May 18, 2022

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

Dear Sir(s),

Sub: Transcript of Investors/Analysts Conference Call for the quarter and year ended March 31, 2022

Dear Sir(s),

This is in continuation to our earlier letter dated May 12, 2022, sharing the audio link of the investors/analysts Conference Call, held to discuss the Audited Financial Results of the Company for the quarter and financial year ended March 31, 2022, on Thursday, May 12, 2022 at 2:00 PM (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**

ORIENT CEMENT LIMITED NEW DELHI

Nidhi

Nidhi Bisaria
(Company Secretary)

Encl.: as stated

"Orient Cement Limited Q4FY22 & FY22 Earnings Conference Call"

May 12, 2022

MANAGEMENT:	**MR. DEEPAK KHETRAPAL – MD & CEO, ORIENT CEMENT LIMITED.** **MR. SOUMITRA BHATTACHARYA – CHIEF FINANCIAL OFFICER, ORIENT CEMENT LIMITED.**
MODERATOR:	**MR. KRUPAL MANIAR – ICICI SECURITIES LIMITED.**

Moderator: Ladies and gentlemen, good day and welcome to the Orient Cement Limited Q4FY22 and FY22 Earnings Conference Call hosted by ICICI Securities Limited.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Krupal Maniar from ICICI Securities Limited. Thank you and over to you sir.

Krupal Maniar: Good afternoon and a warm welcome to everyone. On behalf of ICICI Securities, we welcome you to the 4th Quarter and FY22 Earnings Call of Orient Cement Limited.

On the call we have with us Mr. Deepak Khetrapal - MD & CEO and Mr. Soumitra Bhattacharya – CFO of the company. At this point of time, I will hand over the floor to Mr. Deepak Khetrapal for his opening remarks, which will be followed by interactive Q&A session. Thank you and over to you sir.

Deepak Khetrapal: Good afternoon everyone. And a very warm welcome to this investors-analysts call that we do every quarter and thank you for sparing your time to come and listen to us and listen to what we have been up to in the last quarter and the last year also, in some ways. And with me on this call from Orient Cement is Soumitra Bhattacharya our CFO and also we have with us our Investor Relations in-charge Manish Aggarwal, who stays in touch with most of you whenever you need clarification.

Without wasting much of your time, let me just start getting into what we have done in last quarter.

I am sure, although not all the results are out for the cement industry by now, but most of the results which have come out are very clearly reflecting the difficulties that the industry is facing, the difficult times, I mean it's been a tough quarter, as has been the, I think the whole year, as the year went by the costs just kept building up. And specially the cost of power and fuel, which is largely about coal, they have been through the sky, we know I mean, all of you, I am sure monitor those numbers as closely as I do.

And while power and fuel is one element, but the fact of the matter is almost all commodities, all minerals, diesel, whatever we touch is very expensive. That obviously is posing huge challenges to an industry which ends up spending 20% plus on just moving the material around, and also a very very large amount on power and fuel. So, it's been a tough year. But I think some of us have managed that storm a little bit better than others. And we will go through how we have done.

For us on the demand side, we have had some headwinds, especially in Southern India, where demand has been soft. Maharashtra for us has been somewhat better, though not by much.

Pricing hasn't been great though it's been better than what it could have been. I mean we have seen worst pricing I will say. It's not been great, we wish it was a little better. But it's not been that bad as we have seen in the past.

I am sure all of you have already seen our results and have formed some preliminary views about our Q4 results. But before I come specifically to Q4, some of the things I want to just call out right up front. I think the most notable feature that interests all the investors in the company has been in the past two years our debt level. And I am happy to report that in FY22 we have repaid the debt the project loan that we had taken by as much as Rs. 486 crores. Whereas not even a penny was due to be paid this year. This fact actually was reminded to me by one of your colleagues and friends who is on a call also. So, he specifically reminded me saying this has been, and obviously I thought I will call it out right at the start. Our net debt now, net of cash that we held on 31st of March has been at Rs. 260 to Rs. 270 crores that's it.

The other thing for the full year if we look at it, we have managed to cross the EBITDA of Rs. 600 crores for the first time in our working history, which is up 6% to 7%. The EBITDA for the year higher by this much percentage from whatever results I have come across so far this year, I think we seem to be the only company who in terms of absolute EBITDA in rupees crores have shown a higher this time, compared to last year. And so we do take a huge amount of satisfaction from there.

The drop in EBITDA per ton for the full year is really marginal, I mean we are just Rs. 20 odd off from what we had EBITDA per ton last year. It looks like a miracle given the kind of year that it's been but like I said, we are happy to be where we are.

Our PBT for the year is up 21% over last year. Profit After Tax is also up by about 23%. Like I said, these numbers make us happy and I am hopeful that it will also make the investors community happy to see that in a difficult year we are where we are and also looking at the difficulties that the rest of the industry seems to be at least reporting through their performance numbers.

