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An ISO 9001, 14001, 50001 & OHS 18001 Certified Company

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SCL/BWR/SE/2023-24/
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Sub:- Transcript of the Conference call for the Audited Financial Results for the Quarter and Year ended 31st March, 2023

Dear Sirs,

Pursuant to Regulation 30 read with Part A of Schedule III of SEBI (LODR) Regulations, 2015, the transcript of the Conference Call held on 23rd May, 2023 relating to the Q4FY23 financial results is enclosed.

Kindly take the same on record.

Thanking you,

For **SHREE CEMENT LIMITED**

(S.S. KHANDELWAL)
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“Shree Cement Limited
Q4 FY2023 & FY 2023 Earnings Conference Call”

May 23, 2023



ANALYST: MR. NAVIN SAHADEO - ICICI SECURITIES LIMITED

**MANAGEMENT: SHRI NEERAJ AKHOURY – MANAGING DIRECTOR
– SHREE CEMENT LIMITED
SHRI SUBHASH JAJOO – CHIEF FINANCE OFFICER –
SHREE CEMENT LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Shree Cement Q4 FY2023 and FY2023 earnings call hosted by ICICI Securities. 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. Navin Sahadeo from ICICI Securities. Thank you and over to you Sir!

Navin Sahadeo: Thank you. Good morning everyone. On behalf of ICICI Securities, I welcome you all to the Q4 FY2023 earnings call of Shree Cement Limited. From the management we have with us Managing Director Mr. Neeraj Akhoury and CFO Mr. Subhash Jajoo. Without any further ado I hand over the call to Mr. Akhoury for his opening comments. Over to you Sir!

Neeraj Akhoury: Thank you Navin. Good afternoon ladies and gentlemen. I welcome you to the earnings call of Shree Cement Limited for the quarter and year ending March 31, 2023. Navin I hope I am very clear and audible.

Navin Sahadeo: Absolutely clear Sir. Go ahead.

Neeraj Akhoury: So 2022-2023 was an exciting year for Bangur and Shree Cement. On one hand we were able to record about 15% healthy volume growth but we also started a new journey of remaining the greenest cement company in India. We are very happy to say that we currently have 55% of green power share in our process, which to my mind is highest not only in India but also in the globe and we are also making significant investment in the plant with advanced technologies to improve our fuel flexibility including ability to reach higher numbers of alternate fuel and at the same time we are also testing new logistics models including testing of EV vehicles. At the same time at Shree we are executing systematic interventions to explore full potential of our company covering a range of subjects like commissioning of advanced digital solutions or updating our IT platforms, enhancing our manufacturing excellence, building our logistics capabilities, as well as working on route to market with enhanced product offerings.

As you know now we have redesigned our organization and we have a very strong marketing team which is separate from sales as well as commissioned the technical services team which will allow us to bring products with sharper value propositions in the market and positively impact not only the volume but also the price performance. We have recently launched internal campaign “We Lead” and this campaign is to make sure that Shree remains the leader in manufacturing and logistics performance and this program is performing well and we expect that it should start giving results in the coming quarters.

We have started recovering our performance in Q4 2023 with softening of fuel prices, but also due to start of execution phase of several planned initiatives to mitigate the headwind of cost. To focus on the quarterly performance, the company was able to achieve realization improvement of 2% while driving the sales volume growth up to 9 million tonnes in the quarter as against 8 million tonnes in the same quarter last year, which is equal to about 10% growth. The capacity utilization had also increased strongly from 71% to 78% during the same period and this is largely because of very healthy demand shoots that we are observing across the country from infrastructure, housing segment both rural and urban as well as commercial real estate. The realization increased by 2%, EBITDA is down by about 2% at Rs.892 Crores against Rs.911 Crores in March 2022. EBITDA per tonne has stood at Rs.1011 as against Rs.1134 last year.

On sequential basis volumes were up by as I said by about 10% and realization has remained flat during the quarter; however, absolute EBITDA increased from Rs.708 Crores in December 2022 to Rs.892 Crores led by operational efficiencies and volume gains. EBITDA per tonne sequentially has increased from Rs.881 per tonne to Rs.1011 per tonne.

