2C demand has remained soft, if we have achieved the large amount of growth it has actually come from the B2B demand and again largely to large infrastructure projects where we continue to be a preferred customer and also fairly large number of the ready-mix plant operators who want our cement more and more. As a result, the good news here is that in the past OPC in terms of contribution wise it was not as accretive as PPC or blended segment, but fortunately with a good quality and good demand and good relationship with the customers, we are transparent with them on our costing and we are making sure that the contributions on the OPC that we sell from Chittapur actually in no way less than the PPC contribution so that is the reason why we will encourage to keep making OPC more. Most of the time we were earlier not selling that much OPC simply because the contributions there used to fall below PPC but for us now last few quarters consecutively including this quarter our contributions of OPC sold at Chittapur are higher than PPC. So, we continue to sort of in a way accept those orders and keep selling.

In terms of the B2C sales obviously inversely saying B2B, the B2C sales which last year around this time was 56% is only 44% being B2B. This quarter we have seen the B2C actually are falling to 47% with 53% being B2B which is like I said beyond 50% we never expect it to go, but if the contributions keep coming in, I think we are okay. It still has one side effect, and that side effect is that it consumes more of clinker, and we have a consent to operate limitation on the clinker that we can produce, so we are very well aware of that pressure and hopefully we will have solutions for that like we had last year also but in terms of contributions we are doing fine there. With OPC as a percentage, customer mix I have already given you it is 47% B2C or rather trade sales and 53% B2B. On the product mix OPC is 45% in this quarter which was 41% last year. So, some B2B sales also happened with PPC that is the indication, so it is not exactly equivalent of the B2B demand. In the B2C market as I mentioned despite the fact it keeps remaining slow we are happy about one aspect that is, in the lower B2C demand also our premium products put together StrongCrete and OrientGreen actually have 34% year-on-year growth, if we add volumes of StrongCrete and OrientGreen in this quarter over the same quarter last year we are up by 34% and the premium products today are forming 20% and over. We have just started crossing 20% overall in premium product sales of our B2C volumes. This is despite the fact that our B2C volume sequentially actually have dropped 7.5%. It basically means that our value proposition of premium products continues to be attractive to our customers and we expect our revenues and volumes from the premium products to keep rising, keep helping us overcome the challenge of market prices which remain under pressure most of the time and obviously for that maintaining our positioning well if there are some compromises, I call them investments or sacrifices we have made in the volume that we sell because we still refuse many orders which do not give us a certain price that we demand and a certain contribution that we demand so that strategy is unwavering. The net-net I think implication of what I told you about OPC-PPC mix, it basically means that Chittapur once again will be under pressure towards the end of the year to meet the OPC demand given the consent to operate. We are hopeful that with the new applications that we have moved for additional capacity creation if those approvals are in hand, then the consent to operate limitation of Chittapur will not apply because the new approval will come with a higher permission to us to do more mining and more production of clinker. So, we are trying to solve that problem on a proactive basis, but it does mean that we need to get those permissions and the moment we get the permission as you know we also want to start the construction activity at Chittapur for the second line that we have planned already.

Other important I would say update which I must share with you our waste heat recovery plant which quite honestly we were expecting that we will get the power before end of June it has suffered a few more weeks of delay because of some additional problem that cropped up when we started commissioning it, but the good news is it is now in the final stages of commissioning on what they call the steam blowing which has to happen for 50-60 times every day we are trying that. So hopefully we assume, expecting now that within the next couple of weeks, within the month of August the waste heat recovery plant will start giving us a large amount of power. Actually, this waste heat recovery plant has two different segments to it. The major power comes from the heat which we take from the cooler to the kiln and some part also from the preheater. So, preheater part which is nearly 20% maybe delayed by another four weeks but within August we should get the power from at least the cooler waste heat and as we always anticipate the savings from this are going to be about 3 Crores plus per month, so it is a very, very important project for us to commission at this stage. The fly ash rake handling system that we had said earlier is operational. We have tried bringing in fly ash by rakes even from far off plants and we have seen that it is working well. As long as the fly ash is available from nearby plants, we are okay to transport it by trucks but the moment we run into a problem and that is the risk mitigation measures that we have taken, so that also is ready and has already been commissioned we are using it.