Specifically, if we start talking about Q4, on the surface, yes, we have lost volumes, and also EBITDA over the same quarter last year. It's a fact I mean it’s very visible there. But here's a caveat, if we remember how exceptionally, absolutely outstandingly good our Q4 last year was perhaps it was to be expected that we will not be able to touch that level this year, especially with all the other headwinds.

But here, I also want to make a point about the temporal, the overtime comparisons that we make. While these comparisons have their own uses, specifically, I am referring to more quarter-to-quarter, YoY, QoQ but on quarterly levels, it masks a few things and also, the perspectives get distorted a little bit by what we are being compared against. So, when we do badly in any quarter, a year later, even if you do normal business without doing very good, you start looking a lot better, without being necessarily good. And the same applies to when you are being compared against a great quarter. So, that's a bit of a challenge in terms of perspective, for us to say, oh, we have not done as well as last year, last quarter. But in our minds even last year, when that happened, we were very proud about it. But we knew that it's unlikely to be repeated. So, it's not a surprise for us, although we wish, the wish was there that we can do that and even better, but we knew that it's not likely to happen.

Second part about the quarterly comparison always is, which I think is equally important for us to remember, in the quarter-to-quarter variations, we are not able to capture movement in some of the costs, which are I would say discretionary costs in terms of timing. So, in one quarter I may spend, the annual shutdowns happen for all the kilns, all the mills, the boilers for the CPP, now which quarter we decide to do is a function of many variables that we keep working in. So, in one particular quarter, we spent a large amount on maintenance cost and in the previous quarter, it didn't happen in that quarter, it happened another quarter, the picture gets distorted. Same thing also applies to other discretionary costs, like when do you invest your money in advertising campaign.

So, these are the I would say the limitations of quarterly numbers, which I just thought I will call out as a reminder to all of us. But any way, I think given where we are, we have to respect the traditions of the capital markets. And here are the quarterly numbers.

So, our volume drop over last year in this quarter has been 12%, now this is the distortion, which I was talking about if you look at QoQ basis, the preceding quarter, we are up 33% in volumes. Revenues although the volume drop is 12% around revenue down is just about 4% YoY and on a quarterly basis, quarter-to-quarter we are 30% up over the preceding quarter. On full year basis, our revenues are up 17% and full year basis our volumes are up about 8%. So, obviously the balance of 17% has come from higher realizations which are up 10% over the same quarter last year. EBITDA in absolute terms is 24% lower for Q4 compared with the same quarter last year. But sequentially it is up 29% over the preceding quarter.

So, more than the like I said I mean quarterly numbers have to be respected they have to be shared. Equally important is because we are at the yearend now, annual accounts also have been approved. We look at the annual number also. So, the one thing which I just hope that people are realizing if you make a little bit of effort to see the story which our numbers of this year, and even to a large extent of the preceding year our conveying is that we at Orient Cement continue to pursue our strategy of focusing on our profitability and cash flows. And on many occasions we have been taking a conscious call to walk away from some businesses or some orders from the customers where the our increase in costs were not being fully compensated for. And when we say our costs have not been compensated for we were not looking at the cost that we had incurred in yesterday or last week or last month, we have always been working on, what is my replacement cost of the resources consumed? If I am going to be consuming my coal, what is the today's market price of coal and would be order that's on the table pay me for the replacement cost of the coal. I don't know how many other companies are doing it, but we are religiously following that. And as a result of that, in many situations, we had to take a very difficult call of saying no to an order. And we haven't done that. We haven't accepted these orders. And that's been, those tough calls have been there. But they have enabled us to manage the situation a lot better. Coal or rather the fuel situation has not been easy, we all know that.

So, what we have tried to do, I think, and this is I am repeating I know in the last quarter's investors call also I had made the same statement. We have been trying to optimize our operations based on the availability and the replacement cost of the scarce resources, which happened to be coal, petcoke, which are the large resources that we consume. So, we have been trying to optimize rather than the capacity utilization or anything else, we do think, what is the availability looking like? What are the costs looking like? What are the replacement cost looking like? And what business makes sense and what business does not make sense?

We saw no point in burning our expensive and scarce fuel and sell more to some segments of the market who didn't offer us the replacement cost of fuel. Plus, obviously something for our shareholders, because even if they just replace or pay for the cost of fuel, and nothing for no margins left for the shareholders, even that is not very practical business.

And if you ask my salespeople they have been trained now to think and the mantra that we follow and the phrase that we use quite often is we do Quality Sales, not all sales. And it's been slowly being drilled down. And all of you are quite aware of how difficult it is, for a salesperson to say no to a customer saying at this price we will not take the order. But thankfully we are preparing them mentally, psychologically, strategically. And so that's been one big, I think, a shift that we are successfully making in this company. And that's the reason why, at times our volumes may not look good, but our profitability, fortunately, is being sustained.

