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SHREE CEMENT LTD.

An ISO 9001, 14001, 50001 & OHS 18001 Certified Company
Regd. Office:
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SCL/BWR/SE/2023-24/
14th November, 2023

National Stock Exchange of India Limited,
Exchange Plaza,
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 Sirs,

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations, 2015, the transcript of the Conference Call held on 8th November, 2023 relating to the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and half year ended 30th September, 2023 is enclosed.

Kindly take the same on record.

Thanking you,

For **SHREE CEMENT LIMITED**

SHYAM SUNDER KHANDELWAL
Digitally signed by SHYAM SUNDER KHANDELWAL
Date: 2023.11.14 16:18:14 +05'30'

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

"Shree Cement Limited

Q2 FY '24 Earnings Conference Call"

November 08, 2023

MANAGEMENT:	**MR. H M BANGUR – CHAIRMAN – SHREE CEMENT LIMITED** **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**
MODERATOR:	**MR. NAVIN SAHADEO – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Shree Cement Q2 FY '24 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, 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. Navin Sahadeo from ICICI Securities. Thank you. And over to you, sir.

Navin Sahadeo: Yes. Thank you, Dorwin. Good afternoon, everyone. On behalf of ICICI Securities, I welcome you all to the Q2 FY '24 earnings call of Shree Cement. From the management, we have with us Chairman Shri HM Bangurji; Managing Director Shri Neeraj Akhouryji, Senior Advisor Shri Ashok Bhandariji; and CFO Shri Subhash Jajooji.

Without any further ado, I hand over the call to Shri HM Bangurji for his opening comments. Over to you, sir.

H M Bangur Thank you, Navin. Good afternoon, ladies, and gentlemen. Welcome to our earnings call. I will be giving a few highlights. They may be sequential in importance or otherwise. And then we are open for questions. I will leave more time for that.

Half year 2024 registered an increase of 11% in production and 14% in sales over first half of FY23. Capacity utilization also stood at 76% against 66% of first half of last year. Net profit stood at INR 1,072 crores compared to INR 505 crores in HY12023. All this is due to increase in selling price, better product mix, a reduction in cost and better operating efficiency. Cement realization - improved from INR 4,771 to INR 4,843 per ton sequentially and INR 4,805 to INR 4,843 per ton on a year-on-year basis, that is respectively 2% and 1% increase.

Share of green power in total power consumption increased to 58% in September 2023 vis-a-vis 51% last year quarter. We are likely to increase it to 62% by June 2024. We expect cement demand to remain robust in the coming years on account of rising expenditure on infrastructure and housing development. Our capacity should increase to 56 million tons by 2024. The company is on the track to attain a capacity of 80 million tons by March 2028, achieving a CAGR of 12% capacity in next 5 years. The company has decided to merge its 2 cement subsidiaries with itself for better synergies, simplicity, and compliance.

With this, I will now open the floor to question and answer. Thank you.

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

Amit Murarka: I missed the opening comment, but just wanted to check if you could just tell us what was the cement realization on a Q-o-Q, Y-o-Y basis?

H M Bangur Yes. Cement realization in this quarter is INR 4,843 per ton, which is 1% better year-on-year and 2% better quarter-on-quarter.

Amit Murarka: Okay, okay. Sure. And could you also be able to guide us something on EBITDA, like how much of the EBITDA came from cement?

H M Bangur About INR 1,060 per ton -- INR 1,062 per ton is the exact number, which is coming for the quarter.

Amit Murarka: Okay. So I believe that would also have some benefit of power sale and all that.

H M Bangur Of course, benefit of power sale, everything is there. But if you mean power EBITDA, that will be INR 30 crores.

Amit Murarka: Okay, okay. That's included then in this reported EBITDA, right?

H M Bangur It is included.

Amit Murarka: Got it. So it will be great, actually, if you can restart like sharing the power details. It just helps in better understanding actually of the cement business.

H M Bangur So power turnover in this quarter was INR 343 crores. And EBITDA will be around INR 30 crores, 8% to 9% of the turnover is EBITDA. Basically, our power unit is based on imported fuel, 100% imported fuel. And this is coming from Gujarat port, cost of the fuel is higher. So average EBITDA will be only 8% to 9%. This quarter, it is INR 30 crores

Amit Murarka: Also possible to give H1 number similarly?

