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13th August, 2024

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001 **Scrip Code: 500335**	National Stock Exchange of India Ltd. 'Exchange Plaza', C-1, Block G, Bandra-Kurla Complex, Bandra (East) Mumbai- 400 051 **Scrip Symbol: BIRLACORPN**

Dear Sir(s),

Sub: **Transcript of the investors/analyst earnings conference call on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended 30th June, 2024**

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the investors/analyst earnings conference call held on 9th August, 2024 at 2.00 P.M. (IST) on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended 30th June, 2024. The event concluded at 3.00 P.M. (IST) on 9th August, 2024.

A copy of the same is also available on the Company's website at https://birlacorporation.com/earnings-call-transcript.html.

This is for your information and record.

Thanking you,

Yours faithfully,
For **BIRLA CORPORATION LIMITED**

MANOJ MEHTA
Digitally signed by MANOJ MEHTA
Date: 2024.08.13 17:54:16 +05'30'

(MANOJ KUMAR MEHTA)
Company Secretary & Legal Head

“Birla Corporation Q1 FY25 Earnings Conference Call”

August 09, 2024

MANAGEMENT: MR. SANDIP GHOSE – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, BIRLA CORPORATION LIMITED
MR. ADITYA SARAOGI – GROUP CHIEF FINANCIAL OFFICER, BIRLA CORPORATION LIMITED
MR. RAJAT PRUSTY – CHIEF OF MANUFACTURING & PROJECTS, BIRLA CORPORATION LIMITED
MR. KALIDAS PRAMANIK – CHIEF MARKETING OFFICER, BIRLA CORPORATION LIMITED
MR. ARUN AGARWAL – GROUP CONTROLLER AND CHIEF FINANCIAL OFFICER, RCCPL PRIVATE LIMITED

MODERATOR: MR. RAJESH KUMAR RAVI – HDFC SECURITIES

Moderator: Ladies and gentlemen, good day and welcome to the Birla Corporation Q1FY25 Earnings Conference Call hosted by HDFC Securities.

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

I now hand the conference over to Mr. Rajesh Kumar Ravi from HDFC Securities. Thank you. And over to you.

Rajesh Kumar Ravi: Good afternoon, everyone. On behalf of HDFC Securities, we welcome you all to Q1 FY'25 Earnings Call of Birla Corporation.

From the management side, we have Mr. Sandip Ghose – M.D. and CEO and Mr. Aditya Saraogi – Group CFO.

I will now hand over the call to the "Management for the Opening Remarks," which will be followed by "Q&A." Over to you, Sandip, sir.

Sandip Ghose: A very good afternoon to everyone. Thank you so much for joining this call.

I see a very large attendance already and it's encouraging that there is so much interest in the results of Birla Corporation support we have been receiving from all of you.

I have with me as mentioned Mr. Aditya Saraogi – our CFO, I have Mr. Rajat Prusty, who is our Chief Manufacturing and Projects Officer, we have, Mr. Kalidas Pramanik, who is our Chief Marketing Officer, and we also have Mr. Arun Agarwal, who is the CFO for our Reliance Cement business, the RCCPL.

Now, you have a lot of queries I have been receiving some of them since our press release last evening. So, I will keep our presentation short and give more time for all of you to clarify whatever doubts/queries you have, and we will try our best to answer those. But, as a preamble, I will address a few issues on which I have already received questions, and I think they are a special area of interest for all of you. And subsequently, when we open up for questions, if your answers on those issues have been met, I would request you to avoid repetition and move on to additional topic and we would be very open to answering whatever clarifying, whatever doubts or whatever queries you have.

So, to begin with, I know, many of you from your consensus estimates as well as your own brokerage house estimates, the results which we have declared this quarter may have fallen below your expectation, particularly seen in the light of the last quarter of previous year and overall our exit rates on various counts, including our EBITDA per ton.

And one repeated query I have been receiving is on realization, why our realization dropped has been probably higher than expected with some peer group companies you have been comparing with.

Though, if you really look at also some of your colleagues have shared with me comparative companies who operate in similar geographies, in that if we were to compare that I don't see where I'm being very high. But be that as it may, I would like to state what is our position on the matter.

