THE INDIA CEMENTS LIMITED

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SH/ Date: 18.08.2022

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Scrip Code : 530005

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
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Bandra-Kurla Complex
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MUMBAI 400 051.

Scrip Code : INDIACEM

Dear Sirs,

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

In continuation to our letter dated 12.08.2022, please find enclosed the transcript of the conference call (concall) held on 12.08.2022 with representatives of various Investors / Analysts on the unaudited Financial Results of the Company for the quarter ended 30th June, 2022 and the same is available on the Company's website at www.indiacements.co.in.

Thanking you,

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

S. Sridharan

COMPANY SECRETARY

Encl.: As above

The India Cements Ltd PhillipCapital

"The India Cements Limited Q1 FY-23 Earnings Conference Call"

August 12, 2022

The India Cements Ltd

PhillipCapital

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

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

Moderator: Ladies and gentlemen, good day and welcome to The India Cements Q1 FY2023 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 at the end of today's presentation. 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. Vaibhav Agarwal from PhillipCapital India Private Limited. Thank you and over to you Sir!

Vaibhav Agarwal: Thank you. Good afternoon everyone. On behalf of PhillipCapital India Private Limited, we welcome you to the Q1 FY2023 Call of the India Cements Limited. On the call we have with us the entire senior management team of the India Cements. I would like to mention on behalf of the India Cements Limited and its management, that certain statements that we may be made or discussed on this conference call may be forward-looking statements related to future developments and the current performance. These statements are subject to a number of risks, uncertainties and other important factors that may cause the actual developments and results to differ materially from the statements. The India Cements Limited and its management assumes no obligation to publicly update or alter the forward-looking statements whether as a result of new information or future events or otherwise. I will now hand over the floor to Mr. N. Srinivasan – Vice Chairman & Managing Director of the company for his opening remarks, which will be followed by interactive Q&A. Thank you and over to you, Sir!

N. Srinivasan: Thanks, Vaibhav. The story of the quarter under review is a story of unprecedented increase in cost. The cement industry in India to my knowledge has never gone through such a serious increase in costs which has gone through the roof and prices have literally remained static. No doubt the capacity utilization was better during this quarter compared to the same quarter last year, but increase in capacity utilization was dampened by the increase in costs. Coal that was $90 a ton went up to $230 a ton.

In the phase of this kind of an increase because the coal affects more than one, the cost of power generation goes up, in fact people started using grid power at Rs.7 or Rs.8 a unit compared to their own generation, which had crossed Rs.10 a unit. The cost for transportation went up, diesel prices went up but for a marginal few rupees, which is neither here nor there. The transportation costs went up all around which affects the incoming raw material and finished product sale. Then we had the situation of fuel. The cost per calorie went up from Rs. 1 to Rs.1.2 to Rs.1.3 to 2.9 crossed Rs.3 per calorie. Under this kind of an onslaught, cement companies could only just grin and bear it, there is nothing really that they can do.

On top of it we had this enquiry by the Competition Commission. The Competition Commission according to them, no producers should talk to another producer. There was a lot of restrictions and what a company can do, what information would be shared, etc. In State government, where we were involved, whether it was for the distributing, buying cement they wanted the market share of every company, they wanted the movement of the market share and they wanted the cement sale to be distributed as per the market share, so this is completely contrary to what the Competition Commission wanted and I am constrained to point it out because different statements are appearing about the cement industry.

Coming back to the cost, the cost was such that it was not possible for us to bear and as a result of which the EBITDA came down to Rs. 39 Crores which is down from Rs. 165 Crores last year. The cement companies which were able to increase their blending and sell at a shorter distances are the only one who escaped. Companies in the north of India were not that affected because the capacity utilization was close to 100% compared to 60% to 70% for the southern based company, particularly those companies which are very south centric were hit the most.

In our case we have a collection of plants, some of which we have set up and few others that we have bought, acquired, etc., so as the result of which the equipments are different and we do not have standardization in production across all Plants. It is our intention going forward to make use of the revenues that we raise, there is to make improvements in this area. These are the broad points I wanted to mention. I am quite happy to answer to any questions the members may have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Manish Ostwal from Nirmal Bang Securities. Please go ahead.

