SAGAR CEMENTS LIMITED

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2nd February 2023

The National Stock Exchange of India Ltd.,
"Exchange Plaza", 5th Floor
Bandra – Kurla Complex
Bandra (East)
**Mumbai – 400 051**

**Symbol: SAGCEM**
**Series: EQ**

The Secretary
BSE Limited
P J Towers
Dalal Street
**Mumbai – 400 001**

**Scrip Code: 502090**

Dear Sirs,

Sub: Submission of transcription of Conference Call under Regulation 30 read with Part A of Schedule III of SEBI (LODR) Regulations, 2015 on Q3 FY 23 financial results

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Pursuant to the above said Regulation, we are forwarding herewith the transcription of the Conference Call held by us on 30th January 2023 in connection with the recently announced un-audited stand-alone and consolidated financial results for the third quarter and nine months period ended 31st December, 2022.

Thanking you

Yours faithfully
For Sagar Cements Limited

R.Soundararajan
Company Secretary

Encl.

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| MANAGEMENT: | Gavin Desa - CDR India<br>Sreekanth Reddy - Joint Managing Director<br>K. Prasad - Chief Financial Officer<br>Soundararajan - Company Secretary |
| ANALYSTS: | Shravan Shah<br>Sanjay Nandi<br>Shravan Shah<br>Mangesh Bhadang<br>Amit Murarka<br>Ankur Bansal<br>Parth Bhavsar<br>Sachin Shetty<br>Keshav Lahoti<br>Abhisar Jain<br>Prateek Kumar |

**Manish Valecha:** Good afternoon, ladies and gentlemen. Welcome you all to the 3Q FY '23 Results Conference Call of Sagar Cements Limited. We have with us from the management, Mr. Sreekanth Reddy, Joint Managing Director; Mr. K. Prasad, Chief Financial Officer; and Mr. Soundararajan, the Company Secretary.

I would now like to hand over the floor to Gavin Desa of CDR for his opening remarks, and then we will go to the management for their opening remarks. Thank you.

**Gavin Desa:** Thank you, Manish, and thank you for introducing the management. I'd just like to add that some of the statements made in today's discussion may be forward-looking in nature, and a note to this effect was added in the con call invite sent to you earlier. I trust you've gone through the presentation and the result documents.

I would now like to hand over to Mr. Sreekanth Reddy for his opening remarks. Over to you, Sreekanth.

**Sreekanth Reddy:** Thank you, Gavin. Good afternoon, everyone, and welcome to Sagar Cements' earnings call for the quarter ended December 31, 2022. Let me begin the discussion with the happy news with regards to Andhra Cement acquisition, we are very happy in announcing that the resolution professional of Andhra Cement has declared Sagar Cements as the successful bidder and the same has been admitted by the

Amravati Bench of NCLT, that is the National Company Law Tribunal. And its final order is expected in due course of time.

Since it's in the NCLT, at this point of time, it is sub judice for us to discuss anything in detail. We would be very happy to come back to you pertaining to the Andhra Cement acquisition contours in due course of time.

Let me begin the discussion with a brief overview of the market, post which I will be happy to move on to Sagar-specific developments. Overall, while we did witness demand improvements during the quarter, realizations though continue to remain fairly steady. Demand improvement was largely owing to pick up in construction activities post monsoon and festive season.

Raw material prices broadly have started to trend lower, which augurs well for the business, especially considering that realizations continue to trend sideways. Going ahead, demand outlook continues to remain encouraging on the back of government's infrastructure push coupled with the demand from urban housing.

Moving on to Sagar-specific developments. Our revenue for the quarter stood at ₹576 crores as against ₹334 crores during the corresponding quarter in the previous year, higher by almost 73% on a Y-o-Y basis, largely driven by the volumes following the commission of the new capacities. Average realizations improved marginally on a sequential basis.

EBITDA for the quarter remained fairly steady at ₹48 crores as against ₹47 crores generated during Q3 FY '22. Margins for the current period stood at 8% as against 14% reported during the corresponding period last year. While the margins are compressed on Y-o-Y basis, the cooling off in raw material prices over the past few quarters bodes well for the business.

Furthermore, we are hopeful that our investments towards strengthening our operational infrastructure in recent times by setting up the waste heat recovery system, the railway siding, etc, should help us improve the margin profile and trajectory during the coming years.

Average fuel costs stood at ₹1,866 per ton as against ₹1,452 per ton reported during Q3 FY '22. Freight costs for the quarter stood at ₹795 per ton as against ₹751 per ton during Q3 FY '22. On a sequential basis though, as mentioned earlier, we have seen a moderation in fuel and freight costs, loss after tax for the quarter stood at ₹27 crores as against a profit of ₹10 crore reported during Q3 FY '22.

From an operational point of view, Mattampally plant operated at 65% capacity utilization. While Gudipadu, Bayyavaram, Jeerabad and Jajpur plants operated at 95%, 68%, 57% and 15%, respectively, during the quarter. Overall capacity utilization at the group level stood at 60%.

