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August 18, 2022

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001 Scrip Code: 543334 Scrip ID: NUVOCO	National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400 051 Trading Symbol: NUVOCO
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Dear Sir/Madam,

Sub: Transcript of Investor and Analyst Conference Call on the Un-audited standalone and consolidated financial results of the Company for the quarter ended June 30, 2022

With reference to the transcript of the Investor and Analyst Conference Call held on August 10, 2022 on the Un-audited standalone and consolidated financial results of the Company for the quarter ended June 30, 2022 submitted vide our letter no. Sec/74/2022-23 dated August 17, 2022, we wish to clarify the following:

On page no. 6 of the Transcript, the response to be read as follows:

Old Transcript	Revised Transcript
Around 600 crore we have already repaid Rs.130 crore, the balance will be taken care of from the operations.	Out of that Rs.600 crores, we have already repaid Rs.130 crores in Q1 FY23. Balance will be repaid in remaining part of the year.


The revised/updated Transcript reflecting the above change is attached.

We request you to take note of the above and regret the inconvenience caused.

Thanking you,

Yours faithfully,

For **Nuvoco Vistas Corporation Limited**


Shruta Sanghavi
SVP and Company Secretary





Nuvoco Vistas Corporation Limited

Q1 FY23 Earnings Conference Call Transcript

August 10, 2022

Moderator Ladies and gentlemen, good day and welcome to Q1 FY23 Earnings Conference Call of Nuvoco Vistas Corporation 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gavin Desa from CDR India. Thank you and over to you sir.

Gavin Desa: Thank you. Good day everyone. And thank you for joining us on Nuvoco Vistas Corporation Limited Q1 FY23 Earnings Conference Call. On the call today is Ms. Madhumita Basu – Chief Strategy and Marketing officer.

Before we begin, I would like to mention that some of the statements made in today’s call may be forward-looking in nature and may be viewed in conjunction with the risks that the Company faces. The Company does not undertake to update them. A statement in this regard is available for reference in the presentation shared with you earlier.

We will begin the call with opening remarks from Ms. Basu who will share perspective of the business model and strategy and the outlook of the Company. Post this, we will have the forum open for interactive Q&A session.

I would now like to handover to Ms. Madhumita Basu. Over to you.

Madhumita Basu: Thank you Gavin. Good evening everyone and welcome to the Q1 FY23 Earnings Call of Nuvoco Vistas.

I would like to open my commentary mentioning that the recovery in Indian economy is gaining strength, with visible signs of improving credit growth, pickup in investment activity, second highest GST collection in July ‘22 and an eight-month high manufacturing PMI figures last month.



In its recent monetary policy committee meeting, RBI has also retained India's growth projection at 7.2% in FY23 while taking a note that the headline inflation has flattened. But we remain watchful of elevated risks emanating from protracted geopolitical tensions, and its consequent impact on supply chain bottlenecks and elevated energy prices.

India remains one of the fastest growing economies in the world. As we know it is the world's second largest cement market, with a low per capita consumption, providing significant headroom for growth. Government's consistent focus on affordable low-cost housing segments and increase in infrastructure spent augurs well for cement demand. Housing shortages and especially in East India is being built like programs like PMAY in which the government has targeted to complete 80 lakh houses during this fiscal.

Positive momentum is also expected in urban housing, with growth in individual income levels and positive change in the demographics. Rural demand is also set to pick up with robust Rabi crop and better crops realization.

Release of government allocated funds towards infrastructure development is also expected to pick up pace with run up to the General Elections in 2024.

Focusing now on the cement industry in Q1 FY23:

This quarter witnessed cement demand growth in East and North by 11% and 17% respectively, on a Y-o-Y basis albeit a low base effect of the previous year. However, we have seen improvements in demand from PMAY and pick-up in demand from real estate and infrastructure projects. There was a slight dampening impact of the high inflationary pressure, particularly May onwards.

On the prices:

Price hikes were taken in late Q4 FY22 remained supportive during the quarter, both East and North witnessed further price hikes in April on this already high base. However, there was some partial rollbacks in May and June and resultant price hikes were not enough to offset the impact of the elevated energy costs.

In the near-term, we would like to take a cautionary view as we have entered a seasonally weak quarter. Cement demand is expected to dampen in near-term before gaining momentum with improvement in construction activities post-monsoon. Amidst weak demand prices in both East and North softened a bit in July and is expected to remain under pressure.

