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# SHREE CEMENT LTD.

An ISO 9001, 14001, 50001 & OHS 18001 Certified Company
Regd. Office:
BANGUR NAGAR, POST BOX NO.33, BEAWAR 305901, RAJASTHAN, INDIA

SCL/SE/2024-25/
13th August, 2024

National Stock Exchange of India Limited,
Exchange Plaza, C-1, Block G,
Bandra – Kurla Complex, Bandra (East)
MUMBAI – 400 051

**SCRIP CODE: SHREECEM EQ**
**Debt Segment NCD ISIN: INE070A07061**

BSE Ltd.
Phiroze Jeejeebhoy Towers,
25th Floor, Dalal Street,
MUMBAI – 400 001

**SCRIP CODE 500387**
**Debt Segment NCD ISIN: INE070A07061**

**Sub:- Transcript of the Conference call**

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the transcript of the Conference Call held on 7th August, 2024 relating to the Financial Results of the Company for Quarter ended on 30th June, 2024 is attached.

Kindly take the same on record.

Thanking you,

For **SHREE CEMENT LIMITED**

SHYAM SUNDER KHANDELWAL
Digitally signed by SHYAM SUNDER KHANDELWAL
Date: 2024.08.13 13:18:33 +05'30'

(**S.S. KHANDELWAL**)
COMPANY SECRETARY

# "Shree Cement Limited
# Q1 FY '25 Earnings Conference Call"
# August 07, 2024

MANAGEMENT: MR. NEERAJ AKHOURY – MANAGING DIRECTOR – SHREE CEMENT LIMITED
MR. ASHOK BHANDARI – SENIOR ADVISOR – SHREE CEMENT LIMITED
MR. SUBHASH JAJOO – CHIEF FINANCE OFFICER – SHREE CEMENT LIMITED
MR. K.K. JAIN – HEAD OF FINANCE – SHREE CEMENT LIMITED

MODERATOR: MR. VAIBHAV AGARWAL -- PHILLIPCAPITAL INDIA PRIVATE LIMITED

**Moderator:** Ladies and gentlemen, good day, and welcome to Shree Cement Limited Conference Call for Quarter Ended 30th June 2024 hosted by PhillipCapital India Private Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital India Private Limited. Thank you and over to you, Mr. Agarwal.

**Vaibhav Agarwal:** Yes. Thank you, Michelle. Good evening, everyone. On behalf of PhillipCapital India Private Limited, we welcome you to the Q1 FY '25 call of Shree Cement Limited. On the call, we have with us; Mr. Neeraj Akhoury, Managing Director; and Mr. Ashok Bhandari, Senior Advisor; and Mr. Subhash Jajoo, Chief Finance Officer at Shree Cement.

I would like to mention on behalf of Shree Cement Limited and its management that certain statements that may be made or discussed on this conference call may be forward-looking statements related to future developments and these statements are based on current management expectations. These statements are subject to a number of risks, uncertainties and other important factors, which may cause actual developments and results to differ materially from the statements made.

Shree Cement Limited and the management of the company assumes no obligation to publicly alter or update these forward-looking statements, whether as a result of new information or future events or otherwise.

I will now hand over the floor to the management of Shree Cement Limited for the opening remarks, which will follow by interactive Q&A. Thank you, and our we hand it over to you, Neeraj sir.

**Neeraj Akhoury:** Good afternoon ladies and gentlemen, I welcome you to the earnings call of Shree Cement for Q1 FY 2025. Just to set the agenda, June '24 quarter was certainly tough for us, but also for the industry. Despite the challenging market conditions, typically characterized by sluggish demand due to a combined impact of elections as well as extreme weather conditions, despite all this, we continue to optimize our production processes in the last quarter.

We did enhance our cost efficiencies, and our focus on the branding initiatives, but also go-to-market initiatives continues. These efforts have enabled us to navigate the difficult market conditions and historically, with these steps, we have been able to deliver consistent value to our stakeholders.

While the challenge remains, we are very confident that Shree's strategy is very well positioned to seize the future opportunities. Our focus will continue to be on driving growth, expanding our market presence, engage in innovations to meet the evolving needs of our customers while keeping a very sharp, a razor-sharp focus on our cost optimization initiatives.

The broad features of the financial results, both on a Y-o-Y basis and a Q-o-Q basis can be summarized as follows: despite weak demand, we were able to increase our total volume from 8.92 million tons in Q1 of 2024 to about 9.64 million tons in the current quarter, vesting a growth of approximately 8%.

The utilization for the quarter stood at about 76%. Pleased to remind everybody that Shree has commissioned new capacities in this calendar year. Realisation of course, was down by about 6% from INR4,771 to INR4,469, largely because of moderate demand condition, but also because of change in our geographical mix. The good part was the average fuel cost, which reduced from INR2.34 CV last year to INR1.76 CV in this quarter.