For full year, our sales volumes increased from 27.7 million tonnes in 2021-2022 to a level of 31.8 million tonne in 2022-2023, where capacity utilization for the year was at 70% as compared to 64% in the preceding year. The realization was up by about 3%. Despite increase in sales and sales realization, EBITDA excluding other income decreased from Rs.3648 Crores to Rs.2942 Crores which is roughly about 19% decline largely because of significant and unprecedented increase in fuel cost as well as raw material costs like fly ash and slag. The impact was mitigated to some extent due to higher consumption of alternate fuel and import of fuel from newer markets. With fuel prices declining since Q3 of 2022-2023 combined with execution of several planned initiatives, profitability started moving up thereafter.

The company continues to focus on sustainability initiatives as I said the share of green power consumption in total power during the quarter stood at 55% against 50% in the corresponding quarter of the previous year. We have completed commissioning of 122 MW of solar and wind power plants in different states during the year. As a result, total green power generation capacity has increased to 386 MW at the close of 2022-2023. Another 93 MW green power capacity would be added this year and next year. The company remains committed to continuously increase its share of green power.

We are also stepping up our efforts to increase use of agricultural, industrial, municipal waste to improve our thermal substitution rate. The company has invested in state-of-art facilities for **handling and feeding such waste** materials which will help significantly in helping our AFR performance. We are very happy to state that we have fully stopped using

coal or pet coke as fossil fuel in all of our grinding units. We are able to achieve TSR of 4.35% last quarter. We expect to increase it to about 15% by the end of this year.

I am also very happy to share with all of you that under the National Mission for Enhanced Energy Efficiency Shree Cement has been recognized as top performer designated consumer in cement sector for achieving maximum energy savings under PAT Cycle II. As a result of multiple initiatives taken to bring down its carbon footprints, the company has been able to reduce its carbon emission by 3% to 513kg of CO₂ per tonne of cement equivalent in 2022-2023.

On the marketing side, the company is continuing its efforts towards fulfilling various needs of its customers with premium offerings and better customer servicing. A new vertical of technical services have been created to support our sales team. The team has well defined KPIs of visiting the construction sites and educating customers regarding products and its applications. We have initiated the process of strengthening our brand equity by engaging with experts and advisors for our future strategy. Due to these efforts we were able to increase the share of a premium product sale against total cement trade sales from 6.6% in March quarter last year to about 7.5% in the last quarter 2023.

We are also working on various initiatives on digitalization front. Very shortly we would go live with our customer relationship management, CRM software which helps in real time integration of dealers, retailers, institutional influencers with the company. This would support **field sales force with live relevant marketing feedback**. Logistics control tower system and transporters app is also in the process of setup to enable management of logistic cycle from order-to-pay, end-to-end shipping visibility is now a reality for Shree Cement through our GPS tracking in almost all trucks.

We are also migrating from Oracle to SAP S4 HANA based ERP to adopt more advanced and simplified workflow and processes. In manufacturing operations we have implemented Plant Data Management System which is called PDMS to capture data from IOT sensors and generate automatic KPI reports and alerts to bring overall efficiency in the operation. We are also digitizing our HR operation by implementing state-of-art tool called Darwinbox.

On the expansion plan I am happy to say that we are working now very strongly to achieve our goal to reach beyond 80 million tonne capacity in the upcoming years. The 3 million tonne East India Purulia grinding unit will be commissioned very shortly by June, 2023. Work on 3.5 million tonnes project at Nawalgarh **Rajasthan unit** should be commissioned by Q3 of this year and then our Andhra project, Guntur project is also progressing well and should be commissioned early next year.

On the demand front we expect demand to maintain its healthy momentum in FY2024. The demand growth is expected to be majorly led by government thrust on infra spending before the Lok Sabha elections in 2024. Infrastructure segment as a result of 24% enhanced outlay in budgeted spending of central government on key infra sectors shall be the main demand driver. New projects and capacity expansion plans announced by the players in capital intensive sector such as steel, start of work in PLI led project and data centers are likely to contribute to increase in demand in both industrial and commercial segments.