At the same time, energy prices continue to be at record levels. While we have started seeing some cool-off in the petcoke prices recently, the benefit of this should start coming from early October with the current bookings at lower cost. Linkage coal availability is also expected to improve from September onwards with the withdrawal of monsoon. Consequently, this would weigh on near-term profitability for the industry. In this backdrop, we would continue to focus on our internal levers, getting maximum linkage coal available and increasing the rate of alternate fuel.

I would now like to give you a quick update on our ongoing expansion project:



- We are on track on the clinker capacity enhancement project in Risda and Nimbol through debottlenecking.
- Civil work for the new 1.2 MTPA grinding unit at Bhiwani, Haryana is almost ready to commence. We have placed orders for the equipment and materials. This expansion will leverage our existing channels and help in quickly augmenting our sales volume in the region.

On the sustainable front we continue to pursue several sustainability initiatives focusing on enhancing use of alternative fuels, improving the share of composite cement and conserving natural resources. I am happy to share that Nuvoco has signed the membership with Global Cement and Concrete Association last quarter. The purpose of GCCA is to identify actions and facilitate steps for cement companies to accelerate progress towards sustainable development, covering varied aspects of energy, climate change, circular economic and SDGs. And we shall be playing an active role in this partnership going forward.

During the quarter, we have improved power through our waste heat recovery system. Alternate fuel usage in our overall fuel mix also improved compared to Q1 FY22 standing at 6%. Our investment in the alternate fuel materials handling facilities at Risda and Nimbol are processing well with key equipment's of co-processing solid waste system at Risda already under erection. These investments will not only help in converting our sustainability goals but will also help us to greatly offset the high energy price.

I will now briefly touch upon our Ready Mix and MBM businesses; both the businesses are performing well. We have opened the new Ready Mix concrete plant in Mumbai last quarter. Our value-added product mix and Ready Mix as a percentage of the total sales has also improved to 28%. In Modern Building Materials, we have extended our customer reach with expansion into the non-cement channels.

Moving on to our financial performance for the quarter:

Our consolidated cement volume improved by 11% Y-o-Y to 4.7 million tonnes in Q1 FY23. Our revenue from operations improved by 20% Y-o-Y to Rs.2652 crore driven by higher volume and price increases in both East and North.

Some quick comments on our key cement cost elements:

Despite inflationary pressure and higher consumption of slag with ramp up in our composite cement volume, raw material cost per tonne remained flattish on Y-o-Y basis, while declining by 14% quarter-upon-quarter. The team concentrated on containing the power and fuel costs during the quarter. You would have observed that the upward shift in power and fuel cost by Rs.122 per tonne sequentially was well below the industry average. This was possible with efficiencies under our internal levers program, a well-optimized fuel mix despite lower availability of linkages.

As the energy prices remain elevated, however, coupled with the high-cost inventory in the beginning of the quarter, and lower availability of linkage coal during monsoon, this cost should likely peak in quarter two. With pet coke prices softening



and expected improvement in linkages post monsoon, Q3 should witness a decline in this cost head.

Distribution cost during the quarter increased by 15% Y-o-Y and 10% quarter-on-quarter mainly as we had to move our clicker through road transport due to severe shortage of rakes in Eastern region, which led to additional cost. However, the situation has since improved.

Our consolidated EBITDA for the quarter stood at Rs.374 crore. We continue to focus on our internal levers, which is helping us to navigate through these tough times.

Broadly touching upon some highlights:

- Our share of premium products of total trade volume improved by 1.6% points on a Y-o-Y basis, standing at 34% in this Q1.
- Project SPRINT, which is to get synergies with the integration of NU Vista has been continuously on track.
- Benefiting from highest ever power generation through waste heat recovery systems.

Our net debt during the quarter increased to Rs.5347 crore as on 30 June 2022. This was primarily due to higher working capital requirement amidst steep rise in fuel prices and the seasonal nature of the business. However, our finance cost has been witnessing a declining trend with debt repayments and a well-managed interest rate in these volatile times. Our interest costs increased by 30-bps compared to the 90-bps increase in repo rates during last quarter.

Total CAPEX for the quarter stood at Rs.73 crore. With this, I will be ending my opening remarks. I am joined by Mr. Jayakumar Krishnaswamy – Managing Director, Nuvoco Vistas along with Mr. Maneesh Agrawal – our Chief Financial Officer. We are all here to address your questions. Thank you.