First of all, when you look at realization, you shouldn't look at it in an absolute term because the previous period and current period are not always comparable if you were to look at the market wise mix and in our case the market wise mix has changed considerably, it's a weighted average of the various regions. And so, in our case, the weighted average of the market wise composition has changed considerably due to the addition of Mukutban where we have had not only the maximum capacity utilization but also ramp up. So, much of the volume growth which you have seen for us has come from Mukutban and that will change our overall mix in the realization. But that's one aspect. I will dwell on that later on, because I would like to discuss with you our views of how the realization of the markets has moved in each of our addressable markets of our relevant markets.

But overall, what I would like to add, everybody has spoken of and what is there all of you in your commentaries have spoken about two factors which affected Q1 of this year. One was the elections and secondly, the extended heat wave which resulted in non-availability of workers, a lot of workers also went home for the voting and the rest of it which affected the market.

But a third element which for some reason everybody has not spoken of is the pricing behavior of the leaders? Especially the volumes we have seen in June, we don't think that kind of a softening of prices or aggression and pricing was really warranted or called for and that was something I don't think many of us factored in and there are reasons for it, which we can only conjecture. One is because of the consolidation in the market. People were wary about losing market share. So, there was a defensive pricing strategy. Nobody wanted to yield market share to their other larger competitors. So, they tried to hold on and therefore they were less I think bullish on pricing and not only less bullish on pricing, the price situation diluted, and I will dwell on that also a little bit more.

But more importantly, due to lower capacity utilization in the units, many new units have come up and all those units which have come up, the newer units are all incentivized. Because there the grinding units, they have incentives in the key market. And so, there was a double benefit which many enjoyed, one was the lower input cost, and on top of that, the benefit of the incentive which came, and so the more they ramped up, the grinding units etc., they had a bigger cushion. These two things probably facilitated a soft pricing strategy, especially by the leaders and some of the bigger new entrants and this was particularly relevant for some of our core market areas, which primarily I would say first of all which is of great importance to us is Central India, which is UP and Madhya Pradesh.

UP had another factor. UP, if you see in every way whether it's in terms of volume growth or whether in terms of pricing, all if you have the statistics if you see the pricing, the pattern of UP for almost two years, till I would say the third quarter of the previous fiscal, UP pricing held on and in fact there was marginal increase from time-to-time, but certainly there was no slide down. But UP, the scenario changed during and post elections and UP therefore you will see a lot of dilution of prices in the UP region and consequently also parts of Madhya Pradesh. And this is a phenomena which I said affected people like us, because we operate in this area with practically at 100% capacity utilization.

So, our strategy here was, we certainly didn't want to dilute our price positioning, we tried to hold on to our price positioning and in our price positioning something we have worked and built upon over the years is our entire premium brand positioning which was there. So, we were very clear that we don't want to lose either market share or dilute our price position.

To our surprise, we saw some market leaders who were at one point in time enjoying almost Rs.20 or Rs.30 premium even within the A-Category other players are, today, their pricing levels have come down, they've actually wiped out their entire premium and they're operating at a much lower premium.

And secondly, another very interesting a new phenomena which we saw, though there were a lot of talks a year back about people withdrawing all price equalization discount or RTs from the thing, if you go back to these markets, some of you who do channel checks, you will find that the PE and the RT levels have actually not only shot up, but it has shot up very, very exponentially. By our estimate, in some places, markets operate in our relevant geographies to Rs.30 to Rs.40 PE, which has resulted in the WSP position that the wholesale price position significantly coming down, whereas retail doesn't fall in the same way. So, the margin between WSP and retail has gone up and that has caused certain aberrations in the market because also the dealers their investment gets stuck in the market because what they pay for and then subsequently what they receive back in PE and RD, which is up to a lag, requires greater investments. So, these have caused certain distortions in the market. So, this is just in terms of background.