Demand from housing segment shall also remain strong on expectation of normal monsoon and continuation of healthy prices for farm produce along with government thrust to schemes like Pradhan Mantri Awas Yojana. Industry margins are expected to improve in this year because of softening of the fuel prices as well as the declining of the crude oil prices. All in all in my view FY2024 is expected to be a favorable year for the cement industry. With this I will now open the floor for the Q&A. Thank you very much everybody.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Good morning and thank you for the opportunity. The first question is on the fuel cost. If you could just share some details as to what was the cost in Q4 and how do we see coal, petcoke procurement and consumption happening on the next two quarters?

Subhash Jajoo: The current fuel cost has come down significantly, but because of the large inventory which we were carrying the impact of the same is not right now visible in our last quarter results. In fact in March 2023 the per CV cost of fuel was same as compared to what it was in December around 2.53; however, the current prices of petcoke has come down to almost 1.80. The benefit of the same will be visible in the coming one or two quarters, most probably for the June quarter you will see the fuel cost declining to around Rs.2.30 to Rs.2.40 and then over next quarter it is going to come down. On a full year basis our cost was Rs.2.62 in 2022-2023 as compared to 1.69 in 2021-2022.

Sumangal Nevatia: Understood and Jajoo Sir in the mix if you can just share is it fully petcoke or also you are using thermal coal?

Subhash Jajoo: In March quarter we have used almost 76% petcoke and remaining was the other coal and alternative fuel as compared to 50% used in the last year.

Sumangal Nevatia: Got it.

- Subhash Jajoo:** One point of time, thermal coal prices were cheaper as compared to petcoke but now gradually in the last 3-4 months petcoke has become cheaper, so we are continuously increasing the use of petcoke.
- Sumangal Nevatia:** Got it.
- Subhash Jajoo:** Currently on a CV basis petcoke is around 1.80 whereas thermal coal is around Rs.2.
- Sumangal Nevatia:** Noted Sir thank you. Sir my second question is more with respect to strategy on inorganic growth ambition in the past decade we have seen that we hardly participated in **any deals** and we clearly prefer to build assets given our superior project execution capability. We now read over that we are evaluating with various opportunities in the market, is there any change in thought process, approach strategy over the next 5 to 10 years, the way we want to grow our business to a 80 and 100 million tonnes over the next 5 to 10 years?
- Neeraj Akhoury:** When we are growing of course on organic route we have enough plans to reach beyond 80 million tonnes. As far as inorganic is concerned it depends on the strategic fit but also on the value creation potential of the target based on that we take some decisions. I would like to reemphasize that Shree is very open to such opportunities but the opportunities should add value to us at the same time should be part of the strategic effect in terms of the market, so we are not against acquisition as has been said by some people even today morning I get the same information. We are very open to merger & acquisition, but it should be positive for our business as well.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.
- Prateek Kumar:** Good morning sir. My first question is on your premiumization of your product mix, while you highlighted in your opening remarks but there have been in our efforts for taking up this kind of product mix where Shree end up by FY2024 and how much it can contribute to your incremental realization on a per tonne basis?
- Neeraj Akhoury:** Last year same quarter it has been roughly about 6% to 6.5% of premium products. Last quarter of this year we have been able to increase it to 7.5%. The journey has started where we are bringing up some new products. Just about 2 days back or 3 days back we launched a new product in our coastal markets of Odisha by the brand name of Rockstrong. We are also working with our R&D as well as manufacturing to come up with some enhanced products which has sharper value proposition. With the current brand that we have in the market we expect to grow up to about 15% of share in the premium segment by end of this year. I would rather say the journey has started. We are building a brand equity. We are

making strong corrections in our brand architecture and this will all help us to communicate the value that we bring to the customers in a stronger way. So my first-year ambition is to reach about 15% and thereafter we will chart the ways of how to grow it further. As far as I think, my view would be, at the current level of pricing, this 15% would give us about Rs.50/- per ton advantage in our EBITDA.

Prateek Kumar: Understand the strategy or the product mix of cement pricing. Is it different across regions or we have like similar mix of cement products?

Neeraj Akhoury: In my view cement is a very local product and so each market, each districts needs to have its own unique strategy of products and product positioning and this is exactly what we are doing. Each market has its own needs. For example when I just mentioned about coastal Odisha, coastal Odisha is known for its weather and is known for its very harsh weather. These are specific type of concrete to have durable structures and that is what our focus has been. Similarly if you go for a coastal market because there are separate challenges so as I said each district has its own approach. We are defining it district-by-district but overall I see a space for two to four premium brands in the market as we look forward.