J. Krishnaswamy: Good evening, ladies and gentlemen Jayakumar here.

Maneesh Agrawal: Good evening this is Maneesh Agrawal.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ankit Patel from L&T Mutual Fund. Please go ahead.

Ankit Patel: I have two questions. One is regarding the CAPEX plans. You did mention a CAPEX number for the quarter, just want to understand the overall CAPEX plan for the next one to two years or foreseeable projects that you put in place. And my second question is around the current debt levels of the Company. Just want to understand what are the plans in terms of refinancing and the upcoming maturities, how do you plan to address them?

J. Krishnaswamy: Okay, I'll take this question Ankit, good evening to you and to rest of the people. So, first let me just talk about the CAPEX plans for the Company. As mentioned during our last call, we have not changed anything from what we mentioned in the last earnings call. The CAPEX plan for the Company is divided into two parts. The first one is the Brownfield expansions in four of our plants. One is in Nimbol where we're



increasing the clinker capacity by 1000 tonnes per day. And the second one is in Risda plant again we are increasing the capacity of clinker by 1000 TPD. The third CAPEX plan is Bhiwani, which we've announced increasing the grinding capacity in Bhiwani to 1.2 million tonnes. And the last one is setting up alternate fuel capability in Risda and Nimbol. Addition to that, couple of railway sidings are being constructed in the Company, so Sonadih and Jajpur. These are all the large CAPEXs, which we have been talking about and then in addition to that there are routine CAPEX in the organization. Overall, in this year we are looking at a CAPEX anywhere between Rs.500 crore to Rs.600 crore that the kind of window we're looking at. And then, as mentioned last year, we also have an expansion in West and North in the offing and that should happen next fiscal. And as I mentioned during the last call, based on the outcome of this year, and actually we're going through, the industry itself is going through a little bit of challenging times with fuel prices, I mentioned in the previous call that the exact date of groundbreaking for this new projects we will decide during the course of this year. And as and when it happens, I think during our call I will exactly mention when this is going to happen. But as it stands today, the short-term CAPEX for the Company envisage clinker debottlenecking, railway siding and GU, all this are likely to be completed in the next 12 to 15 months. By September next year all these projects will be upstream many of them will happen as we speak. But then the last one will be commissioned September next year. The Greenfield sites and the expansion projects of the Company during the course of the year, I'll come back to the investors and exactly tell that we are doing the groundbreaking. That's about the CAPEX.

The second point, which you mentioned was about the debt program of the Company. Here again I think, I'm going to be saying some of the things which I mentioned last time, so we will have a consistency in our approach. We are very clear as a Company that the current levels of debt in the normal course of business which we have for the next few years by 2026, we should be technically a debt-free Company. But like I mentioned in the last call, we as a Company, as a Group we are comfortable operating with a debt level of about Rs.3,500 crore to Rs.4,000 crore and balance we would like to fund the growth opportunities for the Company. And that's where we stand. And all our plants in the next few years are based on the current CAPEX and then paring the debt of about Rs.3,500 crore to Rs.4,000 crore and then side-by-side expand the Company in west or North India. So that's the details what CAPEX and debt for our Company Ankit.

Moderator: Thank you. The next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: A couple of questions. One is a follow up to Ankit's question on debt, just on the covenants, what are the covenants for debt and can you also talk about the maturity schedule of debt? Is there big bullet payment that is coming up for refinancing or maturity in the next 12 months or so?

J. Krishnaswamy: Okay. As regards the covenants, I'll have to inform all of you that we are well within the covenants which we have currently and then in the coming future any of the quarters going forward I think the business plan as well as the model as well as operations as well as results of the Company is fine enough to meet any of the covenants and we don't see any apprehension or risk on that. As regards the bullet payments or what are the payments which are likely to happen in the next 12 months, I will ask Maneesh to share with you the bullet which are just to be retired or refinance in the coming 12 months.