As far as the key balance sheet items are concerned, the gross debt as on 31st of December 2022 stood at ₹1,391 crores, out of which ₹1,222 crores is long-term debt. The remaining constitutes the working capital. The net worth of the company on a consolidated basis as of 31st December 2022 stood at ₹1,554 crores. Debt equity ratio stands at 0.79:1. Cash and bank balances were ₹313 crores as on 31st December 2022.

In summary, we believe our efforts towards improving our operational efficiencies, product mix, presence across the established and fast-growing markets along with the scale following the completion of Andhra Cements acquisition position us well to create long-term value for our shareholders.

This concludes my opening remarks. I would now be glad to take any questions that you may have. Thank you.

**Question-and-Answer Session**

**Manish Valecha:** Thank you sir. We will take the first question from Shravan Shah

**Shravan Shah:** Sir, first, coming on the pricing part, have you seen any price increase in this January month? And do you expect some price increase attempt as now we have a full construction season?

**Sreekanth Reddy:** From a price perspective, the attempt was made a couple of times over the last few quarters. But unfortunately, the price more or less remained static with a slightly negative bias for the last few months, I think same is the case with January.

Fortunately, in our case, realizations remained reasonably flat because of the overall kind of a product mix. But at the marketplace, it looks like the prices more or less remain steady. Internally, our belief is that prices probably would remain very similar for this quarter. And we think that the prices are likely to start inching up only from the start of Q1 next year.

**Shravan Shah:** Sir, I wanted to ask on the volume. But before that, if we get some clarity on the Andhra Cement, I understand though we haven't received a final approval. But broadly, just trying to understand, let's assume even if we do not want to disclose the valuation. But broadly, post the acquisition in terms of the net debt, what currently we have ₹1,080 crores how much increase we can see expect? and secondly when can we start seeing the production and the sales coming from that plant? And broadly, let's say, how much in terms of the utilization will it be at par with kind of 60% for the other plants that we have that we can achieve in one year?

**Sreekanth Reddy:** Thank you, Shravan. I'm sure you'll appreciate and understand our position in terms of disclosing the details about the acquisition. But let me put it on the gross debt side. Let me speak of the net-debt that is more relevant. From the current position of around ₹1,100 crores gross debt, the likely increase is going to be around another ₹150 odd crores.

So we think that net debt should not cross more than ₹1,250 crores on the higher side, post-acquisition of Andhra Cement. Now going back to the Andhra acquisition, we are expecting the NCLT order anytime soon. So if it is likely to happen before the February end, we are hopeful to start during the Q1 -- middle of Q1 for the cement and end of Q1 for the clinker for restarting the operations of Andhra. And we believe that Andhra should get aligned itself with the other regional players in terms of the capacity utilization somewhere between 55% to 60% over the next couple of quarters once we restart.

**Shravan Shah:** Got it sir. So now previously in terms of our volume in terms of the five million tons for the full-year that we were looking at, so we need now close to 1.54 million tons in the fourth quarter.

**Sreekanth Reddy:** Yes, we should be very close to that number. Likely that we might end up anywhere between 4.9 million to 4.95 million tons is what we think. Because now that we are halfway through this quarter, we can keep our neck out to say that we should be very close to that number, Mr. Shravan.

**Shravan Shah:** So next year, then how do we see the Jeerabad and Jajpur in terms of the volume?

**Sreekanth Reddy:** As indicated earlier, current five million tons -- what we have done the projection. The initial target is to achieve 5.5 million tons this excludes the Andhra Cement volumes. So, the next year target it is going to be in the range of 5.5 million tons. So we do expect it is, both Jeerabad as well as Jajpur units.

**Shravan Shah:** Got it, sir. So now coming to the costing part. So first, do we still have the same three-month fuel inventory and broadly, how do we see the fourth quarter in terms of the costing? So overall...

**Sreekanth Reddy:** Yes, we do believe in our case, the inventory has been very healthy. Now we can cross beyond the Q4 and halfway through the Q1, we do have inventory. Given the situation and the ramp-up that has happened from stability that we have seen across all the assets, we think likely from the last quarter, that is Q3 to Q4, we do expect around ₹100 kind of cost savings.

On two counts; one, the overall fuel costs would come down for us purely because of the mix that we are likely to have. And at the same time, as indicated, from a 1.3 odd million yes, we are likely to achieve around 1.4 million to 1.45 million. So with that operating leverage also should help us cut the costs. So we are expecting around ₹100 to ₹125 per ton kind of a saving in the cost.

**Shravan Shah:** Got it. Sir, just one data point in terms of the mix between trade and non-trade there, what was for this quarter?

