30th May, 2022

To,	To,
The Listing Department,	**The General Manager**
The National Stock Exchange of India Ltd	**BSE Ltd**
Exchange Plaza,	Phiroze Jeejeebhoy Towers,
Bandra Kurla Complex, Bandra (East),	Dalal Street,
Mumbai – 400 051	Mumbai – 400 001

Dear Sir,

Sub : Transcript of Conference Call with Analyst / Investor

Pursuant to provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are attaching herewith the transcript of Conference Call with Analyst / Investor held on 25th May, 2022 for the Audited Financial Results for the Quarter and financial year ended 31st March, 2022.

The same is also available on the website of the Company i.e. www.sanghicement.com

Please take the same on your records.

Thanking you,

Yours faithfully,
For **Sanghi Industries Ltd**

SANGHI INDUSTRIES LIMITED

Anil Agrawal
Company Secretary

Encl: As above

“Sanghi Industries Limited Q4 FY22 Conference Call”

May 25, 2022

MANAGEMENT: **MR. ALOK SANGHI – WHOLE TIME DIRECTOR, SANGHI INDUSTRIES LIMITED**
MS. BINA ENGINEER – WHOLE TIME DIRECTOR, SANGHI INDUSTRIES LIMITED

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

Moderator: Ladies and Gentlemen, Good day and welcome to the Sanghi Industries Q4 FY22 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 telephone. 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: Thank you. Good evening everyone. On behalf of PhillipCapital (India) Private Limited we welcome you to the Q4 FY22 call of Sanghi Industries Limited.

On the call, we have with us Mr. Alok Sanghi and Ms. Bina Engineer – Whole Time Directors of the Company.

I would like to mention on behalf of Sanghi Industries Limited and its management that certain statements that may be made or discussed on this conference call maybe forward-looking statements relate to future developments and the current performance. These statements are subject to a number of risks, uncertainties and other important factor, which may cause the actual developments and results to differ materially from the statements made. Sanghi Industries Limited and the management of the Company has no obligation to 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 Ms. Bina Engineer from Sanghi Industries for opening remarks which will be followed by interactive Q&A. Thank you and over to you, ma'am.

Management: Good evening friends. Welcome to the conference call for Sanghi Industries Q4 Results.

So, I will start with analysis of numbers first. So, the volume numbers for the quarter was 7,20,000 tons which included about 54,000 ton of clinker sale and majority of clinker sale has been on account of exports. 6,65,000 ton was cement sale; this was almost entirely for domestic market. For the year of FY22 we have achieved a sales volume of 23,37,000 tons compared to 21,53,000 tons. So, for the year we have achieved an improved sales of about 8.5% and quarterly sales was about 20% better than the preceding quarter of December and about 4% lower in volume terms compared to the March '21 quarter. During March '21 quarter we had done additional clinker shipment so therefore the sales was on the higher side, but if I compare the cement sales, we have done slightly better compared to March '21 quarter in the current quarter.

So, domestic cement volume has improved marginally, export volume was lower during the quarter and for the year also the domestic cement volume has improved marginally and overall volume has also improved by 8.5% because of the exports done in earlier quarters.

In terms of the overall sales value, we have done gross sales of Rs. 449 crores and net sales of Rs. 353 crore. This was better by 8% on a YoY basis and about 27% better on immediately preceding quarter. On 12-month basis the sales has improved by almost 18.5%. Last year the sales were Rs. 1201 crores which has increased to Rs. 1,423 crore in current financial year on gross basis and on net basis it was higher by 20% at Rs. 1,123 crore compared to Rs. 936 crores in the FY21 year.

In terms of sales realization the domestic cement price during the quarter has improved by 8% on YoY basis however this was 5% lower compared to December quarter of 2021.

In terms of the year as a whole March 2021 year domestic cement prices were Rs. 292 average realization which improved to Rs. 329 in March 2022 that is FY22 so the sale price has improved by about 13%.

The geographical breakup was about 86% sales in Gujarat in the last quarter which was about 80% on a YoY basis and around 86% on the immediately preceding quarter. This year as a whole we have done about 84.5% sales in Gujarat compared to 82% in Gujarat in FY21. The balance is amongst the other states of Maharashtra, Rajasthan, and Kerala.

In terms of various expenditure analysis, the raw material cost has moved up marginally. In terms of cost per ton of sales, there is an increase of about Rs. 50 in the raw material cost most of this has been on account of the switchover of gypsum from chemical system to mineral system. Chemical system was available free of charge, but for improving the quality of the blended cement, we have switched over to mineral gypsum which we are of course buying at a cost and therefore the impact on raw material is on account of the gypsum switchover from chemical to mineral.