H M Bangur For H1 numbers, INR 822 crores is the revenue from power business. So about INR 75 crores, which is expected to be EBITDA -- I don't have the exact number right now. But it will be around INR 75 crores in the 2 quarters put together.

Amit Murarka: No that's very helpful. The second question for me is on the capacity addition that you've announced, 3.4 million tons in the Baloda Bazaar. My understanding is that after that, you'll go to 21 million tons of cement grinding in East, whereas the clinker is 9.2 million tons. So like when can we expect the fourth clinker line then to come at Baloda Bazaar?

H M Bangur Fourth clinker line will take some time. In Eastern India, we have certain capacities which are underutilized like Odisha plant and thus the capacity mismatch- What it seems is not the real fact because in East India conversion factor is much higher, more, or less like 1.9 or 2 because of composite cement also and because of slag cement. So, all put together 10 to 20 or 9.2 to 21 looks unjustified. But because of the East and because of the conditions, they are highly justified. Fourth clinker line will be part of the capacity increase between year 2027 and 2028.

Amit Murarka: Okay, okay. Understood. And lastly, any guidance on power and fuel cost? What was the rupees kCal in Q3 – in Q2, sorry? And what can we expect in Q3?

H M Bangur This quarter, it was – INR2.05 per kilo calorie, and which is going to be less than INR2, INR1.9 is what we are expecting.

Moderator: The next question is from the line of Satyadeep Jain: from Ambit Capital.

Satyadeep Jain: Just one question on the IT survey that happened back in June. Just wanted to see what has happened since then? Any updates, any progress on that?

H M Bangur The survey is completed. No more questions have been asked for last 1 month or 2 months. Few questions to the clarifications were needed that we have given. After that, we have also not heard anything about that.

Moderator: The next question is from the line of Ritesh Shah from Investec.

Ritesh Shah: Sir, my first question is pertaining to water as a commodity. I did ask this question on the last conference call as well. Given Rajasthan has a lot of water stress regions, what is our risk mitigation strategy specifically for the assets that we have in Rajasthan, if one takes a longer-term tenure? That's the first question.

H M Bangur Right. The first question is regarding the new plant at Nawalgarh which we are starting, we have purchased the obligation of clearing all the municipal waste water of Nawalgarh. So, there we will be water surplus by a huge margin. We have put a unit for this improvement of water quality. And there will be lot of surplus. Regarding Beawar and Ras, for last five years, we are collecting the rainwater and harvesting it.

We have selected the lowest spot. So rainwater is collected not only from our area but from the far distant area also.. About 24 lakh KL of water is collected which will be lasting us for about eight months and then for four months, sometimes the rain comes and we are also continuously reducing water consumption. There is no problem for last ten years.

Ritesh Shah: My second question was how would you reflect on our UAE operations? And I think when we had ventured into UAE, we had indicated that we will look to cater into the western coastline by setting up bulk cement terminals. That was our thought I think a couple of years back. So where do we stand on that particular aspect? That is the second question. Thank you.

H M Bangur Regarding Union Cement, we are not at present coming into India in a meaningful way. Handling cost of Indian ports are very high. Roughly INR150 per bag or INR3000 a ton is the handling cost if we bring it to JNPT.

So it doesn't make much business sense as the similar margin can be attained from other sites. Somehow this is the cost which we are thinking how to reduce it. So though our plan remains the same, handling cost is abnormally high.

Ritesh Shah: Sure, sir. I'll just squeeze in a last question. Sir, if you look at our annual numbers, there is a significant difference between the cash tax rate and the effective tax rate. So in the annual report, there is a line item which says that items not deductible for tax, not liable for tax. And this has always been a pretty significant number from, say, around INR150 crores to INR400 crores on an annual basis. So I just wanted to understand how should we look at the differential between cash tax rate and the effective tax rate? And how should we reconcile say, past data?

H M Bangur See, we'll be able to talk about it. It is a highly technical question.

Ashok Bhandari: What you have to appreciate is that the tax rate you are taking the declared tax rate, whereas the tax is calculated on an income derived from the tax statutes. And please appreciate that under IndAS or any other accounting standard we have to provide full tax whatever is applicable to the company. So basically where is the disconnect? The tax which has been provided takes care of tax which is leviable under the tax statutes. Now where is the confusion, sir?