So, quarterly numbers I have given you, I perhaps just once again quickly refer to the annual numbers that we have. The full year picture we have, as I mentioned, the volume rose to about 8%, which I think is very much par of course. The 8% overall volume growth for the full year very clearly indicates that we have not been losing market share to competition, despite the fact that we have been selective about the business 8% growth is completely at par. I have seen the numbers that are coming out from our markets, we are in line with what the market growth is. And so if anybody has the anxiety that by shifting from all sales to quality sales, are we conceding in a very concerning manner the market share, the numbers don't tell us that.

We have had an EBITDA growth of over 6%. EBITDA per ton for Q4 is still Rs. 950 plus. For the full year, it's Rs. 1,100 ballpark. And here is the Rs. 20 odd drop that we have in EBITDA per ton, for the full year compared to the previous year, I think is something which I want all of you to take note of. I mean to sustain EBITDA almost of the similar level Rs. 20 odd drop is something which I do want you people to remember. Per ton EBITDA we have managed to defend despite all the cost pressures that we had.

We have obviously not done the volume that we had planned because when we started the year, even during the middle of the year, we kept saying that we are planning to do total sales of 60 lakh tonnes, which obviously have not happened. And here I think the challenge arose more in the second half, because in the first half we were getting the volumes that were planned. In the second half, we started seeing more and more difficulty in the marketplace, which I think marketplaces, industry as a whole and despite not being able to do the volumes because the opportunities or the right opportunities were not there, we have chosen business with profits. And in comparison, like I said with the results of the industry so far we don't look so bad.

With the huge repayment, as I said of loans that we made, obviously, whatever has been the shift in EBITDA, I said a marginal fall, if we look at the PBT which obviously has benefited from the deleveraging and from the repayment of loans that we started doing at very early in the financial year. So, PBT is up to Rs. 404 crore. So, the two landmarks or rather, I would say, milestone that we have crossed this year are one is EBITDA at Rs. 600 crores and PBT at Rs. 400 crores these are the high numbers for us. And compared to Rs. 333 crores of last year it's a significant jump. Debt as on March 31st, as I mentioned on the books it is Rs. 310 crores, net of cash is about Rs. 260 to Rs. 270 crores in that range.

The power and fuel costs in Q4 particularly have been very very high by our own reckoning at Rs. 1326 thereabout, we have been very concerned about it. But the only solace that comes is that we are not the only one to incur this. And in fact, the industry costs average look to be higher than what we have. And this is again to be mindful that when we are reporting these costs, we still do not have the benefit of waste heat recovery system and other cheaper sources of power like many of other peers have. And that is a handicap which we are working to remove as we go.

The freight cost again, for those of you who might be wondering that, when we are choosing business very carefully, how is it that our realization per ton is marginally lower than the preceding quarter? And that's a valid question. But I just want to draw your attention to another fact that realization is one part, second part of the equation also is how far the customer is who's willing to pay me a higher price. And we carefully chose the markets nearby where the freight costs are lower, even when the prices were a little low. So, net of freight, we were still better off selling to these customers. So, as a result of that, if you look at my freight costs, they also have been moderated marginally because of the selection of the markets that we are in. So, that is something that, I am not shying away from the fact that realization look a little low but it has nothing to do with just the pricing. It's also a question of the market mix that we found ideal looking at the realization net of freight.

All the other operating costs have been there, which again, like I said, is a function of partly obviously many of those costs are variable in nature which get reported as other costs. But some of them like I said maintenance costs and advertising costs they have been higher this year over last year same quarter because the timing of these activities last year was quite different from what we have done this year.

Besides let's say being choosy about the business that we accept, our strategy of asking for better pricing for our product, which in our own way, we have been calling it brand repositioning and also, I mentioned that as our effort towards bridging the price gap that we had been handicapped with vis-à-vis the A category brand. So, that effort has been on and we have been gaining further ground there. And obviously topped up by the fact that the gradual success that we were seeking of our premium product which is Strongcrete that's been sort of in a way moving ahead very very encouragingly. And as a result of that the overall profitability I think has been achieved despite the fuel headwinds that all of us are aware about, that I have also spoken about them.

We continue to consolidate and redefine our customer base and also our channel partners. Now we have been very choosy and in fact, while other companies are trying to expand into more and more counters, we are being careful as to where we want our product to be seen. And that is, again an outcome of the strategy that we have to reposition our brand.

We also continue to strengthen our brand presence through more effective and innovative communications. So, many of you would have seen the kind of films that we have released largely on social media, the Good Poetry Project, it surprised how much traction that it is getting to us from everybody who cares for our company and our cement.

So, these are some of the innovative things that we have been doing. We continue most importantly, we continue to strengthen our on ground services, for quick delivery of our product, for product being available wherever the customer needs it to have the stock available easily. And also for the technical support for our customers to follow better construction practices, that also has been strengthened and will keep getting strengthened.

And like I said, branding investments again, in this particular year, given the second wave of COVID and also slow recovery in Q2 in Q3 and even more so in Q4, we have obviously spent a lot more on advertising and sales promotion. So, that also helps but it looks higher as expenses, but it's more of an investment than expenditure.

