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<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001 Scrip Code: <b>543334</b> Scrip ID: <b>NUVOCO</b>	<b>National Stock Exchange of India Limited</b> Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Trading Symbol: <b>NUVOCO</b>
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Dear Sir/Madam,

**Sub: Transcript of Investor and Analyst Conference Call on the Audited Standalone and Consolidated Financial Results of the Company for the quarter and financial year ended March 31, 2023**


Further to our letter no. Sec/13/2023-24 dated May 5, 2023, letter no. Sec/19/2023-24 dated May 9, 2023 and letter no. Sec/20/2023-24 dated May 10, 2023, please find enclosed the transcript of the Investor and Analyst Conference Call held on Wednesday, May 10, 2023 on the Audited Standalone and Consolidated Financial Results of the Company for the quarter and financial year ended March 31, 2023.

The same is also being made available on the Company's website at [www.nuvoco.com](http://www.nuvoco.com).

This is for your information and records, please.

Thanking you,

Yours faithfully,  
For **Nuvoco Vistas Corporation Limited**

 **Shruta Sanghavi**  
SVP and Company Secretary





“Nuvoco Vistas Corporation Limited's Q4 & FY23 Earnings  
Conference Call”

**May 10, 2023**



**MANAGEMENT: MR. JAYAKUMAR KRISHNASWAMY – MANAGING  
DIRECTOR, NUVOCO VISTAS CORPORATION LIMITED  
MR. MANEESH AGRAWAL – CHIEF FINANCIAL OFFICER,  
NUVOCO VISTAS CORPORATION LIMITED  
MS. MADHUMITA BASU – CHIEF STRATEGY &  
MARKETING OFFICER, NUVOCO VISTAS CORPORATION  
LIMITED**



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

**Moderator:** Ladies and gentlemen, good day and welcome to Q4 & FY23 Earnings Conference Call of Nuvoco Vistas Corporation Limited.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the Company faces. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent development, information or events or otherwise.

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 Ms. Madhumita Basu – Chief Strategy and Marketing Officer of the Company. Thank you and over to you, Ms. Basu.

**Madhumita Basu:** Thank you. Good evening, everyone and a warm welcome to the Q4 & FY23 Earnings Call of Nuvoco Vistas.

Looking at the year gone by, the financial year was dynamic for the entire industry. On one side cement demand has shown robust growth coupled with improvement in prices from FY22 levels with east outperforming the All-India average. On the other hand, soaring energy cost has impacted margins during the year. However, softening in the fuel prices from Q4 FY23 has provided support to margins in the later part of the year.

On the economic front, the macroeconomic indicators demonstrate a positive outlook for the sector as annual consumer inflation in India eased to 5.7% in March 23. Manufacturing and investment activity is expected to increase in the economy due to the government's emphasis on capital expenditure, better capacity utilization in manufacturing, double digit credit growth and moderated commodity prices. With the government's continued focus on developing infrastructure and rural housing, cement demand is expected to remain strong in FY24.

Coming to the industry performance in FY23:

Cement demand in the East and North have witnessed robust demand growth during the year driven by rural housing and infrastructure. However, looking at the regional dynamics - especially the states of Bengal and Jharkhand, witnessed subdued demand growth during the year moderating our overall sales volume growth during the year. However, we have stayed focused on our premium products and on trade volumes in FY23 and this will continue to be a major thrust area for us. Nuvoco has one of the highest cement-to-clinker ratios in the industry (at 1.82 in FY23) with continuous focus on blended cement.



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

Prices have improved from FY22 levels with East at 7% outperforming All-India average of 3%. However, the price increase in FY23 has not been adequate to contain pressure from the high energy cost.

I now move on to sharing some strategic and operational updates:

Continuing our thrust on premiumisation and innovation, we have successfully added “Concreto UNO”, “Duraguard F2F” and “Concerto Glyde” to our premium product portfolio during the year. We have sustained investment in brand building with focused brand association programs for brand Nuvoco. We have launched on digital platform, engagement films as a marketing communication campaign for brand “Duraguard” which showcases its unique selling points. The campaign has been well received, attracting more than 10 million+ impressions with stakeholders.

An update on our projects:

We have been prudently prioritizing our CAPEX on sustainability, debottlenecking, payback-based projects, and North footprint enhancement.

A quick update on our ongoing growth and debottlenecking programs:

Cement capacity expansion through 1.2 MTPA grinding unit at our Bhiwani cement plant in Haryana is ongoing, civil and fabrication advancement is on mark and all major orders have already been released and deliveries are on track. This will take our overall cement capacity to 25 MTPA.

The alternate fuel co-processing and pre-processing systems have been commissioned at Risda and Nimbol. This will facilitate our handling of a wider range of alternate fuels with increased waste recycling tonnage in FY24.