So, what's relevant is what has been our strategy. Our strategy, as we mentioned to you, was first of all, we are very clear that we do not want to dilute our price and our brand positioning. We as a company have believed always that investment in cement, contrary to popular belief, counterintuitively, it doesn't mean investment, only in plant and machinery or setting up new units, investment also what you make investment in the go-to-market assets which includes logistics, your entire distribution network channel, therefore, and then finally, obviously your brand pull, for us that is equally important. And we have invested in this consciously in the last 7-8 years which you are aware from being primarily a Birla Corporation which is to operate at a B-Minus or a lower thing, today, we operate with more than 55% of our trade volumes in the premium category and I can say with some degree of pride, as I told you, if you today go into the retail segment in some of our key markets, you will find us to be at par or in some cases maybe slightly higher than some of the market leaders. So, we think this strategy has paid off for us. Equally, if I were to look at, if you see Mukutban, where we have been an entrant in just about a year back, even today, we are selling more than 40% of our volumes in the premium category despite being a new entrant and our ramping up there has been also some of you would see in terms of the percentages what we have ramped up. It has been much higher than that too within the premium category in the trade channel. And even during this period, we have succeeded in further ramping up Mukutban. That's why we have a 91% weighted average capacity utilization and also maintain prices there. So, we would continue. As a strategy, we have done it now. We will continue to maintain our brand strategy and invest in the market because we do believe that this market situation is temporary, it is not going to last forever. There will be sanity prevailing and market correction, and at that point in time we don't want to be relegated to a lower pricing point and we will therefore continue to do that.

Secondly, what we have done is our geo-mix optimization. When we talk of geo-mix, we don't talk of it in the larger context, we talk about within our core markets. So, our core market for example is Eastern UP. So, we would like to focus there, defend our market and grow there. That's why our investment is now coming up in Kundanganj, which is going to start operation early next fiscal and then also we will also get the advantage of the incentives in the new plant, which is now the old Kundanganj plants have the incentive has stopped, but we will get it and that will increase our competitiveness. And again, therefore when we get back there, we do not want to dilute our price positioning. So, our focus on strategy will remain.

Secondly, what we are trying to do, we try to also expand our footprint position in the secondary markets which are there for us. So, Mukutban, we have tried to increase our footprint. As we increase our footprint from Mukutban since our plant is located in Vidarbha, we will see some amount of dilution also in realization further we go.

And the same thing with Bihar is the market which has been growing on volume, there also we have been consciously working on our brand strategy to upgrade our volumes, get more quality volumes over there, more premium volumes, that will also affect. And Bihar again is a market where prices as you know in Eastern India were very, very depressed and there we have lost on realization. So, I'm giving you granular detail of regions so that will give you a picture.

But honestly where we have been hurt most is in Rajasthan. Rajasthan, we have been hurt because you know the price levels crashed, people have been discounting heavily, but there was a salvation for everybody in Gujarat. Until the previous quarter, Gujarat was doing extremely well, Gujarat pricing was higher. So, a lot of other companies also, you will see a lot of their profitability was coming from Gujarat, but in the last quarter, Gujarat tanked. And Gujarat having tanked for a company, like ours, which has got a high cost of production, that's no secret, everybody knows, we have been rendered uncompetitive in many places, including there's been a huge shift because of capacity utilization, people have shifted to non-trade, that's institutional sales and OPC and we found ourselves to be quite outpriced in many cases, in some cases, we had to actually choose not to compete. And it's been crazy out there. Our customers within 50 Kms of our plant, we found our prices were undercut. So, we have lost a chunk of our volumes and the realization in our Chanderia plant, Chanderia plant again is where we do not have a very high component of premium products, and we have got just about 25% of our product sales at the premium. And while we have held on to that volume or improved that volume marginally, certainly our popular product, Chetak has been quite hurt and as I mentioned again our realizations growth that has a higher component of OPC and institutional, we have lost there as well.

So, it's a combination of all these factors which if you see brought down, it is not that any places where there is a dilution which is overall reduced our realization. We are conscious of this situation of what has happened. But we have decided consciously also to ride this through because we genuinely believe, as I repeated earlier, a situation stabilize as equilibrium sets in, there is greater sanity, markets have to improve with the demand, when the demand improves, pricing will improve and at that point in time we want to be in our position of strength, because once again a reality for us we know that we are not going to add very major capacity going forward in the next two years till '27 when our plan is to go to 25 million tons. So, during this period, our objective is that we will play at the position where we have chosen, not dilute, not get relegated to back to A-Minus or B-Category player, we want to continue in this thing in whatever we sell. Our company's vision is that we may not be the biggest, but we want to be the best-in-class that is something which we say and that is what we want to practice.

So, hopefully this has given you some broad overview on the marketing and the pricing front and we will take on the other elements. Subsequently, my colleagues will talk.