Ritesh Shah: Sir, there are deductibles which the company is enjoying, and we have been enjoying that over a good tenure. So if I just give you a number from FY '17 to, say. FY '23, the cash tax rate, which is there on the cash flow statement is around INR2,100 crores. And tax as per P&L is INR2,600 crores. So there is a differential of 5% over here. So over time, this should merge with each other, but there is still a differential which was there. Probably I'll drop a line to seek clarification over here, but it would be good to have some understanding on this particular aspect.

H M Bangur I will tell you, normally, the company has a policy to pay aggressively the tax or provide aggressively the tax. And you will see year after year, every year we get some refunds. So if it is sufficient to put the question – or my understanding is wrong, because the difference will be INR400 crores to INR500 crores. Next year, if the tax is more, it will – from INR500 crores, it will go INR600 crores. 2 years back what was paid is aligned now because of the refund has come and other things. But next 2 to 3 years, till the refunds come, our tax paid will be continuously higher. We are taking a very conservative policy of paying high taxes.

Ritesh Shah: Sure, sir. And just a follow-up. Why is this change in policy? Because historically, we have been smart capital allocators and we have realized the benefits of taxation and fiscal incentives. Is there any change in the thought process?

H M Bangur No change in policy. This, we have been doing for many years and continuously from the beginning that we are really conservative as far as tax is to be paid. And then we fight our cases, we fight our views. Sometimes we win, sometimes we lose. It is for the tax authorities to decide whether our claims are right or wrong

Moderator: The next question is from the line of Milind S. Raginwar from BOB Capital Markets Limited.

Milind S Raginwar: What would be the contribution of the blended and non-blended mix and also if you can share the trade non-trade mix

H M Bangur Our 75% of the production is blended, 25% is OPC.

Neeraj Akhoury So as the Chairman said, blended cement is 75%, whereas trade sales is currently at about 80%.

Milind S Raginwar: And what would be this in the comparable quarter?

Management: I didn't get you, please, comparable with what?

Milind S Raginwar: I mean what would be this number in the last year, and I mean, year-on-year and sequential?

Management: So on trade sales mix, we have been continuing at about 80%. For the last September, we were at 80% . On the blended ratio, again, we are almost there, 76% last year, 75% this year.

Milind S Raginwar: So actually, I was coming to this jump in the receivables that we see from March to September, is peak. Can you just throw some light there in the balance sheet?

H M Bangur Yes. March to September, is not comparable. Every year in March, the outstanding dips as everybody wants to clear their dues We have to compare from March to March or September to September. Otherwise, in March, the outstanding is the minimum, everybody wants to pay and make their books clean.

Milind S Raginwar: Is it safe to assume that this will normalize over the next 6 months?

H M Bangur Yes. Again, depending on the increase in sales volume, only proportionate increase in outstanding will be there. Number of days wise, it is almost same.

Milind S Raginwar: Okay. And what would be explanation for this overall increase in the power and fuel cost on a year-on-year basis – if I calculate it on a per ton basis? Any specific reason that we are seeing this increase for?

H M Bangur Power and fuel costs also increased because you are seeing the blended working, if our percentage of power sale increases, where about 80% will be the fuel cost. So the power –and the fuel cost will be on a blended basis, increase or decrease depending on the amount of sales of power which we have done. That is one part.

Secondly, it is the fuel cost.

Normally, we are booking fuel about three months to four months in advance. So whenever the prices increase or decrease, our effect will be– three months to four months later, yes.

Milind Raginwar: So I think, sir, even the previous participant also indicated, if we can share this power sale numbers beyond EBITDA and profit number also...

H M Bangur That I will share. About INR343 crores is the power sales for this quarter.

Milind Raginwar: I'm saying the number of units, sir. So that we know exactly where we are.

H M Bangur Number of units also we will be telling you,. This quarter. 8,810 lakh kilowatt hours was generated. 4,028 lakh kilowatt hours, that is about 40 crores units we have sold this quarter.

Milind Raginwar: And what will be the external sales of this proportion, sir?

H M Bangur External? This only an external sale.

Milind Raginwar: This is only for captive process?

H M Bangur . We have generated 88 crores unit, 48 crores for internal consumption, 40 crores for sale,

Milind Raginwar: Okay. And if you can please share the number in September '22?