- Maneesh Agrawal:** So, we have a net repayment of Rs.600 crore which is due in FY23. Out of that Rs.600 crores, we have already repaid Rs.130 crores in Q1 FY23. Balance will be repaid in remaining part of the year.
- Satyadeep Jain:** So, you are saying this Rs.600 crore in FY23. Any idea on FY24 also?
- Maneesh Agrawal:** Yes, it will be close to around Rs.1100 crore.
- Satyadeep Jain:** I know the operating environment is outside of the Company's control in terms of earnings and stuff. Beyond any earnings improvement, is there anything that the bankers can also maybe ask you to look at some asset divestitures, is that going to be totally off the cards for you guys to look at any possibility of asset monetization, whether it is land or any asset?
- J. Krishnaswamy:** I don't think we have any such plans. Even though there is a small issue regarding the overall cost pressures in the industry but we are on a sound wicket and we are comfortable and confident with the business model which we have, as I mentioned in the last call, all our investments and CAPEX programs are going to be kind of moved a quarter or here and there that's what I mentioned in my previous call. We are sticking to that and unless and until some major bad event happens, I don't see any concern for the industry as a whole and Nuvoco specifically.
- Satyadeep Jain:** Good to hear. Just one quick follow up on the slag pricing in the market given the reduction in steel supply in the domestic market after the export duty cut, are you seeing some tightness for slag or increased prices at all for slag in the market?
- J. Krishnaswamy:** As I mentioned in my previous calls, so, I just give you a little bit of overall slag requirements and how are we tied up. We have a long term 20-year slag tie up with Tata Steel in Jamshedpur. And we also have yearly or three-yearly contracts in other steel plants in the nearby Eastern area and the tie-up with Tata Steel is such that we have an assured slag availability of close to about 2.1 million tonnes per annum that's on a rate which we have finalized with them. And then on top of it, we also have close to 0.4 million tonnes of slag supplied by them on market basis. But combination of 2.1 and 0.4 is quite less than the overall slag Tata Steel generates, which is much higher than what we are consuming, they're all selling to other companies. So, our requirement of 2.5 million tonnes is secured and not a issue at all. And as we speak in the last three months, or the prior quarter we have adequate slag to run our business in all the plants in East. With regards to other plants, all of us are aware that time-to-time all these companies are getting into an auction mode. And we have to be on the auction mode to get slag from any of the other steel plants and the same environment holds good for us like for other companies. So, if there's going to be a major event in slag availability, I think the whole industry might have a challenge. But we have a little bit of a head start on that with our slag tie-up for 20 years with Tata Steel.
- Satyadeep Jain:** That's good to hear. So, I do understand Nuvoco is better positioned compared to competition given the long-term contract with Tata Steel. But generally, the players your competition also had to go out in the auction market to buy slag, are you seeing some pricing increase or maybe cost increase for your competition in that market?



J. Krishnaswamy: As we stand in Q1, which is the quarter ended and currently, as you track the market same time last year, slag was like very hot commodity actually, slag prices went as high as Rs.1800, Rs.1700 per tonne. And many a times we had to simply walk away because we didn't want to pay so much of price for slag. But compared to that kind of pricing which used to prevail a year ago, currently the prices are not that high. So, it is still trending at about 1200, 1300. So, it's not reached the state like last year, so I don't foresee a major challenge as we speak unless and until a major event happens like they all kind of shut down the steel plants for months to come. But right now, we are an okay wicket.

Moderator: Thank you. Next question is from the line of Tejas Pradhan from Citigroup. Please go ahead.

Tejas Pradhan: Could you share the consumption cost of coal and petcoke on a blended basis for this quarter. And along with that, based on the inventory, etc., that you might be having, what could be your guidance on the power cost increase that could be seen in the next quarter?

J. Krishnaswamy: Okay. Our Company is uniquely placed in East as well as we have in North. In North, the entire coal these are imported pet coke or local pet coke or imported coal, that's how we run our both the factories in North. In East we have linkage coal for all the factories as well as domestic coal, imported coal and pet coke options. I really don't want to give line by line what are the mixed cost and all this stuff but let me give you a little bit of a high-level number in the quarter which went by our blended power and fuel cost for the Company was close to Rs.1370 per tonne. And on a comparable level with the previous quarter, it had increased by close to about 10% it was about odd 1285 to 1370. Whereas same period last year, we were trending close to about 885, so you will be tracking every Company and I guess everyone's fuel prices have gone up. So, we are at 1370 which is a blend of linkage coal, pet coke and imported coal. As regards specifics of rates at which we have bought coal, in the quarter which went by we bought imported pet coke as high as \$250 to \$260 per tonne, and domestic our imported coal is also around the same price. Domestic normal coal was in the range of about \$220 to \$230 per tonne and linkage coal obviously we had a challenge with getting the full quantity of linkage coal. Like I mentioned in the last call, we started getting allotment of linkage coal, but still we have not got a full quota of linkage coal for us, I only wish and hope once the power crisis in the country diminishes, we would get our full quota of linkage coal typically we use about 30% odd of the overall coal requirement from the linkage coal tie up which we have. But on the positive side in the quarter currently we are in. We now have formal linkages for all the captive power plants in Risda, Sonadih, Arasmeta as well as Jojobera. And when we enter October this year, we should get our linkage coal quota for all the plants in all the plants in East. You also would know fuel which we bought a month ago, or six weeks ago or ten weeks ago will be sufficient for us till end of September. And we are at a peak level of fuel prices for our Company. I'm sure every industry is there because of the inventories which we hold till end of September. We are contracting coal at a much lower price and about \$170, \$180 a petcoke and domestic or imported coal is trending at about 220. So, I guess from Q3 October onwards, the fuel prices will come down substantially from the current trending fuel price.