Railway siding projects are on track at both Jajpur and Sonadih and commissioning is planned later in the financial year.

Clinker capacity enhancement at Risda and Nimbol will be on stream within H1 of FY24 and the latter will support our grinding unit expansion in Bhiwani.

Ready-Mix operations:

Our Ready-Mix Concrete business has seen improved revenues by 24% in FY23 with premium products and new products comprising almost one-third of the business. We see the Ready-Mix business gather momentum and we will utilize this opportunity to ramp up our Pan India RMX presence. Our commitment to this business is demonstrated by back-to-back commissioning of



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

our Guwahati and Coimbatore plants. I share here, with pride, that the Guwahati plant is the first all women led RMX plant.

Modern building materials:

The Company remains committed to offering a diversified range of products to meet our customers' construction needs. This business has recorded a near 20% growth in FY23.

On the people and processes front:

At Nuvoco, we recognize people & processes as key to remaining agile and competitive. In the year under review, the Company launched Nuvoco University - a platform to upskill people via e-learning and classroom training. The Company has in place "Program LEAP" for process-oriented performance improvement and "Project DEN" to digitally enable internal and external stakeholders.

On sustainability:

The Company stays committed to its sustainability initiatives by concentrating on raising the consumption of alternate fuel and has exhibited an exit rate of 12% TSR (Thermal substitution rate) in FY23. We have one of the lowest carbon footprints in the industry with net carbon emission at 465 kg CO<sub>2</sub> per ton cementitious materials in FY23, primarily driven by good focus on blended cement, WHRS, AFR and improving thermal efficiencies. Reiterating our commitment to sustainability, we have launched a Companywide program named "POP-Protect our planet". This has been taken as a Company strategic action and is chaired by an Exco team. Activities encompass all functions and facets from sustainability roadmap to green concrete products, use of recycled construction & demolition waste in concrete manufacturing, reducing single use plastic and becoming water positive.

Coming to the financial performance for the quarter:

Cement volumes in Q4 FY23 stood at 5.2 million tons. Volumes remained impacted as key markets of Bengal and Jharkhand remained sluggish sequentially for two quarters. Our revenue from operations improved by 12% QoQ to Rs. 2,929 crores in Q4 FY23. PAT (Profit after tax) for Q4 FY23 stands at 201 crores.

On a full year basis, cement volumes improved to 18.8 million tons. Our revenue from operations improved by 14% YoY to Rs. 10,586 crores against a volume growth of 5% as the Company prioritized value over volume growth. PAT for FY23 stands at Rs. 16 crores.



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

Key Cost elements - Q4FY23:

Cement raw material cost increased by 4% YoY due to the increase in key commodity costs with inflationary pressure. This has been partially mitigated with long-term contracts for slag and improved cement-to-clinker ratio.

Power & fuel cost increased by 11% YoY due to external pressure from high energy prices. However, on a QoQ basis there has been a reduction of 14% due to softening in fuel prices coupled with higher thermal substitution rate.

Distribution costs during the quarter primarily increased with the re-imposition of busy season surcharge on the railway freight coupled with increased road movement of clinker due to wagon availability issues. Our team is working closely with the Indian Railways and in an industry first has introduced innovative solutions for clinker movement such as BOBY-N wagons which were typically used by railways for transportation of aggregates and track ballast materials.

Our consolidated EBITDA for the quarter improved by 41% QoQ to Rs. 383 crores. We have been continuously working to strengthen our balance sheet. Our net debt at the end of March 23 declined to Rs. 4,414 crores due to focused drive on collection coupled with efficient working capital management. Our interest cost has also been effectively contained with an increase of about 160 bps against the increase in repo rate by 250 bps since March 22 with opportunistic refinancing and debt repayments. Our CAPEX spend for FY23 stands at Rs. 486 crores.

Just to summarize, before I open the floor for Q&A:

The macroeconomic indicators are creating a buoyant outlook for the sector and the government's continuous thrust on infrastructure development augers well for cement demand and prices. With the government's focus on "housing for all" scheme and expectation of improvement in disposable income we will continue to leverage our trade centricity to drive volume growth. Our growth projects in the North, including the 1.2 MTPA cement capacity expansion at Bhiwani and the debottlenecking in Nimbol, both of which are progressing well, and will help to increase our footprint in the region. The Ready-Mix Concrete business is on growth momentum, and we are actively ramping up Pan India plant operations. Moderation in fuel prices will favorably impact margins and we remain focused on continuous reduction of net debt and prepared for our next phase of expansion.

With this, I will end my opening remarks. I am joined by Mr. Jayakumar Krishnaswamy – Managing Director and Mr. Maneesh Agrawal – Chief Financial Officer, Nuvoco Vistas, we are here together to take your questions. Thank you.