Region wise our exposure to west has gone up even further. In this particular quarter our total sales to west are at 62% which was 55% last year so anybody who still believes we are a south-based company this is a wakeup call we are 62% in west, and we are 10% in central, so 72% of sales of Orient Cement actually comes from non-south markets. I just thought I will call it out because many people still call, we are a south-based company I say yes, with 72% sales in non-south states. Our fuel mix as I mentioned this quarter has actually become 53% domestic coal which was 43% last year and the reason behind that I have already explained and as a corollary pet coke is down to 36% from 42% last year in this quarter. Our cost management like I said has not suffered any setback although in the quarterly results it will appear as if we have incurred a lot more cost than you people expect us to do, but there are absolutely clear reasons for them and as things are normalizing now, we will get back to the same efficiencies and costs. Efficiencies have always been intact with costs has changed because of like I said the plant mix changing and the fuel mix changing there.

At the end I think another update which all of you do look for is borrowing status, our bank borrowings are now down to, I will talk about the project borrowings against capex borrowings they are at 203 Crores as on June 30, 2023. I think another three quarters left and that old one will be done and now the new borrowings that we have against the waste heat recovery plant and the fly ash handling system those I think around 100 cores will be payable over a longer period of time. Net working capital from the banks net of cash in hand was down to 55 Crores so if we take a debt in that sense, it was 250 Crores at the end of June 30, 2023.

Prospects looking forward, I do believe the prospects remain strong although the extremely heavy rains that most of you yourself experienced in the city like Mumbai, they have had a dampening impact on the project work all around. So, July has obviously had its setback from the very heavy rains that happened all across our markets. I am not giving you the numbers, but yes, the demand is not as good as it should have been given the momentum in the previous quarter. Early August still we are beginning to see some relief from the rains and as a result some pickup in demand obviously is happening with projects keep waiting, they want the cement to be consumed further so I stay very positive about that. The energy prices have been softening and the full impact of that softening as all of us know would start emerging as the year progresses as we consume the old inventory. Our pet coke last ship load that we had we have already started consuming out of that and we are well covered for, given from today depends on how much is the demand in the market. I think from minimum two to about three months pet coke fuel we already have. Now as a result of that we obviously have not been able to avail of the window when this pet coke prices are down to very, very close to $100 a tonne because we just did not have the need to book that and in the meantime, they started looking up at about $100-102 a tonne. We have not seen any transactions happening from India nor were we in a position to book and I think that is why because there was no buyer in the market the prices came down. As we returned to the market a little bit of uptake will happen in the pet coke prices that is our reading, but they will still be much lower than our last purchased pet coke that should help going forward.

The rail-road mix wise I think we have been facing some policies from railways which have not been very friendly towards using them. As a result of that the cement transported using railway has gone down to 15%. At one point in time, we were doing 20% now it is down to 15% that broadly would be my commentary. The capex schedule that we have given we continue to sort of face slower response from the government departments to our papers that have been moved for approvals, pushing them hard but it is still taking time. I am still hopeful that we will be able to start the work in third quarter as we are considering maybe not early third quarter but towards the end of third quarter. Assuming approvals come in hand we do want to start Chittapur very, very quickly and the last piece on the project which was very contingent till the last time, it has now firmed up a lot, the new grinding unit that we have been talking about in Madhya Pradesh area to be able to cater to the central market and from there to parts of the north India market I think that site is more or less closed in the sense that we already have had meetings, **(inaudible) 31:13** minutes of the meeting have been signed and the other party to the agreement on whose premises we will be putting up the grinding unit they are now in the process of seeking an approval from their Board of Directors. Subject to that proposal coming in we will sign up an agreement very, very quickly and start applying for the clearances. I am talking about that grinding unit more from the perspective of one getting the much-needed diversification of our market exposure and also to start the work for line four at Devapur in Telangana which will be feeding that grinding unit. So that is interlinked I thought I will start with the update on the grinding unit, getting closer to sign up, is now the process is only going on for the board approvals and hopefully the board will see merit in allowing us to come in and put up the grinding unit there and that will trigger the need for line four immediately.

