



Shri Keshav Cements & Infra Ltd.

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Date: 10/02/2024

To,
The General Manager,
Department of Corporate Services,
BSE Limited,
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai - 400001.

Dear Sir,

Sub: Analyst/Investor call Audio Transcript for the Quarter ended 31/12/2023

Ref: Scrip Code: 530977

Scrip Name: SHRI KESHAV CEMENTS AND INFRA LIMITED

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find the attached Earnings call transcript of analyst/investor call for the quarter ended 31st December, 2023 conducted after the meeting of Board of Directors held on 10th November, 2023, for your information and records.

Kindly take the above intimation on record.

Thanking You,
Yours truly,
For **SHRI KESHAV CEMENTS AND INFRA LIMITED**

Venkatesh Katwa
Chairman
00211504



“Shri Keshav Cement and Infra Limited
Q3 FY '24 Earnings Conference Call”
February 08, 2024



MANAGEMENT: **MR. VENKATESH KATWA – CHAIRMAN – SHRI KESHAV CEMENT AND INFRA LIMITED**
MR. VILAS KATWA – MANAGING DIRECTOR – SHRI KESHAV CEMENT AND INFRA LIMITED

MODERATOR: **MS. VAISHNAVI AMBOKAR – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Shri Keshav Cements and Infra Limited Q3 FY24 Earnings Conference Call hosted by Kirin Advisors. 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 Ms. Vaishnavi Ambokar from Kirin Advisors. Thank you and over to you, ma'am.

Vaishnavi Ambokar: Thank you. Good morning and thank you on behalf of Kirin Advisors. I welcome you all to the conference call of Shri Keshav Cements and Infra Limited.

From the management side, we have Mr. Venkatesh Katwa, Chairman. Now I hand over the call to Mr. Venkatesh. Over to you sir.

Venkatesh Katwa: Yes. Good morning, everyone. I welcome and thank you for joining the conference call for Shri Keshav Cements and Infra Limited. We are delighted to have each one of you here as we explore and discuss the financial performance of Q3 Financial Year 2024. Before we dive into the details of this quarter, let me offer a brief overview of our company and its robust business model. Shri Keshav Cements and Infra Limited, formerly known as Katwa Udyog Limited, is engaged in manufacturing cement and solar power generation and distribution in the state of Karnataka.

The cement plants are located at Bagalkot district in Karnataka and solar power plants are located at Koppal, also in Karnataka. The company supplies cement in North Karnataka, coastal Karnataka, Goa, and some southern parts of Maharashtra. The company has a network of over 350 cement distributors, 600 retail sales point, and 14 solar power plants, power consumers.

Since April 2018, the company has been meeting 100% of its energy requirement through renewable solar generation. The cement plants of SKCL are likely to be the ones in India running 100% on green power energy, resulting in nearly 75% to 80% reduction in the power cost. We are delighted to share positive upgrades regarding our ongoing capital expenditure plan aimed at expanding and modernizing our capacity.

Anticipating the commencement of trial production that runs from approximately Q3 of this financial year, around July 2024, we are optimistic about the significant boost this will provide to our overall growth trajectory. Our commitment to excellence is reflected in recent accomplishments, like including recognition from Bureau of Industrial Standards for meeting the highest quality of cement without any product failures over the past three years of observation. Furthermore, our strategic capex initiatives combined with reduction in raw material prices and expansion of our solar capacity are aligning favourably, setting the stage for promising growth prospects for the remainder of FY24 and beyond.

Also, we are very pleased to announce that the permission has been granted for expansion of the solar plant from the current capacity of 37 megawatt to 40 megawatt peak, contributing to our commitment to sustainable practice and energy efficiency. These developments further solidify our position for continued success in the upcoming years. So in the third quarter of FY24, our revenue from operations were primarily driven by cement business, constituting around 79.3% of the total.

The remaining 20% originated from solar power generation distribution and some other sources. The increase in both cement and solar capacity is set not only to enhance our top end but also propel our profitability at an exponential rate. We want to reassure our stakeholders that our comprehensive strategies are firmly in place, ensuring impressive growth in the times ahead.