Only two other things we like to continue to add are like everybody else our investments in terms of cost reduction have happened. Some of you have even commented in your commentary about the reduction of operating costs, which we have reported. I recall reading somebody said that that's the only silver lining they have seen in the results, but it's not a surprise, we have been doing this, we have been doing an excellent work on “Project Shikhar,” we have been doing great work on “Project Unnati,” which is a lot of it is related to logistics improvement. While those are happening and so as renewable energy thrust, our own captive coal mines on which we will deal, I mean the progress of it in a bit we will talk about that as well. So, while those will do, there are many more strategic other things in anvil and pipeline which we will talk about it in due course. Some of them are, we cannot talk about it now which will happen and so our thrust on cost will remain.

Equally, we will try to tactically increase, as I said, our geographic footprint. So, we have plans which was discussed many quarters ago and some of you may not recall, we had plans in setting up a grinding unit in Bihar in Gaya, which for a variety of reasons was earlier put on shall we say on a slightly slow track, but now it's back on fast track. Bihar situation has improved, the new government is very, very receptive to investment, they've become proactive. So, we are almost completing our land acquisition there. There are a couple of other grinding units or extension we have a plan on which we should be in a position to talk to you by the next quarterly call. So, those things will go on. So, that is business as usual. There is no letup in focus. That will happen. So, this is the mix of strategy on which we are going.

At the moment, we are not really doing any crystal ball gazing beyond what is there in public domain from all of you in terms of how the market will behave going forward. Everybody is projecting that, okay, if GDP growth is 7% the year we are supposed to end cement also in 6% or 7%, how that will pan out? Things can go in various directions, post a good monsoon with a lag, there can be a great demand surge, but to get to 6% to 7%, one will need a hockey stick effects in the second-half. So, we will hold our horses for talking about those things till there is greater visibility in the current scenario, economic, political as well as industry scenario. So, we are not really sticking our neck out to say too much about it.

So, with that, I'm opening the call for questions. And as I said, we will try our best to answer your queries let's not repeat things which we have already addressed, anything more, please feel free to come across. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, two questions. So, one is on the volume front. So, last time we said 8% to 10% growth that we are looking at in FY25, so already 0.7% decline this quarter. If you also can share what was the Mukutban volume in this quarter and for full year, how much we are looking at? So, what's the revised guidance on the volume growth front? And second is on profitability. Last time we had talked about 8% to 10% growth on EBITDA per ton. So, that goes to Rs.880-odd per ton, but given the 603 EBITDA per ton, the ask rate is now significantly higher 950, 970 and given the pricing pressure is already there and we are saying so even second quarter it is also muted than the second-half we need a significant close to Rs.1,200 kind of EBITDA per ton if we want to have Rs.80. So, what's the revised guidance on volume and EBITDA per ton?

Sandip Ghose: As I mentioned, we are not giving any guidance just now because the market is very, very nebulous situation. So, I think it would be imprudent for us not just from our side, but even from a market standpoint to stick out and mention any numbers. So, we would go by what all of you are predicting in terms of the market growth. As I just said, that people are talking about a 6-7% volume growth.

But if the market grows that way, we have that much cushion and headroom because especially of our Mukutban upside as well as we have got upside in Chanderia and then even in our existing units, we have got upside. So, we don't see a problem if the market picks up to be at par or slightly ahead of the market over there. In terms of profitability, again, we would not comment just now. We would of course have our ambitions. What we have stated, we will still try to do that, but we will not either revise or give firm guidance at this juncture. Mukutban question you asked, we have done 5.93 KT in the last quarter, which given the market conditions and the usual dip one sees, we are personally very happy with that number and especially since the number has come a large amount from premium and a lot of it has come from the core of our approximate area of the plant and that gives us and we have been in our strategy, we have been focusing more on blended cement even that has been kept. Though we are open to revising some of the product mix that the market so demands, so far we have been on track and strategies. We will leave it at that.

Shravan Shah: The last one is just wanted a lead distance for this 1Q and what was the CAPEX in Q1 and for full year how much we are looking at?

Management: The lead distance as around 350 Kms. We are maintaining our guidance for CAPEX for this year, it may be slightly less, but we are maintaining our guidance on that.

Sandip Ghose: Again, on lead, I'd like to clarify. We are not making a granular to compare our lead with our older markets and newer markets, obviously because of Mukutban where we are trying to increase our reach and footprint, there will be some increase of lead there which might compensate for the reductions which we are achieving in other areas for our geo-mix optimization. So, we are doing a lot of optimization elsewhere so that our overall lead doesn't change, but we could have probably dropped it further if we just looked at our existing units, but Mukutban is going to add some more lead distance to our overall weighted average lead.