Rajasthan project again the update is that all the mining lease has been restored by the government but unfortunately this mining lease given the coordinates that used to be there when this mining lease was given to us more than 30 years ago and now everything is digital and so when they did the digital measurement of that they found that in the plot of land on which the mining lease is there with all the coordinates the area that they had granted to us the area comes to be about 5 hectares more than what the mining lease was and for 5 hectares they need to go back to, all the way to the State Minister of Mines to get their approval, which hopefully, in fact my person is still even today sitting in Jaipur and we are trying to get that out at least that because when the coordinates are finally frozen in the form of a mining lease only then we want to start acquisition of land because in the meantime otherwise we will end up complicating matters. It looks like a small detail, but when it comes to mining leases even 1 metre of mining lease is critical for the government to have the details absolutely right and we will rather sort that out now rather than do it at a later point in time. So that's' my opening remarks always happen to be a lot longer, but I try and obviate the need for questions coming up. I try and answer as many questions as I can think answers for. So, I stop here, and I am open to the questions that will still be there. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Yes, thank you. Good afternoon Sir and thank you for this opportunity. Firstly, I would like to compliment you on very impressive details in the annual report with regards to various green energy initiatives and also your premiumization efforts. Sir my first question is on the WHRS plant so this 3 Crores per month saving are we expected to get that at least for six to seven months in this year or there is also a ramp up schedule and you also detailed about some delays in few parts of the plant so what sort of say FY2024 is available for that and the 3 Crores should be fully available per month in FY2025 is that the right understanding?

Deepak Khetrapal: Yes absolutely. So on the delay part since you mentioned assuming that in August we start drawing power as I mentioned to you that will be 80%, so maybe in the month of September or maybe early October it may be slightly less but towards the end of the year when the entire 10 megawatts start becoming available we will still be able to meet the targets on average of 3 Crores a month and FY2025 you can certainly take it that way.

Sumangal Nevatia: Got it at least from fourth quarter January onwards this should be the run rate of savings?

Deepak Khetrapal: Yes.

Sumangal Nevatia: Got that. Sir second question is on the sequencing of these various projects I am a bit confused so one is we are starting or hoping to start Chittapur expansion by 3Q that is my understanding please if you would like to confirm that and also land acquisition at MP is still not started but we have kind of frozen the land so are we planning to then parallelly invest both in Chittapur and Devapur grinding and clinker line or is it going to be sequenced one after the other?

Deepak Khetrapal: Let me provide the clarity on that. So Chittapur is something where we only are awaiting some approvals which have all been applied for right so that is simpler and the need for more clinker is much higher at Chittapur, so Chittapur will be in the sequence it will be the number one, okay. When it comes to land for the grinding unit in Madhya Pradesh that I spoke about we do not have to acquire that land we are talking through a counterparty who has the land who are agreeing to give the land to us. As I have said they are in the process of obtaining the approval from their Board. The moment their Board gives the approval to sign the agreement we already have the land with us because that company is going to give us the land, has that land in their control so we do not have to acquire anything. In fact, it may not be even acquiring of land on ownership basis, they are actually going to give the land on right to use agreement okay which is a long-term agreement, and we can apply for the environment clearance for that grinding unit only when we have that agreement of right to use. So, I cannot even start applying for that clearance and once I apply and get the clearance and start the activity for grinding unit in Madhya Pradesh only then I need line four in Devapur. Is sequencing now getting understood a bit better?

Sumangal Nevatia: Got that and at Chittapur grinding also is coming right so it is 3 million tonne grinding and 2 million tonne?

Deepak Khetrapal: Clinker, That is right. So, expansion at Chittapur is absolutely right, 2 million tonne clinker, 3 million tonnes of grinding, correct.

Sumangal Nevatia: From a three-to-five-year point of view say next two years we are looking to close Chittapur then Devapur should start and then eventually the Rajasthan mining assets will be in place to start with Rajasthan, right so that should be the pecking order, right.

Deepak Khetrapal: Excepting that there will be some parallel costs which will be incurred even for the grinding unit plus Devapur as a combination. As I explained in the last quarter call which basically I would just sort of tell you why I am saying so, one the capex that we need to incur, I did explain and I guess most of you are aware that the mines in Devapur are in the forest area where the forest clearance is in the process, the moment we get stage one clearance for forest we have to actually deposit a significant sum of money around 140-150 Crores which the forest department will use this money for afforestation of the land elsewhere. So that capex obviously will happen in parallel although we are not doing construction activity but capex, I need to do to get my stage two forest clearance, right, so that will be capitalized with Devapur although you might say technically there are no commercial activity or erection activity on. Similarly, there will be some expenses which will start getting incurred for Devapur and the grinding unit combination but that also to my mind will happen only when the major activity or major investment in Chittapur is getting over. Because sequencing wise these environmental approvals do take time.

Sumangal Nevatia: Got it. Sir for full year would you like to give any number, any range of capex for FY 2024 and 2025?