The biggest cost jump has happened on account of power and fuel. So, power-fuel cost has been increasing on account of the higher cost of coal as well as lignite. The coal cost was up from Rs. 0.91 per calorie to Rs. 2.40 paisa per calorie between March '21 and March '22 quarter. Similarly, the lignite cost has also moved up from Rs. 0.78 to Rs. 1.26 paisa and therefore for our fuel used in the kiln the cost of blended fuel has gone up from Rs. 0.87 paisa average to Rs. 2.24 paisa. So, this in turn is reflecting in the higher power fuel cost.

On the other hand, on power also similar increase was there, however, we have done good quantum of lignite mix during the quarter and that was mainly utilized for power and therefore the calorific cost jump in power is slightly lower than the fuel cost. We have done about 35% lignite mix compared to what used to be around 20% in the earlier quarters. So, over a period of time we have switched over more to lignite compared to coal. However, the coal that we procure continues to come at higher cost and lignite pricing has also gone up, substantial change of about 75% to 80% over last one year and therefore, the lignite cost has also moved up comparatively.

During this quarter we have also capitalized our expansion unit and the new unit does not have the waste heat recovery which is there in the old units and therefore the power is mainly coming from the thermal power plant to the extent of 95% and about 4% has come from waste heat recovery that percentage was better at about 18%-19% from waste heat recovery in March ‘21 quarter where we had only one unit which is the first unit where WHR is installed.

In terms of selling and distribution cost, we have incurred Rs. 92 crores compared to Rs. 85 crores in the corresponding previous quarter that is YoY basis. This is mainly on account of the diesel cost increase we do about 15% of our transportation by sea route and balance 85% is by way of road. The other operating expenditure consists mainly of the packing cost which has moved up slightly, but off-setted by lower store and spares cost. We have done almost 26.5% sales by way of bulk cement in this quarter which has been increasing over a period of time and helps us to reduce the packing cost.

On the whole for the quarter, the EBITDA was Rs. 45.69 crores with EBITDA per ton including other income at Rs. 635 we have made provision of deferred tax and the total comprehensive income is about Rs. 6 crores.

I will quickly also mention about the annual reflection on the major cost variances:

So, raw material cost has gone up very marginal at about 5% to 6% which is mainly on account of the higher production as well as on account of the gypsum change which I mentioned.

The major jump has happened on account of the power fuel which has moved by nearly Rs. 125 crore this is clear reflection of the cost volatility as well as the short supply of coal and several purchases that have to be made in spot basis, etc. So, that is reflecting in this power fuel cost.

Selling-distribution cost has increased only in line with the increased volume on a YoY basis so there is no significant jump in selling-distribution cost.

For the year as whole, we have closed the year at net income of Rs. 1,140 crores which is 20% better than FY21 and we have achieved an EBITDA of Rs. 203 crores despite the cost pressures and EBITDA per ton for the year as a whole is Rs. 868.

I think this is the basic information about the quarter performance and we can answer the questions if any.

Moderator: Thank you. Ladies and gentlemen we will now begin the question-and-answer session. Our first question is from the line of Kashvi Dedhia from Centra Advisors. Please go ahead.

Kashvi Dedhia: What is the status of our Surat expansion?

Management: As we have mentioned in earlier calls we had acquired land and we were proceeding with it as a part of our expansion program, but then because of the COVID and other circumstances we decided that we should put that unit on hold for the time being and therefore we are currently not pursuing. We will review that after about a period of 18 months to 24 months once this current facilities are ramped up.

Kashvi Dedhia: And what will be our CAPEX plan for next one or two years?

Management: Since we have just completed all the required CAPEX and during this expansion as well as earlier we have done lot of other marginal CAPEX such as installation of conveyor belt, this waste heat recovery plant also in our first line. So, we do not foresee any major CAPEX in coming 18 to 24 months.

Kashvi Dedhia: And what will be the maintenance CAPEX?

Management: Normally maintenance CAPEX is around Rs. 20 to Rs. 30 on an annual basis.

Kashvi Dedhia: And what is our lead distance for transportation?

Management: Our lead distance continues to be in the range of about 450 to 475 kilometers.

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

Tanay Shah: So, what is the average price increase which we have taken over the average Q4 price increase?

Management: If you ask the price in April and let us say 15 days of May the prices have moved up in Gujarat by an average of about Rs. 30 to Rs. 35 for the Company, but after the diesel or excise duty cut on diesel most companies are passing the benefit back to the consumer and so we are likely to see a reduction of about Rs. 10 or so in the market going forward. So, if you look at quarter as a whole and assuming this prices stay you should look at about a Rs. 25 increase from the Q4 pricing.