Shravan Shah: From 20 to 25, 1.4 Kundanganj, 1.4 Prayagraj, how much we are planning to add, and if the timeline possible when that all these plants will come up?

Sandip Ghose: Whatever we have said about the expansion that is contained in our declaration. We are not going to make any more specific comments on actual thing because that will be contrary to our disclosures. We should move away. Not anymore supplementary on that.

Moderator: The next question is from the line of Jyoti Gupta from Nirmal Bang. Please go ahead.

Jyoti Gupta: My question is, while you are saying that the trade mix has actually improved by 59% of the total sales, so one is what is the breakup of trade inventory? Second is if it has increased, then why has it actually impacted or why has it not stabilized the realization? Third is, could you provide us numbers on the regional mix in terms of north, south and what has been the shift in terms of the ratio mix?

Sandip Ghose: See first of all, as I said, our trade channel, we have tried to maintain, trade has not increased in this quarter because we have talked about premium in 59, trade we have kept it same as previous quarters because in fact there's just 1% decline you might say marginally and that's because how the market has behaved. As we said that a lot of people because of lower capacity utilization, they have been focusing more on OPC, etc., and the general markets we have not increased trade in terms of percentage. Premium, We have increased from 55% to 59% but again, Jyoti, you have to keep in mind that weighted average thing. So, while I'm selling more premium say in Maharashtra now as a total component, my Maharashtra. Premium prices are obviously lower than what I get in UP. So, you are not going to get in the weighted average. That's sort of an impact. So, you have to look at the entire in totality how my… So, therefore what I say is when you are comparing realization for us, YoY or even QoQ our thing is not like-to-like because it is not in the same markets where we are expanding.

Jyoti Gupta: My next question is, I understand that a lot of companies which have put up new plants are actually running it by the new lines and therefore there's been a significant improvement that they are able to show in their EBITDA per ton. But I thought we will see some incentive gains or some improvement, something coming from Mukutban because for me this decline in EBITDA per ton is pretty significant. I am not able to understand why such a steep decline even constrain the way the Birla Corp. is actually operating in the last three, four quarters?

Sandip Ghose: I tried to explain that, Jyoti, in fair amount of detail. Again, repeating it is a weighted average of things. All regions have not moved. I told you about UP, which is a –

Jyoti Gupta: Can you share regional mix numbers, is it possible to do that?

Sandip Ghose: I will come to that, but first of all, let me answer your first question obviously on incentive. Yes, Mukutban incentive we have booked this time, and it is in line with whatever guidance we have given. But, at the same time Kundanganj incentive has gone out of the system. So, it doesn't fully compensate for what Kundanganj was, Kundanganj you will understand is a plant which produce over 2 million tons and just about the same thing is coming about in Mukutban, we are around the same level, but at the lower price level, at a lower therefore GST level, so obviously the incentive levels will not be the same. And in terms of regional sales, we have given you broad indications. I think giving specific ones will be correct on our part because we have not declared that in the results we don't give. But you know broadly how we operate, unlike I was seeing some other companies just there have given their state wise percentages, we don't declare it in that manner either annually or here. So, I wouldn't get into those specifics, but people have a broad idea because of our plants, our location in the plants, etc., what is our broad pattern across regions, and I have also given away to you what is my Mukutban volumes. So, obviously you can do very simple back-of-the-envelope calculation to get them.

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

M Bhadang: Sir, a couple of questions. So, my question is on the industry prices. And as you said that industry leaders are actually keeping the pricing lower in the markets, where do you see the revival coming -- is it only because demand has been weak now and after demand recovers it will come back or do you think that it can sustain that weakness can sustain for a longer term?