Deepak Khetrapal: FY 2024, in fact I have already in last quarter also, I do not think I am going back. We just said total about 1000 Crores in FY2024 is what our ambition has been because only then we meet our requirement for clinker in time, largely we had said about under multiple projects we talked about 600 Crores at Chittapur, we have talked about 150 odd Crores for Devapur with forest clearance and mines clearances and everything. We talked about, we might spend close to 100 Crores towards acquisition of land in Rajasthan and there are already some maintenance and the waste heat recovery that is going on here. So, there are multiple projects all put together we have said in FY2024 we were saying 1000 Crores, now if that remains 1000 that becomes 750 or 800 Crores is a matter of when we receive the clearances but our intention, our effort would be that we start spending capex soon because that will determine how quickly we get the additional capacities.

Sumangal Nevatia: Got it Sir. Thank you Sir this is very clear and all the best.

Moderator: Thank you. We have our next question from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Hi Sir. Good afternoon. You explained on the fuel cost and why it went up, could you share the fuel cost per million Kcal number for the quarter Q1?

Deepak Khetrapal: How will that help you, you need to know my cost of how I am sort of doing it but anyway since you people get into nitty gritty which you cannot even relate to the reality, I will give you a number if you wish and I have the number which is readily available with me are for two individual plants. At Devapur in the last quarter we had 1925 and at Chittapur it is 2340.

Rajesh Ravi: 1.92 something like that okay?

Deepak Khetrapal: Chittapur is 2.340 which is imported pet coke.

Rajesh Ravi: 2340 Ok, this Chittapur costing is higher right compared to Devapur?

Deepak Khetrapal: Yes, because Devapur has mines nearby Chittapur has no mines nearby, it is a landed cost please understand I am giving you landed cost.

Rajesh Ravi: I understood because you have the linkage coal where the costing is much better.

Deepak Khetrapal: More than linkage is a transportation on the coal.

Rajesh Ravi: What is the trend you are looking at for these numbers in Q2 or maybe in Q3 you mentioned that the domestic coal prices have rather gone up whereas there is some expectations of cost savings to flow through in the imported coal and pet coke so what is the trend you are looking at?

Deepak Khetrapal: I personally do not think the domestic coal prices will increase again in the next two quarters I do not expect them to there is no reason for them to increase them and pet coke prices actually should stay soft compared to when we purchased last right because the prices even today we are talking in the range of 115, 118, 120 right which is a lot cheaper that what we were buying pet coke earlier. So, I do expect pet coke prices to our next procurement to be at a cost which will perhaps be about 20% less than what we did last time and domestic coal prices I do not expect them to go up anymore.

Rajesh Ravi: This next procurement will be coming up for consumption by when this 20%?

Deepak Khetrapal: Towards October and November.

Rajesh Ravi: This AFR cost how are they currently because I remember earlier, they used to be less than Rs.1 and then it shot up to Rs.1.5 odd so what is the current cost trend that we are looking at?

Deepak Khetrapal: We have to remember that AFR is not in one fuel we have five to six different kinds of fuel coming, some of them and if you look at let us say carbon black which happens to be the most expensive right. People who buy carbon black they are still inside more than 1.5, people who buy rice husk and if they are around the rice mills who are doing it that comes cheaper if you are far away it becomes more expensive. If you are using hazardous waste, you actually may get it at a negative cost also, so it is all a combination of multiple AFR, for us it will be more in the region of 1.2.

Rajesh Ravi: Ok, Sir your annual target of 6.3-6.4 million tonne this remains?

Deepak Khetrapal: We are keeping that absolutely intact, and I am not letting my sales effort go any soft.

Rajesh Ravi: Correct and lastly on this capex guidance of 1000 Crores where you mentioned 600 Crores Devapur that will only start once there will be stage one forest clearance?

Deepak Khetrapal: Rajesh do not confuse everybody.

Rajesh Ravi: Chittapur 600 Crores will start only when the stage one is received?

Deepak Khetrapal: Rajesh you are completely confused. Stage one is for Devapur forest clearance, Chittapur is not a forest area Chittapur we are only waiting for environment clearance. While Chittapur environment clearance being awaited, Devapur is forest clearance being awaited along with the grinding unit being awaited so stage one, stage two is only for forest.

Rajesh Ravi: At Chittapur this 600 Crores where no major deviation you are looking at for this financial year?

Deepak Khetrapal: I wish we do not have a variation because I need that capacity to start coming up soon.