Okay, so comes now the hygiene questions that I am sure all of you do seek answers to, which I will in a proactive manner, just give you those details. Our total, I would say blended cement as all of you ask in this quarter that actually been nearly 63%, 62.5% - 62.6% in that range of the blended cement sale. Our StrongCrete, during this particular quarter has registered a 64% growth over last year. As I said, that's a huge, huge, huge matter of pride for us, because at the price that we sell, we are happy to see this traction. And today in Q4, the StrongCrete stood at 14% of our B2C sales, our ambition was to do 10% in this quarter. We finished at 14%. Our B2B sale is under 40% a little under 40 and so balance is all our B2C sales.

In the last quarter, the sales mix, again, because there's a question that many of you always ask me, so I am giving you the answer, we sold 53% in West, we sold 37% in South and we have sold 10%, largely in Central India.

The rail dispatches throughout the year have been more and that's been our effort to optimize our freight and logistics cost. So, as a result of that this year in Q4, we have actually dispatched as much as 25% of our material using railways. So, which has also helped us in moderating the inflation impact of the diesel which is hurting everyone.

I think the other question that normally I get asked is the fuel mix for the quarter. So, here's the fuel mix. And one of the things which I missed out which I waited for this point to come up, so that I can give you the full information. Part of the reason why the inflation in our fuel costs is not as high as the most of the industry seems to have seen is, one obviously was the way we were covering our fuel.

We remained very tight; we didn't sort of book expensive fuel well ahead to maintain fuel security. So, maybe fuel security partially, we took a few risks. Fortunately, we never ran out of fuel, whenever we needed, the fuel was there. But there were days when we were very anxious so we kept very close to what the developments in the market was and only booked what was necessary, rather than building stocks, which looked like luxury to get this time.

So, as a result of all those things, and second part of managing fuel costs much better has been our thrust on alternate fuels and that I spoke earlier also but I am repeating, repeating because in this particular quarter, our alternative fuels have been as high as 17%, which I think is very very good number to get to. And obviously, I am not even satisfied even now. And not just as a percentage, I am giving you the number of alternate fuels, we have started consuming, no, alternate fuels include expensive alternate fuels like carbon black, they also include the agro waste, but in our case, we have tried to increase as much as possible the municipal waste, the hazardous waste, the liquid hazardous waste. We also have been started using the RDF refuse-derived fuel so all those things have gone into helping us moderate the fuel cost.

But besides the Q4 number of 17% of AFR, domestic coal has been 51% and petcoke has been 24% and imported coal at about 8%. So, that's the fuel mix for the quarter.

By and large I think that's how the quarter has been and maybe it's time for me to just take a pause, take a sip of water and start waiting for your questions to come and I will answer as we go.

Soumitra Bhattacharyya: Deepak, just touch up on the BRSR and Sustainability journey as well.

Deepak Khetrapal: Thanks Soumitro for reminding me. So, I mean as we keep saying and in the annual reports we have talked about our efforts towards sustainability starting with we despite the small size that we have of just about 5 million tonne at that time, we perhaps were the first or not the first, the smallest company in the world to join something which we call Cement Sustainability Initiative (CSI) which was being run under the aegis of World Business Council for Sustainable Development. So, that's how we are committed towards sustainability.

So, this year, although it is not mandatory for us to issue the BRSR report by the Board. Voluntarily, we have actually prepared the report which has been approved by our Board yesterday and it will reach all of you along with the Annual Report that we send out. So, all the data that needed to be collected has been collected and put in. And we are obviously making commitments towards meeting the SDGs as defined by the UN, and also towards carbon neutrality, which even our Prime Minister recently in one of the international meetings has promised that India will work towards. And India will work towards that based on, I would say, the industry like cement, which are heavy consumers of fossil fuels and heavy consumers of other natural resources.

So, BRSR has been approved by the Board yesterday, it's going into print soon and will reach all of you very very soon. You just need to remember, it was not mandatory for us this year. But we have chosen to do that.

And hopefully very soon based on now all that the data has been collected and has been audited by outside agencies. We are also all set to now issue an ESG report in the next couple of months. So, the work is starting on that. First we needed to have the data, that data enabled us to do the BRSR. And that will enable us to issue a full ESG report also, soon enough.

So, that's, Soumitro thanks for reminding, I think that's an important thing, which I think investors are looking for and so all the data is coming your way along with the Annual Report.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: My question pertains to the fuel mix which you obviously touched upon, could you share how has this changed quarter-on-quarter? And what is your thought process in terms of this high share of green fuel that you have, alternate fuel, which you have been able to achieve, would that 15% plus number seem sustainable in next few quarters?

Deepak Khetrapal: I think the anxiety on what the fuel mix will be in the coming quarter or two or three, has been obviously haunting all of us in the industry. The fuel mix will remain very dynamic. So, there is no forecast that I can give you beyond the fact that maybe as of now, about a month ago, we were running very very low inventories. But as the crisis seems to be not slowing down, and as things keep looking more and more difficult. In the recent times, we have gone ahead and booked a fuel, I think we seem to be well covered right now for fuel availability for at least next eight weeks or thereabouts, maybe a little more. Not in stock, but we have booked and confirmed that that will be available to us.