H M Bangur Yes. Mr. Bhandari will be talking.

Ashok Bhandari: Milind, you send me a mail. I'll send you all the details here.

Milind Raginwar: No problem. Okay. Fair enough.

Moderator: Thank you. The next question is from the line of Jashandeep Singh from Nomura. Please go ahead.

Jashandeep Singh: My first question regarding power and fuel cost. So in the presentation, the press release you have mentioned that the green power mix has increased from 50% last year to 58%. However, I see this 2% decline in power and fuel costs. I just wanted to understand once we reach the 63% green power mix by the end of FY '25, how much cost saving you are building in? Just wanted to understand, in a sense the -- such a drastic increase in green power, power and fuel costs just 2%. My first question.

H M Bangur Yes. About INR 5 crores per megawatt is the solar power plant cost, which we are adding, and part of it will be coming down, the percentage, because of more efficient motor which we are changing. So the overall power consumption also is expected to be lower per ton. So it is a blend because of the new extra capacity and because of the lower consumption of power, the 58% will become 63%.

Jashandeep Singh: And sir, how much savings are you seeing from this, I mean, this increase?

H M Bangur Roughly, the payback period, depending on the grid rate is between six years to eight years. So on an average, seven years is the payback period. 14% return on the capital employed is expected.

Jashandeep Singh: Okay. And sir, my next question is regarding raw material costs. We have seen in the entire industry. The raw material costs have escalated over sharply. However, Shree Cement raw material cost actually decreased sequentially that to by 13%. So what was the reason for that? And what is a sustainable number that we should build in for the coming quarters for raw material?

H M Bangur Raw materials, we will be talking about ourselves, I will not be able to know why others' costs have increased. We are using raw materials gypsum and flyash, - the two principal raw material. The rest is our own limestone. So gypsum cost has come down in one year from INR90 to INR75. Flyash cost for us have come down from INR200 per ton to INR190 per ton. And how others' cost is increasing, I don't know.

Jashandeep Singh: Understood. And if I can squeeze in one last question. I'm sorry, you might have answered. But I just wanted to understand on the -- whether there will be any clinker shortage in the East post this Chhattisgarh unit of 3.40 million tons comes in?

H M Bangur The question is regarding the grinding unit of East for which we have about 10% extra capacity. 9.2 will require us to have 19 million tons minimum. When we have 21 million tons, depending on the market, sometimes market A, B, C, this 10% or so capacity -- additional capacity gives us the freedom to sell in the highest realization market. So this is a policy which has been purposely kept to increase the flexibility.

Moderator: Thank you. The next question is from the line of Prateek Maheshwari from HSBC Securities. Please go ahead.

Prateek Maheshwari: Sir, I was just looking at your comment on the first half utilization for the company, which is around 70%. The much larger peer is kind of operating itself at a larger capacity at 90% utilization levels for the same period. Just wanted to understand from you what's stopping the utilization levels from improving to see our margin improvement in utilization now, what would be your target? And which are the reasons where you're probably seeing that utilization is much lower? That is one question.

H M Bangur Yes. Mr. Neeraj?

Neeraj Akhoury: So it is true that utilization this quarter is 71% but do also remember that quarter before that we were reporting around 80%, yes. So because of the little lower demand last quarter, so it came down a bit. But also we added new capacity in Purulia.

Going forward, we are coming up with new facilities in the next six months both in Rajasthan and in South, so in Guntur. So I think the utilization for one year will deteriorate a bit. And again, we should be able to catch up as we go forward, yes. We should be able to catch up. This is how I would like to respond. Is that okay?

Prateek Maheshwari: Yes. And sir, can you provide us the utilization regionally also for this quarter or for the first half?

Neeraj Akhoury: Your other question, once more? Sorry, I'm missed out that's not very clear.

Prateek Maheshwari: I was just checking if you could also provide the utilization levels for this quarter regionally or for the first half period regionally versus what is the...

Neeraj Akhoury: We are at 71% this quarter. And for the half year, we will be at about 76%.

Prateek Maheshwari: Sir, I was just checking what -- if you could just tell East -- what is the East India -- for the capacity in the East, what would be the utilization level?