Rajesh Ravi: Lastly on this lead distance which you mentioned 300 kilometers if you could give some sense is this primary lead or secondary lead when you mentioned 300 kilometers?

Deepak Khetrapal: See secondary remains more or less constant it is the primary goes up depending on the market mix. For example, as I told you in the Q1 a customer which was closer to Chittapur I have sold him cement from Devapur because I did not have there obviously the lead has gone up right because I am supplying the cement from a farther away plant. I would say it is always the primary then we dump the material in that market, from there secondary is always shortfalls all around it we use small vehicles and things like that, so it is all primary. When we talk about little over 300 it is always about primary.

Rajesh Ravi: Secondary would be less than 50 kilometers is that understanding right?

Deepak Khetrapal: Absolutely, Otherwise, we will send it there.

Rajesh Ravi: Great. That is all from my end for now. I will come back in queue. Thank you.

Moderator: Thank you. We have our next question from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: Thank you for the opportunity. It is great to see the premium cement sale is picking up can you give some sense about how are the margins in premium versus other cements and also if there is a margin differential between the StrongCrete which you have been selling from long years and between OrientGreen the more sort of a recently launched cement?

Deepak Khetrapal: Yes, our OrientGreen is which we introduced just a few months ago that is midway between our PPC cement and our StrongCrete. StrongCrete, we sell at Rs.45 higher than our PPC and OrientGreen is priced at Rs.25 plus so it is a premium product, but not as high. So now today our StrongCrete is a super-premium product, and the premium is OrientGreen.

Keshav Lahoti: Understood and what was the fuel mix for the quarter?

Deepak Khetrapal: Back to the same question again it never changes something never change. Fuel mix for the quarter once again I am repeating for everybody else, please do not ask me again 53% domestic coal in this quarter and pet coke 36% and balance is AFR. Sorry excluding AFR 53-54 is the fossil fuel that we are using, 53 and 36.

Keshav Lahoti: One last question from my side. SPV which you will get the power, what would be the cost of that power?

Deepak Khetrapal: This is contractual detail right now. It will be on significant savings from the grid price it is linked to what the grid price will be and what will be the margin for us. I cannot reveal that at this stage. I have given you the savings that we are having in Jalgaon already and that is what encouraged us to go more for it.

Keshav Lahoti: Got it. Thank you.

Moderator: Thank you. We have our next question from the line of Raghav from Asian Markets Securities. Please go ahead.

Raghav Maheshwari: I wanted to understand primarily the Maharashtra market which is our key prime market because according to my understanding we are selling almost 50% plus volume into the Maharashtra. The last two capacity additions which we have done into Maharashtra are almost at the level of 35% to 40% utilization at the industry level. Now again Ambuja is adding almost 6 million tonne in Maharashtra other than the Mumbai market, which is primarily your core region of Vidarbha, Marathwada, Khandesh and the Pune so how do you see further two years down the line the Maharashtra particularly market as in the profitability term in the pricing term rest of the Mumbai?

Deepak Khetrapal: You are talking about the supply side we also had to remember that there is a demand side to the equation is not it? So, the way that demand has been growing in these markets obviously has encouraged people to put up more capacity. If the demand was not that high who would want to put up capacity. So while we very quickly are able to calculate the new capacity coming in we are not adding and Maharashtra as it is, is the largest market in India if it keeps growing at a percentage as growing today obviously the demand in Maharashtra will be far higher than the other places and the capacity for us to be catering to that, while it is a matter of concern for sure in short term new people coming in they obviously want to utilize their capacity faster but as things settle down over a period of time the market absorbs the capacity. That is how we have seen every time a new capacity has come up in any neighborhood exactly the same story turns out. Few months, few quarters you see the impact and then it is life back to normal because they are also there to do the business only.

Raghav Maheshwari: So, you will see Maharashtra as a safe market for a future term also?

Deepak Khetrapal: Yes, I would because I personally do not see the growth in Maharashtra disappearing anytime soon. So, it is a demand growth which keeps me hopeful while the capacity is coming it always looks like threats, but everybody is finally looking when they are making a capex, they are doing their own calculation and their own hypothesis, and they know that we already exists at a lower cost. So, they are also coming there to make a return on their investment and that is why things over a period of time no matter how dangerous it looks. I always keep reminding people about the time that we were putting our Chittapur plaint in Gulbarga, everybody used to tell me there is Rajashree next to you, there is ACC Wadi next to you, Shree Cement is coming next door, **(inaudible) 51:41** Vasavadatta is there how will you survive and I am telling you we need more clinker there now. How did that happen? This is a story. This is how businesses go.