So, that gives us some bit of visibility only for this quarter. Going forward, as again like I said, it will be dynamic --; you know petcoke becomes more useful or whatever. I think the most operative part of your question, if I understood was the high or higher than industry level means you can say high, and if you ask me, I am not happy with this level also, I will rather have 25% to 30% of alternate fuels. That is a function, Rajesh of also the availability.

If, so wherever for example, around our Chittapur plant, it's very difficult to get agro waste, because just too many power plants are there and not enough agro waste being generated. Whereas Devapur plant has the benefit of being an agrarian area, we get a lot more of that. So, at Chittapur plant we choose to use more of hazardous waste, the municipal waste, the RDF and things like that, there also we are running into a challenge in terms of availability.

So, as of now, we are managing it through a mix of different strategies at both the plants where kilns are there. And the profile of this thing, use is different, but please remember percentage is just one number. It also needs to have more details about what is the fuel, because if I keep using you know this 15%, 17%, 20% of carbon black not gaining as much benefit from it because carbon black has become expensive. And of course there comes agro waste. And then so we are focusing more and more on the AFR which is also cheaper in cost. Some of it's now being delivered to us at negative cost also, especially you know hazardous liquid waste.

Now it's coming to us at a negative cost simply because we have invested money into creating the infrastructure, which can handle this liquid hazardous waste, without that you can't use it, you are putting your own people at risk if you bring that in. So, we invested in that in time, so which should hold us in good stead.

And that's the effort going to be, percentage AFR is only part of the picture. Cost of the AFR is equally important and we remain focused on availability as much as the cost. So, I can't tell you exact number. But the effort would be to stay between 15% and 20% in the coming year.

Rajesh Ravi: So, last two quarter you have been able to achieve that and you are hopeful that at least 15% plus is a comfortable number to work with.

Deepak Khetrapal: That's right and 15% mind you, including some fuel which is coming to us at negative cost also. There is cost that people pay us to burn it, because it's a nuisance for them to handle.

Rajesh Ravi: So, that would significantly curtail your inflationary impact on the main sources.

Deepak Khetrapal: We are absolutely hoping for that.

Rajesh Ravi: And this when you say coal was around, this 52% domestic coal, is it fair to assume all of that would be the linkage coal as ----?

Deepak Khetrapal: Yes, mostly linkage, maybe it's a small quantity here and there to meet some demands we may have bought in open auction, but largely linkage.

Rajesh Ravi: And in this quarter, also, that mix would broadly remain in favor of domestic and some of petcoke. And assuming AFR remains close to around 15% to 20% range.

Deepak Khetrapal: It is unlikely to change dramatically, because given where the plants are located, more or less the preference is very clear where the petcoke is usable where it's not usable.

Rajesh Ravi: And last question on the CAPEX front, now a strong balance sheet, healthy cash flows, what are our thought process on the expansions, you know where are we vis-à-vis our, you know last announced expansion plans?

Deepak Khetrapal: So, I didn't touch that upon in my initial remarks simply because we are on track and as I had mentioned, we are completely on track because as I mentioned, there are various processes, that we have to go through before you --; but we do stay as of now, completely on track to commission the enhanced Brownfield capacity at Devapur and also at the Tiroda power plant of Adanis, the grinding unit that we are going to be setting up in FY25, FY24 both should be up and running.

Rajesh Ravi: Okay. This Devapur is Brownfield, okay, this debottlenecking is over, another Brownfield is what you are looking at in FY24.

Deepak Khetrapal: This is line 4, we have 3 kiln lines here we have already in fact, this is the briefing I thought I gave last quarter also.

Rajesh Ravi: Yes, you had given last quarter.

Deepak Khetrapal: So, we are going to be putting up a kiln of the same size that we have at Chittapur which is a 3 million tonnes capacity as you know. So, kiln will be of the same size, we will add maybe a million, million and a half tons of additional grinding on site at Devapur and 2 million tonnes grinding capacity in Tiroda. So, that stays as it is, there is no change in that, either in terms of timeline or anything else.

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

Amit Murarka: So, like, we have been now seeing so much of cost inflation and while you have managed better than others. But what's the outlook on the cost going into Q1 and Q2, like what kind of increases is expected in power and fuel?

Deepak Khetrapal: Again, Amit, we can only talk about from the perspective of what we have managed to book so far as I mentioned. And those costs over the exit costs of last year they would definitely be higher, that's one question, and but they will be higher, hopefully by low double digits. So, you know 12%, 13% or thereabouts higher than what we saw the exit for the last quarter.

They are definitely on the way up even now there is no relief there. Especially for us because you know, having exhausted all the avenues which are available to us to keep buying more economical fuel, they seem to have been exhausted now. We are just about the optimum mix and if in that mix, the costs go up, the costs straightaway hit us.