H M Bangur in June quarter, our East India utilization level was 92%, which has gone down to 74% in this quarter, mostly because of two reasons rains are very heavy in some areas. And the second thing is when new capacity is being added, so certainly the capacity utilization will come down. So overall, volumes were not that much lower. Purulia capacity got added, which brought down the utilization immediately. It will take time to ramp-up.

Prateek Maheshwari: Okay, sir. Got it. Sir, just lastly, if you could repeat your comment on the per kCal unit cost that you incurred this quarter, second quarter? And I think you said it is INR1.9 per kCal for the next quarter, right?

H M Bangur Yes. In the previous quarter, it was INR2.34 per KCal. In September quarter, it is INR2.05 per KCal. And in the last year, it was INR2.80 per KCal. So compared to that, this year, we are expecting INR1.90 per KCal for coming six months, not for the whole year. For the coming six months, it is expected to be at INR1.90 per KCal.

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

Rajesh Ravi: Sir, could you share how much incentive has been booked in P&L in Q2 and H1? So full year, you have guided around INR130 crores to INR140 crores?

H M Bangur It is about -- incentive to whom?

Rajesh Ravi: Incentive on the various projects that you received. While I understand you book incentives on the receivable on cash basis?

Management: Incentive -- the ready numbers are not there that how much. But it is also an integral part of the realization. It is all merged into realization. We are never focusing on what is incentives and what is not incentives We will just calculate and let you know.

Rajesh Ravi: Sure, sir. And volume for this full year, what sort of volume number you're looking at? And on the cost when you mentioned, your flyash and gypsum costs has come down. Could you share how much is the flyash usage? And what is the cost trend, please?

Management: The volume for...

Neeraj Akhoury: So as we said that on cement volume this quarter, we have grown by about 10%, 9.9%. And half year, they've grown by about 14%, yes, for half year.

Rajesh Ravi: For full year, what is the number you're looking at? Any target do you want to share?

Neeraj Akhoury: The next six months, it is difficult to say but looking at our plans and the way we are working, we should be around 12%, yes, for the full year.

Rajesh Ravi: Okay, sir. And on the slag prices, what is the price trend? And what is the usage of -- how much slag cement you are producing, from blended cement?

Neeraj Akhoury: Can you ask the question again, please? You're saying is -- price?

Rajesh Ravi: Yes, sir. Slag price trend, which is the raw material you may be using, and how much of your product is slag-based cement?

H M Bangur Slag-based cement will be around 10%, where we are talking of slag cement as well as composite cement, which is a modern trend. So about 10% will be the total volume.

Rajesh Ravi: Okay. Out of this 26%, 10% -- the 75% blended cement, 65% would be normal PPC and 10% is slag-based composite?

Neeraj Akhoury: Slag-based composite, yes, right.

Moderator: Thank you. The next question is from the line of Indrajit from CLSA. Please go ahead.

Indrajit: I have two questions, both on Eastern market. If you can give a qualitative indication, how different is profitability in East versus North for you?

H M Bangur Yes. East profitability is quite low compared to North at present, but this keeps changing. Sometimes, East is better, North is not better. So right now, at this point of time or the last quarter, North was about 40% more than the East.

Indrajit: The recent price hikes have been more prominent in East. So post that, has that gap reduced meaningfully?

H M Bangur Yes, that is expected to reduce, but we will be talking about it, when we talk in January after October-December results because a lot of things change in between in the commodity market. Right now, the difference has come down. Your observation is perfectly in order.

Indrajit: Sure. My second question, again, on the East market, given that there's so much capacity that is being added and the growth has not really been blockbuster at least in the last two quarters, three quarters, do you see an oversupply situation in that market, and hence, competitive intensity can be much sharper than what we have seen in the past?

H M Bangur No. East market, because of the low base, all over India, the growth will be such that is what our expectation is, that gradually, the differential will come down. That means that where the per capita income is low, those places, then percentage growth will be better. So I've seen that East needs more capacity and Odisha is doing very well.

Unfortunately, the limestone is there only in Chhattisgarh for whole of East, the whole East has to be catered from the Chhattisgarh division. Very small limestone is in there in Odisha, and somewhere something in the Northeast. Otherwise, Bihar, Odisha, Bengal, Chhattisgarh, Jharkhand everything has to be served only from one place. So East definitely needs more capacity.

Indrajit: Thanks. Thank you so much, sir. I will join back in queue.