Raghav Maheshwari: Got it, what is the estimated deadline for completion for Chittapur line two and Devapur line four?

Deepak Khetrapal: So typically speaking the Brownfield project we want to commission within 15 months from the date of start of construction. Let us assume for the moment that we are starting that on January 1, 2024, 15 months from there we should commission Chittapur, 15 months is what we will take as erection time for a Brownfield expansion. For a Greenfield grinding unit because it is a pure grinding unit that also can be achieved in about 15 to 18 months because still utilities like railway siding **(inaudible) 52:53** needs to get built in the grinding unit, so at places like Chittapur you do not have to build the railway siding, it is already there, so I would consider the other one to be more like 18 months than 15, but 15 to 18 months there also would be our target from the day we start doing the construction.

Raghav Maheshwari: We can take a volume assumptions in FY2025?

Deepak Khetrapal: Volume assumption obviously you cannot say that we will commission the capacity and next month itself we will be selling the full capacity that does not happen right. So that build up typically, in the first year of commissioning 12 months we think if we are doing 50 to 60% utilization, we feel good because by third year or fourth year we will start aiming for about 75 to 80%.

Raghav Maheshwari: Yes Sir. That is why I was asking this question regarding to Maharashtra because the last two players who commissioned there one is commissioned their kiln and one has acquired capacities, they are not operating till 40% since last 15 months of operations and that is why asked this question for Maharashtra.

Deepak Khetrapal: That’s why I am not adding capacity in Maharashtra.

Raghav Maheshwari: Got it Sir. Thanks.

Moderator: Thank you. We have our next question from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Thanks for the opportunity. Just a couple of basic questions. If I have to go back a year or two like we were prioritizing Devapur expansion with Tiroda grinding unit and I know that Tiroda got called off but why is now Chittapur given priority over Devapur I just wanted to understand what is the change which is compared to that?

Deepak Khetrapal: See this change come in one we do not have a grinding unit that we were setting in Tiroda that sent us all over again on a wild-goose chase to look at another site where we could put a grinding unit and without the grinding unit, I do not need more clinker in Devapur so that got delayed because we did not have a grinding unit site right. In the meantime, at Chittapur the demand came more towards OPC from some very good customers because of which my overall capacity of the plant, which is 3 million tonnes that we speak about, 3 million tonnes is a certain assumption of OPC, PPC. In FY2023 itself I ran short of clinker at Chittapur. I have been mentioning that in last quarter today also I mentioned so we cannot get fixated with any decision taken. That is the definition of being agile. The moment we realize that Chittapur is opening up an opportunity, Devapur has got delayed because Tiroda got cancelled so what do we do, we still talk about Devapur first, or do we go and do business where it is available first. Very simple.

Amit Murarka: Got it so that is the understanding I wanted and also just another basic question like you took this planned shutdown in Chittapur in Q1 which impacted cost generally like just to understand to improve my understanding generally is not monsoon considered a better month to take these kind of shutdown there as these are lower demand periods why plant shutdown taken in Q1?

Deepak Khetrapal: Because we did not take the shutdown in last monsoon. We saved money on that. We continued to use the same refractory without incurring the cost till this year April. After that even 9, 10, 11 months is just about the maximum people use a kiln without maintenance we used for 23 months it could not have gone to 26 months. Very simple, it is basic fundamental.

Amit Murarka: Got it so in this situation like this time when you take a maintenance will this be a longer maintenance because you skipped one cycle, and will the cost also be higher?

Deepak Khetrapal: No somewhat not too much. The cost would not change by more than 10 or 12% of the overall cost but the utility wise you will see instead of spending once in nine months I am spending once in 23 months, you just see that.

Amit Murarka: Yes of course that I understand. You cannot stretch it. I understand that. That is all. Thank you very much.

Moderator: Thank you. We have a question from the line of Vaibhav Jain an independent investor. Please go ahead.

Vaibhav Jain: My questions are mostly answered previous. Just one suggestion regarding your opening remarks I would suggest you put this in an investor presentation rather than it saves you energy as well and we can be prepared beforehand to ask questions, otherwise my questions have been answered.