Now let me take you through the performance of Q3 FY24. In the third quarter of FY24, Shri Keshav Cement and Infra Limited reported a total income of INR34.36 crores. EBITDA witnessed an increase of 12.47%, reaching INR11.69 crores, while the EBITDA margin expanded to 34.38%, making a substantial rise of 408 basis points. The company achieved a net profit of INR3.97 crores, resulting in a net margin of 11.46%, accompanied by a notable increase of 748 basis points. Furthermore, the earnings for shares stood at 2.52, demonstrating a remarkable growth of over 117%. These figures indicate a positive trajectory for the company's financial performance in the third quarter.

As we anticipate the forthcoming fourth quarter, the optimism at Shri Keshav Cements And Infra Limited is underpinned by a strong Q3 performance and strategic initiatives designed to secure a prominent position in the industry. The company's consistent growth and financial stability not only reflect past success, but also set the stage for continued prosperity in an ever-evolving market landscape. In summary, SKCIL emphasized notable improvements in margins during the third quarter of FY '24.

The company reported positive trends, including enhanced EBITDA margins and a significant increase in net profit margins. These developments signal a positive trajectory for the company's financial performance in the current quarter. As we approach the Q&A session, I would like to convey my sincere gratitude to all our stakeholders.

Your unwavering support and active involvement have been an integral to our growth journey, playing a crucial role in our success. We genuinely appreciate the significant contributions each one of you has made. Before I say thank you, one last word I would like to add.

All the warrants that were issued in April to raise the funds under preferential allotment basis have been subscribed. As of now, there are no outstanding warrants in the balance sheet. Once again, I thank you for your presence. And now I would like to open [floor] for question-and-answer session. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. Our first question is from the line of Yashwanti from Kojin Investment. Please go ahead.

Yashwanti: This is Yashwanti from Kojin Investment. Thank you so much for the opportunity and congratulation for very good set of numbers. I just have one question regarding our profitability and our revenue. This is a post-monsoon period where normally cement uptick we can see. I just want to understand why our sales at the Q3 were flat as compared to the year-on-year growth?

And secondly, we posted around -- a margin of around 34%-plus. What has contributed to this 34%? What has contributed from the operational efficiency and what has contributed from the softening of the raw material prices as you mentioned in your opening remark and whether these margins are sustainable? Thank you, sir.

Venkatesh Katwa: Sure. So, your question is regarding the growth in Q3 as well as why was there enhanced profitability or EBITDA based on what impacted? So if you look at...

Yashwanti: Flat top line growth?

Venkatesh Katwa: Correct. So, typically when you look at the top line by itself, even though the growth has been almost flat, but dispatches have grown and most of the dispatches what we have done in this quarter have been typically ex-plant basis, which means that normally the management of the company is trying to reduce the dispatches on the delivered basis and relying mainly on ex-plant basis. Now, this will have specific advantages like the transportation cost is loaded onto the dealer, of course, with certain discount on the pricing.

Even though our quantity and capacity utilization has reached 76% because of the lower, not exactly lower net realization, because of too large extent avoiding the transportation, the top line has appeared very flat, which is why you will see that your margins have increased drastically. In theory, if we were to do the same logistic like what we did in Q3 FY '23, the top line would have been a little higher.

But the main contributor to the profit margin and the EBITDA has been the reduction of prices in the petroleum coke. And that seems to continue to go down for this quarter too. And hopefully, with that trajectory showing no adverse price change, the profitability and the EBITDA is likely to continue in the positive direction. Thank you.

Yashwanti: Can you please explain this ex-plant? Does it mean that you are directly dispatching it from the plant, something like that?

Venkatesh Katwa: So, typically what happens is when we dispatch cement to the end consumer, it's depending on the trade and commerce dealings, our competition mode is going on, a lot of times we also offer to deliver it to their doorstep. Of course, there is an increased price relation with that, but a lot of times the company may not realize the entire cost or will not be able to entire -- pass on the cost of logistics on to the consumer.

But as and when we try to avoid more of delivering the goods to the customer, we eventually slowly get rid of the additional incremental transportation cost, which is why you will see that

even though sales has grown, in reality, net relation also has grown, but it is still showing a top line flight because some of the logistic costs also have reduced.

Yashwanti: Okay. Sir, in the 34%-plus margin, how much has been contributed from solar and what is the cement margin for you, if you can bifurcate?

Venkatesh Katwa: So, are you talking about EBITDA?

Yashwanti: Yes, sir.