Moderator: Thank you. The next question is from the line of Kamlesh Jain from Lotus Asset Managers. Please go ahead.

Kamlesh Jain: Sir, just two questions broadly, like one on the capacity addition timeline. Like when are we expecting or when are we commissioning the Rajasthan plant and the Punjab Grinding Unit and lastly, your Andhra plant?

H M Bangur So this year, Andhra plant, Guntur will be completed in quarter 4 of financial '24, something like March or maybe April, May, Guntur will be completed. Nawalgarh also will be completed in quarter 4, '24. It is delayed by about three months. And these are the two units which you are talking about. The Etah Grinding Unit in UP, we are coming up, this will be just started. We have got the permissions now and we are starting the work.

Cement grinding unit Baloda Bazar, also the work has started. - It will take about 18 months before it is completed. And we are putting up an integrated unit in our Pali district.. So all these things put together by this year-end, we will be 56 million tons plus.

And by 31 March, 25, again 6 million tons more will come. So by 31st March '25, it will be 62 million tons. So these two are the timelines. And then in next three years, 62 million tons, we want to take it to 80 million tons.

Kamlesh Jain: Okay. Sir, and just on the power side, like if you just take the math, like the 75 paise per unit is the EBITDA which we have made. But even in the worst year, we have not made such a low EBITDA. So like the INR30 crores EBITDA which we have, just told on the call, that INR30 crores EBITDA on a sell of around 40 crores units. So it seems to be very low like -- and with the realization of INR8.5 on the revenue side?

H M Bangur Right. This is because the power coal rates have come down very fast. We were stuck with the old coal which we had contracted earlier. The coal rate has come down this year itself from INR2.80 in September '22 to INR2.05 for the quarter.

Coal, which we have to see that pet coke is not allowed in the power. So coal prices are such that the profitability changes by to this extent.

Kamlesh Jain: Okay. And sir, lastly, like Shree Cement has been the pioneer in the cost side. But the way the, like say, now Adani has acquired wholesale assets, they are also becoming very competitive over the next two years, three years. They would also be having 60%, 65% renewable and rest, the entire industry is moving very, very fast on the cost side. How do we see Shree Cement? Because over the years, cost has been a big advantage to us, in terms of profitability and every other aspect, project execution.

So now like, say, in order to like -- to have a superiority or to have a far better advantage over the industry, do you think that all those potentials have already been explored? Or is there further potential available for the Shree Cement on the cost side?

Because on the realization side or on the pushing volumes, we have not performed at par with the industry, which has been the case, like say, prior to five years. But in terms of volumes, we are almost at par with the industry. So what are the parameters?

H M Bangur Our volumes, where we are doing better, industry growth is not 14% for the first half. It is much less. We are better off in volume. Secondly, the volume gives lower fixed cost though which is a small advantage. Overall, we are saying, we are already 58% renewable power, and it will come to 62%- 63% in the coming six months to eight-month period. So is it not a big cost advantage? Which company has given 30% ratio? We are talking of not marginally lower; I'm talking about 50% difference.

So any company, at least I don't know, you people track all the companies much better. So 30% renewable power, and we are 58% renewable power, that is quite a big advantage. That should give us cost leadership.

Secondly, one of your colleagues talked about our raw material costs which have come down. So is it not that we are doing something smarter compared to the industry? Not doing that rather raw material cost has increased that much.

Kamlesh Jain: Great, sir. Thanks a lot and best of luck.

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

Shravan Shah: Sir, first a couple of data points. First is, lead distance for this quarter is how much and fuel mix for this quarter pet coke and AFR?

H M Bangur So this quarter, the lead distance is 472 kilometres.

Shravan Shah: It has increased significantly versus last quarter?

H M Bangur Yes. Last quarter (June'23), it was 456 kilometres. So 16 kilometres, the distance has increased. So that is one part. Because in Eastern India, as I was explaining, everything comes from Chhattisgarh, whether you want to send it to Odisha, you want to send it to Bengal, anywhere. Now when our Bengal plant has started, it is going to increase our distances as the base material is coming from Chhattisgarh only.

So Chhattisgarh to Bengal means that much extra freight. But that is -- will be in par with others who are selling in Bengal, whether our trade in the various markets have increased, that is not the case. It is a new geographical location, which has increased the distance. You asked about pet coke and fuel mix. Pet coke and coal put together is 90% and alternate fuel including hazardous chemicals which is very low cost, is 10%.