**Moderator:**

Thank you very much. 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.



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

**Amit Murarka:** So, firstly I wanted to know like what was your clinker production in FY23 and what was the clinker utilization?

**J. Krishnaswamy:** Clinker capacity for the Company is 11.88 million-ton, actual production for FY23 is 10.39 million tons and clinker capacity utilization at 87.5%.

**Amit Murarka:** And like your debt has dropped in Q4 quite significantly and congratulations on that, but just to I mean if I go through the details, it seems like it has come through payables extension and payable days have gone up a lot, so how sustainable is this reduction in working capital & net debt in that context?

**J. Krishnaswamy:** I will take the first part and then I will ask my CFO to give you the details. As we have been telling in all our calls right from the beginning the endeavor of the Company is to keep a hold on debt in the short run and so that we come into a manageable debt level to the tune of about 4,000 crores thereabouts, then we decide the next phase of expansion. So, that is the view of the organization, and our efforts and endeavor ever since we listed the Company and going forward, has been that we will have to pay the debt so that we are ready for the next phase of expansion and that is how in the last three years, from March 21 to 22 to 23 there is a continuous improvement in reduction of debt. Now I will ask Maneesh Agrawal to give you details about how we went about doing this.

**Maneesh Agrawal:** I would say the teams have done a very good job in managing all the key levers of working capital, i.e., on the receivable front, on the inventory front as well as on the payable front. Since Nuvoco is a trade-centric company, we have received full support from our cement channel partners and we did a record collection in Q4 FY23. We have achieved revenue growth of 14% in FY23. However, if you look at the financials our receivables have remained broadly in line with those of last year. So, this clearly indicates that there is an improved DSO as of March 31, 2023. Also, on the RMX side, we have continued to focus on driving sales on our cash and carry model and we have also reduced our credit terms with customers as compared to the past period. On the inventory front, there was a significant buildup of inventory in H1, primarily on account of three factors; First the cement & clinker stocks are generally higher as of September end due to the seasonality involved, second because of the higher fuel prices that were prevailing at that point in time and lastly coupled with the issue of uncertainty around the stocks on the fuel front. However, gradually from Q3 onwards, we have reduced inventory levels and brought it in line with the internal stipulated DIO norms and the fact that there has been softening of the fuel prices from Q4, is clearly evident in the financials. The overall inventory value has reduced. The third key lever is on the payable front, we have been focusing on renegotiating our payment terms for raw materials, fuel, and other cost line items with our vendors and we have received an encouraging response to this. So, that is how we have been able to bring down our working capital in a big way.



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

**Amit Murarka:** And does cash and carry the reason why like sales volumes dropped YoY there was a 4% drop in sales volume?

**Madhumita Basu:** The cash and carry comment was in respect of our Ready-Mix business Amit.

**J. Krishnaswamy:** So, with the Ready-Mix business Amit we used to have credit terms in excess of 90 days or even 120 days in the past period. So, one of the things I have mentioned in the previous call is that we have revisited the entire business model post-COVID when we resumed operations after the shutdown during the COVID period. So, we took two or three levers at that time. First, we said that we will operate our plants only in those markets where the NODT as well as the raw material cost is manageable from our perspective. Secondly, we also said that we will not supply to those customers who are expecting longer credit terms and hence our business itself shrank in those days, we started selling much lower than the players to FY19 times. The third thing we also said was this entire concept of cash and carry which introduced which means in Ready-Mix business there are lot of small IHB who will put a roof for something and then they buy Ready-Mix one lot or two lots or two transit mixers. In those cases, we are very clear that we wanted to focus more on those cases so that we can get advance or cash and carry for supply to those places and hence our credit exposure, big time reduced. Last but not the least, one of the big efforts which we have been doing in the last year and half is we do not do repeat sale to any customer whose credit is more than 45 days overdue and hence this has greatly improved the overall receivable position in the Ready-Mix business.

**Moderator:** Thank you. The next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

**Satyadeep Jain:** Just a couple of questions, one on the very strong cash flow performance in the quarter just want to understand the moving parts for both DSO and in inventory, on the DSO I mean I can understand very strong collection from the channel partners, but somehow we have not seen others being able to replicate that in the quarter, what was driving that very strong collection that you have seen outside of RMX in the purely cement business, is there some element of bill discounting or vendor financing in that particular element and on the inventory front was there basically inventory liquidation for cement also in addition to fuel cost in this particular quarter and why was there fuel cost is that does that mean the inventory of fuel cost was actually very high in a period when fuel costs were actually high and where is the fuel inventory right now, is it very lean given we are looking at a lower fuel price environment so that is the question on working capital and then I have there is some quick question on incentives also?