Amit Murarka: What I understand is that so far in this quarter there has not been a price hike in your market that is Maharashtra, AP, Telangana, so is the understanding correct and if so, then what is the reason that the hikes are not happening with such a high cost inflation?

Deepak Khetrapal: Well you are right, I mean we need the prices to be higher in the market to recover the ongoing increase in costs, like I said, last year, more or less we managed to recover. Why the prices have not gone up is obviously a matter of one, the demand not being as good as it needs to be. That's always the biggest pressures as the demand supply mismatch gets more intense, typically the prices do become the casualty. So, largest reason is that because the volumes in the market that we operate, especially in the South and Telangana and I have mentioned that we do need some large projects to come back to the markets, the Kaleshwaram Phase-II, the next Phase-of road construction beyond the Bombay/Nagpur having been completed. So, there are other highways in the offing, we are talking about it, but till they come the demand remains quite muted. So, that is the biggest reason.

And like I said when the demand is low, everybody tries to book whatever volume they can book at, whatever price they are getting. We may not do that, but others are more than willing to do it. So, that's the explanation for prices not going up, poor demand and other companies opting to do the business at lower prices.

Amit Murarka: On the expansion if I got you right, you said that Devapur expansion is expected to complete by FY24, is what you said?

Deepak Khetrapal: At the end of FY24, March '24.

Amit Murarka: And even the Tiroda grinding unit?

Deepak Khetrapal: That's right, that should be hopefully available a couple of months ahead of the Brownfield expansion. But in the last quarter of FY24, I think we should be having both.

Amit Murarka: And what is the equipment ordering status at these units?

Deepak Khetrapal: No, right now we are doing the detail engineering and deciding what will be the right this thing, but I have given you the sizing, I have given you, but as of now, no orders have been placed.

Amit Murarka: You mean to say in less than two years or let's say 18 odd months you would be able to do it.

Deepak Khetrapal: Yes, 18 months, see the Brownfield, 15 months should be good enough for us to do a Brownfield expansion. Even if we assume 18, we still have a few months in hand before the orders need to be placed.

Amit Murarka: And lastly, any update on the Rajasthan mines transfer which --?

Deepak Khetrapal: They are imminent, I should hear about a formal approval at the Government level very soon. The file has moved through various stages, like I said, all I can say is just give me a few more days and maybe I can confirm after that. Let's say it's very close to, but till the time the orders come out on the Government machinery, we can't really say that we have it, but in all likelihood we should have the mines back with us very soon, which I said last quarter also but between last quarter and this quarter, our file actually has gone through maybe another five, six 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 the domestic coal availability. So, while our fuel mix have sort of remained like in favor of domestic coal, especially at the Telangana plant, but how in general is the availability of fuel as of now, because there are a lot of reports suggesting shortage of domestic coal for non-priority sectors?

Deepak Khetrapal: There is shortage of domestic coal, there is no denying that fact. And whatever is available, the priority is being given to as we know, to the power sector. So far we had tough six weeks in the financial year. And that's why as I mentioned, we have booked some expensive imported coal to remain at least operative, otherwise we would have run out of fuel. I have already mentioned that and that's why like inflation as I said in cost of fuel would be visible in the first few weeks of this quarter. They have, it's been visible.

But we typically, we also know that as the monsoon sets in early June, slowly gradually the pressures of demand from the domestic power producers start moderating a little bit. So, maybe a few more weeks of difficulty and then I hope the domestic coal availability definitely will improve. It always happens in April/May are always the worst month for domestic coal.

So, it's a cycle that we have lived through for many years. So, hopefully I am still hoping that you know by June these pressure start easing and we can resume the normal, that's why we haven't covered through imported coal too much, it’s just a small, modest quantities, just to remain, to be able to sleep better let me put it that way. But hopefully by June this should get resolved. And like every year it happens.

Prateek Kumar: So, it's nothing extraordinary related to the international coal price hike, which is --; domestic coal?

Deepak Khetrapal: No, extraordinary is to the extent that even linkage coal, they have ways and means of extracting higher price from us. The price is not fixed. They give you linkage that will give you coal, but the price is not frozen. So, there is the catch, so prices do go up, but thankfully not as much as the prices of international coal because end of the day domestic coal linkage has the protection that the same coal is being supplied to other users which are power plants. So, at least that is overall control on domestic coal prices, because if all the power plants in India start using prices at the cost of the imported coal, the country will go bankrupt. Country means we all, starting with the Electricity Board and NTPCs everybody will just have to stop.

So, there is some safety mechanism in the linkage coal which when the supply is low. So, today they are under obligation. They are supposed to supply us 90% of linkage coal. Now, we have a letter from our coal supplier which is Singareni Collieries saying what has happened now, because the Central Government orders, they are actually invoking force majeure, saying we can't give you 90% of the linkage coal because there is a force majeure in the form of the Central Government Directives, which is where when you start running saying okay, can I buy some imported coal because these guys will not give you the linkage coal.