Tejas Pradhan: Sure. Just if you could quantify for the second quarter, 2Q FY23 what percentage increase can we see in the power cost if possible?



- J. Krishnaswamy:** That will be kind of giving a guidance.
- Madhumita Basu:** So, Tejas it is a little early in the quarter, but we will connect with you and keep you updated as the quarter progresses.
- J. Krishnaswamy:** But suffice to say we are at the peak of coal fuel prices right now. So, we have reached almost the tip of the iceberg. And as we traverse this quarter, we might have to continue with the current prices and when we end the quarter things will soften and Q3 should be better than where we are currently.
- Moderator:** Thank you. Next question is from line of Prateek Kumar from Jefferies India. Please go ahead.
- Prateek Kumar:** First question on project SPRINT. So, when you say we are on track for the savings there, so would you be able to quantify like per se the 250 per tonne of targeted savings how much by FY23 end, and where do we stand now?
- Madhumita Basu:** Thanks for the question as we clarified in our last call, a SPRINT is a program which we do not look at a quarter-on-quarter improvement because projects have been front loaded and these are under continuous monitoring and tracking. Our previous plan was INR 150 per tonne in FY22 and INR 100 per tonne additionally in FY23. We are on track on these numbers. The two or three levers which we are working on is our WHRs as the capacity utilization improves we see uptake from this. Secondly, as Mr. Jayakumar just clarified, we are seeing an improvement in our CPP once the linkage coal connection comes in Q3, that should bring a good uptick in the program. We are also pursuing our composite cement program with passion as well as working on improving our premium product levers. So, with primarily these levers being accelerated in this year, we see SPRINT well under control.
- Prateek Kumar:** Sure, thank you. Secondly on the cost for the quarter. So other expense appears like we have had a like a 15% Q-on-Q drop in volumes. But the other expense looks flattish. Also freight expense on a per tonne basis as you mentioned have increased sharply Q-on-Q by 10%. You mentioned about rack shortages as a reason for freight, but is there any change in lead distance which is impacting freight and what are the reasons for increase in other expense?
- Madhumita Basu:** Yes, so on freight expenses as I clarified we have had an impact of rake availability for our clinker and cement movement. So, this situation has improved and we see this will be reflected in the quarters to come.
- J. Krishnaswamy:** So, just a background to what Mita said. One of the biggest challenges, which I'm sure all of you would have heard before as well as in East because of this coal shortage, there was a guideline by the central government that all the wagons should be used to transport coal to the power plant. So the decision was taken by the Indian Railways to start the industry and all the wagons were diverted to power plant and you would know our clinker manufacturing facilities are in Chhattisgarh or blending units in Jharkhand, Bihar, Bengaluru, Orissa, model of running the business is to take the clinker from Chhattisgarh all the way to the states and then distribute in those states, which is unique business model of our Company and out of which all the clinker other than Jajpur factory typically is moved by rack. We typically used to get about three and a half to four racks per day for moving clinker and that reduced to close to about two racks per day. And on some days, it used to



be one and a half. And since to run the business, we took the decision of moving clinker by road. And that's one of the primary reasons for our distribution cost being higher in the quarter. But I have to inform all of you once the quarter is ended and as we entered Q2, we have a welcome relief with rack availability has been restored for the past period. And now from July 1st onwards, we don't move any clinker by road and then the semi-finished clinker rates have come down to our normative levels of close to Rs.250 to Rs.260 per tonne and we are back to our running rate of past period.