**Sreekanth Reddy:** Trade, nontrade mix, we still remain around 60% to be trade and 40% to be the non-trade sir.

**Shravan Shah:** And previously, we were looking at in terms of increasing the blending cement to 70% odd.

**Sreekanth Reddy:** I think we did indicate it is not 70%, we would be reaching to around 60%, 65% from 40-60 as OPC and 60 and blended at 40. Yes, this year, we are already at 50-50. So I think the next year target is to move to 55% to 60% blended and the remaining OPC, and we are on our way to achieve those numbers.

And I'm sure you would appreciate this is on an increased kind of volume. Like last year at 3.6 million itself, we were at 60-40. But with almost close to 4.9 million, we are almost at 50-50. So there has been a sharp increase in the overall kind of blended volumes in absolute numbers.

**Manish Valecha:** The next question is from Sanjay Nandi. Please go ahead.

**Sanjay Nandi:** Good morning sir. Congrats on the Andhra deal, sir.

**Sreekanth Reddy:** Sanjay, I think we will celebrate once we get the NCLT order.

**Sanjay Nandi:** Yeah, yeah, sure. Sir, which bench is it pending in NCLT?

**Sreekanth Reddy:** Amravati bench it is with the Amravati bench. That is the Andhra Pradesh bench of NCLT at Vijayawada.

**Sanjay Nandi:** Okay. So we are expecting this ruling to come by end of February, right, sir?

**Sreekanth Reddy:** The due date is on 9th, as indicated, sir, but we don't know. The current due date is on 9th of February.

**Sanjay Nandi:** 9th of February. And sir, post that deal, we are expecting our net debt to be ₹1,250 odd crores, right?

**Sreekanth Reddy:** Yes, ₹1,250 crores is what we have indicated, sir.

**Sanjay Nandi:** On a console basis?

**Sreekanth Reddy:** On a console basis, yes.

**Sanjay Nandi:** Yeah. And what kind of inventory we have, sir, for these pet coke, sir, like from the exit of Q3 and to the onset of this Q4?

**Sreekanth Reddy:** See, we currently are running with almost close to -- stock levels up to four months -- four and a half month, of domestic coal. And we do have close to around 35,000 tons of pet coke across all the units that we have.

**Sanjay Nandi:** Sir, can you guide us regarding that current scenario of this pet coke pricing, like from the exit of Q3 as we are standing towards the end of -- the beginning of the Q4?

**Sreekanth Reddy:** See, we did indicate in our presentation, which is on Slide 9. But let me just give you, the spot prices of imported pet coke is at $170. What was hovering anywhere between $180 to $200 over the last few quarters. Right now, it started trending down and the spot prices is at around \$170 per ton. The imported coal has come down by almost around \$25 to \$30, RB2 which is a benchmark kind of listing. What was \$160 for the previous quarters. Right now, it is at \$135.

From -- as indicated, sir, still imported pet coke on a per Kcal basis looks to be slightly more economical than -- and the imported coal as we speak. But in our case, anyhow as we have indicated to you, we are mostly using the domestic coal as well as the domestic pet coke.

**Sanjay Nandi:** Sir, which kind of imported coal do we use, sir?

**Sreekanth Reddy:** We don't use imported coal at all, sir.

**Sanjay Nandi:** Okay. And the pet coke, which we use, we import from which countries?

**Sreekanth Reddy:** No, it's all domestic, sir. At this point of time, we are only sourcing it from CPCL as well as the IOCL of Koyali, which is the Baroda IOCL. These are the two sources of the pet coke that we had source.

**Manish Valecha:** Thank you. The next question is a follow-up from Shravan Shah.

**Shravan Shah:** Sir, on the finance costs. So for the fourth quarter, still we likely to continue of ₹51 crores kind of a run rate and other income at the same time, the ₹14 odd crores. So till how many quarters can we see the same run rate?

**Sreekanth Reddy:** At this point of time, what I would like to indicate is for the current quarter, the interest rate probably would -- the interest cost would remain at 51 crore. It will come down once the transaction is done because the current around ₹450 crores to ₹500 crores of structured debt, we are paying a higher interest rate, it would come down because it would be rolled over into term loan, okay? That's the first part.

The second part is, yeah, there is an investment that we have done, which you are aware. It's subscribed to certain NCDs in the past. So we are expecting the closure of all those investments to happen in the current quarter itself. And we definitely are expecting a significant kind of an upside on the NCDs that we have subscribed. So with those things getting materialized, we do expect the past losses to get wiped off in the current quarter, Mr. Shravan. The details of which we'll be very happy to share post the conclusion of the transaction.

**Shravan Shah:** So does that mean do we have -- can see an exceptional gain in this quarter? Or other income can see a significant increase in this quarter?

**Sreekanth Reddy:** Yeah. At this point of time, I can say, yes, sir. I think one of those two things will happen. But we will be very happy sharing the details post the completion of the transaction, Mr. Shravan.