**Maneesh Agrawal:** So, Satyadeep I will go one by one. So, your first point was in relation to receivable front so I cannot comment about the other companies per se in terms of DSO, but for us specifically if I compare it from the last year there is a reduction in the DSO that is point number one and as I mentioned in the previous question we have achieved a revenue growth of 14% this year as





*Nuvoco Vistas Corporation Limited  
May 10, 2023*

compared to last year. However, our receivables, if you look at the financials, are broadly in line with last year that clearly shows there is an improvement on the DSO front. Secondly, on the inventory front again as I mentioned earlier there are three parts to that in H1 as in the cement industry because of the seasonality involved, clinker stocks and cement stocks are higher as of September end. So, that was the case with us also and it gradually starts depleting from Q3, Q4 and we were able to get that sort of a benefit by way of reduction on the clinker and the cement stock. Point number two is regarding the high fuel prices & you will recall in Q4 of FY22 and Q1 of FY23 the fuel prices actually peaked up. So, it did have an impact on inventory value which we were carrying in H1. Secondly, because of the uncertainty around the overall environment scenario we were carrying large stocks of fuel to ensure that we have sufficient stock to take care of production for Q3 and Q4 so that was also one of the reasons for higher working capital in H1. Subsequent to that in H1, i.e., in Q3 and Q4 as I mentioned the clinker stocks depleted & so did the cement stocks, the fuel prices started softening from Q4 and also as regards the stock levels right now we are doing strategic buy or an opportunistic buy as and when the situation demands, but obviously if I look at the DIO for fuel stock as of now it is less than what it was in the month of September. So, all these three factors attributed to the overall reduction in the inventory, and you can see from the financials there is a significant drop in inventory to the extent of approx. Rs. 315 crores from H1.

**J. Krishnaswamy:**

Just to add to what Maneesh said you all referred to in our earlier calls we have been saying that the linkage coal supplies have totally evaporated in H1 because of the power crisis in the country. Gradually from November, December to January onwards, the linkage coal availability also increased hence our overall import of petcoke as well as imported regular coal content also somewhat reduced because we started getting linkage coal and in our consolidated fuel mix in Q4 of last year we had a 19% of linkage coal. In H1 of FY23 it was single digit, Q3 became 13%, and Q4 it improved to 16%. So, overall, you started getting local linkage coal which helped us to pair on the stock of petcoke and imported coal. Last but not least, our AFR consumption also increased in the last QoQ basis. Every quarter we have been increasing AFR from 6% usage last year exited at 12%, there again that also kind of substituted the overall inventory of fuel. So, all in all fuel inventory was under control because of more linkage coal, reduced price of coal, reduced price of fuel and last, but not the least improved usage of AFR.

**Satyadeep Jain:**

Just one follow up on that on the DSO front obviously faster collection cycle from the customers just want to clarify there was there any element of bill discounting, vendor financing and did it have any impact on discount or incentives that the dealer demand?

**Maneesh Agrawal:**

So, nothing as such Satyadeep in terms of bill discounting. Also, in the context of cash and carry model what I talked about was specifically to the RMX business, I would say, as a percentage of overall sales there is a sizable component of sales which is happening on the cash and carry model wherein, we get the payment in advance or within a period of 1-2 days that has also helped



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

to reduce our overall DSO which was not the case to that extent in Quarter 4 of FY22, but obviously there is no element of bill discounting for sure.

**Satyadeep Jain:** If I can just squeeze one question on incentives what were the incentives accrued in FY23 and what was the incentive received in FY22?

**J. Krishnaswamy:** So, basically we have incentives coming in from both East and North. So, across all East and North we accrued overall incentive value of close to 190 crores and we were able to get the large part of it primarily from the incentives which was there in the Rajasthan and on the East side it is already there for two plants of Mejia and Panagarh.

**J. Krishnaswamy:** So, fiscal 23 the incentive is close to 190 crores out of which Rajasthan is close to 40 and the balance is East, and you would know that we have stopped accruing Mejia couple of years ago and from this April onwards we decided to stop accruing Panagarh as well.

**Satyadeep Jain:** So, how much will be received across both North and East including Panagarh and North?

**J. Krishnaswamy:** That is why I told you it is about 190 crores last year out of which North is 40, East is 150.

**Satyadeep Jain:** And entire 190 we will received also from the government?

**J. Krishnaswamy:** No, Rajasthan is the only state which does quarter-to-quarter disbursement. We have received everything in Rajasthan. East is on accrual basis because that has been the case with West Bengal as well as Jharkhand, we just started one year. So, West Bengal is the one where Mejia and Panagarh are. So, we have been accruing ever since the incentive scheme started. One was just on the Lafarge Times in Mejia and then two years after acquisition of the Lafarge by Nirma we decided to stop accruing Mejia and then when Emami came to our fold they were accruing Panagarh. So, at the time of acquisition we continued with the practice for a year and a half and then this year we have decided that we will stop accruing for Panagarh as well.