Deepak Khetrapal: Thank you so much. See in presentation the reason I do it, it is twofold. One is the nuances that I can bring out in my delivery I cannot put that in a presentation because then the presentation will be far too long, right. There are lots of nuances that I explained when I am giving the information right, but I do get the hint that you do not like my voice, so I will try and speak less. Thank you.

Moderator: Thank you. We have our next question from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo: Thank you for the opportunity and of course as always, the great initial introduction or the comments which take care of most of the questions, so I really request you to continue with that. Having said that just a couple of questions. Sir the capex you guided as of now for FY2024 more like 1000 Crores in the same way assuming everything falls as per plans, what should we pencil in for 2025?

Deepak Khetrapal: 2025 I am sort of still struggling to get my 1000 Crores going that is my worry, but typically speaking now if we go by the fact that we have Chittapur cost close to 1500 crores logically thinking. If I am doing 600 in this financial year so obviously, I want to complete that within the next financial year it will be 900 Crores for Chittapur itself right straightforward calculations. When the project is on I spend 600, balance is 900 to be spent and I want the project to be ready before the end of next financial year, so 900 for Chittapur maybe another 100-150 Crores of investment in Rajasthan in the meantime parallel to making all the preparations, but my own guess is there will be another 300 to 400 Crores at least that we might need for the grinding unit in Madhya Pradesh even before we start spending money at Devapur line four. So, I would perhaps consider 1500 to 1700 in the next year all told including grinding unit in Madhya Pradesh including Devapur further plans, Rajasthan and 900 Crores in Chittapur.

Navin Sahadeo: Understood and Sir just staying on this capacity while we are looking at Chittapur line two an entire 3 million tonne coming up there. Are you also looking or exploring some possibilities of a grinding unit more near since west is now such a big market for us as you just mentioned in your initial comments, so new grinding unit near Patas or Solapur where other players have also I think have some grinding units is there an option to explore there or you are sure that Chittapur is where you want our entire 3 million tonne to get commissioned.

Deepak Khetrapal: In life there is nothing that I assume forever. At the time that we were taking the decision the suggestion had come to me earlier also this area that we are talking about. We have actually gone and done an in-depth study of the availability of fly ash and the cost of fly ash which is available from now onwards given all the existing capacities and that did not look very promising so unless one of those assets comes up for sale at a price which is reasonable the Chittapur plan is the only plan we have because there is no more space for any more grinding unit to keep getting fly ash in the quantum that we need. Something appointing or some other grinding units which might come up for sale if it does come up, we will keep our eyes and ears open and then we might rethink but as of now we do not see that opportunity and putting up a grinding unit there did not get us despite availability of higher incentives in Maharashtra. The differential in the fly ash cost and the capex that a separate grinding unit needs compared to the capex that we do or when we are doing on site is very different right. So, while we considered the incentives in Maharashtra vis-a-vis, that we are looking at the additional capex, which may be that additional capex can be recovered from the incentive that the Maharashtra government gives, but the differential in the fly ash cost is sort of kicking away a lot of that reduction.

Navin Sahadeo: Got it. Just one last question. Will Devapur now go for maintenance shutdown in the current quarter like typically Q2 see maintenance shutdown or that could be missing?

Deepak Khetrapal: Good that you asked the question. One line in Devapur we already done the shutdown in the month of July, we just completed that and there is one more line to be done at Devapur that we will do in the next quarter, but the impact will not be as stark as here because we do not need to move any clinker we just need to sort of utilize more, there are three lines in Devapur right so that makes it a lot easier and those kilns are smaller, so the maintenance cost also is in the functional size of kiln right, so Chittapur kiln is the biggest kiln that we have 6000 TPD. Devapur the biggest is 4000 TPD, so size wise and in terms of availability of clinker we have done the maintenance in July, we will do one more in October. So, they will come but the impact will not be as dramatic as we had in Chittapur.

Navin Sahadeo: Got it. Thank you so much for the opportunity and all the very best.

Moderator: Thank you. I would now like to hand the conference over to management for closing comments. Over to you Sir!

Deepak Khetrapal: Thank you. I personally make all my comments as opening comments themselves. My closing comment only is to thank all the participants once again for sparing the time and listen to my long introduction that I give and asking questions which are intelligent and which push our thinking even further, this grinding unit in Maharashtra if you listened this question it was very intelligent which came to me earlier we have worked on that and today and I really gave a response to that and I really appreciate the engagement that all of you show in our business. Thank you very much.

Moderator: Thank you. On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.