Prateek Kumar: And sir any change in lead distance in this quarter versus prior period?

J. Krishnaswamy: Hardly any could be some three, four kilometers here and there actually, that's not of any material changes. I'm just looking at Q4 FY22 was 340 and Q1 FY23 is 335. It was five kilometers.

Prateek Kumar: And just last question. Ma'am mentioned in the opening remarks that cement demand is expected to dampen in monsoon. So are we also talking about year-on-year, like sort of slipping into negative in general for the retail or is it just the sequential dampening we are talking about?

Madhumita Basu: So, firstly we need to see that Nuvoco's footprint is 80% in East and if we go back a little the FY22 period saw cement de-growth only in the Eastern region. We have entered this year trending quarter one to date at a double-digit growth. Come Q3 which was a badly impacted year for the Eastern Region last year. The cement demand should exponentially grow year upon year in Q3. We have a very positive outlook primarily of Eastern region demand being double digit and there is consequent impact on us with an 80% footprint. Just additionally Q1 has been a good quarter even in the Northern region with many infrastructure projects kicking in and a good uptick in demand we are seeing almost double-digit growth of almost 15%-16% also in the Northern markets.

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

Shravan Shah: Sir, what was the trade share in Q1 FY23?

Madhumita Basu: 75% I would say by just.

Shravan Shah: Sorry ma'am I couldn't hear.

Madhumita Basu: So, it was 72% in Q1.

Shravan Shah: Okay, 72% and the premium share?

Madhumita Basu: Premium share was 34%.

Shravan Shah: Okay. Same as the last quarter?

Madhumita Basu: Yes, but was a 1.6% growth on a year-on-year basis.



- Shravan Shah:** Ok. And in terms of the prices, you mentioned that after the April hike it consistently rolled back month-on-month in May, June, July. So, just wanted to know in July from the average prices, how much decline we have seen or from the June exit how much decline we have seen in East and North in July and August till now?
- Madhumita Basu:** So, July we have seen some softening with the seasonally weak quarter this has been roughly Rs.5 per bag from the June exit prices.
- Shravan Shah:** So, this is both in East and North?
- Madhumita Basu:** Yes.
- Shravan Shah:** Okay. Then just coming back again on the power and fuel cost, I know sir has explained on the rupees per tonne 1370 but in terms of the consumption costs, put together everything domestic, imported, coal, pet coke, what was the consumption cost for this quarter Q1 FY23 and what was the same in Q4 FY22 or you can give in the K-cal basis also, that would also be fine.
- J. Krishnaswamy:** Yes, let me just give you so, Q1 FY23 with a quarter ended we are linkage coal consumption of 16% of the mix, non-linkage domestic coal at 23%, imported coal 2% and pet coke 53% and alternate fuel 6%. So, just let me repeat linkage 16%, non-linkage 23%, imported coal 2% and pet coke 53%, alternate fuel 6%. Compared with Q1 FY22 linkage coal was 26%, obviously 10% reduction, non-linkage coal 23% comparable 26% last year, imported coal we had 25% last year, this year we used only 2% pet coke last year we use 20% this year 53% and AFR last year 3% this year 6%. So there's a huge improvement in AFR usage. Linkage coal obviously has come down because we could not get full allocation on linkage coal and pet coke we had to use because there was no other means of coal availability and so it moved from 20% of the mix to 53% of the mix.
- Shravan Shah:** I got it but in terms of the costing and things so in terms of the dollar per tonne.
- J. Krishnaswamy:** Let me give you that also, I'll give you in rupees per million cal. Linkage coal Q1 FY22 linkage coal 1.13 currently at 1.28, non-linkage coal last year 0.95, this year 2.64, imported coal last year 1.37 this year 3.3, pet coke last year 1.53 this year 2.47, alternate fuel last year 0.72 this year 1.45.
- Shravan Shah:** Okay, got it. Lastly, coming on the CAPEX and the debt again. So, you mentioned 500 to 600 crore CAPEX this year. So, in this how much is the maintenance CAPEX?
- J. Krishnaswamy:** Yes, maintenance CAPEX is tune of about 150 crore.
- Shravan Shah:** And next year you said that it depends when we start the Greenfield in Karnataka Gulbarga. So, last time we were looking at 1500 crore of CAPEX. So, by next quarter, do we in a position to say that we will start the CAPEX or it can take three, four quarters to start the CAPEX for the Gulbarga?
- J. Krishnaswamy:** Last time, I'm going to be very consistent because nothing has changed from last quarter to this quarter, but for even more tighter situation in the external market. So, I would stick to my statement of last year as regards expansion for the Company in West and North it's happening. It's a question of timing when we start and in terms



of the exact time of groundbreaking, you give us next quarter when we have next quarter, I'll have better visibility in terms of exact kickoff time but suffice to say in the next 12 months we will not be able to start Gulbarga or any Greenfield site.