Total EBITDA marginally decreased from 2% from INR933 crores to INR916 crores, and EBITDA per ton stood at about INR950 against INR1,046 last year. Sequentially, total volumes were up about 1% from 9.53 million tons to 9.64 million tons . Realization dropped again about 5% from INR4,721 per ton to INR4,469 per tonne.

Fuel prices were more or less stable. However, other expenses increased due to increased stabilization expenses following commissioning of the two new plants, as I said, in the last few months, but also advertisement expenses also increased due to the launch of the new brand identity, along with Bangur MAGNA, our premium brand. Total EBITDA accordingly went down from INR1,327 crores to INR916 crores. EBITDA per ton also fell down from INR1,392 to INR950 per tonne.

During the quarter, the company commissioned its integrated cement unit in Guntur district of Andhra Pradesh with a production capacity of 3 million tons per annum. Besides this, company's ongoing expansion projects in Jaitaran in Rajasthan of 6 million tons, Kodla in Karnataka by about 3 million tons, Baloda Bazar of Chhattisgarh at about 3.4 million tons, and Etah in Uttar Pradesh by 3 million tons, totalling about 15 million tons, progressing satisfactory, and on all these projects are as per schedule. The company is working on further expanding the capacities in different geographies to reach its target ahead of schedule.

The company achieved a significant milestone, a very big record-breaking milestone of 1 gigawatt of installed power capacity with commissioning of 19.5 megawatts solar power plant at its manufacturing unit in Andhra Pradesh in June '24, taking a total power capacity to 1,003 megawatt.

The company's 1 gigawatt capacity includes a mix of solar, wind, thermal and waste heat recovery power plants with high priority of renewable energy to meet the electricity demand for cement production. We are further increasing our solar power capacity by 135 megawatts as our manufacturing locations in Rajasthan, Panipat, Jharkhand, Uttarakhand and Uttar Pradesh.

With the launch of another greenfield ready-mix concrete plant in Hyderabad in Q1 '25, the company's RMC business, which has been set up recently, now has about 7 plants with total capacity of 624 cubic meters per hour. Bangur concrete units are fully equipped to manufacture all types of special concretes, offering advanced testing facilities, best technical manpower and digitized solutions. The company plans to set up almost 100 Bangur concrete plants over the next 3 to 5 years, operating in over 50 cities.

The company is focused on de-carbonization, and renewable energy continues. The company's share of green power in total electricity consumption, as I have said in the last call also, is one of the highest in the world, if not the highest in the world, and it stands at about 54% in Q1 '25, which is very high -- which is one of the highest in cement industry. With investment lined up to expand our energy generation capacity, the proportion is set to further increase as we commission the new plants.

The company is also steadily making investments for increasing its usage of alternate fuels. Notably, the company used about 0.27 lakh tons of agro waste in the quarter, thereby conserving fossil fuel equivalent to producing about 80 billion kCal and save about 0.32 lakh tons of $CO_2$.

As part of this agro waste consumption, the company procured 7,837 tons of stubble during the quarter within the NCR region. The company also consumed 0.78 lakh tons of hazardous waste during Q1 '25 replacing the fossil fuel-based heat by 26.3 billion kCal. All the company's manufacturing locations are 0-liquid discharge. Treating, cycling and reusing 100% of wastewater generated from our operations.

In Q1 '25, the company achieved water positivity levels of more than 6x. With good progress on monsoon for the year as a whole, it aims to improve its water positivity level to more than 7x for the whole year. Bangur Cement further strengthened its brand presence with a comprehensive marketing plan across TV, print media, digital platforms and on-ground activations, building on the success of the "Solid Ghar Sirf Bangur" campaign, the brand agency adapted its key messages for the national elections with the Vote "Solid, Desh Solid" campaign.

This initiative encourage citizens to pledge for a stronger nation through responsible voting. This media and social campaigns engaged over 100 million people and encouraged 1.8 million citizens to pledge their commitment to vote.

The INR11 lakh crores capital expenditure announced in the Indian budget '24 signifies the government's commitment to modernize India's infrastructure through various projects and allocations. This, together with 3 crores additional houses in PM Awas Yojana, and launch of Phase 4 of PM Gramin Sadak Yojana will undoubtedly drive demand for cement and other building materials.

I have with me Mr. Ashok Bhandari, Senior Advisor; Mr. Subhash Jajoo, CFO; Mr. K.K. Jain, our Head of Finance to take you through the Q&A session. Thank you.