Prateek Kumar: Thank you. Another question is on what was the loss of volumes due to the IT incident happened over the last week of the quarter and was that volume recovered in first quarter of 2024?

Neeraj Akhoury: No. there was no volume impact because of the IT incident. We have a very strong business continuity process in the company and the moment it was reported that there is an IT incident very quickly the BCP process took over and therefore there has not been any impact because of this on business performance.

Moderator: Thank you Mr. Kumar request you to join the queue for any followups. The next question is from the line of Shyam Sundar Sriram from Franklin Templeton. Please go ahead.

Shyam Sundar Sriram: Hi sir. Good morning. Thanks for the opportunity. Hope I am audible.

Moderator: Yes you are audible. Please go ahead.

Shyam Sundar Sriram: We are seeing utilizations improving over the last few quarters from a two-year perspective. Can you please highlight the pecking order of our strategic priorities such as say market share gains, product mix improvement, EBITDA improvement, what would be your pecking order of strategic priorities. Would be great to hear that, just adding to that we are also seeing the cost curve shifting down led by fossil fuel prices just like Jajooji just

highlighted in the prior question. Will we look to share some of that surplus to deepen our market presence or will we retain that within the company to improve the profitability?

Neeraj Akhoury: So let me try to understand the question first, so first is the strategic priorities.

Shyam Sundar Sriram: More importantly your pecking order how you think of it?

Neeraj Akhoury: I suppose to think of all the same pecking order, which is not that one is better than other, but let me see if I can answer a part of it. First thing is as we said that the Shree Cement is very clear on our objective to become the greenest cement company in the country and this is the top priority for us, which is good for environment, good for business and therefore it is something that we would like to pursue big as we have been pursuing in the last two years. The second priority is to make sure that from the current operations we are able to extract more value for our shareholders. This will come in two fronts one is by having a better look at the offering that we are making in the market, our product offerings and how can we price it better in some cases. What can we do in terms of meeting the exact and precise customer expectations. This is something that we are doing and we believe this is a journey by itself. It takes some time before we reach there. We have mentioned to you that we have recently partnered with McCann, one of the worlds very known advertising agency group to make sure that our brand stories are told well in the market. This is the other priority that we have not second but other priority. Third is to make sure that Shree is able to maintain its momentum of capacity growth. We are known for this in last several years and this is something that we are firmly on ground. We have a very strong team that is pursuing this and we believe that in the coming years we should be reaching 80 million tonnes through our organic efforts in different parts of the country, which by the way will truly make us a Pan India company. These are the three big topics for us but the fourth topic that is going to be is the platform on which we will construct all these initiatives. This is what I call the very modern organization, organization with advanced IT tools like SAP S/4 HANA, organization with advanced digital tools, one we are doing in CRM, in logistics or in the manufacturing and that is the way we are setting up our objectives for the coming year. What I am saying is also applicable to other support functions and they are all working around these priorities to make sure that as a company we succeed in the coming years.

Shyam Sundar Sriram: Understood Sir that was clear and the other point I was trying to understand is given the cost curve shifting down, will we look to share some of the surplus to deepen our market presence or will we try to retain that within the company as we also have growth ambitions going forward?

Neeraj Akhoury: So I do not think we are going to play a role by which we destroy our price line in order to reach the volume target. Our objective strategy is very clear. We have to reach a volume level by which our utilization level is at least that of average industry that is number one, but by doing so we are extremely conscious that our role is to make sure that the price line does not get eroded. We are able to strengthen it by pushing more premium products and that is the strategy we are going to play.

Shyam Sundar Sriram: Understood Sir. Thank you very much Sir. One last question if I may ask is there aspirational EBITDA per tonne that we would like to reach in the medium term for Shree Cement?

Neeraj Akhoury: So we have been leaders in EBITDA per tonne in the industry if you look at the grey cement I think I used to believe that even today we should not be in anyway a company which is giving an inferior set of numbers on our core business. With the new capacity additions, with increase in premium products, with making sure that we are able to work on manufacturing and logistics excellence we believe we should be able to create some additional room for adding to the EBITDA per tonne performance in the company and that is the way for us moving forward.

