THE INDIA CEMENTS LIMITED

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02.06.2022

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Scrip Code : 530005

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Exchange Plaza, 5th Floor
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Bandra (E)
MUMBAI 400 051.

Scrip Code : INDIACEM

Dear Sirs,

Sub.: Transcript of Investors Call / Analysts' Meet – Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In continuation to our letter dated 27.05.2022, please find enclosed the transcript of the conference call (concall) held on 27.05.2022 with representatives of various Investors / Analysts on the Audited Financial Results of the Company for the quarter and year ended March 31, 2022 and the same is available on the Company's website at www.indiacements.co.in.

Thanking you,

Yours faithfully,
for **THE INDIA CEMENTS LIMITED**

COMPANY SECRETARY

Encl.: As above

"The India Cements Limited's Q4FY22 & FY22 Conference Call hosted by PhillipCapital India Pvt. Ltd."

May 27, 2022

MANAGEMENT: **MR. N. SRINIVASAN – VICE CHAIRMAN & MANAGING DIRECTOR, THE INDIA CEMENTS LIMITED**

MODERATOR: **MR. VAIBHAV AGARWAL, PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to The India Cements Limited Q4 FY'22 and FY'22 Conference Call 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 '*' and then '0' 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, sir.

Vaibhav Agarwal: Yes, thank you, Inba. Good afternoon, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q4 FY'22 & FY'22 call of The India Cements Limited.

On the call, we have with us the entire senior management team of The India Cements.

I would like to mention on behalf of the India Cements Limited and its management that certain statements that are made or discussed on this conference call maybe forward-looking statements related to future developments and the current performance. These statements are subject to a number of risks, uncertainties and other important factors that may cause the actual developments and results to differ materially from the statements made. The India Cements assumes no obligation to publicly update or alter these forward-looking statements, whether as a result of new information or future events or otherwise.

I will now hand over the floor to Mr. N. Srinivasan – Vice Chairman and Managing Director of the company for his opening remarks, will be followed by Q&A Session. Over to you, sir.

Management: Thank you. Good afternoon. If one were to sum up in one sentence, what was the Q4 results, it is a question of sharp increase in costs caused by factors not under the control of the management, and the fact that the slow reaction of the industry of us to compensate for these costs increases. Coal cost shot up completely, I don't think I'd have to carry coal to Newcastle. Everybody is aware that the costs have gone up substantially.

Where we are concerned, we look at the NPR, that is net plant realization, we are around the same as our competitors. Our costs have gone up. There is one reason for it, that is we wanted to maintain as much as dispatch as possible work at as much capacity utilization as possible. There are five India's actually; North India, East India, they're running full. In the South, lockdown for a longer period and we had torrential rains in most of our markets, as a result of which the business could not be as usual.

So the combination of these two, our capacity utilization is low. And what capacity utilization also we got, we got by driving into markets where the demand was there, for example, we went to Maharashtra. In Maharashtra, the problem is that it is mostly OPC. So, we suffered from the point that our PPC production came down, but we had to keep the volumes up at least to the extent possible.

Going forward, I think the situation will reverse. Rains have stopped and although the next set of monsoon is going to come. But we are hoping and we are working very hard to ensure that our PPC production is high, which PPC production not only reduces your cost, it also gives you more volume. So, we will be aiming to improve our PPC production. We will be working to improve our volumes.

And as far as the cost is concerned, we have done extensive work now. We are in a position that we can get into longer term arrangements with coal suppliers and people like that. So that we expect to benefit from better slightly lower coal prices going forward, although it is our assessment that the coal prices will not go down, will still increase going forward.

As a company, I think in a sense, the worst is over in one sense, and going forward, we will have better production, we will have cheaper production, and therefore, the results should be better.

These are my opening remarks. I'd be very happy to take any questions. Thank you.

Moderator: We will now begin the question-and-answer session. First question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: My first question is could you share the sales volume and production volume for this quarter?

Management: Sales volume was 26.29 lakh tons in terms of cement.

Rajesh Ravi: Clinker sales also?

Management: Clinker was 0.28 lakh tons. Total 26.57 lakh tons.

Rajesh Ravi: Clinker production is how much?

Management: 19.63 lakh tons.