Manish Ostwal: Sir, thank you for the opportunity. My question on, what was the average coal cost during the quarter in terms of dollar pattern?

N. Srinivasan: Average coal cost during the quarter was Rs.17300 per ton.

Manish Ostwal: Secondly, in our key markets, how is the pricing currently, can you talk about key markets and secondly, last quarter you mention that we have reduced our distance to control the cost because when I compare some of the player's performance versus India Cements performance on weaker side, so what we are doing to improve the performance in the coming quarters?

N. Srinivasan: As far as what I said is we are going to endeavor at the price to sell closer to the factory to reduce the distance the cement has to travel in the next three/ four months, we expect to have results out of this, we are going to develop and cultivate markets closer to the factory, just to add we had a growth of almost 59% in south and that outside south where the growth was only 17%, so I think that will answer your question.

Manish Ostwal: Yes, Sir, but in terms of profitability trend, how we should improve the profitability and what is our outlook going ahead?

N. Srinivasan: Going ahead, it is our intention to improve the equipment that we use, we are using ball mills for grinding, we want to use vertical roller mill for cement grinding also, wherever necessary waste heat recovery, these are all we have chalked out all these Plans, depending upon the revenue raising program, we will improve the equipment in line and improve our efficiencies.

Manish Ostwal: Thank you.

Moderator: Thank you. The next question is from the line of Pratik from Jefferies. Please go ahead.

Pratik: Good afternoon, Sir. So, on pricing do you think like is it pricing can change trajectory post monsoon, I mean for Tamil Nadu particularly you will enter monsoon in Q3, but when you will see like this price trajectory in south?

N. Srinivasan: Pricing generally has been very steady and costs have been passed on to the consumer in the south, this is the first time that the cost increase has not been passed onto the consumer, I think it will change, I think in the next one or two months, we see it will change.

Pratik: Has it anything you do with enquiry and that is why company is not doing it and I mean you indicated about enquiry in your opening remarks so that is my question?

N. Srinivasan: See, at the moment if you look at it very carefully and in detail, every state government is asking every cement company to produce all kinds of figures and details about themselves, about other components, which competition commission says is wrong, so I think government should decide, which is right, which is wrong, but as far as the price is concerned generally companies in the south have increased the prices whenever costs have gone up, so in line with that and in the same way it has happened in the past, I am confident that prices will go up in the next two months.

Pratik: Sir, on the cost front, is it the peak cost realized for you in this quarter or further realized even higher costs?

N. Srinivasan: We have taken many steps to mitigate the increase in coal cost whereas we have imported Russian coal, we have used low quality coal from Indonesia, but the answer to your question is, there are two views, one view is that the coal prices will reduce going forward, but there is another view that says that the coal prices will be firm, not being an international player it is difficult for us to hassle against.

Pratik: Based on whatever you realized in terms of inventory, so from Q2 perspective? What would be our fuel that is my last question?

N. Srinivasan: 65% of imported coal and 35% of petcoke.

Pratik: Sure, Sir. I will get back into the queue. Thank you.

Moderator: Thank you. The next question is from the line of Mangesh Bhadang from Nirmal Bang. Please go ahead.

Mangesh Bhadang: Sir, my question is related to the opening comment that you made on CCI, I just wanted to know if there is any difference right now in the way CCI has conducted investigation compared to the ways they have done in the past?

N. Srinivasan: Replying to this query which you have raised, I think it will be premature for us to comment on this, we will come back to you, will talk if we have more clarity on this, so we have a timeline and we are in the process. May be premature for us to answer this question now.

Mangesh Bhadang: Sir, even I am also view that because the cost pressures have been quite high, there will be a need for the cement prices to increase to pass on these cost, but it has not happen is that an effect of this investigation or generally the markets have been weaker that is why the prices have not gone up?