**Satyadeep Jain:** We just want to understand of the 150 crores that accrued in East during the year given the quarterly disbursement that you get from the government overall what was the amount received for an incentive in East during the entire year for FY23?

**J. Krishnaswamy:** It is primarily from the Rajasthan plant that we got in FY23. So, East is on accrued it is North we have received all the money from the government. So, why don't you reach out to our investor relation we will give you granular details so we will be able to give you all details when we meet not a problem.

**Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

**Shravan Shah:** First couple of data points trade share for fourth quarter, lead distance for fourth quarter and Kcal cost for fourth quarter?

**Madhumita Basu:** Shravan I will just go one point at a time you asked for lead distance. So, the lead distance is roughly over the full year about 340 kilometers. This on a year-on-year basis has remained rather flattish. In the Q4 sequential quarter we have seen about a 5-7 kind of kilometer improvement, but largely I would mention that it has been flat. The question you had on fuel. So, fuel consumption rate has been Rs. 2.31 per Kcal on an overall basis and the question you had on trade share, so trade share has been 75% in Q4.

**Shravan Shah:** So, now we have reduced the net debt significantly 750 odd crores QoQ so two things just wanted to know as on today the net debt number is same around I am not asking the exact number, but broadly whether it has remained the same 4,400 odd crores net debt, second in terms of the expansion plan so our stand previously was 3,000-3,500 crores when we reach we will go for our next phase of expansion so our preference was North, so when will we start and what the likely CAPEX for that and apart from that even without that what is the CAPEX for this year we are looking at?

**J. Krishnaswamy:** I will just give you one at a time, first question was all about current net debt at 4,400 crores, which in the last three years March-to-March I think the debt has reduced from 6,730 crores (March 21) all the way to every year three years up to 4,414 crores (March 23). In the past calls I have been talking about the priority for the Company is to ensure that debt levels are to the tune of about 4,000 crores or thereabouts before we start expanding announcing the next phase of expansion. So, we continue to be committed to what we have been informing you in the quarterly calls and that does not change as we speak. The second one is about CAPEX last year and the future CAPEX. So, last year when we during our calls we mentioned that the Company focused on Brownfield expansions in Bhiwani, Sonadih and Jajpur and Nimbol and which in Nimbol we said will increase the capacity of clinker to 5,750 TPD, Bhiwani set up a GU of 1.2 million ton. Sonadih is all about improving the logistics to get clinker movement out of Sonadih into Eastern portion and last but not the least Jajpur is the only facility in East which just not have railway siding. We wanted to put up a railway siding there. All this had a CAPEX outlay including the routine CAPEX as well as the land procurement and the rest of all this stuff. We said we would invest close to about 550 crores what we have been mentioning during your calls. As we completed there is always a little bit of phasing and cash flows which happened. In FY23 as of 31st of March we ended up spending 486 crores out of the overall project which we envisaged during the year some amount of money will get spent in this year as regards the CAPEX plan for this year we right now do not have any new projects at this point of time we will continue to complete the all the Brownfield projects of Bhiwani, Sonadih, Jajpur and Nimbol and current outlay for all the projects is tuning to the tune of about 550 crores in this fiscal. We have also decided to set up additional Ready-Mix plants to the tune of about 12 to 15 plants there we are parking close to about 25 odd crores to set up the new Ready-Mix facilities.



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

So, in all last year 486 crores CAPEX spend this year outlook for CAPEX is 550 crores. Our debt levels in March 4,400 crores, our endeavor will be if the fuel prices tepid and the demand is as robust as it is currently and the prices hold in the market we are looking at a reasonable period of time in the future to pair the debt to 4,000 crores and then on we come back with our expansion plan either in North or West or we have the Nimbahera site as well as Gulbarga. As I have mentioned in our calls in the past our primary focus at this stage is to expand in the North through our North facility.

**Shravan Shah:** So, just to clarify so maybe by next quarter or the second quarter are we going to start spending for the North or the Karnataka expansion and still the preference remains for the North?

**J. Krishnaswamy:** I have been consistently saying in these calls that on a quarter-to-quarter basis we will keep all of you informed about our starting of our Greenfield facility either in the North or West. At this point of time this call I am informing you that in this quarter we do not have any plans to commence construction I think when we reach the next call I think we will keep you updated every quarter about our plans whenever it will happen, but the primary focus as we have mentioned in the last 5 calls is the primary objective of the Company is to pair the debt to about 4,000 crores level.