Venkatesh Katwa: So, EBITDA has been a healthy growth this quarter, like this quarter EBITDA is around INR460. This was about INR155 in Q3 of FY '23. This healthy growth is mainly because of reduction in fuel prices and is likely to continue. In fact, the entire last year, the cement EBITDA generated around only INR60, entire year, whereas industry has achieved about INR850 to INR900. However, we achieved very less only because of inefficient utilization of fuel and power, which is what is being corrected in the capex now. So, with INR60 the entire year, this year, we are able to achieve INR250 for nine months and almost INR460 per metric ton in Q3.

Yashwanti: That is cement, right? And what about solar EBITDA? What was the percentage over there? As we have also looking...

Venkatesh Katwa: Sure. So, solar EBITDA typically is around about INR33 crores to INR34 crores over the entire year. So, over the quarter, out of around INR11.7 crores EBITDA, almost INR8 crores is contributed by solar. The balance is contributed by cement.

Yashwanti: So, the enhancement in the EBITDA margin is because of very good EBITDA from the solar, cost efficiency, what we have seen as with the export price coming down and also the strategies we played with the ex-plant deliveries. Am I understanding it correctly, sir?

Venkatesh Katwa: Yes. Mainly because of the ex-plant delivery, the top line has, appears to have reduced in spite of increased dispatches only because to a large extent the logistic costs have been absorbed by the end customers. But EBITDA margin has increased drastically because of reduction of fuel cost. But there is no reduction in consumption. So, there are two different things. Consumption has remained inefficient as it is. Even the power consumption is inefficient. But since the price of solar -- sorry, fuel has gone down, that has impacted EBITDA. So, this capex, what we will be doing, we will be addressing the issue of consumption itself.

Yashwanti: Okay. You said that there is less consumption of the power. So, I believe that is one of whatever we generated from the solar that has been less consumed, am I understanding it correctly?

Venkatesh Katwa: Correct. Even though we are consuming the power from our solar plant 100%, what inefficiently we are utilizing. For example, let us say, we are consuming about 110 units per ton of cement, whereas the industry has reached around 60 units. So, with our capex, so

ultimately that 50 units what we are consuming here could have been better sold outside and generated profit, which is not happening right now.

Yashwanti: Utilization is much higher as compared to the industry, right? I was thinking it other way that we are not able to sell it to the grid. Okay. I understand.

Venkatesh Katwa: Yes. We are still able to sell it, but of course, we could sell more had we -- had a very efficient power.

Yashwanti: Yes, I understand. And we recently increased our solar by around 2 megawatt. So, what was the spend on it? And in future, like in FY '25 or end '26, do we have any plan to enhance it further? And if yes, what is the capex for the same?

Venkatesh Katwa: Solar, right?

Yashwanti: Right.

Venkatesh Katwa: So, solar as of now, we have 37 megawatt capacity. As we speak, we are adding another 3 megawatt. So, final paperwork to place orders going on. And the capex for this is around INR8.5 crores to INR9 crores, which will be contributed by the supplier in, by the way of long-term payment. So, there's no cash outflow as such with this project right now. However, for the long term, once the capex of cement is completed and running smoothly, of course, company will look at adding solar capacity, which has been the management has got a very good experience in setting up the power plant.

And it has been showing to be a very good vertical. So, yes, there are plans as of now, no capacity or anything of that sort is finalized, but the management is on the way of adding more solar capacity after our cement plant has stabilized completely.

Yashwanti: Okay. And even if you wanted to go for an expansion, I believe there won't be those incentives available, which we had initially. So, I believe there are no incentives available on the government side. So, you are going ahead without any incentives but the demand is very high.

Venkatesh Katwa: So, even though there are no incentives available, if we have to sell the power outside, what is happening is, once we expand or once this new one million ton commission happens in July, so existing power, what we are using, what we could have sold, we will start consuming it ourselves.

So, it will make sense to add another plant from which we will consume capital for which the incentives do continue. Because of capital consumptions, there are no additional cross subsidy charges or other charges which otherwise would happen if we were to sell the power.

So, in that scenario, what would happen is, the existing plant which still carries the incentives will be free again to sell the power outside with government-led incentives and the new power plant or solar power project will be utilized to consume the power in-house.