**Shravan Shah:** Okay. Thank you, sir.

**Sreekanth Reddy:** Thank you.

**Manish Valecha:** We'll take the next question from Mangesh Bhadang. Please go ahead. Mangesh you may go ahead.

**Mangesh Bhadang:** Hello sir, my question was with regards to the demand in the regions that you operate. If you can just highlight how much growth as you have seen in South and Eastern markets in the first nine months? And what is the outlook?

**Sreekanth Reddy:** Yeah. I think -- let me talk about the South. AP and Telangana together have grown more than 25% over the last nine months or over the last year. Karnataka is close to 24%. Tamil Nadu is close to 20%. Kerala is 25%. Maharashtra is flat to positive bias of around 3%. Orissa is also very flat, sir. So…

**Mangesh Bhadang:** Okay. And sir, if you can just highlight how the pricing has moved from the December exit. You mentioned that you expected it to be flat. Has there been any increase?

**Sreekanth Reddy:** Yeah, it has been flat. Though there were certain small price hikes that have happened in between, but I think more or less the average remains that it has been flat over the -- for the first one and a half months over the last quarter.

**Mangesh Bhadang:** I wanted to check if SCCL is having any issues with regards to the supply to the non-power sector? And what would be the e-auction premiums there?

**Sreekanth Reddy:** Yeah. it's more a seasonal issue. For the last few months, we did not see any supply-related issues in our case. So supply has been very healthy. Now the auction is due. So we will only get to know over probably a week's time as to how the overall e-auction prices were trending, Mangesh. Yeah. In our case, we have FSA. So we are not as concerned with the premiums that we need to pay on the e-auctions, Mr. Mangesh.

**Mangesh Bhadang:** Okay. And sir, just wanted to have your view on the outlook sir. Means you mentioned about the growth that we have seen in those regions. But do you expect sir, in the remainder in -- as well as next year? Any ballpark figure would be helpful.

**Sreekanth Reddy:** I think we are gearing up for the elections across some of the states that we operate. Our experience in the past, again, it's only with that experience that we believe that the markets are going to see a significant kind of increase in the overall kind of a demand outlook.

We believe south -- what has grown close to 25% over the last nine months should definitely grow at close to anywhere between 8% to 10% over the next couple of years is what we strongly think. In anticipation for the election spend, which governments do a couple of years before the relevant state elections when they are due.

Two years before that, we've always seen significant increase in the demand. So far, we are positively surprised that it has grown to 25%. But we have penciled close to around 8% to 10% for each year, for next two years.

**Manish Valecha:** Sir, I'll take the question from Mr. Shyam Sundar's line. So his question is on pricing. On pricing, we are seeing some challenges or taking price increases. So in case if there are energy costs comes down, will there be any price cut if you would share your outlook on pricing region-wise.

**Sreekanth Reddy:** See, I think from a price correlating with the cost, historically there has been. But what I would like to remind is that over the last 18 months, if you have seen the fuel price, what was the 18 months back to now, it is still almost 2x of what it was year and a half back to what it is right now. So any drop right now, what we have seen is only close to around 20%, 25%. So these drops should not influence the price to drop significantly from where we are.

But having said that, it's not just the fuel. The other material costs have also gone up quite significantly, keeping in line with the inflationary kind of trends that we have seen. So all the other blended materials or the sourcing of the material or the sourcing of the services have significantly gone up. We don't expect any of them to come down as fast as the fuel. So given that scenario, price should only go up, it should not come up -- come down in tandem with the fuel costs. Unless fuel cost really goes back and aligns itself with what it was 18 months back.

Now having said that, if you see some of the markets that we service to what it -- the prices that were there close to 18 months back to now, the drop is quite significant. We actually have seen around anywhere between ₹15 to ₹20 drop from the peak. So given that scenario, we believe and that's our wish list that it should not come down. The prices should not come down any further than what they are. But we have to watch those trends.

The price remaining where itself is very alarming. I think this year, we are already into the early part of the February month, and we are left with only a couple of more months for the current financial year. We don't expect any major changes to happen both upward and downward for the price. And we strongly think that prices should start picking up from the early part of Q1. The only caveat is if price -- the fuel cost dropped quite significantly. Yes, the price may not move, but there could be a positive kind of increase in the overall kind of margins. That's what we think Mr. Shyam.

**Manish Valecha:** Sir next question is from Amit Murarka. Please go ahead.

**Amit Murarka:** Just have a couple of questions. Firstly, on the cost side only. So like earlier in your comments in the previous quarter, you had mentioned that you're taking coal from Singareni Collieries and that contract could get reset at higher prices. But now with fuel prices having dropped like -- do you still see that risk? Or like we should see...

**Sreekanth Reddy:** We never mentioned that it is with the reset. It's with an FSA. So they have not revised the prices so far. We believe that they might remain the way it has always been. We think that prices -- Singareni prices have never been tag to the imported coal prices. They actually are also independent of CIL prices. We have never seen any correlation with CIL prices on Singareni. And at the same time, with the imported coal pricing on Singareni. It's very dynamically adjusted.