**Moderator:** Thank you. The next question is from the line of Darshit from Robo Capital. Please go ahead.

**Darshit:** I wanted basic overview of say revenue and margin guidance over the next say two years, three years span?

**J. Krishnaswamy:** I am afraid I cannot make any forward prediction about revenue or performance of the Company. All I can say is from the macroeconomic indicators and also the published reports from agencies like Crisil and others, entire outlook for the cement industry is to the tune of close to about 7% to 9% growth which will be there and of course the reports which are prevalent which all of you would have access to is at a regional level people are predicting different growth rates and certainly in markets like East and center there because of the inherent nature of the underdevelopment. So, there is a likelihood of better growth and higher growth in this region that is one aspect on volume growth. The second one is again on price stable movement. Here again I think the reports are out where people are looking at a better pricing outlook based on this year, East followed by North and West will have better pricing than center & South. So, Nuvoco being a strong player and leading player in East and also decent position in North I think we will have a better growth opportunity in terms of volume and also the pricing realization if it happens, I think we would get a positive tailwind.

**Moderator:** Thank you. The next question is from the line of Mangesh Bhadang from Centrum Broking. Please go ahead.



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

**Mangesh Bhadang:** Sir, my question is with regards to the capacity that you are getting in the Eastern region, do you believe that if the costs are going to come down from the current level the profitability would remain curtailed because of the competition that is increasing in East and just if you can highlight what was the growth in Eastern region in FY23 state wise?

**Madhumita Basu:** I would not be having the details of statewise growth over FY23. The overall growth would have been in the order of 8% to 9%. The states of Bengal and Jharkhand, as I mentioned in my call has been somewhat subdued at 2% and the rest of the states would be somewhere around that between 5% to 9% kind of growth level. Answering your first question on the capacity utilization, and I have been mentioning in previous calls that when we look at the eastern demand, we should look at it in the perspective of clinker utilization. So, if we were to go back to FY22 because FY23 figures are yet to be updated on a running basis. So, FY22 clinker position was about 43 million tons of clinker and at 1.6 kind of clinker cement factor that translates to about 72 to 75 million tons of cement give or take another 10 million tons of cement coming in from the central region. So, we are looking at the East getting a capability of up to 80 million tons of cement and demand which is in the region of 70 to 80 million. So, it is standing at a 90% capacity utilization, over the last period we are mentioning a 10 million tons kind of clinker addition with some new announcements. This is looking more like 12.5 million tons. I do not think that 2.5 million tons additional which is expected to come in by FY25 is going to radically rock the board. We are still seeing clinker capacity utilization at somewhere around an 87% to 88% and it would be probably right to say that at any point in time when clinker and or cement capacity utilization crosses an 80% to 85% kind of levels, prices have a propensity to improve.

**Mangesh Bhadang:** Just you can leave me with the timeline for the Bhiwani expansion when it will get commission that will help?

**Madhumita Basu:** Sorry, can you repeat the question please.

**Mangesh Bhadang:** When the Bhiwani will get commission?

**Madhumita Basu:** Bhiwani will be operational this year in H1 itself. We hope to make our first dispatch from the plant before H1.

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

**Amit Murarka:** Just a clarification like to my earlier question you mentioned the clinker capacity has 11.88 million tons has not it gone to like 12 and a half after the couple of debottlenecking you did across the units?



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

**J. Krishnaswamy:** Yes, it will go. Currently Nimbol capacity is still under commissioning. So, I guess at the end of H1 when we talk Nimbol would have got commissioned and then the Risda also has got a commissioned Phase-1 & Phase-2 and the majority of work has happened. During this year's annual shutdown, that is when we will connect the higher capacity blowers which are needed. They are all in place, but during the shutdown this year we will do it, post the shutdown in Risda this year and post the commissioning of Nimbol whatever capacity which we mentioned will happen maybe H2 of this year it should happen. Right now, I think with the available clinker we are able to feed the market, but by H2 of this year we will have all that number in place both in North will have 6,000 TPD of Chittor, 5,750 TPD in Nimbol and likewise in east which will have 11,500 TPD of Risda, 6,000 TPD in Sonadih line 2, 4,350 TPD in line 1 Sonadih and 5,250 TPD in Arasmeta. So, that is the capacity which we will reach by September this year.

**Amit Murarka:** And on AFR like the projects that you have like I believe target to go to 20%, so what is the commission schedule of those projects?

**J. Krishnaswamy:** Risda is fully commissioned so if you really look. So, we have AFR facility in Chittor which is the oldest plant which has been processing AFR there the TSR reached as high as 35% in Q4 of this year. So, that is there, there is no CAPEX they will continue to operate at peak capacity. In Arasmeta it is a very rudimentary AFR we continue to use whatever availability there we did not invest in Arasmeta. In Sonadih again no investment however we have close to about 6% of AFR consumption in the lines both lines put together in Sonadih. The investments which we made were there in Risda and Nimbol to the tune of close to 50 odd crores in both the plants combined together both of them had a pre-processing and co-processing facility. Happy to inform Risda both pre-processing and co-processing commissioned and that is well and truly running as we speak. In Nimbol the co-processing is commissioned, pre-processing shredder is under commissioning in this week early next week it will be completed. So, when we hit June first we will have Nimbol fully capable of doing pre and pro. Risda fully capable of doing pre and pro and Chittor anyway does post only at high level and with all this put together we are looking at excess of 15% TSR ton average level from July first onwards.