- Yashwanti:** Okay. Also, if you can just give me the outlook, how the price increment has been in the Karnataka for the quarter we concluded and the current scenario?
- Venkatesh Katwa:** The pricing, as of now, the pricing, it has softened a little bit in January. But still, typically, election, pre-election, we would have expected a dip, but I don't see it happening so far. So, January has been strong and till now, it has been looking good.
- So, I'm hoping that apart from a minor price correction, there's no significant change in the ensuing quarters.
- Yashwanti:** Okay. Thank you so much, sir, and I'll join back in a few. I mean, for your coming quarter.
- Venkatesh Katwa:** No, I could not get you again. Come again.
- Yashwanti:** No, I said thank you so much for your explanation and answering the question. I wish all the best for the coming quarter.
- Venkatesh Katwa:** Thank you, madam.
- Moderator:** Thank you. Our next question is from the line of Ananya Swaminathan from C Square. Please go ahead.
- Ananya Swaminathan:** Hi, sir. Thanks for the opportunity. I wanted to know, despite the favourable post-monsoon season, our sales were flat compared to Y-o-Y. Can you explain on it?
- Venkatesh Katwa:** You're talking about Q3, right?
- Ananya Swaminathan:** Yes.
- Venkatesh Katwa:** So, there has been an increase in the dispatches from 65,000 to around 69,000 tons in Q3. However, like I explained earlier, the net realization is not on account of reduction in prices, but on account of the company reducing the logistic expenses. So, typically, what used to happen in the past was, say, like for some percentage of the dispatches were done with delivery model, which means that the goods were delivered at the customer's point by which the logistic cost was absorbed by the company.
- And, of course, you could not have transferred the entire 100% logistic cost to the customer. But now that has reduced, which means that the logistic cost has not added to our top line, which is why it appears to show that the realization has gone down. But in reality, the realization, the naked cement price has gone up, because of which, again, your EBITDA and profit margin has gone up.
- So, technically, even though it's looking flat, but we have also reduced the cost to a large extent in the logistic area.
- Ananya Swaminathan:** Okay. And so, how is our dealership network?

Venkatesh Katwa: So, dealership network is intact over almost 500 to 600 retail points. Q3 has been very robust. Q4 is already beginning to continue that trajectory, what you've seen in Q3.

Technically, Q4 generally is a little slower than Q3, but we have not seen a dip this quarter as of yet. And hopefully, we'll continue with a strong. And our dealership network, we are engaging in more marketing activities.

Eventually, when we have this new capacity online, we should be able to sell a billion tons. So, that's the preparation management is already involved in.

Ananya Swaminathan: Okay. And how has been our working capital cycle?

Venkatesh Katwa: It has been consistent. The inventory days also is in at par, and there's no significant change in either debtors or receivables. Everything has been almost similar to what it has been previously.

Ananya Swaminathan: Okay. And about expansion, on full utilization of our expanded capacity, what is the likely turnover you expect?

Venkatesh Katwa: So, let's say at 80%, if you're talking about 1 billion tons. So, with the inflationary trends, even if you get a relation of 5,000, you're talking about around 370 to 430 top line.

Ananya Swaminathan: All right. So, thank you so much and all the very best.

Venkatesh Katwa: Thank you.

Moderator: Thank you. Our next question is from the line of Ritika Jain from HNI. Please go ahead.

Ritika Jain: Thank you for the opportunity. Yes. Sir, can you throw some light on a firm's deployment plan of recent fundraising?

Venkatesh Katwa: Sure. So, company successfully raised the funds, almost 46 stores from production and balance to the bank. All that has been currently is being deployed towards, capex of this 1 million ton plan.

So, now the company, out of INR80 crores, the company has drawn up to INR35 crores, but the INR45 crores is yet to be drawn. Most of the payments happen to have the time of commissioning. Next couple of next quarter company will be drawing another INR25 crores to INR30 crores.

So, technically, the entire INR125 crores, almost INR100 crores will be utilized by the end of June of FY '25. that's how it is looking so far. The prices have not escalated. So, the project, almost 90% of the projects have been placed, which means that there's no scope of any ill effects of any kind of price escalation. So, based on what we had anticipated, the project is going extremely smooth and is expected to be commissioned on time.