**Moderator:** The first question is from the line of Aman Agarwal from Equirus Securities.

**Aman Agarwal:** Sir, firstly, I wanted to again understand on the realization part. You did mention about change in geographic mix in your opening remarks. If you can just elaborate on the same? And if you can provide us with the regional volume mix for this 1Q?

**Ashok Bhandari:** Mr. Agarwal, please appreciate that if you are growing at a greater pace than your peer group volume-wise, it will have some appertinent cost with it. Now the cost estimation for taking additional volume was at level x based on the price prevailing in April and as the price and demand scenario both deteriorated, though we could get the additional volume, we could not get remunerative or better pricing. That is point number one. Point number two is, there has been a marginal shift from North to East.

Now unfortunately, East, it was the lowest realization region. And so it pulled down the weighted average realization, having a consequential effect on EBITDA. This also resulted in a very marginal increase in the lead distance. The lead distance quarter-on-quarter increased by about 21 kilometres, which had its consequential effect on logistic costs. Thirdly, as Neeraj pointed out to you guys, the stabilization -- the consumption of major stores and spares for stabilizing both Nawalgarh and Guntur had also increased beyond our estimates. This has also pulled down the EBITDA.

**Aman Agarwal:** Understood, sir. Sir, secondly, on the region-specific volume growth and utilization, if you can provide the numbers, that would be really helpful.

**Ashok Bhandari:** Volume growth region-wise?

**Aman Agarwal:** Yes, sir.

**Ashok Bhandari:** We will give you. I'm asking Mr. Subhash Jajoo to share this with you.

**Subhash Jajoo:** Yes. As compared to last year, the total growth was 8%. And region-wise, it is 7% in North, 15% in East, and around minus 5% in South. And on a quarter-on-quarter basis, the growth is 1%, where it is minus 3% in North, 11% in East and minus 4% South.

**Moderator:** The next question is from the line of Jyoti Gupta from Nirmal Bang.

**Jyoti Gupta:** Two things I wanted to understand. One is you said that due to a change in geography, you have to bear the cost. So just wanted to understand while the realization on an overall basis declined for all the companies across the board, what was the contribution of realization coming from that aspect? And the one wherein since you were moving -- shifting your product, started selling more in East, so what is the contribution of the cost relating to it?

**Ashok Bhandari:** Jyoti, you have to understand.

**Jyoti Gupta:** Yes, sir.

**Ashok Bhandari:** Basically, we have expanded capacity to 56.4 million tons now. We have to create a market to absorb this 20% additional capacity. North had some constraints because I had 2 very powerful competitors sitting there, which is UltraTech and Ambuja. It was difficult to really have a better advantage vis-a-vis them in North, so our North volume declined.

However, the overall volume increased, the sales did not get transferred from North to East, but the additional quantity got sold in East which changed the regional mix. Now East being a lower realization market, with falling demand and faster falling prices, the weighted average realization declined. It is not by design that we have moved.

**Jyoti Gupta:** I agree, sir. I understand that, sir, I completely agree to that also and I totally understand the realization across had reduced. I'm not questioning the strategic part or anything. Just wanted to know that what was the realization you would have anticipated in the North? And what you actually got in the East? That is one of the reasons which is...

**Ashok Bhandari:** So you need a realization per ton region-wise, Am I correct?

**Jyoti Gupta:** Correct, sir. And also the impact -- since that volume did not get sold, which got sold in North, obviously, that brought down your realization on a weighted average basis. So just to understand that.

**Ashok Bhandari:** The average realization in North stood at INR4,641. The average realization in East stood at INR4,154, and the average realization in South also stood at INR4,620. Weighted average of this based on the percentages which Mr. Jajoo has given. If you want me to repeat it, I'll do that. Our sales percentage was 55% in North, 35% in East and 10% in South. So you can do a matrix on your spreadsheet, on which region resulted into what increase or decrease in the weighted average realization of the company.

**Jyoti Gupta:** I got it, sir. Sir, one -- can I ask 1 more question?

**Ashok Bhandari:** Please go ahead.

**Jyoti Gupta:** I wanted to understand upon the turmoil in Bangladesh, I think somewhere we understand that volumes from Northeast are actually sold in Bangladesh. Now I think that is somewhere going to be impacted, if I'm correct? Please correct me if I'm wrong. Do you think that is...

**Ashok Bhandari:** One second. We don't sell...

**Neeraj Akhoury:** Not at all, Jyoti. Not at all. Bangladesh market is, as it is a surplus market. Some amount of Bangladesh quantity does come to parts of Northeast, but few districts of Northeast, not even full state. So, Bangladesh turmoil, and therefore, the economic consequences in cement will have to our estimates, no impact on India.

**Jyoti Gupta:** Okay. And sir, I had anticipated as Bangur cement really -- the brand has actually picked up to your expectation?