So, these are the other nuances of having a linkage and still not being able to get the domestic coal because somebody invokes a force majeure what do you do? And fortunately unfortunately the agreements, the FSAs that get signed, they very clearly mentioned that any change of rules or directives by the Central Government will be considered force majeure. It's complex, it's a lot more complex than perhaps seems in discussion.

Prateek Kumar: Last quarter, we had a discussion on the result and there is some new capacities which have come up in Maharashtra market which is your core market. anything you can push on these capacities which has also hampered pricing for your market? And how is the incumbents in Maharashtra a sort of, I mean responding to that?

Deepak Khetrapal: Well responding to that in the way, in the only way each company thinks fit. We in our case, as I mentioned because of the replacement cost of coal, we said we will not sell OPC in many markets in Maharashtra because those markets are far off, we said we will not sell it. Well in that the new competitors who put up capacity they get an opportunity to sell, because we are refusing to sell.

So, other competitors, other incumbents may not be taking that tough a call, and they may still be willing to supply. So, prices obviously become a casualty as you know when the demand is not growing, but the supply is growing. And it always takes a few quarters for the entire thing to settle down. Right now it's hurting a lot more because of the volatility in the fuel costs. Otherwise I mean we are used to it, wherever new capacity comes it takes a little bit of you know, tug of war, and finally it does settles down. But the anxiety this year is a lot higher because of the very high fuel costs.

So, how will this new competitors afford to sell something like OPC because none of them has clinker production with them, they are all grinding units. And to put up a grinding unit at a far off distance and then having to sell more of OPC, it doesn't augur well for the new capital investment that's been made. It’s a difficult time so there is no clear answers on that. Yes, there is heightened competition. Yes, heightened cost. How are we responding? We are saying I am better off giving you the volume right now till my coal prices become okay. When the coal prices are better even I may have to join the queue and say okay, fine, I am willing to supply you to at prices which are lower, but I should be able to afford that.

Moderator: Thank you. The next question is from the line of the Dipen Sheth from Buoyant Capital. Please go ahead.

Dipen Sheth: I don't take away anything from the fact that you have fought back very well in the face of terrible rises in energy, power and fuel costs. But there is another part of your cost breakup which is interesting and which I can't figure out, which is that how have you managed to put a cap on material costs and employee costs. So, sequentially of course, there is a huge drop in employee costs, I believe there was some kind of one-off last quarter. And I am not sure but cost of materials would also include the royalty out goes on limestone and all of that.

Deepak Khetrapal: Of course, costs of material does include all of that, absolutely. On the employee costs look it is like this, end of the year is normally the balancing quarter for the year in terms of costs. So, throughout the year, we make some provisions expecting the payouts to happen. That's one part of the story because obviously, when variable pays this that are there so there are obviously internal budget that we have. So, first two quarters, if you recall, the performance was much better than second half. And that made us hopeful that the full year would like that to start over providing for variable payouts, based on performance.

Dipen Sheth: Some of that got reversed.

Deepak Khetrapal: And some of them did get reversed. And partly also what's happening is that, with some of the, I would say attrition, which is part of life today, largely we are able to replace those people with talent that we have developed in-house. And those replacements which happen from in-house talent always worked out a lot more cost effective than hiring somebody from outside.

Dipen Sheth: So, that would have been my next question, because even on a full year on full year basis, your employee costs are capped at Rs. 152 crores, aren't you afraid to lose talent? But you have given me a very good counter to that, and it's very credible. So, in-house talent is growing up into good talent --

Deepak Khetrapa: Absolutely. And that is our biggest strength and you will see in the next few quarters also some major changes will happen with the people, you know, achieving their superannuation and all, all of that will be managed through in-house talent.

Dipen Sheth: And raw material costs, even on a full year look absurdly low, if you ask me. And there is some solid fight back there as well. I can't understand how you can exercise any discretionary control over raw material costs?

Deepak Khetrapal: No, it's not, it's just by, I would say becoming, you are calling it cost management of raw material, I call it being sustainable. The entire company is focused on efficiencies, because every improvement in efficiency directly reduces the consumption of non-renewable resources on this earth. And that's the philosophy, that's what Soumitro reminded me earlier that we live in that philosophy day-in and day-out, and I didn't talk about it.

So, it's just whenever there is pressures the whole company responds to and it's not coming from me, it's every person including our workmen sitting at the plant, they are conscious of what we are doing in terms of consuming natural resources and how we can sort of work to improve on that. In those things, there is no one sudden brainwave to manage these costs, this is a system developed over a long period of time.

Dipen Sheth: So, I will keep my regard and my deep respect for your organization's capabilities on the side, but end of the day, on the raw material side, what are you doing? You are cutting limestone and crushing it? I mean, how much more efficient can you get at it, give me an example --?

Deepak Khetrapal: Raw material is not just the limestone, you know. Raw material I think the biggest thing, which is over previous year, since you are asking for it, let me call it out. Last year, we had suffered a huge amount of dislocation in terms of fly ash supply in certain months. And that fly ash came far more expensive because it came from 600 kilometers away, which we didn't have to do this year, because we managed to find new resources closer to our place.