So far, they have not indicated nor we are seeing any major changes, at least for another quarter from Singareni on the FSA-related coal supply. Yeah, the -- there is an e-auction due. Those trends should help us try to predict, but it is due over the next 15 days to 20 days from now. So basis that we can take some call. But as we speak, they have not indicated of any increase in their coal prices so far Mr. Amit.

**Amit Murarka:** Okay. And in your presentation, you mentioned imported coal, like is that South African benchmark or...

**Sreekanth Reddy:** Yeah. It's typically RB2 is what we generally indicate Mr. Amit, because there are too many variants, but RB2 is the most popular one. So that's what we have chosen in our presentation Mr. Amit.

**Amit Murarka:** All right. And this recent drop in RB2 that, in fact, it was quite a sharp drop that has happened in the last one month.

**Sreekanth Reddy:** Yeah, it's around $25. So what was hovering anywhere between $160, $175 kind of prices have come down to $130. But even at $130, RB2 is relatively higher compared to the imported pet coke Mr. Amit. So I think the current RB2 price is still higher than the imported pet coke on a per Kcal basis on a landed basis for us.

**Amit Murarka:** Okay. At least you should benefit the power element of cost where you don't take pet coke, right?

**Sreekanth Reddy:** So in our case, anyhow RB2, we don't use it for the power plant. It's still very, very expensive to position, because -- yeah, at $135, if I have to start making this coal for generating power, the power cost would be significantly higher to the grid costs, sir. So it doesn't make sense for us to use RB2 in our power generation either.

**Amit Murarka:** Understood. Okay. So basically, this as of now maybe just gives you the cushion that alternate to pet coke, but it doesn't really directly benefit the cost as of now.

**Sreekanth Reddy:** In our case, anyhow, we did indicate we have not used any imported coal for over the last few quarters, and that still remains the stance because that said, the higher end of our cost. So we are significantly using domestic coal with the combination of domestic pet coke, Mr. Amit.

**Amit Murarka:** Okay, understood. That's all from my side. Thank you.

**Sreekanth Reddy:** Thank you.

**Manish Valecha:** Thank you. The next question is from Ankur Bansal. Please go ahead.

**Ankur Bansal:** Hello sir, good afternoon. Sir, my question is regarding Andhra Cement that we have already -- you have already given a resolution to acquire Andhra Cement to NCLT. Sir, what is your future plan regarding Andhra Cement? Are you going to delist it? Or are you going to do a capital reduction? Or how it will benefit the shareholders of Sagar Cements?

**Sreekanth Reddy:** Mr. Ankur, as indicated in my opening remarks, we received an LOI, the letter of intent, and we have been declared as a successful bidder by the resolution professional. He did apply to NCLT, Amravati bench. After the outcome of that only, we would be in a position to disclose all the details. At this point of time, the issue is sub judice, so I'm not in a position to disclose beyond what I've already shared with you, Mr. Ankur. We will be very happy coming back to you. Once the NCLT order is out, we'll be very, very happy to disclose every detail associated with the Andhra Cement acquisition.

**Ankur Bansal:** And how we can expect, sir, what is the timeline? You said Q1?

**Sreekanth Reddy:** Currently, the NCLT has given 9th as the hearing date. So we are hoping it should happen much before the end of February itself, Mr. Ankur.

**Ankur Bansal:** Thank you sir. Thank you so much.

**Sreekanth Reddy:** Thank you.

**Manish Valecha:** Thank you. The next question is from Parth Bhavsar. Please go ahead.

**Parth Bhavsar:** Hi, sir. Thank you for the opportunity. Sir, I had just one question, like where I want to understand the pricing. So as we can see that nine months, every one of your pockets where you operate have reported good volume number or good growth in terms of demand. And also like going ahead, we enter Q4, which is usually a strong quarter, right? So what is like holding like cement mills to take any price hike and why are they not sustaining? And even the costs are very high like...

**Sreekanth Reddy:** I wish I had the right answer. At this point of time, as mentioned, the demand has been reasonably good, or I would say it has been the worst. Unfortunately, at the marketplace, though, we have put a lot of efforts from our side, yes, we could not get any price hike. The reasons could be multiple, but we don't have the exact solution why we could not increase the prices. So the margins have always been compressed by more than 50% and then what the sustainable margins have been. In spite of that, we are not in a situation to sustain the price hike, what we attempted. I wish I had a direct answer.

**Parth Bhavsar:** Thank you, thank you for the outlook.

**Manish Valecha:** Thank you. The next question is from Sachin Shetty. Please go ahead.

**Sachin Shetty:** Yes, hi sir. Good afternoon. Sir, my question is regarding to Andhra Cement. Since we have already given this one over to Andhra Cement and the capacity is around 2.5 million ton. So this plant is idle for last three years, I'm going to say, but how this plant can be operational in going forward? And how much fresh capital we have to infuse for Andhra Cement. So that we can see the fruitful results for Sagar.