**Ashok Bhandari:** Otherwise, I would have grown volumes. This is infructuous, isn't it? If I say that I have gained volumes, then the brand acceptance is automatically established, isn't it?

**Jyoti Gupta:** Yes, maybe. I mean...

**Ashok Bhandari:** How maybe? Let us be very clear, how maybe. If I have sold under the new brand more than last quarter, then the brand has been accepted, isn't it? If there is question mark on the acceptance of the brand, then I would not sell more volumes. Am I correct?

**Jyoti Gupta:** Yes, sir.

**Moderator:** The next question is from the line of Jashandeep Singh Chadha from Nomura.

**Ashok Bhandari:** Yes, Mr Chadha.

**Jashandeep Chadha:** Just 2 questions. Firstly, this time, as you mentioned in your opening remarks, the fixed cost as well as freight cost were high because of Guntur and because of change in region mix. So how much of this cost can we expect to revert back in the next couple of quarters because Guntur will stabilize it?

**Ashok Bhandari:** Let us take it on the other way. Ideally speaking, I would not like to spend a single penny more, but that is not -- life is not ideal. As on date, about INR52 crores in this quarter represents additional stores and spares consumed in Guntur and Nawalgarh. Now hopefully there should not be any further expenditure. But if it is required to incur, it will be incurred.

I cannot just say how the equipment will behave. One has got commissioned in January; one has got commissioned in April. So each plant has a stabilization period. In that stabilization period, both minor and major spares can be consumed. And we are hoping for the best.

**Jashandeep Chadha:** Understood, sir. If I can just ask this in another way, how much time do you think it will take more to stabilize the unit?

**Ashok Bhandari:** Look, let us understand, my experience says that the general normalization time is between 3 to 6 months. However, sometimes or some plants may take as much as 12 months also. So hopefully, everything is fine. But if something unforeseen happens, it happens, what to do. They are not the recurring kind you know, they are the stabilization cost only.

Ideally, if I would not have commercially commissioned the plant, they would have gone as a capital expenditure. But we have commercially initiated the production. They are in commercial production, so they have to take revenue hit only.

**Jashandeep Chadha:** Understood, sir. My second question is on pricing. So far, the July exit prices, how much the price drop? Or what's the price trend that you have noticed in your core markets?

**Ashok Bhandari:** Jashandeep, let us understand this very clearly. Pricing is a function of demand. If the demand does not revive, the pricing power will not be there with the industry. The demand in Q1 was very weak, you see the peer group, roughly Ramco lost 21% in quantity, 16% was lost by Dalmia, UltraTech lost 9%. We gained 1%. Okay.

Now if you add such a wide range of demand fall, it will have its consequential effect on pricing, which could get reflected again in EBITDA. Nothing has revived the demand in July that everybody knows. August till date, we are weak. Now you have to understand why this is happening.

The central budget has still not been passed. It is still being debated. Once it gets passed, it goes to President of India for her assent. Once she gives the assent, then the ministry allocates the resources. Once the resources are allocated to respective ministries, then officers start working on it, call for tenders for all the projects, including those 3 crores housing and 25,000 village -- rural village highway connectivity. Looking at current status of affairs, I don't think the presidential assent will come before third week of August or something.

That means by September, the resources will be allocated. Then somewhere in mid-September or end-September, you have the tenders from the government. So demand in this quarter is going to remain weak. If demand is going to remain weak, price will be weakening also. Please appreciate that I have never in my 40-year career in this industry, ever given any guidance on price.

And consequentially, I don't give any guidance on EBITDA. I always give guidance on my cost. My cost this quarter is inflated because of higher logistic costs and higher unforeseen stores and spares expenses. They will all get normalized, but as EBITDA is price minus cost, even though I can establish my cost at a reasonable level without any one-off, these critical stores and spares, I cannot give you an EBITDA guidance because I don't know what the selling price will be.

So Q2, for sure, is not going to be good for the industry. And I will take an insurance on Q3 also because in Q3, you lose about 10 days of working because Diwali and Chhath Puja and all other festivities. So Q3 will be about 80 days instead of 90 days of working. Q2, the writing is on the wall.

Even if all the tenders get floated by end-September or early October, I don't think major changes will happen in demand scenario in Q3 as well. So I have no qualms in saying that Q2 and Q3 may not be very good. Q2, for sure; Q3, we can wait and watch.

**Jashandeep Chadha:** Understood, sir. Just 1 last question if I could squeeze in. So Shree Cement has performed better than its peer in the industry on volume front in the first quarter. So your volume -- whether the 40 million tons for FY '25, it still stands? I mean, is there any change from the management?