- Ritika Jain:** Okay. sir. Got it. Sir, where is the planned extension of solar capacity? And when can we expect this increase to be implemented?
- Venkatesh Katwa:** So, the first expansion of 3 megawatts, in fact, we are going to be placing the order in next week or so. So, once that happens, they already finalized on the supplier. So, once that happens, our target is around April 2024. That is three months down the line, we should have come to 3 megawatts.
- Ritika Jain:** Okay. Thank you so much, sir.
- Venkatesh Katwa:** Sure. Thank you.
- Moderator:** Thank you. Our next question is from the line of Himani from Suraj Enterprises. Please go ahead.
- Himani:** Yes. So, my question is, your future growth strategies outlook for Q4 FY24, can you provide insights into the specific benefits and impact we anticipate from expanding our solar plant capacity to 40 MWp, particularly in terms of subsidiary and energy efficiency?
- Venkatesh Katwa:** Definitely. So, you want to know the benefits on why we are expanding another 3 megawatt, right?
- Himani:** Yes.
- Venkatesh Katwa:** So, first, the major advantage is the low capital cost because the existing transformers, transmission lines bulk of the almost 20% to 30% of the capital cost has already been incurred. So, what we are typically doing is we are enhancing the DC capacity to accommodate the existing electrical equipment capacity. So, with this low capital investment, the generation will be in proportion to the 3 megawatt what we will be adding, say about 40 to 45 lakh units per year.
- This will obviously mean that till we do the commissioning, this additional 40 lakh units will be sold in the open market just like how we are doing right now and initial revenue generated. And around with almost 45 lakh units, the company will add almost another about two to a half horse EBITDA only by solar. So, that's what we're looking at right now.
- Himani:** Okay. Okay. Thank you, sir. That's it from my side.
- Moderator:** Thank you. Our next question is from the line of Yashwanti from Kojin Investments. Please go ahead.
- Yashwanti:** Thank you so much once again for the opportunity. Sir, I just want to understand like how is the demand scenario in the current level? Are any major projects coming up? Any infrastructure or how was the demand...

- Venkatesh Katwa:** There's a cross talk. So, you were asking how the cement demand looking up and are there any new capacity being added in the vicinity? Sorry, I mean, I couldn't get a second question. I think there are some crosstalks. So, I could not hear the second part. I can address the cement demand part.
- Yashwanti:** Yes, sir. That is what I'm asking. Like, how is the demand [scenario]? So, any major investment for the housing project is coming up. There are a lot of tasks on the government on the infrastructure. So, anything has planned for the Karnataka belt where we have our major projects? Did you hear my questions, sir?
- Venkatesh Katwa:** Yes. Now, I could get a complete question, like business question. So, typically, like, you know, post-monsoon demand is always on the high. And Q3 and Q4 are generally Q3 and Q4 tend to be very good with Q3 doing the best. So, Q1 and then eventually continue to Q1. So, as of now, the cement demand is showing robust growth. We expected some dip due to elections.
- But luckily, so far, no such dip is observed. And typically, in Karnataka, what we're noticing is some of the projects which had stopped immediately after the local election, they have picked up. So, maybe expected to have a favourable opinion. So, overall the housing sector is intact. The government infrastructure is intact.
- In fact, we have seen cement price softening very heavily on other parts of India. On our side, too, there has been some correction. But it doesn't look like it will be such a major correction what we've seen other places. So, yes, the cement demand is robust as of now and is expected to continue in Q4, too.
- And at the same time, the price of fuel also has been reducing. So, it appears to be a good quarter so far.
- Yashwanti:** Do you expect the prices to remain under pressure for some more time as compared to the other part of the country?
- Venkatesh Katwa:** Do I expect what?
- Yashwanti:** The prices, cement prices to be under pressure in Karnataka as compared to the other part of the country?
- Venkatesh Katwa:** To a lesser extent, not to that extent what other parts of the country have seen. Somehow, there has been some corrections but not significant to impact any kind of bottom line significantly. So, whatever correction is happening is commensurate with the corrections in the cost of fuel. So, overall, I don't see a significant impact or any kind of negative impact happening in Karnataka region. We have not seen that in short.
- Yashwanti:** My question is, do you expect this slope, the lower cement price to persist even for a few more months?