Shravan Shah: Sorry, sir, Pet coke, how much you said, 90%?

H M Bangur Pet coke and coal put together is 90%. And alternate fuel, that is a municipal waste or agro waste, hazardous chemicals which are to be burned out in the kiln only, those put together is 10%.

Shravan Shah: Okay. And TSR for this quarter is how much? Because we were looking at to increase to 15%. So where we have reached and by when we will be reaching a 15% TSR?

H M Bangur TSR, it will be increasing to 15% by the year-end. Little bit delay is there. But that is the time we are thinking. Suddenly unexpected problems comes when TSR is used. Everywhere TSR is totally different. They are not consistent in nature. So yes, we are having some delays in the TSR.

Moderator: The next question is from the line of Atharva Bhutada from Purnartha Investment Advisers. Please go ahead.

Atharva Bhutada: Sir, I just wanted to understand, how a power cost per ton is in line with the industry over the last two quarters? Whereas green power has gone up to 58% of the total power being the highest in the industry?

H M Bangur Yes. We will not be talking about the industry, what is their related power cost. But I will be talking about us.

Neeraj Akhoury: So what the question again, the power cost, right?

Atharva Bhutada: Yes, power and fuel cost per ton?

Neeraj Akhoury: So the power cost is -- for last quarter is at INR259 per ton, which is down last year from INR295 per ton. Compared to last quarter, they have slightly gone up from INR248 per ton.

H M Bangur So half year, it will be around INR250.

Atharva Bhutada: Okay. So why is it so much like green energy thing has been going off and our power fuel haven't been coming down so significantly per ton?

H M Bangur The volume effect of the production also will come. But basically, if we see the per ton power cost, that will be INR253 is the per ton power cost for cement. Last year, for the same period, it was INR295, it is INR253. So INR40, the power cost has come down.

Atharva Bhutada: Okay, sir. Thank you.

Moderator: Thank you. The next question is from the line of Abhishek Verma from Fidelity International. Please go ahead.

Abhishek Verma: Yes. I just wanted to understand power cost, sort of unable to make sense of this number of around INR250. I think the power and fuel cost per ton is around INR1,700 and it has not declined on a Y-o-Y basis? Unable to reconcile the numbers.

H M Bangur Power cost has come down to this extent, but fuel cost is totally bought out item. So fuel cost of INR1,500 is in line because it's 700-kilocalorie used per ton of clinker, INR2 per kilocalorie is the charge, so INR1,400 is there, Rest, INR200 or INR300 will be consumed for the power generation for sale, INR340 crores is the power sales. For that power sale, this will be around INR290 crores - INR280 crores of fuel will be used.

Abhishek Verma: No but there has to be a sequential -- sorry, a Y-o-Y decline because for all your peers, there is a meaningful decline in the power and fuel cost per ton. And whereas for you, I cannot see -- in fact, there's a lot of an increase here.

Ashok Bhandari: The number which you are talking about is the composite power and fuel. Mr. Bangur is trying to explain you that the coal use for power generation is also included here. If you exclude that, then you you'll find the savings. Otherwise, what I'll suggest is, you send a mail to Mr. Jajoo or me, and we'll explain you in detail, how it has worked out, right?

H M Bangur I will give you my numbers. Last year, in quarter, power sale was INR46 crores. And this year, it is INR343 crores. So INR300 crores increase in power sales means around INR250 crores increase in the coal at power and fuel costs. This is the reason when we are talking of the totality.

Moderator: Thank you. The next question is from the line of Raghav Maheshwari from Asian Market Securities. Please go ahead.

Raghav Maheshwari: Sir, my question is firstly from the Southern market expansion plan. Our current Southern market clinker capacity is at 2.4 million tons, where we are expanding in the Kodla is approximately 3.32 million tons clinker as well as 1.5 in the Guntur. But if I see same time as a cement expansion plan, it will be somewhere around 9-million-ton expansion plan as well as the 6-million-ton existing cement capacity, including the Pune. It will give the CC somewhere around 2.06, where the rest of the industry for South is the below 1.4, below 1.3, how it will work for the CC of the 2.06 particularly in the South?