**Ashok Bhandari:** No, no. If I have lost, I have gained some share in Q1. But Q2, I'm growing almost in tandem with the market. And Q3 also, the same should happen. So I'm toning down my guidance by making an omnibus statement that we will grow in tandem with the market. If I can do it better, I will be the first one to beat that up.

**Moderator:** Next question is from the line of Sumangal Nevatia from Kotak Securities.

**Ashok Bhandari:** Please say Mr. Nevatia.

**Sumangal Nevatia:** Sir, I'll start with some bookkeeping questions. I mean, our depreciation rate has increased significantly. Should we assume that 600...

**Ashok Bhandari:** It has been capitalised. It has not increased my dear friend. If you look at my total gross block, it has increased, isn't it? So depreciation is a function of my increase in capital assets.

**Sumangal Nevatia:** So this is a normal level to kind of expect, right?

**Ashok Bhandari:** Correct, correct. With this capacity, which is in vogue today, I will guide you a depreciation of about INR2,600 crores. However, Mr. Nevatia, since I've never interacted with you earlier. I have always maintained that don't please judge Shree Cement on net profit numbers. Look at the cash profit numbers, and I'm happy to state that in spite of all the turmoil we have faced, our cash EPS has not fallen much. The cash profit for Shree in June '23 stood at INR898 crores, and it is at INR957 crores this year. If you look at cash EPS, then the cash EPS in June '23 was INR248 and it has reached to INR259. These numbers are there in my results. You can look at them.

**Sumangal Nevatia:** Yes, that's great. Sir, how should we...

**Ashok Bhandari:** No point -- just hear me out one minute. We are basically a cash-focused organization. We are not net profit-focused organization. We run the company on the principle that cash is real, rest all is myth. So please be very careful while making any analysis based on net profit numbers.

**Sumangal Nevatia:** That's clear. Sir, Sir, what should we -- I mean, what is the guidance for the tax -- cash tax rate for the year?

**Ashok Bhandari:** We are running at INR16,000 crores capex expenditure here. And I'm on record saying, we will neither dilute nor borrow. We are keeping on increasing dividend. Last year, we paid INR100. This year, we have paid INR105. So there will be an increasing dividend trend. Rest all will go into capex.

**Sumangal Nevatia:** Sir, I'm asking about the tax rate, cash tax rate, what should we kind of expect? Last year, I think it was around 18%, 19%...

**Ashok Bhandari:** It is apparent in result. Cash tax rate is apparent in my result.

**Sumangal Nevatia:** We should expect this to continue? I mean, this low rate for this year, at least?

**Ashok Bhandari:** One Minute, this is calculation of profit before tax. If I'm not being able to give you an EBITDA guidance, how can I say that this will remain same. PBT is after EBITDA, my dear friend. I'm saying my depreciation will remain almost the same. Finance Cost is my not my concern. If EBITDA moves, then tax rate will also move, or tax quantum will also move. This is a little bit of an infructuous question, Nevatiaji.

**Sumangal Nevatia:** Sir, just if you can give some colour how is the quarter started, July where the volume has been very weak for the industry, with a decline –

**Ashok Bhandari:** August till date I have no improvement.

**Sumangal Nevatia:** So, is it a decline as far as volumes are concerned for the industry?

**Ashok Bhandari:** For sure.

**Sumangal Nevatia:** Sorry?

**Ashok Bhandari:** Yes, for sure.

**Sumangal Nevatia:** Okay, okay. On a year-on-year basis, got it. And sir, are prices down from last quarter's average?

**Moderator:** Mr. Nevatia for follow-up questions, I would request you to kindly rejoin the queue, sir. The next question is from the line of Rishabh from Goldman Sachs.

**Pulkit Patni:** This is Pulkit from Goldman. Sir, my question is on the Nawalgarh plant. I remember when we had spoken last time, you mentioned the advantage of this plant is that it is very close to the cream market of Delhi NCR, and we can get there really quickly with the decent realizations as well. Now have you just made the statement that one of the reasons why you couldn't do much in volumes in North despite -- yes, sir.

**Ashok Bhandari:** One second. Be very careful. Somewhere there has been a miscommunication. We are entitled to certain industrial subsidy on our Nawalgarh plant. Now the subsidies are state-related, right? Each state has its own policy for the plants getting commissioned in that state. And the subsidy is restricted to the amount of GST collected within the state of Rajasthan because Nawalgarh is in Rajasthan. But if I sell quantity from here to NCR or Delhi, I lose on the subsidy in the state of Rajasthan, okay? Point number one.