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

**Rajesh:** Two questions first you see your clinker cement to clinker ratio for FY23 has improved significantly and is now as close to 1.83 versus 1.74 or two years back, so do you see opportunity to further enhance it to and if to what levels and second when you mentioned 15% TSR you would be achieving from Q2 onwards that is a sizable increase and in that context what would be your average per Kcal costing given that your current fuel mix cost is around Rs. 2.3?

**Madhumita Basu:** Rajesh I will take your first question first so yes, the opportunity to improve our cement clinker ratio further. Firstly, the actions which we have taken is significant increase in Concreto Cement which is a slag cement introduction of PCC cement today Panagarh as well as Jajpur and



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

Jobbera plant practically shifted fully from PPC to PCC cement. We see an opportunity to take the shift as we are planning in our Mejia plant. So, roughly speaking over a two-year period the outlook is going up from 1.84 blended across the country to 1.92, what we have not entered into these calculations, and we hope to see a good upside there Rajesh is the introduction of LC3 cement in North.

**Rajesh:** And on the AFR costing?

**Madhumita Basu:** So, on the AFR firstly on the robustness of 15% as Jay explained we have invested in our facilities and that is going to give us this increase. To give you a little bit of perspective on the number 9% AFR in mid-year, 4% last year went up 9% in H1 and we have exited at 12%. To give you a perspective on the overall fuel cost in today's reference as I mentioned sometime back overall fuel cost blended was about 2.31 Kcal and AFR is 1.6. We have roughly seen a 1:2 ratios on the overall blended to AFR in terms of Kcal.

**J. Krishnaswamy:** Just building further Rajesh if you really look at AFR the components of AFR basically are carbon black then you got recycled plastic and you have got bio waste that is typically what one process in AFR and till about two years ago the general arbitrage of AFR vis-a-vis the fuel blended cost of fuel solid fuel would be typically 1. So, if the fuel cost is about 1.5 or something AFR would be coming at the rate of about 0.75 that is the kind of rupees per million Kcal one was getting, but what has happened in the last one year is there are so many companies in their sustainability agenda have started trying to use AFR in not only in cement in other industries as well and we all know carbon black is like-to-like substitution for a petcoke or an almost nil ash coal. So, the rate of carbon black is more or less trending at a much higher level than the old rates of AFR and hence the original arbitrage of Rs. 1 per million Kcal is kind of reduced to about 60, 70 paise. So, this is a little bit of background I am just telling you because we have to source carbon black in all our plants and secondly currently there is a little bit of a shortage of carbon black because everybody wants to use carbon black and hence to obviate that one of the things which in Nuvoco we have done is to get the pre-processing facility where we can go and shred all the other raw materials and hence we went there in Risda and Nimbol we do the shredder option to maximize AFR. So, having said this we are really looking at close to about the current rate of 12% to 15%. Our target is our fuel bill should be anywhere between Rs. 25, Rs. 30 per ton positively impacted by use of AFR.

**Rajesh:** And lastly on the incentives this year now this Panagarh 140 crores which you accrued last year and all they would not be getting a accrue next year onwards. So, I see that if I look at from the current year if I remove 140 crores from the reported EBITDA that would have any impact of around Rs. 80 per ton, so in that case Rs. 660 EBITDA per ton Rs. 600, so how do you look FY24 when your sizable amount of incentives want to be accruing in FY24, how do you see margin trajectory?



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

**Maneesh Agrawal:** So, basically as Jay mentioned just a few minutes back Mejjia we had already stopped accruing a few years back. In FY23, we accrued Panagarh incentives. So, the impact of not accruing panagarh incentive from FY24 is just Rs. 40/ton and not Rs. 80/ton, so that is the clarification I wanted to bring in.

**Rajesh:** So, this year you accrued 140 crores is what you had mentioned out of 190 crores?

**J. Krishnaswamy:** It is inclusive for multiple incentives in Panagarh, Jharkhand that is what we mentioned out of 190 crores 40 is North and 150 in East. However, next year we will continue to accrue Jharkhand, it is Panagarh where because taken many years we have made a decision to be conservative and not start accruing from April and hence around Rs. 40 to Rs. 45 per ton it will have a reduction in accrual.

**Rajesh:** And on the fuel side what sort of savings purely on the landed cost of fuel currently versus full year average FY23, what would be the number?