Shyam Sundar Sriram: Thank you very much. I will fall back in the queue.

Moderator: Thank you. The next question is from Kunal Khudania from DSP Asset Managers. Please go ahead.

Kunal Khudania: My question is on the debt front like although you have explained in terms of the capacity expansion so how do you see your debt levels panning out in the near to medium term or is it that your internal accruals would be sufficient to take care of the capex requirement?

Subhash Jajoo: Kunal currently we have a net cash of around Rs.5700 Cr as of March ending and we believe despite our aggressive capital expenditure program everything will be through internal accruals. We do not foresee to take any further debt in the book. In fact the cash in the book is sufficient to take care of our needs in the coming few years.

Kunal Khudania: Understood sir that was my question. Thanks.

Moderator: Thank you. The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Good morning. Thank you for the opportunity. I have two questions. First on the inorganic optionality that you are exploring earlier I believe the thought that used to be that you

would not look beyond \$80 per tonne kind of valuation for an asset, so given that most transactions in the market for integrated plant are happening above \$100 so how the thought change or you still looking at the \$80?

Neeraj Akhoury: The value of any acquisition target is based on the quality of the asset, quality of business that we are acquiring. It is not right to give one number for any business, it depends on which market that asset is, what are the operational numbers, what are the **limestone** reserve for example, so it is not right to give one number for it, each asset is evaluated based on the specific set of financials that we get and clearly the idea would be how to make sure that by acquiring that asset we are making our business from and that is how it could be done.

Amit Murarka: But you are not benchmarking yourself to that \$80 number or something I think which used to..

Neeraj Akhoury: Each opportunity has to be evaluated based on the specifics that it brings on the table and so \$80 per tonne is one number, but asset quality would largely determine what kind of valuations we give.

Amit Murarka: The next question is on UAE, so you have invested another Rs.525 Crores in UAE so what was this amount for and then how much more is planned to be spend in that asset in the coming years?

Subhash Jajoo: No we have not done any further investments in UAE. In fact the other investments which you are seeing is in our other subsidiary company like Shree Cement East where we are setting up our Purulia grinding unit. For UAE we are not doing any expenditure right now.

Amit Murarka: It is my mistake and I thought that in the consolidated it is showing up and it is showing up as an investment in subsidiary.

Subhash Jajoo: That figure is for expenditure done in own subsidiaries and the major part is for the Purulia grinding unit which we are setting up in Shree Cement East.

Amit Murarka: Got it Sir. There is no further investment plan in UAE as of now right?

Subhash Jajoo: No as of now apart from certain efficiency improvement expenditure, there is no major investment as such.

Amit Murarka: Could you detail out your capex plan for FY2024?

Subhash Jajoo: In the current year we will be spending something close to Rs.3300 to Rs.3500 Crores.

Moderator: Thank you Mr. Murarka request you to join the queue for followup. The next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: Thank you for the opportunity. Couple of questions. First one is on volume and capacity tied up followup to Shyam's question in a way you are indicating that you want to bridge the gap on utilization between Shree Cement and industry utilization and given Shree cement is also adding capacity in the next year how much growth can we look at from next year I think earlier in the media interviews and all if I am not mistaken we heard of 36 million ton in FY2024. Does it still hold and in the release you mentioned beyond 80 million tonnes versus a target of 80 million tonnes by FY2030 so beyond 80 million tons would be by FY2030 are you looking at even beyond 80 million tons before FY2030 and after these expansions which one will be of Nawalgarh and all these projects commission what could be the pecking order for projects for you beyond this project and then second one would be on the branding strategy?

Neeraj Akhoury: What was the last line I am sorry, I did not get it, last line please.

Satyadeep Jain: Second question would be on branding strategy.

Neeraj Akhoury: So as we said 80 million tonnes is a very well stated objective which our Chairman has already communicated to all of you in the last year as well. For this detailed plan site-by-site is there we are progressing on each of the sites, separate stages of development somewhere the land acquisition is over, we are going for EC, in some cases EC has been done, and in some cases we are progressing with the land acquisition. So after Nawalgarh we expect to have four or five projects. It depends on the date by which we get the clearance from the government as well as other regulatory authorities and as and when we get the clearance we will be starting those projects and you will hear it from us every time when we start a project. We have sufficient limestone to go from current to 80 million tonnes which will be mix of Brownfield and Greenfield expansion projects.