**Sreekanth Reddy:** Yes. Mr. Sachin, you have to bear with me. As I mentioned again and again, I'm sorry, I'm repeating, but I have to repeat, the matter is sub judice, at this point of time, we are not in a position to disclose any details, but we will be very happy coming back to you with all the details and all the questions that you have asked. We would be very happy replying post the NCLT order. What I can tell you is you're right, it's a 2.6 million ton installed capacity. It has been not operational for the last three years. That's a fact. Our plans going forward pertaining to that and all, we'll be extremely happy disclosing and discussing those issues post NCLT order, Mr. Sachin.

**Sachin Shetty:** Thank you sir. Thank you, sir. And has there a further scope for expansion of Andhra Cement?

**Sreekanth Reddy:** We'll be very happy to disclose those post the NCLT. It's a good asset. We are happy to have them. So -- but details we will be happy discussing post-NCLT order.

**Sachin Shetty:** Okay. So last word for a congratulation for the acquisition. Thanks.

**Sreekanth Reddy:** Thank you, again. We will take that once the NCLT order is in.

**Sachin Shetty:** Thanks, okay.

**Sreekanth Reddy:** Thank you.

**Manish Valecha:** Thank you. The next question is from Keshav Lahoti. Please go ahead.

**Keshav Lahoti:** Hi, thank you for the opportunity. I just want to understand what sort of volume are we looking from Jeerabad, and Jajpur plant in this year and next financial year?

**Sreekanth Reddy:** Yes. Mr. Keshav, we did indicate 5 million as the target at a consolidated level. Yes, we were expecting close to around 600,000 tons to 650,000 tons from Jeerabad unit. But I think we should end up close to around 550,000 to 600,000 tons for that specific unit. We were expecting around 400,000 tons from Jajpur, but we might end up close to around 250,000 to 300,000 tons for Jajpur unit for the current year.

With all of those numbers, we indicated 5 million tons for the current year. We should be very close to that number. Going forward, as indicated, as discussed earlier, our target for the next year is 5.5 million tons. Out of 5.5 million tons, yes, we are expecting anywhere between 750,000 to 800,000 tons from Jeerabad. And close to 450,000 to 500,000 tons from Jajpur unit Mr. Keshav.

**Keshav Lahoti:** Okay. Got it. And what sort of EBITDA per ton they are doing and when it will be EBITDA breakeven? What is current status?

**Sreekanth Reddy:** We are very happy that Jeerabad is already above that point. So it's only a matter of time at Jajpur. At this point of time, we are operating anywhere between 15% to 20% capacity utilization. The reason why we are operating in lower also because of the realizations being lower. So we were not in a hurry to really ramp up that capacity. But we do expect the prices in the East surprisingly have been a lot better compared to -- related to the other regions. So last couple of months have been fairly strong. So if the same trends continue, yes, we do expect by Q1 -- middle of Q1 for us to break-even at Jajpur, Mr. Keshav.

**Keshav Lahoti:** Okay. And what is the region sales breakup for this quarter?

**Sreekanth Reddy:** Yes, we'll be happy sharing it. If you can respond to an e-mail because it will be time consuming for me to read out each state-wise.

**Keshav Lahoti:** Got it. One last question from my side. I might be repetitive. As you highlighted, the quarter four also, you're not expecting any price hikes. So normally, the trend is we see good pricing in Feb and March are busy construction season. So why is your hypothesis of no price hike for this quarter? Like...

**Sreekanth Reddy:** It's not no price hike. Given the trends what we have seen, the season actually starts picking up from middle of November. Historically, the price hikes keep happening in a small little way starting from middle of November, all the way up to June, July. Since we could not successfully go for a price hikes during all these time yes, we believe that doing it at the start of February and any prices from here may not be as sustainable as much as it could be with start of the Q1. So we strongly believe that it is likely that the price hikes might start happening from start of Q1 rather than from middle of Q4, Mr. Keshav.

This is all our historical experience. We wish we are wrong. And price hike keeps happening from now. Historically, it does not happen. So that's what the -- the internal thinking is that the likely price hikes might happen from Q1 is from those historical facts, Mr. Keshav.

**Keshav Lahoti:** Okay, got it. Thanks for the detailed response.

**Sreekanth Reddy:** Thank you, Mr. Keshav.

**Manish Valecha:** Thank you. So there is a follow-up question from Shyam Sundar. His question is, is there a technical limit to use lower GCV fuel such as domestic or pet coke or imported coal?

**Sreekanth Reddy:** Yes, I think it is very specific to kiln. In our case, historically, we were using, I would not say very bad quality coal, but a reasonably low grade coal anywhere between 3,500 to 4,000 with almost 35% to 40% ash at 100% in our kiln, sir. We definitely can use that. There is no technical limitation in our case. But again, it depends on the quality of the limestone each one of us would have at each of the assets.