Tanay Shah: So, on average will be like a 25% increase from the Q4 average because we are going to be rolling by around Rs. 10 to Rs. 15 after the excise cut which the government announced?

Management: So, the prices have gone up by about Rs. 30, Rs. 35 already compared to Q4, but after the excise duty cut it maybe about Rs. 10 lower so for Q1 you can expect an average price increase of about Rs. 25 compared to the Q4 price in Q1.

Tanay Shah: So, the other question which I had was what is the demand outlook for us for the Western markets because if you could give us a little bit of flavor on that as to how you feel the demand come in the first half of this financial year?

Management: It is very difficult to estimate the demand right now in Q4 we saw little bit of reduction in demand compared to last year. Last year as you all recall the base effect was very low so we had very strong demand in Q4 last year. In this quarter the demand is more or less normalized. So, in Gujarat specifically you saw more or less about 2% reduction in demand on a YoY basis. In Q1 which is the current quarter the demand is continuing to remain strong, but not to the levels what we all had anticipated. So, because of the high prices there is a bit of a pressure on demand that is one and secondly specifically in Gujarat we had a lot of aggregate and sand mining issues because of which the mining lease holders has gone on a strike for a period of about 15 days. So, we have very low demand in the month of May because of this strike issue which is now resolved. So, these are the reasons why we are seeing a lot of volatility even on the demand front.

Tanay Shah: So, we have seen approximately a 2% reduction in demand on YoY basis for Q4 and currently the demand has bounced back post the sand mining issue which we faced in the first 15 days it remained volatile rather?

Management: Yes.

Tanay Shah: If I could squeeze in another question it would be anything on the cost escalations in Q1 coming let us say the first half what are we seeing as to the coal trends and the petcoke trends what do you feel what our inventory would come at?

Management: The markets are continuing to remain firm so the coal prices are not really a tapering off as most people were anticipating and the excise duty cut on diesel has been a big relief for the industry of course the benefit of the diesel price cut is being passed on to the consumer, but I feel that because of the lower price it should propel some amount of demand in the market. So, I am not seeing very large green shoots in terms of the cost pressure at least for Q1 maybe the situation will improve further in Q2 or Q3.

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

Dharmesh Shah: Two questions one is how many days of inventories we are maintaining because on the balance sheet side we do not see any material increase on our inventory numbers rather the entire industry is witnessing a significant buildup of the inventory and secondly on the payable side also we see a significant increase in the payable, so can you just explain this inventory and payables part?

Management: I said that for coal our inventory is averaging around above 15 days currently and therefore there may not be any additional build up on coal. In terms of trade payables apparently the last 6 months higher cost of coal has affected the trade payables and we have negotiated a longer tenure of credit from our suppliers and therefore trade payables appear on the higher side on a YoY basis.

Moderator: Thank you. I now hand the conference back to Mr. Vaibhav Agarwal. Over to you, Sir.

Vaibhav Agarwal: Just one small question I had to you Alok sir you mentioned on the call that you have reduce price Rs. 10 a bag because of diesel impact, so is this as large as Rs. 10 a bag or savings coming to cement manufacturer because the excise duty cut or this is more like the benefit is more than past what you are actually getting?

Management: Actually, we have to look at it for an average freight that the companies are seeing for the market and for each brand it may be little different, but in general what you are seeing across the country is about a Rs. 10 to Rs. 15 price cut geography-to-geography which I think more than compensate for the excise duty reduction in the market.

Vaibhav Agarwal: Even then the impact can be as large as Rs. 10 a bag because that will give us kind of Rs. 200 freight benefit or Rs. 200 in terms of on a per ton basis, is it as large as benefit Rs. 10 a bag because actually the other companies are seeing?

Management: I cannot speak for other, but for our Company the benefit was not as large as Rs. 10, but because generally the market prices are being adjusted by other brands in the range of Rs. 10 to Rs. 15 to remain competitive in the market we also move to adjust the price by about Rs. 10 to Rs. 15.

Vaibhav Agarwal: So, is this also true that is it basically the reduction of the invoice price and rationale of discount in some pockets if you can throw some light on that with this diesel price correction is also the case?

Management: I cannot again speak Vaibhav for other companies, but since it is a net reduction. So, in Gujarat we do not have a concept of very high PE or RD and therefore most of the time when there is a price increase or decrease in our geography it is more or less led to Company.

Vaibhav Agarwal: Thank you sir. On behalf of PhillipCapital I would like to thank the management Sanghi Industries for the call and many thanks to the participants joining the call. Thank you sir.

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