N. Srinivasan: I will attribute that for a variety of reasons, the lack of price, also is a very important factor. We had unprecedented rainfall in all the markets here.

Mangesh Bhadang: Sir, one more question is with regards to the fuel mix, if you can share what our fuel mix has been you mentioned that Russian so what could be imported?

N. Srinivasan: Overall the mix comprises of various coal from various states, actually Indonesia, then US as well as from Russia also, so the overall imported coal is around 65% and 35% is pet coke and most of the pet coke could be in the form of local pet coke.

Mangesh Bhadang: Sir, the overall utilization in south is on the lower side, but we have seen that the likes of Shree Cement, Ultratech, they are trying to increase capacity in the region. How do you see that impacting the current demand supply dynamics over the next two to three year period and what is your expectation of capacity additions over the three year period that is my last question?

N. Srinivasan: In the pandemic period it is very difficult to predict what will happen, so what I expect production to be, a little bit difficult to say, but all I can say is that the addition to capacity is far, far, far lower than that has been in the past, we are paying for lower capacity addition and it depends on the company, if they feel they can sell everything, they will expand, it is up to the entrepreneurs concerned.

Mangesh Bhadang: Thanks a lot.

Moderator: Thank you. The next question is from Mudit Agarwal from Motilal Oswal Limited. Please go ahead.

Mudit Agarwal: Thank you, Sir for the opportunity. I had a book-keeping question like, how much is our total volume for this quarter?

N. Srinivasan: The total volume for the quarter is 26.72 lakhs tons including clinker.

Mudit Agarwal: How is the clinker as well?

N. Srinivasan: 1.19 lakh tons.

Mudit Agarwal: And this aggregation is our breakup of your revenue, how much is from wind power and shipping as well as EBITDA?

N. Srinivasan: Shipping actually there was a maintenance so the revenue was lower at 3.3 Crores, EBITDA 1.4 Crores negative, wind was 5.6 Crores income, 4.4 Crores EBITDA, RMC was 26 Crores income and EBITDA was 1.5 Crores.

Mudit Agarwal: Thank you, Sir.

Moderator: Thank you. The next question is from Parth Bhavsar from Investec India. Please go ahead.

Parth Bhavsar: Thanks for the opportunity, Sir. Sir, in terms of realization what has happened post June exit, has prices corrected in the south region and if yes by how much?

N. Srinivasan: More or less for the same level, if you look at the quarter there was some plus and minus here and there, we will take it at Rs.300, prices remain steady. It has not gone up that is the worry, it has to go up because of the cost pressure.

Parth Bhavsar: You are expecting that it will grow up like monsoon goes ahead?

N. Srinivasan: Hopefully, in two months time we should see better prices.

Parth Bhavsar: Right and Sir, in terms of your consumption cost in coal so what is it Q4, you said it is 27300 in Q1, what was in Q4?

N. Srinivasan: 14300.

Parth Bhavsar: You expect this to go up or it will stay at this level?

N. Srinivasan: At present it is remaining at same level as Q1.

Parth Bhavsar: As Q1 level and you have any inventory, how long will it last for?

N. Srinivasan: Around two months inventory.

Parth Bhavsar: Thank you so much, Sir. That is it from my end.

Moderator: Thank you. The next question is from Prateek from Jefferies. Please go ahead.

Prateek: Sir, thanks for the followup. I wanted to understand south region probably is going very good on volume front, so what particularly has picked up and sustained like on the previous quarter?

N. Srinivasan: I could not get your question clearly, can you repeat it?

Prateek: Volumes in South are holding up very well so demand of which region helping you?

N. Srinivasan: The capacity utilization in the south is 70% or something, whereas in the north it is almost 100%, so south is still very behind.

Prateek: So, utilization will be hanging most probably we have more capacity, but on volume front also?

N. Srinivasan: Growth which you are seeing this is a low base of last year same quarter, if it absolute number I think we have just marginally up.