Point number two, Nawalgarh's logistic advantages will kick in only when we commission our Etah grinding unit in UP, which is likely to be in the fourth quarter of this year. When the logistics compensates the subsidy, which is receivable from the state of Rajasthan, then I can jolly well and more profitably by using Etah grinding unit sell there. So, at the moment, Nawalgarh is majorly catering to Rajasthan.

See, when the pricing is down, then maximizing the subsidy is one of the ways. The subsidy should be maximized only when I increase the sale in that state. The counter to that is that my logistic cost should be reduced and the subsidy I am earning, more than that is my logistic cost savings, then I will sell cross-border.

Understood? So, I don't know, it could be my mistake, or it could be your mistake, that I said that I will give Delhi and NCR from Nawalgarh. I will give Delhi, NCR, Western UP from Nawalgarh only when my Etah grinding unit is commissioned.

**Pulkit Patni:** Okay, sir. my understanding may have been different. But the point I was trying to make is that you got Nawalgarh and then there is going to be another 6 million tons in Rajasthan, which is pretty substantial. You just said, there are two behemoths in that particular region which are continuing to supply. So I'm just trying to understand in terms of your expansion...

**Ashok Bhandari:** In my interaction with Goldman Sachs of over 25 years, have I ever shown you fear psychosis of competition.

**Pulkit Patni:** No sir.

**Ashok Bhandari:** What are you asking? Try to understand, 39 years back, I was 0.6 million tons. I was nobody in the industry. Today, I am number three player, all-India. The one who got scared died. Remember this.

**Pulkit Patni:** Okay, sir. So volume growth from this plant will be mostly focused on Rajasthan based on what you just said, and that's how we should think about it?

**Ashok Bhandari:** Till I commission Etah. I will have to stay in Rajasthan for 4-6 months because of the subsidy. But if I get more money from NCR and EBITDA, than what I am gaining on subsidy, I can do cross- cross border sale. Everything is dependent on how much money you make per ton inclusive of subsidy or not including the subsidy. Overall profitability has to increase.

**Moderator:** The next question is from the line of Prateek Kumar from Jefferies.

**Ashok Bhandari:** Yes, Prateek.

**Prateek Kumar:** Yes. I have like just a couple of bookkeeping questions. On capex, we continue to expect INR4,000 crores kind of capex annually for like next year?

**Ashok Bhandari:** Yes, yes.

**Prateek Kumar:** Also, this INR1.76 on fuel cost, kCal base. So is this further savings expected on this number going forward? Or this is...

**Ashok Bhandari:** Please understand, that in the last con-call or maybe somewhere either individually or collectively, I have maintained that my order book or coal pipeline, is at this level, INR1.76 -- it was INR1.72 I think. Going forward, as the price is decreasing, this cost should come down. Average fuel cost, let me put it, again, net of alternative fuel at the moment is INR1.74 per kCal.

**Prateek Kumar:** So INR1.74 or maybe INR1.72 is something which we are looking at going for later part of the year, and...

**Ashok Bhandari:** It is based on my committed orders to various suppliers. This is not an assumptive number. This is an actual number. It may go down because the pet coke prices are going down. Typically we maintain 3 to 4 months of pipeline for coal. So, for 3 to 4 months, the price is INR1.74. New orders, if they are released at a lower rate, the average fuel price may come down.

**Prateek Kumar:** And what about power cost -- power mix, which is like 52% as RE green power currently. We are looking at somewhat about to...

**Ashok Bhandari:** What you want there?

**Prateek Kumar:** The RE power mix can go from 54% number to what number like going forward?

**Ashok Bhandari:** Today it is 54%. By June '25, this would go to 62%.

**Prateek Kumar:** Right. Okay. And my last question on your annual incentives based on like several new plants which are commissioning, our annual incentives have, I think, come down to INR150 crores range -- INR125 crores to INR150 crores range in the past 2 years versus INR250 crores, which you used to have earlier...

**Ashok Bhandari:** I could not understand your question.

**Prateek Kumar:** So the annual incentive or subsidies, which we used to have...

**Ashok Bhandari:** No, wait a minute. You are saying that the run rate of subsidy will go down as the time passes. You get additional subsidy on Nawalgarh also. But please understand, I do not recognize any subsidy in my books of accounts unless realized in cash. Because if I take that credit, I have to pay unnecessary taxes, which is a cash cost. I have always maintained that I do my books on cash basis. I do not carry -- I do not recognize any subsidy which I have not realized in the year.

**Prateek Kumar:** So, what is the annual run rate of cash incentives which you are like sort of looking at from like FY '25, '26?

**Ashok Bhandari:** All state governments are tight in financial positions, and I cannot predict when they will release what. As soon as it is released, you will find it in my other operating income number. I would not like to hazard a guess on that.