Rajesh Ravi: Sir, could you share the shipping, wind and Trishul's revenue and EBITDA numbers?

Management: Shipping revenue for quarter was Rs.8 crores and EBITDA was Rs.4.2 crores. RMC revenue was Rs.33.5 crores and EBITDA was Rs.5 crores. Wind was only Rs.0.78 crores.

Rajesh Ravi: Sir, if I look into the volume numbers, it's okay sequentially, it has been decent, there's been staff cost growth. And if I look into the balance sheet also, there is a sharp increase in the receivables and inventories, could you explain that?

Management: The increase in receivables have been explained by way of a note, but nevertheless I will give you the explanation; we have been reporting receivables net of security deposit. This time there has been a change in the policy. So, we have shown security deposit separately and the receivables are being shown at gross level. Technically, there has not been any increase.

Rajesh Ravi: But last year numbers are what, Rs.564 crores?

Management: Last year number was ex of security deposit, whereas this year, security deposit has been shown under liabilities and receivables are being shown on a gross basis.

Rajesh Ravi: No, if I have to do gross-to-gross, then what would be the number for last year, Rs.564 crores?

Management: I will give it to you before the call gets over.

Rajesh Ravi: No issue, sir. One last question, despite such poor numbers which we have seen in the March quarter for South primarily because of the cost inflation, we understand that the pricing has not picked up even in this June quarter sequentially despite further cost inflation. So, what is your thought process on the same, why are we seeing such trends, South has been very prudent in terms of cost pass-through?

Management: I can answer for myself. I will increase the price on the 1st of the next month. It is my intention to increase by Rs.20 on the 1st and by another Rs.15 rupees on the 15th.

Rajesh Ravi: So far how much price increase you have taken sir in April and May?

Management: In April, nothing almost. This will be the first real increase.

Rajesh Ravi: So, just wondering what stopped you from taking price hike in April and May?

Management: You see, this call is being recorded and all kinds of people are listening. So we'll go up like in this fashion; Rs.20 plus Rs.15 and plus a further increase on the 1st of the following month.

Rajesh Ravi: How much was your landed power cost? Fuel cost per kCal in March, how did it move versus December and where do you stand in current quarter?

Management: In the fourth quarter per kCal was Rs.2.30 and third quarter was Rs.1.94.

Rajesh Ravi: Where are we standing in Q1?

Management: Could be around Rs.2.6.

Rajesh Ravi: So there is further jump in the cost numbers?

Management: Yes.

Management: Can I give you debtors corresponding number now? As against Rs.921 crores this year, it would have been Rs.941 crores last year.

Rajesh Ravi: So now it is Rs.560 crores, so there is a Rs.20 crores only we got adjusted last year and now there is on a like-to-like if you're looking Rs.560 crores has gone up by almost Rs.400 crores?

Management: Yes, the deposit is Rs.400 crores.

Rajesh Ravi: No-no, I'm just wanting to understand the trade receivables movement year-on-year, how much is on a like-to-like basis?

Management: Like-to-like, the trade receivables this year is Rs.921 crores, correct? The corresponding figure for the last year would have been Rs.941.24 crores. It has come down by Rs.20 crores.

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

Manish Ostwal: You said in opening remarks that the cost has gone up and impacted the operating performance during the quarter. So, given the current coal and pet coke prices, whether the entire market-related costs reflected in the quarter, still in Q1 we will see further cost of consumption go up and impacting operating performance?

Management: Costs will go up which is why we are going to increase the price.

Manish Ostwal: So, whether we will be able to maintain the EBITDA per ton in the current levels or difficult to predict?

Management: What I can say is that I expect an improved performance going forward from June onwards. The other aspect I can say is I am going to increase the price which I did not do so earlier. So, the combination of the two should improve my EBITDA.

Manish Ostwal: Second, there is a very large M&A transaction happening in cement recently. So, your comments on the market and competitive scenario evolving in the sector?

Management: South is not involved much and I don't comment on other people's purchase and sale.

Manish Ostwal: But then a new player may have a different pricing mechanism, that may impact India Cements also, right or it is not like that?

Management: No, no. If something affects me, I will react at that time.