Satyadeep Jain: On the volume growth for this year for FY2023?

Neeraj Akhoury: Volumes are as we said we should be reaching about 36 odd million tonnes this is what we have kept which means the growth are about 13% for us, which is slightly ahead of the market estimate. The market growth that we are expecting is in the range of 7% to 8% . So we are slightly ahead of that growth largely because we are adding new capacities.

Satyadeep Jain: Thank you. Second question is on the branding strategy you touched upon premium products in the Rockstrong premium product in Odisha. When you look at the northern region and the northern category A products also in addition to the premium category is

there some thought on the strategy specifically on the northern region. How would you look at improving the utilizations there, is it largely going to be introduction of new premium products or may be brand repositioning or introduction of new products and category A specifically in that category premium products have also been lot of players are chasing that market. How is the initial reception been in that premium category, are you seeing a lot of competition in that particular market and in north and overall the premium depth and positioning?

Neeraj Akhoury: In my view and in our view there is a segment of customers who are looking for products with sharper value proposition be it in soaps, be it in cars, or be it cement and that is the customer group that we have identified and we have studied their requirements, their needs, both stated and nonstated and therefore the products that are being designed and introduced in north India are in two stages. One we have two existing premium category brands in the market Roofon and Bangur Power, both of them today are in a position in line with the A group pricing, but beyond this we are looking at what else we can do to certainly communicate this big message, SASTA NAHI SABSE ACHA, with the product that has more sharper value proposition and when I say value proposition you might think we can talk in terms of cement that are designed for high performance areas for example in 30 and 40 and 50 grades of concrete. These are the kind of products that we are now launching and hopefully we should see one brand at least in north India which will be launched in this year in addition to Bangur Power and Roofon.

Satyadeep Jain: Thank you so much.

Moderator: Thank you. The next question is from the line of Rashi Chopra from Citigroup. Please go ahead.

Rashi Chopra: Thank you. What I am trying to understand is better on a sequential basis our realizations were flattish, the power costs were flattish, with the trends that we are seeing and how do we kind of allocate that between the remaining cost as well as the sale of power?

Subhash Jajoo: Yes Rashi you are correct the realizations were more or less flat, there was very marginal increase if you would compare it from the December numbers and yes fuel cost also did not move up in fact December quarter the fuel cost was around 2.53 on a per CV basis and it remains the same more or less in this quarter that is particularly because of some high-cost inventory which we are carrying. We believe some part of it is going to come in this quarter. We should see some moderation in fuel cost to around Rs.2.35 in the current quarter.

- Rashi Chopra:** Good and then on the cement realization post the quarter had there been significant change or realization the kind of flattish?
- Subhash Jajoo:** No, in fact you are talking about December and March?
- Rashi Chopra:** Current. Post the quarter.
- Subhash Jajoo:** No, the realization has slightly come down I would say as compared to last quarter.
- Rashi Chopra:** Just last bookkeeping questions. What were lead distance and trade sales in the quarter?
- Subhash Jajoo:** Trade sale was around 80% and lead distance was 463 kilometers as compared to 473 last year and 450 kilometers in December quarter.
- Rashi Chopra:** Yes.
- Moderator:** Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** Good morning and my questions first pertains to the Union Cement performance, could you share what was the volume numbers and profitability for that unit in FY2023 and what is the outlook?
- Subhash Jajoo:** Can you just repeat the question once again.
- Rajesh Ravi:** The Union Cement, how is that unit performed in FY2023 and what is the outlook, volume and margin?
- Subhash Jajoo:** No, unfortunately we will not be able to share details of any of our subsidiary individually. We can only give an outlook. The last year's performance was not very good and the primary reason was because the main export market Sri Lanka and Bangladesh has just collapsed. Even the domestic prices were not that good last year and that is why the performance was not up-to-mark. But we expect some recovery in the current year.
- Rajesh Ravi:** Great and given that now Purulia will be set up under the subsidiary structure so the standalone number would appear slightly distorted so can we have the consolidated numbers for cement volumes for FY2023 and FY2022?
- Subhash Jajoo:** No that maybe from next year onwards we will think about but right now I will not be able to share the details individually for any subsidiary. Purulia will only start functioning from second quarter.