- Venkatesh Katwa:** Yes, this quarter, whatever we have seen so far, it will continue this quarter. But it is not significant is what I mentioned. So, most likely, even if there is a dip, it is going to be happening till the election and maybe a quarter after elections.
- But as of now, we have not seen that pressure happening here, not significantly. I don't expect it to be there any severe pressure happening this quarter. If it had to happen, it should have happened by now.
- Yashwanti:** So, you expect that it will remain moreover at the same level for the current quarter, slightly expected to improve in the first quarter of the next year. But then the next quarter will be the monsoon, right sir?
- Venkatesh Katwa:** Correct. So, Q3 was a good quarter. Q4, a little correction, not significant as expected. And again, Q1 final year will be similar to Q4. And then of course, Q2 of next year is going to be a monsoon quarter. Okay, sir.
- Yashwanti:** Thank you so much for explaining.
- Venkatesh Katwa:** Sure. Thank you.
- Moderator:** Thank you. Our next question is from the line of Prathamesh Dhiwar from Tiger Asset. Please go ahead.
- Prathamesh Dhiwar:** I just wanted to know on the volume side, can you give us how much our volumes has grown Y-o-Y for the quarter?
- Venkatesh Katwa:** So, volume-wise for nine months, we have grown only 2%. And we will be expecting to touch at least 5% growth in volumes for the year end. That is mainly because we lost significantly on Q1 and Q2. So, Q3 this year has been our 76% utilization. And Q4 could be a little better based on what is happening so far.
- So, technically, in FY23, there are 2,26,000 tons over the dispatch quantity. And we have already reached 1,98,000 for nine months and up to January. So, we will be expecting the range of 240 to 245,000 tons for FY24.
- Prathamesh Dhiwar:** Okay, okay. And so, I think in your last call, you told you are going to plan to entering into new markets like Pune and Bangalore. So, any update on that?
- Venkatesh Katwa:** So, we would not be interested to look at that so immediately because once the commission happens, the trial production happens in July-August, maybe in the Q1 of next financial year, we will begin to look at outside markets like Pune, Bangalore, and other areas. So, right now, the only planning is going on. So, as of now, no actionable work has been done.
- Prathamesh Dhiwar:** Okay. And so, post our 1 million ton expansion, how are we looking at the revenue or the volume guidance for FY25? And what will be the EBITDA per ton? Would you also invest doing capex in the energy thing?

- Venkatesh Katwa:** Sure. So, our luckily EBITDA for this year has grown from INR60 last year to INR250 for nine months, for nine-month period and INR460 per ton of cement EBITDA only for Q3. So, this year is going to be in the same range like what we see 400 to 500 range because unless there is an increase in fuel price, we are expecting to keep this EBITDA range.
- But once the expansion happens, we're expecting around INR800 to INR1000 EBITDA just like other cement plants. So, taking that into account, assuming that first half year goes with the old EBITDA and the next half year goes with the new EBITDA, on average, we're expecting an EBITDA of around INR600 to INR650 per ton.
- With that, at around 50% or 55% capacity utilization of the full capacity, we are talking of EBITDA around INR65 to INR70 to INR75 crores and EBITDA per ton to the range of INR650 per metric ton. But the next year, when we have the entire new capacity with the new fuel consumption pattern, we are expecting the EBITDA to reach around INR900 to INR1000 per metric ton.
- Or maybe even better because the current price has come down. So, at least INR1000 is what we are targeting, assuming the same prices will continue.
- Prathamesh Dhiwar:** Okay. So, sorry if I didn't understood it earlier, like I want to know on the sales front. So, the major reason for the volume for the revenue, slight revenue was because of volumes, right?
- Venkatesh Katwa:** Yes.
- Prathamesh Dhiwar:** Thank you, sir. That's it from my side and all the best. Thank you.
- Venkatesh Katwa:** Thank you Prathamesh.
- Moderator:** Thank you. Our next question is from the line of Urmi from RoboCapital. Please go ahead.
- Urmi:** I just wanted to ask, what are the utilization levels you are looking for, FY26?
- Venkatesh Katwa:** So, based on projection standard, we have taken around 65% in FY26 and around 70% FY27 onwards. So, FY25, we are targeting around 50% to 55% on the whole capacity. So, around 500 to 550,000 tons, this is what we are targeting next financial year.
- Urmi:** Okay. I just wanted to clear that in the previous calls, you said that you would be able to sell the full capacity of 1 million tons. Is that achievable by FY26?
- Venkatesh Katwa:** No, there must be some misunderstanding because our projections, we have put it at 50% to 55% next financial year and 65% in the following financial year and around 70% after that. So, the cement plant in India operate at around on average about 75% to 80% capacity all over India. So, for projection sake, we are targeting about 75% to 80% along the line.
- Urmi:** Okay. Thank you.