Moderator: The next question is from the line of Navin Sahadeo of Edelweiss. Please go ahead

Navin Sahadeo: Can you please share the gross debt number for the standalone entity?

Management: Gross debt is Rs.3,063 crores.

Navin Sahadeo: How much was this last year?

Management: Corresponding was Rs.3,000 crores.

Navin Sahadeo: Marginal increase. So, basically this year, we could not repay the debt, of course, the industry has not been kind, in general, there has been a huge pressure on margins. But what is the debt repayment obligation then that we have for FY'23 per se, how much do we plan to repay?

Management: The scheduled repayment is about Rs.500 crores.

Navin Sahadeo: But I think the scheduled repayment even for FY'22 was around the same range which we have not been able to pay because of tough environment. So –

Management: We paid, but we refinanced.

Navin Sahadeo: What is the consolidated gross debt against the Rs.3,063 crores of standalone gross debt?

Management: Rs.3,085.58 crores.

Navin Sahadeo: So, not much difference is there. Given now like in general, the prices have not been very kind in South and of course, we are looking at hiking prices. But with regards to the balance sheet situation, are we still looking at the MP project in the near-term or it is safe to assume it is some time away until the balance sheet health improves?

Management: We will wait. We are going to monetize some assets which we do not need, mainly land in order to improve our liquidity and we will only complete those projects that we have taken Sankar Nagar cement mill and the waste heat recovery. We will not embark on anything new now.

Navin Sahadeo: Sir, I understand we have a really huge land bank and I think the investors really would have been waiting for a while to monetize this. So this monetization can be really substantial which can really help do away or reduce the debt portion significantly or this will be more in phases as and when on need-based requirements?

Management: We will monetize as we need it.

Navin Sahadeo: So it will be in smaller phases only to that.

Management: It depends on the appetite. If you want to sell land, immediately doesn't go. You want to sell 'X' piece of land. 'Y' piece of land will go faster. So land is a funny animal. But all I'm saying is our intention is to monetize land.

Navin Sahadeo: Great. I'm sure investors will love this commentary from you and we'll look forward to more concrete development on this front.

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

Rajesh Ravi: One follow up question is corresponding to what the previous participants were asking. Heartening to know that you're looking to monetize some of your assets. Could you give us a sense of what is your assessment of the total value of those assets if you were to liquidate even in a phased manner?

Management: We have 26,000 acres of land. Now, a small portion of it if necessary we will sell. It is very clear our decision is we will monetize to the extent necessary at a proper price. This is not a distress sale. So, there are very exciting possibilities. Let us wait and see.

Rajesh Ravi: So, any near-term target of Rs.1,000 crores, Rs.2,000 crores, Rs.5,000 crores for next two years?

Management: I don't need that much money. I will ensure that my repayments are done as per schedule.

Rajesh Ravi: But you are okay with the amount of debt, net of the repayments which you have?

Management: See, if you talk about debt, there are people with huge, huge debt who are walking around and being praised, whereas I am a small fellow and I got a small debt.

Moderator: Our next question is from the line of Dharmesh Shah from Emkay Global. Please go ahead.

Dharmesh Shah: Two questions from my side. One is happy to hear that we are going to take a price hikes in the month of June. But what gives you confidence that this price hikes will get absorbed in the market because we have made an attempt even in April and May, so is there anything is going to change which is giving us the confidence that this price hikes will get absorbed in the market?

Management: I have confidence because everybody is suffering the costs increases. This time it will be absorbed. I will sell what I can sell at that price. I expect others also will increase.

Dharmesh Shah: What kind of the logistical support we are looking from the government because there is a media report that the government is looking to give a logistical support and especially on the railways rake side and the excess supply from the south can be made to the north region. So, if you can just give some idea that any recommendation which we have made to the government and what kind of the logistical support is the industry is looking for?

Management: We have represented to the government that 40% of limestone is in the South. If steps are not taken, there will be surplus in the south and there will be shortage in the north. We have requested therefore some kind of telescopic freight for cement to go from south to north. I think government is looking at it.

Dharmesh Shah: Can you see some conclusion in the near term, is it likely to take some time and what kind of the benefit the South industry will get from this?