Sandip Ghose: See, I can't read other people's minds, and the leaders are far too big people for somebody of our size to try and read and predict their mind. So, as I said, we were wrong in terms of our forms in admitting what we expected that kind of behavior in the first quarter. I repeat that we don't think the kind of volume change or drop and if you see the kind of volumes especially people have done in the month of June, warranted this kind of price correction. So, it is difficult for me to predict how the competitive scenario will pan out, because as you see every second day, there is some new announcement happening in the industry. We are price takers. We will have to plan our strategy as per how the market goes. We are smaller players. We have no illusions about that and so we will have to protect our turf, protect our thing and we will do what we can. We are not going into acquisitions as I said. So, therefore our lot of investment has been in brands. So, that is where our assets lie. Not just brand, it's the entire go-to-market distribution assets, which is our people on the ground, the feet-on-the street which we have got, the investments we have made in software for customer relations and logistics, we are continuing to make things, we're in our ILMS system, all of that we are doing and we can't just fritter it away and getting into our pricing game with the big brothers.

M Bhadang: Secondly, was on CAPEX. So, you have maintained the CAPEX of I think 800 crores for this year. So, I just wanted to understand the timelines for the two units that we are planning, when they would be operational, so when actually should we take the additional capacity in our number?

Sandip Ghose: We have mentioned Kundanganj. Bihar, I said that is in the pipeline, but we are not giving any firm dates anything for it because we have to make a formal announcement on that. And overall, we have said that 25 million tons by 2027 we stand by that.

Moderator: The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Sir, can you give me the current maturities for the year? And about the NCD issuance, what are the rationales going ahead and what kind of cost of fund are we looking to price the issue?

Aditya Saraogi: NCD is just an enabling resolution. In case the terms are more competitive then only we will go for the NCD. I mean, we are flexible, whether it is the NCD and today we are not under any kind of obligation for the point SEBI regulation also. As I mentioned it is just an enabling resolution and if you find the terms of NCD to be more competitive, then we will go for it. Our average cost of borrowing price is 7.9% and any price following that we understand, is also expected to be south of 8%. And in terms of the size maturity this year, it is 375 crores including 135 crores of NCD.

Saket Kapoor: What are the receivable dues from the government incentives?

Aditya Saraogi: Other than West Bengal, it is about 500 crores.

Saket Kapoor: And last year, how much we have received? I just wanted to understand what are the receivable general inflow from the incentive that we get?

Aditya Saraogi: That you can't project that because last year we did not get any amount from the UP government where most of our incentive is receivable from UP government where this year we're expecting a large amount to be received from UP government.

Sandip Ghose: It doesn't happen in a pro rata basis how government works.

Aditya Saraogi: There were some procedural issue which have got resolved. Rest of the amount we expect to receive from..

Sandip Ghose: Government's budget, everything else, so that's not in our hands, we can't really predict that.

Saket Kapoor: As of now, you mentioned 500 crores as the closing receivable balance?

Sandip Ghose: Yes, right.

Aditya Saraogi: Other than West Bengal.

Saket Kapoor: So, that is from the state of. UP only, the 500 crores?

Aditya Saraogi: See, small part of maybe 40-odd crores from MP…

Sandip Ghose: And then we will have Maharashtra also adding up now 21.

Saket Kapoor: This is exit of June. Also, we have been witnessing the correction in cement prices or the realizations are down. Can you give some more color, 5% to 6% for further correction we have seen as you were alluding that these prices are not commensurate for the market, but even exit of June, can you give some color on the same?

Sandip Ghose: So, you are saying the change from exit of June to now. I don't think it's a 5% to 6% change. In the market everybody, half of us will close down.

Saket Kapoor: But can you give some color, sir, how the market is behaving since this is a monsoon quarter?

Sandip Ghose: Market has definitely weakened, it's different in different regions, but there is no change in behavior, we have seen people. So, the variation between some areas is 3%, 4%-odd that's the kind of.

Saket Kapoor: And two small points. Firstly on the coal addition that will be self-mining activity. How are those going to improve?

Sandip Ghose: Just to clarify or recall. As I said, it's a range. If you see our impact, we look at it between 1.5% to 2%. As I told you, some areas could be more where there is a slide and then you see the composite between trade and non-trade and all of that. But it's not 5% across the board. I would like to reiterate that.

Saket Kapoor: Sir, I was taking some additional information about the availability of other coal that we should be mining. What is the status of the additional coal volume and when will that kick in and other efficiency steps also which are in the anvil that will further lower our variable cost? And last point is on the Supreme Court ruling on allowing states to imposing them more power on for other states also on the minerals from the land. So, the limestones also fall under that. So, what's the thought process of the management on the same, sir?