So, these are the responses and while you suffer a crisis in one year, you somehow try to avoid that in the next year. So, limestone is one part, but don't forget significant amount of cost is going into my fly ash, which is a major raw material. And some of the raw materials that we use, we have managed to substitute those expensive minerals by things which were less expensive, for which we had to tweak our what we call the raw material mix now that is a management --

So, that's the management call that we keep taking, say if one particular grade of laterite is becoming more expensive. Now we say, can we use a cheaper one without impacting the quality of the clinker and then we work to tweak the raw material mix again.

Moderator: Thank you. The next question is from the line of Uttam from Axis Securities. Please go ahead.

Uttam: My question pertains to CAPEX, since we are expanding our capacity and there will be around Rs. 2,000 crores we will be spending on these expansions. So, how we are going to do CAPEX for the same in FY24; FY23 and FY24? And how debt will look like in the next two years?

Deepak Khetrapal: As per the, let's say visibility that we have as of now, the CAPEX on the expansion projects this year should be in the region of Rs. 700 crores to Rs. 750 crores that's our expectation to be able to spend to have the capacities available by the end of the next financial year. And balance of that will naturally happen in FY24.

Uttam: What kind of debt we will be looking at peaking at, because even in next FY23/FY24, even if you do around Rs. 1,000 crores of operating cash flow, even we will be looking to take some debt for the expansion. So, what is your take on that?

Deepak Khetrapal: My simple take is it's a function of first priority will be to use our cash flows to fund it to the extent possible. And only after that decide on how much debt I need to bring in. There is no thought as of now to bring in any equity. So, it will be largely the internal cash flows, it will be must be, now the loan repayment liability as you know is fairly modest, after that all the cash flows that come in will be invested in the new projects. Our indications as of now that in the current year we may not have to borrow much for the project, I mean a small amount of Rs. 100 crore to Rs. 200 crores if we need it, we may go for it. And even by the end of financial year (FY24), I think total debt should be Rs. 1,000 crores, Rs. 1,100 crores, Soumitro are you confirming that with me.

Soumitro Bhattacharya: About Rs. 1,000 crores to Rs. 1,100 crores --

Deepak Khetrapal: That would be in FY24.

Uttam: FY24, ok. What is the current update on the 10 MW WHRS plant?

Deepak Khetrapal: It's under construction.

Uttam: And when it will commission?

Deepak Khetrapal: Plan to commission it by the end of this financial year.

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: On the balance sheet again, just wanted to, what would be the total CAPEX that need to be spent on these two projects that you are looking at, Maharashtra and Telangana. And what would, peak debt number you are looking at if you could, you know --?

Deepak Khetrapal: Total CAPEX, we said for the expansion will be ballpark Rs. 2,000 crores out of which the debt which hopefully we will not need to raise it this year, but by next year it will be about Rs. 1,100 crores for the first phase. When we get into a second phase, which is either Rajasthan or Chittapur expansion, that time we will, but FY24 it doesn't seem that we will need debt more than this.

Rajesh Ravi: And the current debt, how much payout would be, how much need to be reduced, or we are expecting to reduce, you will be borrowing incrementally Rs. 1100 crores. But you may be retiring off the existing debt also?

Deepak Khetrapal: Rajesh, you help me just improve the price of cement a little bit, I would want to pay the entire thing in two quarter.

Moderator: Thank you. We will take the next question from the line of Navin Sahadeo from Edelweiss. Please go ahead.

Navin Sahadeo: Just one question, if I may and more on the strategy front. Since the Rajasthan mines are likely to be like coming back to us anytime soon. I just wanted to get some understanding that will we be going for some CAPEX there immediately? Or is there a possibility of getting an extension to the fact that by March ‘24, these mines have to be operational, some color will be really helpful?

Deepak Khetrapal: So, Navin, I don't think it's news to anyone that as of now we have not bought any land in Rajasthan. So, the first thing we will start doing, is to start acquiring land, the moment they confirm the lease back on us. I mean, I need that lease LOI to be released to us, before I start buying land, because land in that area is not with us. The only CAPEX which will happen in the next year, year and a half at least, maybe a full two years, only to acquire the land. And you know, land acquisition is a very small part of the total sum in project cost.

And if I have enough, and the follow-up question, I know I have been asked earlier in the previous meet, so I can clarify that. If we manage to get enough land to start putting up the project, then we will perhaps take Rajasthan new project as a priority over Chittapur expansion. Because Rajasthan is a market in which certainly we want to get into as soon as possible.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Krupal Maniar for closing comments.

Krupal Maniar: On behalf of ICICI Securities, I would like to thank the management of Orient Cement for providing us this opportunity to host the call. And thanks all participants for joining the call. Thank you very much. You may now conclude the call.

Moderator: Thank you. Ladies and gentlemen on behalf of ICICI Securities Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.