- Rajesh Ravi:** Correct and clinker how much was the production number for FY2023?
- Subhash Jajoo:** What?
- Rajesh Ravi:** Clinker production in FY2023 full year standalone.
- Subhash Jajoo:** It is around 20.2 million.
- Rajesh Ravi:** Just because of the external power sales the sequential numbers, because you are not reporting it separately, the realization numbers appear volatile. Is there a way to mention that in the press release as because it distorts both the topline realization as well as the energy cost numbers?
- Subhash Jajoo:** I got your point but right now our policy is that we will not be able to share the power details. We will think about it and maybe from next quarter we will find out a way how to give you.
- Rajesh Ravi:** Sure at least cement number, when you mention, which is area of analysis so that will help us and last question on the total capex on the ongoing projects how much is spending in terms of which you will be spending you mentioned that Rs.3300 Crores to Rs.3400 Crores on ongoing projects in FY2024 so what would be balance amount that would be left for FY2025 primarily to our Guntur?
- Subhash Jajoo:** Yes as we told you like we have already spent around 3300 Crores last year, current year we should also expect similar sort of spending. This includes the amount for Guntur, Nawalgarh. Purulia is now more or less complete so there is no major amount left but this Rs.3300 Crores also includes some of the new projects which we will be announcing in the coming quarters.
- Moderator:** Thank you Mr. Ravi may I request you to join the queue for any followup as we have several participants waiting for their turn. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.
- Nitin Arora:** Sir my question was similar to the previous participant. Jajoo Ji the thing is if you can help us quantify the profitability per tonne of cement because when this thousand is not a representable number. Is it possible to state that in the cement what was the EBITDA per tonne because it looks like a power has a decent number in this quarter?

Subhash Jajoo: Currently we will not be able to share because we were not allowed to share our power number separately, but I appreciate your point, maybe from next time onwards we will find a way out to clarify it.

Nitin Arora: Second thing I am sorry for asking you a short-term question the improvement in the fuel cost what you talked about we will see it from the next quarter and I am assuming this number is not correct in terms of cement EBITDA per tonne which you reported in this quarter. Can you help us at least in the direction what the benefit you are looking, is it like Rs.30, Rs.40 per ton or is it like Rs.100, Rs.150 per ton from the fuel cost because I do not have a base number to see the improvement if you can answer that that is my only question?

Subhash Jajoo: It will be too early to guess that number how much that power cost will be. In terms of calorific value it will come down to around Rs.2.35 from the existing Rs.2.50.

Nitin Arora: Got it. This is helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Thank you for taking my question. Sir first is in continuation with Nitin's question. Historically we have always seen that we have carried low inventory so changes in fuel price typically has come to us the fastest whether it is on the way up or way down, this time around we see that you have built a bigger inventory. Any reason for why this change in strategy?

Subhash Jajoo: Whenever you are thinking about **stocking up** a commodity you have to take a view on the future prices. Now looking at the volatility in coal prices which was say around a year back which was quoting at around \$300 now come down to 200, then 175. We thought probably this was a good level and it should not go down below this. But prices kept on coming down further and now currently the prices are almost (the last shipment which we bought) at around \$115, \$120 per tonne. So the way the prices are coming down, we thought that probably it has come down a lot and that is why we have built in higher inventory. But it is a matter of time before that higher cost inventory goes down and again we will see the average rate of fuel coming down to these levels.

Pulkit Patni: Fair point. I completely understand. Second question is for Neeraj. Shree is already one of the most efficient in terms of the cost structures you spoke about premiumization as one of the ways to take profitability up any other way, any sort of cost angle where you think there is more scope to improve efficiency or improve profitability that you can talk about or our

focus should primarily be on premiumization or brand upgrade whichever way you look at it?