H M Bangur South -- there will be some difference in timing. But we will be also putting more lines in Kodla. Some grinding unit may come a little early, but that has to be followed by us, where our 80-million-ton plan is there, one unit in Kodla will be there. One unit in Raipur will be there. And we are so sure about it because the land and everything is there. So when we put the clinkerization next, we don't have to put the grinding unit. Grinding unit, we are putting a little bit in advance.

Raghav Maheshwari: So is it my understanding correct; we are ahead sometimes for the cement side. And clinker, we will be followed by them?

H M Bangur Yes. Sometimes, we are ahead in the clinker, sometimes in the cement. But overall, in a next two-year period, it will all be evened out. Your understanding is correct.

Raghav Maheshwari: And sir, one thing. What is the clinker production number for this quarter as well as the sequentially Q1? Or this, can you provide that number?

Neeraj Akhoury: So we did about 59.61 lakh tons of clinker, 5.96 million tons. This is versus 46.16 lakh tons last quarter -- last year same quarter, which is roughly about 30% increase.

Raghav Maheshwari: Sequentially, Q1 numbers?

Neeraj Akhoury: Sequentially, we are 11% high. We were at 53.71 last quarter. As compared to 53.71 we have gone up to 59.61.

Raghav Maheshwari: Sir, if my understanding is correct on last quarter, our CC is somewhere around 1.60 where now it's what number you are telling, it is 1.6. Where you told before your blended cement ratio is at 75%. And what is the reason to drop in the major CC and it's not reflecting in the material cost sides. Can you just throw some light on that part?

Neeraj Akhoury: So we have given you our blended cement ratio, remember? What is happening is that some part of the products now is CC, where the conversions are better versus only PPC.

Raghav Maheshwari: But sir, the clinker production number you are sharing, regularly showing, that you had reduced the clinker spectrum for 1.6 to 1.46?

Neeraj Akhoury: Yes.

Raghav Maheshwari: Then, sir, what is the reason -- if your blended is at the same level, then what is the reason to drop in the CC is not reflecting in any cost side?

H M Bangur It is reflected in cost side as per ton, our raw material cost has come down. It may be because of volume. Sometimes the production number and the consumption numbers are not same. Part of it maybe in the stock. We don't have the clinker stock numbers readily available. Secondly, area to area, this is all composite area, where we see the East. For the other areas, the difference is very high because if the East consumption is low, where the conversion factor is high.

In this quarter, if East percentage have come down, overall conversion factor will be changing to lower size because in North sales blended cement, the percentage that we see in blended segment in North is 1.6 times-- 1.7 times, in East it is more than 2 times. So if we are replacing by 2 times to 1.7 times, average will come down. So those are all details that we have to discuss point by point. Overall, it cannot be discussed.

Moderator: Thank you. The next question is from the line of Cheragh Sidhwa from Emkay Global.

Cheragh Sidhwa: All my questions have been answered.

Moderator: We have the next question from the line of Navin Sahadeo from ICICI Securities.

Navin Sahadeo: Sir, just one question. A couple of quarters. I mean in the previous conference call, the management has focused or highlighted the importance on premiumization, so to say. Now it's clearly heartening to see that our capacity expansion announced so far is amongst the highest in the industry at 13%, 14% CAGR. And there is more to come, as you said, 80 million tons being the target. So in this backdrop of significant capacity addition, how should one look at volume versus value? That's my only question. Thank you.

H M Bangur Regarding premiumization, our focus is on the right pricing. The volumes will come later. But if the prices are diluted to get the volume much faster, then you win the sprint race but you lose the marathon race. So our volumes will grow very gradually, but our prices in premiumization is at the level at which we wanted. EBITDA is better. Premiumization for the sake of premiumization by investing more, giving a higher cost material with lower realization, lower EBITDA is not the idea. So we are focusing on the right pricing, which is there. And right now, it is around 9.5% to 10%. And in the six months' time, it should be around 12%. This is all what we are expecting now.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

H M Bangur Thank you, everybody, for getting the better understanding. This quarter, the results were good. And next quarter, we expect this to be still better because of the expected improvement in prices and drop in cost. You all ask about the prices, past and more distant past, but compared to July, September quarter, October realization is higher by INR200 and the fuel cost is lower. Rest is all calculation. That's my closing remark. Thank you.

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