Prateek: So, on that side, but even quarter-on-quarter our volumes, while you mention that monsoon is a season for price weak, but obviously Q1 is at monsoon and our pricing have also better Q-on-Quarter, volumes have also better Q-on-Quarter, and I did not thinks in the regions company reported like sort of improvement in volumes on a quarter-on-quarter basis?

N. Srinivasan: What you said is right, actually sequentially normally from Q4 to Q1 the volume dips, but at this time it has remained steady, but the only reason I told you that last year same quarter had a very low base, second is there is a little bit pent-up demand which has come in, which is showing that the monsoon is having effect in last two months, so that is where Andhra, Telangana, Karnataka demands has taken a dip, but it is not that it is externally high.

Prateek: But price hikes not happening in Q1 in a major way, I mean monsoons should not be a reason for that or rain?

N. Srinivasan: Definitely there are variety of reasons, not only one reason variety of reasons, which has not allowed us to increase the price. To put it very bluntly we are not able to sell at a higher price I mean that is the fact of it.

Prateek: That means it is like a customer push or demand elasticity which is creating impact?

N. Srinivasan: The demand for cement was not strong enough to enable prices to be pushed up.

Prateek: Sure and Sir, what could your EBITDA on standalone and consolidated basis?

N. Srinivasan: Rs.39 Crores standalone.

Prateek: And a consolidated level?

N. Srinivasan: Rs.50 Crores consolidated

N. Srinivasan: You can move to the next question if you have, we can come back on that.

Prateek: These are my questions. Thank you.

Moderator: Thank you. The next question is from Ritesh Shah Investec India. Please go ahead.

Ritesh Shah: Sir, thank you the opportunity. Sir, just wanted to check on the CCI thing, what is the duration for which actually they are probing it something historical because to my understanding there are two different years they are looking at, so how one should understand this?

N. Srinivasan: I do not know what period, they asked a few questions that is all, it is difficult to find out what they are looking at.

Ritesh Shah: Historically there has been two different periods what they have looked at, so is it something you are looking into or is it the data pertaining to the past, what they are actually probing in?

N. Srinivasan: See, we are in the process of replying to this and they raised to 21 companies and I think this is premature for us to really make any comment on what the discussion is all about because every company must have got a different question, so for us to call, but that also for us it is a premature to talk.

Ritesh Shah: Sure, Sir, perfect and Sir, my second question was how do you see consolidation in the industry? Do you think it can happen forward how do you think that one has to take 5, 10 go of the industry so how do you see the industry landscape actually evolve?

N. Srinivasan: I am not able to see the next six months in the cement industry because of the fuel crisis. At the moment everybody is trying to sort out his immediate problem, at least we are.

Ritesh Shah: Sure, Sir. Last question, on a consumption basis can you indicate how much was the fuel consumption now, fuel consumption on a rupees per kCal basis Rs.2.60 to Rs.2.70 for the quarter and how is it on spot basis?

N. Srinivasan: It is around Rs.2 70 paisa per kCal for the Q1. It was round 1.6 for the same quarter of previous year, fourth quarter was 2.23.

Ritesh Shah: And on spot basis, Sir, would it be higher or at far as Q4 number or Q1 number?

N. Srinivasan: It should be around same around 2.7 to 2.75.

Ritesh Shah: Sir, one basic question, when we give this number on rupees per kCal basis, are we only looking at thermal coal and pet coke or do we also take into account CFR or other fuels also that we actually use?

N. Srinivasan: Their usage is very minimal. Actually 3% to 4% only, but all cost is all taken together totally.

Ritesh Shah: Perfect, Sir. Thank you so much. Wish you good luck. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would like to hand the floor back to Mr. Vaibhav Agarwal for closing comments. Thank you and over to you, Sir!

Vaibhav Agarwal: Thank you. Sir, before we end the call, just wanted to know your thoughts about our expansion plans in Central India if there is any feedback in the near future or not, just wanted to have your thoughts on that.

N. Srinivasan: I will talk offline to you.

Vaibhav Agarwal: Thank you. On behalf of PhillipCapital India Private Limited that concludes the call and thank you very much for the management. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of PhillipCapital India Private Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.