Shravan Shah: Okay, got it. And lastly on the debt front, you already mentioned the repayment schedule and want to become technically a debt free by FY26 but also comfortable to have a 3500 to 4000 crore kind of debt. So, any broad idea in terms of when we say a debt free, how much broadly cash flow that we are looking at from FY23 to 26 and what kind of a CAPEX we are factoring when we are saying that we want to become a debt free by FY26?

J. Krishnaswamy: So, in our business model which we presented two quarters ago and also during our IPO time. We had a very clear roadmap to take this Company to beyond 25 million tonnes capacity and consequence sales with expand Greenfield as well as the brownfield expansion which we have and that's how we kind of derive the entire model of when do we kind of technically become a debt free Company and in the last quarter, I came back and mentioned to all of you that by calendar 2026 we should be technically with the current business model which we have we should become a debt free Company. But along with that, I also mentioned growth is a big ambition for the Company and for us to grow there it cannot be retiring debt is not the ambition for the Company, growth is ambition for the Company and hence I mentioned we would be okay to run this Company with a 3500 to 4000 crore debt and the rest of the cash which we generate would like to invest on growth for the Company. As regards to your question of exact cash flows in the next few years and CAPEX plans. In this call, it would be very difficult to read out all the lines, I would request you to engage with investor relations team, we would be happy to give you year wise number so that you get your answer for the question.

Shravan Shah: Sure sir. Sir, lastly Ultratech would be adding capacity of 9 million tonne in the second half of this year in East particularly. don't you see this will be a sizable number in terms of the incremental capacity which will put up a pressure on the pricing in the East region where we are having a sizable presence?

J. Krishnaswamy: In all our calls Mita has explained I will ask her to explain the logic of cement capacity as well as the clinker capacity. Mita.

Madhumita Basu: Thank Shravan for your question. We have engaged on this earlier too. In the context of East we do feel that the capacity should be studied as the clinker capacity and then in the end of FY22 the capacity in East is roughly 43 to 44 million tonnes. We have already taken cognizance of the ultra tech edition which is coming in this year. The Shree addition which came in a little earlier all these together in the Eastern region in FY25 we are talking about clinker addition of an additional 10 million tonnes so base 43.8 million tonnes with the cement to clinker ratio, translates about 72 to 75 million tonnes of cement, which is at the moment aligned with the market demand in the Eastern region. With the 10 million tonne cement clinker being added in the coming two to three years at a cement to clinker ratio again this would translate towards 16, 17 billion tonne. Now, the base effect of they say a 75 million tonne Eastern region demand we are looking at a 10% to 12% growth in this year, followed by an 8% to 9% growth in the years to come. So that is like a demand of 8 million tonnes being added in this region, year-on-year. So we feel that the numbers as they are stacking up now, clinker capacity will still be at a high of 85% to 90% capacity utilization and the results in cement from this clinker would just



about balance the demand in this region. I would be happy to engage with you once again on a more detailed discussion on this model of ours.

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

Rajesh Ravi: Sir you mentioned on the per kilo Cal costing you gave a detailed answer for Q1 this year and last year, possible to enumerate the same for Q4 per kilo cal costing across different grades?

J. Krishnaswamy: Let me just explain. I already gave you the order of sequence for Q1 FY22 and Q1 FY23, just put a column Q4 FY22. I'll just read out the numbers which would help you compare all the three quarters. Linkage coal in Q4 was 1.26 as against 1.28 this quarter, non-linkage coal was 1.62 which became 2.64 this quarter. Imported coal was 2.5 in previous quarter, it became 3.3 this quarter. Pet coke was 2.18, it became 2.47 and AFR was 1.1, it became 1.45, that's how the rupees per million cal moved from Q4 to Q1 this year.

Rajesh Ravi: And what was our mix sir in Q4?

J. Krishnaswamy: Okay, linkage was 19% last quarter, non-linkage 18%, important coal 25%, pet coke 32% and AFR 6%.

Rajesh Ravi: Okay. So, you have improved on your pet coke consumption and that is also helped you. You have basically reduce on imported coal and moved on to pet coke?