Sandip Ghose: Last one, I would react that we can't be again conjecturing what the government is. There are several governments with different kind of stakes in minerals. So, how they are going to do and that will be an industry-wide effect. So, we don't see that being specific to us over there. So, that is not something which is we would like to comment just now. And on the coal –

Management: As indicated earlier, we expect Bikram ~~it~~ to be operational by the end of this year. So, we will see the production really will come from next year. And the other one Marki Barka, we have indicated that we expected to commence in FY27 so that is what we are expecting right now. And apart from that, as Mr. Ghose indicated in his initial opening remarks, across the board, whether it is manufacturing, whether it is sales, marketing, logistics, across the board there are multiple programs which have been undertaken for cost rationalization. So, basically there is no particular area or no particular scheme. There are multiple numerous scheme on which work is going on.

Sandip Ghose: Two major initiatives we have always indicated is Project Shikhar and Project Unnati. Unnati is to do with the go-to-market side, Project Shikhar is the supply chain and actually manufacturing plant costs and overheads.

Management: So, first, cost reduction you will see on a continuous basis, and you will find cost improvement.

Sandip Ghose: And also, renewable energy, etc., which will go on by AFR renewable energy, all that is part of them, some of them are part of our CAPEX and the rest of it that continue. As I said, we are absolutely focused, while we don't see a huge difference between us and somebody else doing, but we are not going to lag behind others either.

Saket Kapoor: Thank you for all the answers and also do provide us some comments on the jute division. You did not allude to the fact that jute being a small part also, but this time I think there were some extraordinary factors that resulted into poor numbers. So, if you could just enlighten us on -?

Sandip Ghose: We have mentioned that Saket, in fair amount of detail in the press release. You live Calcutta and you know the jute industry is in the doldrums. There are statements in Bain including by Mr. Irfan Pathan, who has given a statement. So, right now jute is in totally top seater we think. Good for us is that we are not totally dependent on government order. We have a large chunk of our private orders as well as we have an export business. That's why while many units have shut down just now, there are big plants which have declared shut down for 45-days, two months and the rest of it. We are running low, albeit with a slightly lower number of shifts but our plant is operation, that is going on, and we are committed to this business, we are not here in opportunistic way as you know Birla Corporation started with jute, this is the first enterprise. So, that's why we are hundred four-year-old company here, that was our first unit. So, there is both sentimental, emotional and management attachment to it. We will persist and if there are these kind of 5 crores loss in a year those things we will have to take in our stride because it's really speaking, it's like the mother of our company.

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

Rajesh K Ravi: My question pertains to first on, could you share the fuel cost both in Q1 and what is the current consumption cost you are looking at in Q2?

Management: So, in Q1, the fuel cost was Rs.1.48 per million kilocalories. Going forward, we expect some maybe about five paisa or further reduction as of now.

Rajesh K Ravi: And sir, incentives, you mentioned you have booked in Q1. What was the amount in Q1 and same number in Q4 on total basis?

Management: In Q1 it was 21 crores and we are maintaining our guidance that we told earlier for the whole of the year.

Rajesh K Ravi: Q4 was how much, sir?

Management: Q4, it was around Rs.44 crores.

Sandip Ghose: That is because in Q4 we also had Kundanganj. So, you can say right now between quarter and quarter it is less than half.

Rajesh K Ravi: This coal, how is the percentage? I think last year close to 18% of the total coal requirement was captive. How will this number be in basis your current ramp up plans in FY25 and FY26?

Management: That we can't share just now. Maybe in the next call we can share.

Rajesh K Ravi: And lastly on the progress on the Prayagraj and Kundanganj expansions?

Sandip Ghose: Kundanganj, we mentioned that we are looking by second quarter next year, we hope to start from the Kundanganj. Prayagraj, we have not started work as yet. It's in the state of getting it ready. So, it will follow after Kundanganj. We will give you an indication later.

Rajesh K Ravi: So, Kundanganj ordering would have been already done?

Sandip Ghose: Kundanganj, a lot of work has already happened, a lot of work had happened even earlier. We're moving on a fast clip.

Rajesh K Ravi: This Maihar clinker, any thought by when that plant you are looking at clinker expansion?

Sandip Ghose: Rajesh, we will not speak exactly where, but we are committed to our 25 million tons by '27.

Moderator: The next question is from the line of Viraj Mahadevia from MoneyGrow. Please go ahead.