**J. Krishnaswamy:** Yes, if you look at so there, I can give you some petcoke prices I will tell you. So, in terms of fuel per rupees it is a function of linkage coal, it is a function of AFR all of it. However, I will do purchase price of petcoke I will say it used to be in March 22 all of us know it went to as high as USD 250 per ton and then somewhere in January, February it came to about 150 to 160 USD per ton and currently as early as that later last week we have booked at 133 USD per ton. So, obviously the numbers have come down and rupees per million Kcal which used to be Rs. 2.67, Rs. 2.8 per million Kcal in North it has come to about Rs. 1.95 per million Kcal. So, that is only petcoke, but then I have to use petcoke plus linkage coal and non-linkage domestic coal all of it in FY23 was at 2.49. I am really looking at this number coming to in Q4 it is 2.31 the blended rate. So, I am really looking at this number further going to just about 2.1 as we speak at current levels.

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

**Prateek Kumar:** My first question is on your volume mix, so we have reported this 5%, 6% volume decline so largely attributable to two markets, so how much do these two markets constitute overall volume mix for us?

**Madhumita Basu:** So, Prateek Bengal, Jharkhand in East is about 50% of our volume, but however I would like to point out that on a full year basis our revenue growth has been 14% against the volume growth of 5% and this is primarily because of executive decision to prioritize value over volume growth.

**Prateek Kumar:** So, Bengal plus Jharkhand accounts for 30% of the overall volume?

**Madhumita Basu:** Roughly 50% of east volumes





*Nuvoco Vistas Corporation Limited  
May 10, 2023*

**Prateek Kumar:** And secondly on the fuel cost you indicated like in the last question, but on overall basis for FY24 based on current spot trend, so can we expect like a 200 per ton reduction in cost fuel cost for the Company?

**J. Krishnaswamy:** It would be very difficult for me to predict the number, but then I can only say that we are targeting from Q4 actual another Rs. 100 is the kind of number we are looking at.

**Moderator:** The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

**Shravan Shah:** Just continuing the previous question just trying to understand the degrowth for this quarter in terms of the volume, so in the totality you mentioned the 50% of West Bengal, Jharkhand is the 50% of the East, but in the total volume what is there sir, so is it fair to say that that we have also seen a reduction or the volume decline in other states also because the maths does not work just because of the two states if there is a decline or the decline is so significant that it impacted by overall volume decline for this quarter?

**Madhumita Basu:** Shravan as I mentioned on a full year basis our revenue growth was 14% and volume was a 5% growth. This was an executive decision to prioritize value over volume growth. We believe it has reflected well in our realization per ton from I am sure you are also reviewing the industry figures. We have largely been seeing figures of the nature of 3-5% and we believe at a realization per ton of 7% improvement it augers well for our performance this year.

**Shravan Shah:** No, ma'am actually my question was pertaining to only fourth quarter so this 5.3% volume decline for fourth quarter is it only because of the West Bengal and Jharkhand or is it the case that there is a degrowth in other states also we have witnessed?

**Madhumita Basu:** Demand growth has largely been sluggish in Bengal and Jharkhand.

**Shravan Shah:** And what was the fuel mix for this quarter petcoke imported coal linkage coal and then the AFR?

**Madhumita Basu:** We clarified those numbers at the start of the meeting Shravan linkage coal in Q4 FY23 was 16% and petcoke was about 54% and AFR was 12%.

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

**Amit Murarka:** So, just on the slag cost in the last quarter you had mentioned that the slag cost is moving up, could you give the number for Q4?

**J. Krishnaswamy:** The current market rates for slag is anywhere between 1,900 to 2,100 INR per ton, it is kind of more than equal to the past value of clinker cost. So, that is the kind of irony, which is there, but then we are kind of safeguarded by our long term tie up in Jamshedpur as well as Jajpur from



*Nuvoco Vistas Corporation Limited  
May 10, 2023*

the Tata plant as well as the Kalinganagar plant. So, we have a sufficient breathing room with 2.5 million tons of slag contracted, but the trending rates are 1,900 to 2,100. I think many of the latest auctions we simply walked away from the auction price like some of the other cement manufacturers as well. So, I believe that as we go forward these rates have to temper down because people eventually have to pick up slag and at this rate everybody will have a rethink on contracting slag.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Ms. Madhumita Basu for closing comments.

**Madhumita Basu:** Thank you everybody for attending our call. We have had fairly detailed discussions and we hope to have addressed all your queries. However, my office and I remain available for any further clarifications. Please do reach out to us. I wish you all a good evening ahead all the best. Thank you once again.

**Moderator:** Thank you. On behalf of Nuvoco Vistas Corporation Limited that concludes this conference. Thank you for joining us and you may now disconnect your line.