But in our case, for all our kilns, I don't think there is any limitation in terms of the grade of the coal. Of course, there is a limitation in the lowest grade coal, yeah. Typically, we don't go below 40% ash. We don't want to use higher than 40% ash as well as caloric value, which is less than 3,500. We avoid using it, because yeah, it would have its impact on the end product. So our set point is we don't want to cross 35% ash, and we don't want to use the fuel, which is less than 3,500 caloric value of coal. So that's what is the limit.

Again, same would be the case with the pet coke, again, If it is very hard, it would stress your grinding system. Sulfur sometimes also creates a lot of issues. In our case, we have used 100% pet coke to 100% domestic coal, which is of the quality which I mentioned. So the band in our case for utilizing in all the assets is fairly wide. But that should be the case with most of the industry.

At some places, at some plants have a limitation, purely basis the limestone quality or the technical assets that they would have. It's a case-to-case. It is not something which is across the industry kind of a phenomenon. Hope I could address Mr. Shyam's question, Mr. Manish.

**Manish Valecha:** Yes sir. That was well taken. Thank you, sir. The next question is from Abhisar Jain. Please go ahead.

**Abhisar Jain:** Yeah. Hi sir. Sir, on Andhra Cement, you mentioned in your opening comments that the net debt would go up by around ₹150 crore from current level and also that you can hopefully start from the middle of Q1. So sir, this net debt number that you're indicating, does this include only the acquisition-related cost or it includes the startup?

**Sreekanth Reddy:** No sir. This includes the working capital requirements even at Andhra Cements.

**Abhisar Jain:** And also the startup that you -- startup cost that you want to do till Q1, right?

**Sreekanth Reddy:** Yes. Yes sir.

**Abhisar Jain:** Only the debottlenecking, etc., you will figure out once you get the order in your favor, right?

**Sreekanth Reddy:** We'll be very happy discussing those details post the order, Mr. Abhisar. Not that do not know -- but we would be very happy discussing because the contours of the structure, the resolution plan once the NCLT confirms, we would be very happy in discussing each of it in very absolute detail type.

**Abhisar Jain:** Right, sir. Sir, also on the cost side, you mentioned that sequentially, you were looking at around ₹100 to ₹120 per ton of reduction from Q3 to Q4. But given that the raw material and the fuel costs have been coming down month-on-month at least in the last few months. Could you also give some ballpark indication because there is a lag effect that how much fall can further happen into Q1?

**Sreekanth Reddy:** Yeah, I think we can take this once quarter-on-quarter number, Mr. Abhisar. At this point of time, we are reasonably sure because it's a weighted average kind of a number. So we are very sure of ₹100 to ₹125 drop from last quarter to this quarter. Yeah, I think with the Q4 quarterly results, we would be in a much better shape to address this issue rather than at this point of time.

**Abhisar Jain:** Yeah. But sir, I'm just trying to understand that...

**Sreekanth Reddy:** But even the drop in the fuel at this point of time is not lower than our average fuel cost, Mr. Abhisar. Because we are not expecting any major drop in the domestic coal nor the case with the domestic pet coke significantly.

Yes, there has been a significant drop in imported coal, which we are not using. So in our case, it could be flattish, except only the major shift is going to be the ramp up and the other two assets, which are startup should give us that additional push which we'll be very happy discussing that with the Q4 results into the next quarter and Q1 into the next year as well Mr. Abhisar.

**Abhisar Jain:** Understood, sir. And sir, last question on the CapEx outlook for FY '24. Without Andhra, what kind of CapEx are you looking for...

**Sreekanth Reddy:** We are only planning for the maintenance CapEx, sir. It should not be more than ₹30 crores across the entire group spread over all the assets, Mr. Abhisar. These are typical maintenance CapEx.

**Abhisar Jain:** Sure, sir. And sir, since your goal of this going above 10 million tons is already achieved if Andhra comes in. So then...

**Sreekanth Reddy:** Mr. Abhisar, we double every 10 years. We had indicated to be at 10 million by 2025. We are happy that with this acquisition, we should be saving a year, year and a half from a targeted kind of a number.

**Abhisar Jain:** Yeah. Sir, so my question is that...

**Sreekanth Reddy:** We should double every 10 years. So the 10 years could be from when we are concluding this. And 10 years from then, we should double, Mr. Abhisar.

**Abhisar Jain:** No, no. Sir, so my question is that since then the CapEx will be limited in FY '24, would the cash flows be used for deleveraging?

**Sreekanth Reddy:** Sir, we always believe that there should be a balance between equity and the debt. At this point of time, we are just about to absorb an asset, sir. So it's too soon for us to take any call on any of that. We always believe that there should be a balanced portfolio in the equity and the debt structure, and we have never crossed 1:1 on a debt-to-equity ratio.

It doesn't mean that we would not like to deleverage, but it would be on a balanced kind of a thing sir. Most of our debts are structured for a very, very long-term. So it may not significantly de-lever, but we probably might underuse the working capital to that extent. So we would still say I have savings on the interest cost pertaining to that Mr. Abhisar.