Viraj Mahadevia: Just a quick question. What are the plans either organic growth wise or unconventional out-of-the-box steps for deleveraging the balance sheet because your interest coverage shows a pretty weak given the leverage?

Management: I think our leverage is not high. In fact, as of 31st March, our debt-to-EBITDA was less than two. So, on what basis you say we are having high. Our rating, based on last year's performance also turned to negative. Those have also been reverted back to stable by the rating agency.

Viraj Mahadevia: Also, from a servicing perspective, I guess you are okay, but your increased coverage ratio, if I look at it this quarter is not very strong?

Management: You can't look at quarter-to-quarter, boss. You have to look at it from a more long term perspective.

Viraj Mahadevia: But even if I look at FY24 entire financial year, your PBT was 573 crores, whereas the interest finance cost was 371 crores. So, that's a lot of leakage?

Management: See, we have always maintained that we set our debt in terms of debt to EBITDA and as long as it is three, we are okay. As of 31st March, it was less than two and this is what we have always maintained across all forums with the rating agencies, with the bankers, and with the media, with the investors, everyone and we continue to maintain that, we continue to track our leverage in terms of debt to EBITDA which will continue to do so. As long as debt to EBITDA is comfortable, because EBITDA is an indication of profitability, as long as the debt to EBITDA is within the specific range, we are okay, we will definitely be okay in terms of interest and other ratios also.

Viraj Mahadevia: And given that your plans that presumably now you will go slower on CAPEX as mentioned, will the priority be to pay down debt on the balance sheet over the next year?

Management: No, but we are not going slow on CAPEX. We are maintaining our guidance of reaching 25 million tons by '27. So, there is going to be CAPEX, but at the same time we are not divesting from our philosophy of maintaining debt within the range of three in terms of debt to EBITDA.

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

Shravan Shah: Last time we said that net debt for this year by FY20 and we are looking at net debt would be lower than the 3,000-odd crores. So, there we are maintaining that stand or there also we are having -?

Management: We are maintaining that.

Shravan Shah: We mentioned the cost reduction. So, if you can help us in terms of any quantum that we are looking at now onwards it by end of this year, how much more or even by FY26 how much more cost reduction can happen?

Rajat Prusty: This is Rajat here. Good afternoon. The way our M.D. has already briefed us about the processes, this is the manufacturing transformation project which we are working in all the areas of operations including efficiency. And if I see three, four areas which are the key areas, one is the increase in the renewal percentage. Even in the last quarter it was 27% and gradually it will improve. And the second one is the AFR. Of course, the AFR is again a delta between the fuel cost and this. So, this is also we are working on to improve further on the AFR. And the third one is the efficiency improvement, both electrical and thermal in our all plants. So, all together you can see that this year we have taken a stretch target of Rs.40, 50 reduction and similar will be there for the next year also.

Sandip Ghose: We will close it here and thank you very much for participating. I will only close with quoting something we have written in the press release. The company has invested a lot in the last eight years in building our organizational capacity. Today, our depth of management, leadership, as I said, our assets in every front, not just in manufacturing or marketing, but how we are managing our HR, how we are managing our other capabilities and competencies, that have increased and therefore we say with a lot of conviction that we will stay the course of our strategy. We don't want to move kneejerk. We will not do flip flops and that's why what you have seen, we have not hesitated in putting upfront the actual thing without any way to dress it up or say, beat around the bush. Because we are confident of our strategy, it can be temporary blips one can go through, but the way we have tried to do work on things for the last so many years and in the last 1.5 years in particular, we stay committed to that and that's the confidence with which I would like to leave all of you. You will see if there is something requires a course correction, we will come back to you and state it upfront. Otherwise, you will see a consistency in approach of Birla Corporation, the kind of consistency you have seen, and also along with that two more important things you will see from us, one is total transparency, secondly, higher standard of governance because our thing is to be not only as I said best-in-class but also the most respected in our category. So, we will work towards that and that is something which you can take from me as long as I'm at the helm and the current leadership and our chairman, you can expect us to be exemplars in that. Thank you very much. Pleasure.

Moderator: Ladies and gentlemen, we have reached the end of the question-and-answer session. I would now like to hand the conference over to Mr. Rajesh Kumar for closing comments.

Rajesh Kumar Ravi: Thanks everyone for joining this call on HDFC Securities. We thank you all again. And with this, we conclude the call.

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