**Prateek Kumar:** Okay. And last question on power business. Can you give like the power EBITDA number for the quarter?

**Ashok Bhandari:** We have taken a decision that you guys keep on asking UltraTech and they don't give their breakdown of EBITDA into grey, white, RMC and others. We are also going to give you only blended EBITDA. We're not going to do any disclosure on power quantity or power EBITDA. My total composite EBITDA for the company will be reported quarter-on-quarter. And I will refrain from answering what is power and what is non-power.

**Prateek Kumar:** Okay. Would you be giving out power revenues or that's also you will not be giving?

**Ashok Bhandari:** I will not be. In any case, our revenue stream doesn't come to the shareholders. You get benefited out of the EBITDA only. So giving you a split of revenue, how does it matter. I have given you my quarterly average revenue of cement business. So, I think the revenue stream can give you whatever it can.

**Moderator:** We'll take the next question from the line of Navin Sahadeo from ICICI Securities.

**Navin Sahadeo:** Sir, two questions. One is observation, and correct me if I'm wrong. In the quarterly breakup of sales quarter-on-quarter, of course, Shree has done a commendable job of volumes rise 1% where most of the players are down in the range of 10% or more, and we have shown a growth. But my observation here was that -- and then the breakup you've given, my observation was that we saw an expansion in Nawalgarh and also in South, Guntur. But our quarter-on-quarter volume growth has actually gone -- increased 11%, as you said, in the East region. So, I mean...

**Ashok Bhandari:** Why did the rate of growth decrease in the north region, because competitive pressures from powerful players was there, okay? So, if we sell there and get less realization, then there is no use. East, we have grown in East because it was possible for us to sell more. Please understand that in Guntur we expanded. South is doing very bad. South realizations are very bad. It will come up for sure.

INR15,000 crores of Amravati if he has given and INR26,000 crores he has given to Bihar, then these two regions should do better, relatively. Andhra demand should pick up, Guntur will get more viably utilized because of this 15,000 crores large expenditure and Bihar INR26,000 crores and the bridges etcetera, which have been given separately, they are all cement intensive capacities. If in one quarter the plants which we put with a 50 year vision have not shown the desired result, it's alright. How does it matter. The problem is that I keep on fighting on a quarter-to-quarter basis, whereas our decisions for setting up plants are on a 50-years vision. In some quarters you may go up, you may go down.

**Navin Sahadeo:** Sure, sir. No worries. No worries on that. Sir, second question was, did we also then saw some shift more towards non-trade for the quarter, which would have had some impact and hence, element that once, let's say, demand normalizes, that shift could also reverse and give that tailwind?

**Ashok Bhandari:** Your observation is correct. I don't have the numbers readily available with me. Jajoo will share with you, but yes, the non-trade component has gone up. Now, how much is gone I don't remember but, Jajoo will share with you.

**Navin Sahadeo:** Sure. And just 1 more question, if I may slip in quickly. Railway siding was the next, I think, efficiency capex that we were pursuing. Of course, we're doing -- we're far ahead...

**Ashok Bhandari:** It's on schedule. It's on schedule.

**Navin Sahadeo:** Yes. So sorry, if I could just request you, by which quarter, from when can we see start seeing some benefits of that?

**Ashok Bhandari:** What I suggest is that paper is just not in front of me at the moment. We will send you a mail of each railway connectivity and each plant by which date. I will send you that.

**Moderator:** The next question is from the line of Amit Murarka from Axis Capital.

**Amit Murarka:** So just on volumes, like while your volume growth has been above industry, is it also possible to split it between cement and clinker?

**Ashok Bhandari:** Clinker is nothing. What are we talking. Clinker is hardly anything. In a 9.6 million-ton volume -- sorry, 96,40,000 volume, clinker maybe hardly 200000. Clinker volumes are there. It's quite low. Don't worry. I'll give you the number, one second. So out of 96 lakh ton, hardly 4 lakh ton is clinker.

**Amit Murarka:** Okay. Understood. So like in Dachepalli, where you have just commissioned the unit, I believe it's a 1.5-million-ton clinker and 3 million in grinding. So what's the idea in that excess grinding like? Is there a next clinker line which will be coming up that will balance out the excess grinding there? Or will the clinker come from some other source?

**Ashok Bhandari:** No, no, wait a minute. Transporting clinker is not a cheap exercise. It's a trade off. we have to look at overall logistic cost optimization. It is not that, why did you sell clinker more there? Why did you put more grinding here? In the total equation there is a concept of naked cement realization. That is money coming to my pocket, rest is all reimbursements. Freight is a reimbursement, GST is a reimbursement, packing cost is a reimbursement. So whatever is invested it is invested after doing an economic workout and I will keep on praying for it that, yes, we get another chance of setting up a clinker line because of vibrancy in demand.