Management: See, it will mean that plants in the south can operate at a much higher capacity utilization. It will also mean that many projects that are starved for cement in the North will get cement.

Moderator: We will take our next question from the line of Anirudh Agarwal from AAA Investments. Please go ahead.

Anirudh Agarwal: My first question was actually on the demand that we've seen till now in April and May. So how is demand being both versus last year and sequentially because last year --?

Management: Demand has been slightly sluggish.

Anirudh Agarwal: In that context, how do you think that price hikes will go through and then sustain also because anyways monsoon we will see pressure on prices?

Management: See, I'm a manager, I have to do my job. My job today is to ensure that I get a proper price for my product when all costs have gone up. Again, the coal cost is going to be hiked further. So, I expect sanity will prevail everywhere.

Anirudh Agarwal: In terms of coal availability, sir, like how much inventory are we carrying currently for the next 45-days or what is the period that we have inventory for?

Management: See, coal is available. The question is at what price. So, therefore, earlier in the beginning, we were worried that we will get coal or not. Now that fear is not there. Coal is available at different prices. Like I said, we are making longer-term arrangements to get coal, which can even reduce the price a little bit. So coal is available. The question is, what is the cost?

Anirudh Agarwal: Till what period, are we covered currently, we have inventory for the next --?

Management: We always have about two to three months stock of coal.

Anirudh Agarwal: After the proposed price hikes that you're talking about in June, do you think that compensate enough for the increased costs, or you think further hike will be needed to get back to historic margin levels?

Management: My proposal is that we will increase the price on the 1st of June by Rs.20, on the 15th of June by another Rs.15 and on the 1st of July by another Rs.20. This will adequately cover all cost increases.

Anirudh Agarwal: So, we will need like Rs.55 hike which is 16%, 17% at least from current levels you are saying to cover for the --?

Management: We will be doing that Rs.55.

Anirudh Agarwal: Energy cost, I understand this quarter will be 15% higher sequentially. But in the logistics cost, if you can tell us how do you think that will play out in Q1?

Management: Diesel prices I assume will remain steady. So we should expect the same logistic costs going forward.

Anirudh Agarwal: There is no difference in the rail and road mix in this quarter?

Management: We mainly do by road now. That's why we are more concerned about diesel prices which we now expect it to remain steady after the government action. So we think that logistic costs will remain the same as Q4.

Moderator: The next question is from the line of Navin Sahadeo from Edelweiss. Please go ahead.

Navin Sahadeo: One interesting point, which Srinivasan sir has mentioned, was about government looking into providing… I mean, you've made a representation to provide some sort of telescopic freight support. So is there more color at this stage on this in the sense is the government talking about offering some sort of freight subsidy or SOPs for movement or some rake availability, is there any other color as to how this is likely to really help?

Management: See, your guess is as good as mine. We have made the representation. We believe we have been able to carry conviction to the government that with the kind of surplus of cement in the south and the shortage in the north, if they give some kind of concession, cement can flow which is good all round. So, I think we have conveyed conviction. The question is government in their wisdom what they will do. That we will wait and see.

Navin Sahadeo: Yes, because very recently, we also saw this media article I think last weekend probably wherein the export duty on steel was raised. In that same article it did mention government is looking to improve the logistics. So, I am just trying to think if this is related to the same representation that you made or -?

Management: We were given the opportunity to present to the finance minister, to the government for one hour. So, we have covered all aspects. We hope some results will happen.

Moderator: That was the last question. I now hand the conference over to Mr. Vaibhav Agarwal for closing comments.

Vaibhav Agarwal: Can you tell me on the current quarter what is our average fuel cost per ton on YoY and QoQ?

Management: Cost per ton is Rs.14,000 per ton.

Vaibhav Agarwal: On YoY and QoQ?

Management: Q3 was Rs.12,600 and last year Q4 was Rs.9,100.

Vaibhav Agarwal: Based on the current price, what are we expecting to be for the current quarter, expectation as of now in terms of fuel prices?

Management: My dear, wait for one month. Who knows what –

Vaibhav Agarwal: Thank you, sir. On behalf of PhillipCapital, I like to thank the management of India Cements for the call and also many for the participants joining the call.

Management: Thank you.

Moderator: On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.