- Venkatesh Katwa:** Because money is always going to be tied and the capacity is designed based on almost 330 days working 24 hours a day.
- Urmi:** Okay. Thank you.
- Venkatesh Katwa:** Sure.
- Moderator:** Thank you. Our next question is from the line of Manan, an Individual Investor. Please go ahead.
- Manan:** Thank you for taking my question and congratulations on the good set of numbers, sir. I just want to understand that once our expansion is done right, so will we have to market for our products or like that 1 million ton of capacity which we'll be generating? Is there enough of the demand in the market so that the supply will be done easily?
- Venkatesh Katwa:** Absolutely, Manan. So, in the areas that we are located in, in the vicinity of just about 250 kilometers, I think almost 10 to 15 million tons of cement is being sold per month. So, I think so, the capacity of 1 million tons is still miniscule in cement standards.
- For a small plant like ours, it should not be a major challenge at all. If we had about maybe 2 million or 5 million tons capacity, there is a certain need to worry because cement is one product where you cannot sell it very far from the manufacturing location because of low value to weight, kind of product. But yes, to answer your question, management is very confident that we will be able to deploy 80% or 90% of our capacity without very, very significant efforts.
- Of course, we have to increase our market base. We have to increase our geographical area. But that is all it takes.
- Otherwise, cement consumption is poised to grow in the country. By 2028, almost 800 tons is expected to be the rated capacity with current about 450 to 500 million tons. So, 300 million tons is expected to be added in the next, four to five years. And 1 million tons should not be a significant capacity for us to sell.
- Manan:** Okay. And the second question would be that now, as you just said, we are doing on the explant model basis, right? So, are we going to continue this with the explant model or we might shift to delivery model again?
- Venkatesh Katwa:** It typically depends on the market sentiment. So, if there is a, if it is a, typically a biased market, then again, we have to provide this extra services of delivery. But it is, I mean, even if we do the delivery, we require most of the cost in the pricing.
- Of course, not all the cost. So, management is trying to push as much as possible where explant is possible. So, it all, to answer your question, that is the direction their management wants to go. But eventually, it depends on how the consumer, wants it to be delivered.

- Manan:** Okay. Understood.
- Venkatesh Katwa:** And overall, our net realization will continue to improve. Then what we know is, make it cement value.
- Manan:** Okay. And can you please give the production and sales volume for this quarter, third quarter?
- Venkatesh Katwa:** So, sale volume is 68,600 ton tons compared to 65,000 tons in FY '23 Q3. And the, you want only the cement sales?
- Manan:** Yes, yes, the cement sales volume.
- Venkatesh Katwa:** The cement sales, okay, let me just fill up that figure. Out of almost 80% has come from cement sales. So, let's say approximately 34 into 0.79. So, around 27% has come from cement sales, and balance coming from solar and some other minor other income.
- Manan:** Okay, understood. And as we had, I mean, in the previous call, we, the company guided for around INR300 something odd crores for FY '27. So, is that achievable? Are we still on that same track?
- Venkatesh Katwa:** Absolutely achievable. For FY '27, yes, definitely achievable.
- Manan:** Okay, sure. Thank you so much. That's it from my end.
- Moderator:** Thank you. Our next question is from the line of Prathamesh Dhiwar from Tiger Asset. Please go ahead.
- Prathamesh Dhiwar:** Yes, so just to follow up, I think you told about INR600 of EBITDA per ton. So, is it for the FY '25?
- Venkatesh Katwa:** Yes.
- Prathamesh Dhiwar:** Okay. And the 900 will be after expansion for FY '26? Okay.
- Venkatesh Katwa:** I averaged it basically. So, currently it is about, say for the first half year, it is going to be around INR400, INR450. And the next half year, it is going to be around INR992, averaged to INR650.
- And next financial year, which is FY '26, we are targeting INR900 to INR1000 rupees directly. Because by then, the entire plan would be new, the fuel and power efficiency would have been achieved.
- Prathamesh Dhiwar:** Okay. And so, the INR300 crores guidance for FY '27 that you have given, will it be achievable from that 1 million capacity or will you be increasing more or any plans for that?
- Venkatesh Katwa:** I think it is a conservative estimate that we have done. So, let us say at 1 million tons, even at 65% production, FY '27, we are talking about 65% also if we take this thing at around, so it is

still saying about INR330 crores to INR340 crores top line. So, we have given you the most conservative estimates.

Prathamesh Diwar: Got it, sir. Great. Thank you, sir. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I now end the conference over to Ms. Vaishnavi Ambokar for closing comments.

Vaishnavi Ambokar: [Inaudible], if you have any queries, you can write us at research@kirinadvisors.com. Once again, thank you everyone for joining the conference call. Thank you.

Venkatesh Katwa: Thank you. Bye-bye.

Moderator: Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.