**Abhisar Jain:** Understood sir. Thank you sir. Best of luck.

**Sreekanth Reddy:** Thank you.

**Manish Valecha:** Thank you. Sir, a couple of questions from the chat window. What is the CapEx guidance from FY '24 and '25?

**Sreekanth Reddy:** Yeah. We -- at this point of time, excluding Andhra Cement, Mr. Manish, the acquisition and this further upgrade. Yeah, we do have around ₹30 crores of maintenance CapEx for each year across all the assets that are operating at this point of time. So same would be the case for FY '24 as well as FY '25.

**Manish Valecha:** Okay. And the second question is from Chirag Sidhwa. It's proportion of pet coke in fuel mix has increased to 76% from 66%. Any particular reason for the same? And how do you see this mix in Q4? And the second question is on weighted average Kcal stood at 2.1 with the current inventory, what is the Kcal expected in Q4?

**Sreekanth Reddy:** See, I think the weighted -- the overall kind of a mix that we are looking at is 40% pet coke and 60% domestic coal. From an indicative 2.17, I think we should be more or less be very close to that number, maybe 3 paisa to 5 paisa should come down. We should be close to that number itself, Mr. Manish.

**Manish Valecha:** Okay. Got it sir. Thank you. The next question is from Prateek Kumar. Please go ahead, Prateek.

**Prateek Kumar:** Yeah, good afternoon sir. My first question is, would you have any ballpark like indication of what will be the utilizations of South region, including volumes going to Eastern market for the industry?

**Sreekanth Reddy:** Yes, Mr. Prateek, in the past, it was close to around 2.5 million to 3 million that was moving from south to east. I think those numbers more or less remain the same. From last quarter to this quarter, we have seen a significant increase in the overall kind of a capacity utilization, which is in line with the 25% growth that we have seen over last year to this year across all the south markets on an average. So that should be the case.

But what we have to be mindful is there were some new suppliers that have come into the market. So that needs to be factored too. So there has not been a significant change in the overall kind of an operating rate. That's what we believe because significant kind of volumes also have started getting ramped up from the assets that got commissioned over last year to year and a half period, Mr. Prateek.

**Prateek Kumar:** But it's fair to say it would be operating at like now 70% instead of -- like for 3Q versus like normally 50%, 55%?

**Sreekanth Reddy:** Yeah, Prateek. Quarter-on-quarter number is always a challenge. If you look at the year, I think there is a small improvement in the overall kind of an operating rate. Quarter-to-quarter, we have always seen that significance sir, because from an offseason to season itself, it moves anywhere between 45% to 70%. So that should not in a big way influence any of the decision making, right?

So from an offseason to season itself, there is a big variation. If you look at the operating rate anywhere between Q2 and Q3 and compare with either Q1 or Q4, that shift itself is almost quite high because in an off season the capacity utilization remains anywhere between 35% to 45%.

And in a peak season, we have seen it moving all the way up to 65% to 70%. The average still remains at 55% to 60% kind of a number. That's what is likely for the going forward because there is a significant supply that is -- that has happened, and that is going to happen over the next couple of quarters, especially for the southern markets, Prateek.

**Prateek Kumar:** And then you say it's a ramp-up of new capacity. So it would be only of Ramco cement, right? Or like…

**Sreekanth Reddy:** Well, Chettinad. See if you look at Chettinad grinding plant in Vizag, got commissioned over last year. I'm sure the current capacity utilization may be lower and it's likely that they might want to ramp up. So would be the case with Ramco. So would be the case with some of those assets, which are due for commissioning over the next few quarters, Mr. Prateek.

**Prateek Kumar:** And one thing for future like commissioning. So, we have like probably UltraTech and Dalmia Bharat's commissioning. Any major commissioning do you expect to...

**Sreekanth Reddy:** We are expecting the commissioning to happen over the next few quarters, likely to happen over next three quarters Mr. Prateek. Shree Cements, Guntur as I said.

**Prateek Kumar:** Right, okay. Sure sir. These are my questions. Thank you.

**Sreekanth Reddy:** Thank you, Mr. Prateek.

**Manish Valecha:** Thank you. Sir, one more question from the chat window. So, the question is, how are the exit cement prices versus December quarter average? Was it lower or similar?

**Sreekanth Reddy:** Flat, sir. I think they were flat with slightly negative bias.

**Manish Valecha:** Okay. Thank you, sir. Anyone who has a question may please indicate by raise of hands. As we have no further questions sir, we would like to now hand over to you for your closing remarks sir.

**Sreekanth Reddy:** Yeah. Thank you. We would like to, once again, thank you all for joining the call. I hope you got all the answers you are looking for. Please feel free to connect our team at Sagar or CDR, should you need any further information or you have any further queries, and we will be more than happy to discuss them with you. Thank you again, and have a good day. Thank you, Manish.

**Manish Valecha:** Thank you, sir. That concludes the call for today. Thank you, everyone.