**Amit Murarka:** Sure. No, but like generally that market is like OPC market, so in that sense...

**Ashok Bhandari:** No, wait a minute, wait a minute. Now you are trying to question our business wisdom. It is correct or not?

**Amit Murarka:** Not at all. I'm just trying to understand how the balance will come?

**Ashok Bhandari:** One second. I've explained you that we have -- we also do our calculations. We also know what is required. So I've said that as per our calculation, we are fine. You are welcome to believe or not believe it. But please don't question our 40-year-old wisdom.

**Amit Murarka:** Sure, sure. Definitely not. Also, on RMC, like what are the targets for...

**Ashok Bhandari:** Let me put it in a different manner. RMC is the future is correct. RMC has its own business learning curve is also correct. We have just started introducing. It is peanuts compared to our overall operations. Let us operate these 5, 6 plants, see what kind of profitability is there, learn the nuances of the business, and then we will expand. Yes, we will go into Bangur concrete. But the time -- we'll come back with exact profitability and capacity numbers, but give us some breathing time. We have just started it.

**Moderator:** We'll take the next question from the line of Parth Bhavsar from Investec.

**Parth Bhavsar:** Sir, all my questions have been answered.

**Ashok Bhandari:** Let me conclude by saying that Q2 is going to be bad because there is no demand. And Q3, because of festivities and other reasons, I am not very hopeful. All vibrancy should get reflected in Q4, because in Q4, the government departments are also under pressure to exhaust their budgets. So Q4 should be better. Let us see how things pan out.

**Moderator:** Sir, we'll move on to the next question, which is from the line of Rajesh Kumar Ravi from HDFC Securities.

**Rajesh Kumar Ravi:** Rajesh Ravi here from HDFC. Sir, just a few housekeeping questions, which -- what was the blended cement and trade mix in this quarter? Lead distance, you already mentioned as partially gone up. And yes, so first these two numbers. And I just wanted to understand this is the volume split and NCR trend which you have shared for Q1. Sequentially, it works out to be that in all the three markets, realizations are down by around 5% to 6%. Is that understanding correct?

**Ashok Bhandari:** Mr. Ravi, I had told you that I do not in front of me have the trade and non-trade number at the moment. The most of housekeeping questions are related to product mix and quantitative details, I suggest please drop a mail to Mr. Jajoo and he will reply you ASAP. I do not have those numbers because I thought that quantities are...

**Rajesh Kumar Ravi:** Sir, I'll take that. Let me come to the most important question, sir. You see the current dynamic, the M&As which are happening in the industry. Prices are going through in terms of the payback period, depending upon the asset class. So what is your understanding on the consolidation and the subsequent impact on market dynamics, how do you look at the pricing, near term, obviously, demand is weak? However, we don't see...

**Ashok Bhandari:** Great question. Let me explain you slightly differently. Yes, there are targets for acquisition. Yes, further consolidation will happen. But the guys who are the contender for such consolidation would like to keep the prices of cement depressed to have a better value. This is one of the major factors why the prices are not being increased. Yes, consolidation will happen. Yes, in short term, there may be pain, but consolidation always pay in longer.

**Moderator:** Ladies and gentlemen, due to time constraint, we'll take one last question from Ronald Siyoni from Sharekhan Limited.

**Ronald Siyoni:** Yes. Sir, I just wanted to understand on the 2 to 3-year perspective, like as industry, we are expecting at least 30 million to 40 million tons of capacity additions per annum over next 2 years, at least. So as you said, that demand may revive during Q4. So what we are portraying a picture like supply would be far exceeding the demand over the next 2 years. So is the reading correct or whether...

**Ashok Bhandari:** Let me correct you, sir. Give me two minutes. We are at about 450 million tons as of 31st March 2024.

**Ronald Siyoni:** Yes, sir?

**Ashok Bhandari:** Now if we take an 8% demand rise or a demand equivalent to the GDP growth rate, which Navin had always been advocating to me. Then you are looking at a 7.5% to 8% demand escalation, 7.5% GDP, you agree. So 7.5% of 45 million is how much, my friend -- roughly 30 million tons. And all 30 million tons do not come on 31st March or 1st April. They are spread over a period. So the effective capacity will be far less than the number you are talking about. So I do not find any demand distortion because of capacity creation.

**Moderator:** As that was the last question for today, I would now like to hand the conference over to Mr. Vaibhav Agarwal for closing comments. Over to you, sir.

**Vaibhav Agarwal:** Yes. Thank you. On behalf of PhillipCapital India Private Limited, we'd like to thank the management of Shree Cement for their time on the call, and many thanks for participants for joining the call. Thank you very much, sir. Michelle, you may now conclude the call.

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