J. Krishnaswamy: Because more or less both of them are trending at same price and North is all imported coal and pet coke there is no domestic coal in North. So whichever is available at the lowest price when we just booked that coal.

Rajesh Ravi: Okay, sir another question on your growth aspirations. We understand Karnataka market is a big mine which you need to reserve, conserve and that is why this CAPEX, but how would growth aspirations in the core market primarily in East and North, what sort of opportunities we have, if we look from a FY25 or FY26 do we have meaningful brownfield expansion opportunities in these two locations, three to five million tonne addition is possible?

J. Krishnaswamy: Okay. So, I guess we have spoken about it more than one occasion. So, I guess I won't have anything new other than what I mentioned before, if our ambition is right now in the next five years, to grow in North and Western markets. So North we have limestone mines available for us in Nagore and Nimbahera. And that should help us get our North project going at some stage. And for the Western market, we are using the mines available at Gulbarga though all of us say it is a state of Karnataka geographically it is the border between Karnataka and Maharashtra and our plan is to have the combination of IU and GU so that we are able to get the cement to Western India where the realization is pretty good. One thing which has changed from two quarters ago and now is the realization in Western India even improved further to North and so expanding in West is a good option. Likewise, expanding in North is also a good option. So our business model and our growth ambition is very clear that as the next phase of growth for Nuvoco will be in Western and Northern India, subject to our government approvals and clearances. And, based on the approvals we will decide which one to kick start first. As we got East as we



mentioned before, right now we don't have any plans to set up any Greenfield or large brownfield expansion. But in terms of limestone availability for the plant, because adequate limestone for all the plants for a minimum of 50 years.

Rajesh Ravi: Okay. And sir when we see the industry expansion pipelines, big pipelines being discussed by most of the big guys, we see that North still remain less aggressive capacity expansions in the North Market. And given that you already have a strong distribution presence in that market, wouldn't it be more prudent and a low hanging fruit for you to expand in the North market other than over the Gulbarga project were the cement business primarily you would be a new entrant in that market?

J. Krishnaswamy: I can't agree with you more, but then the decisions will be taken based on the exact availability of permits and clearances. So as a Company we are pursuing both this. And as I mentioned, in the quarters to come we would have better clarity on which one will kick start first. But we are fully seized of the growth opportunity in North and you would know a year ago we never mentioned about the grinding unit in Bhiwani. But now during the course of the year, we realized that North is a great opportunity for us to expand and hence we did a brownfield, we embarked on a brownfield expansion of 1000 TPD clinker in Nimbol and setting up a 1.2 million grinding unit in Bhiwani that would take that capacity of the Company from current 4 million tonnes in North to close to 5 million tonnes in North to 6 million tonnes in the next 12 to 15 months. Even now, we have not utilizing the full capacity in North. Currently we are utilizing close to about 3.5 million tonnes of capacity in the North. So with the new grinding unit and the clinker debottlenecking we will have a good 2 million tonnes of cement to be sold in the next two to two and a half years and that is more or less equal to setting up one line. So without too much of CAPEX, we will have additional clinker, additional grinding and you would also know that to increase the sales in North, we launched Double Bull in north so we have two brands Double Bull as well as Duraguard and then with this brownfield expansion and the grinding unit, next two, two and a half years we are good at North to get 6 million tonnes. And we will have breathing space to decide whether to kick start North or to kick start West, in the coming quarters we will make us decide which way we go.

Moderator: Thank you. That was the last question for today. I now hand the conference over to the management for closing comments.

Madhumita Basu: Thank you Gavin. Thank you for your questions. To summarize, while they will be some pressure on the near-term profitability, with cost mostly likely peaking and as we enter a seasonally weak period. However, things are expected to improve from quarter three. Cement demand is expected to witness a healthy uptick in FY23 with the strong momentum in housing and government led infrastructure development projects. We continue to focus on internal levers, operational efficiencies and remain committed to our expansion plans at Bhiwani. We also continue to invest in debottlenecking projects at Risda and Nimbol along with alternate fuel material handling facilities as well as part of our sustainability initiative. My team and I, in investor relations remain available for any clarifications required. Thank you for joining us today. All the best.

Moderator: Thank you very much. On behalf of Nuvoco Vistas Corporation Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.



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