Neeraj Akhoury: As the way I would see as any other company, we will operate on various levers and I am very confident about it that any organization has similar arguments to improve our performance whichever lever you use, be that manufacturing, be that logistics, be that sales or marketing. These are areas where we do believe there is scope of improving our performance. As I said while we have reached very high number of 55% of green power still we are evaluating where else we can up this capacity, green power that will help us reduce our power cost and similarly there are many other areas within manufacturing, within logistics where we find that there is a scope to improve performance and that is what we are working on. So it is not only premiumization, premiumization is just one part of the journey. There are other levers which we are working simultaneously and I hope given the fact that there are proven opportunities, no low hanging fruits, but proven opportunities. We should see some events happening in the coming quarters.

Pulkit Patni: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Kamlesh Bagmar from Lotus Asset Managers. Please go ahead.

Kamlesh Bagmar: Sir just one on the volume guidance which we are targeting around 36 odd million tonnes it is around utilization of 78% odd and given the fact that barring like say 3 million tonnes at Pune we have not commissioned much of the capacity. So our capacities are underutilized and it has been there for the last two odd years. So we do not have that great utilization numbers on the capacity like our peers like UltraTech. The way they are pushing volumes and not at the cost of lower margins they are doing phenomenal work, so why we are lagging on that part despite the fact that Shree has been the pioneer in terms of pushing volumes?

Neeraj Akhoury: I am sure and this is exactly what I was saying that some of the things that Shree has been known for which Shree's reputation was build and one of them was building capacities more than the industry growth. So that is something that Shree has done very well and therefore has been able to multifold improve our capacities in the last several years. Having said that 12% to 13% growth of volumes in a year is by no means low, it is a very high number given the fact that industry growth in the same period is around 7% to 8%. So it is not a less ambitious target. It is a very ambitious target I would say. But as I said our challenge would not only be to push this volumes by about 13% but also make sure that we reach our stated objectives of 15% of our premium products. So it is going to be lot of hard

work now for us from now till year end to make sure that we are able to reach such ambitions.

Kamlesh Bagmar: Secondly like I know you have given the clarification on the part of not telling about the individual numbers or separate numbers for the power business but like at least we can give some trend like how we have performed as compared to with the peers like internally we would be doing analysis on that part because there has been so much of volatility in the power in a quarter we went down to like say 50 Crores EBITDA loss on that and then we moved to 100 Crores profit on that so at least let us say how much we have seen on the actual or the pure EBITDA business in the cement?

Subhash Jajoo: We appreciate your point and internally we have all the numbers. But then you also please try to understand that power constitutes, if you look at it from an overall perspective, power constitutes hardly 3% or 4% of our total revenue so it is not that material and that is why our Board decided against sharing power numbers separately. Earlier we used to give power data separately but then looking at the overall things and materiality which is hardly 3% to 4%, the Board decided that henceforth we should discontinue giving power separately and same not to be treated as a segment. So that is why it is not possible to share the numbers but we really appreciate your concern and maybe we will try from next quarter how to address it. We will internally discuss and then try to see how we can sort this out.

Moderator: Thank you Mr. Bagmar request you to join the queue for followup. The next question is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo: Thank you for this. Sir just one question from my side because from as you said in Odisha we launched a premium product, also we get from the market feedback is that in north per se we are looking at launching or recently launched an OPC 53 grade kind of a high strength high quality kind of a product so with focus of on premiumization wherein the product itself is not a push product it is a pull product which also has a higher cost to it same time the influencers or the channel partners have to be slightly rewarded more to recommend that product so in general the cost is a little high against that we also have a volume target which is much superior than the industry. So how does this trade-off works, how do you think this trade-off will be in favor of rising cost and also the volume that we are looking at from a margin perspective? Thanks.

Neeraj Akhoury: The way I look at it, the market in India is clearly not one market, we have at least three types of market. One market is what we call in automobile terms a Mercedes S-Class market, we also have a E-class market and a B class market, and we also have something in India which is a very important segment now growing very fast and very big segment which is the B2B business. They are non-trade segment of the business. So for each of these

segments we have a specific market size and what our thinking is that Shree should be present in just not one market segment but multiple market segments so that we can participate in each of these market sizes. So it is not like pushing premium means that you will not be able to achieve overall volume growth because premium products are going to compete in a totally different segment and that segment if I do not serve somebody else will serve that segment right. So it is not due to the belief that if you are having a premium segment then overall volumes will be constrained, in fact to remind you a multi-segmented approach to market will only add to our capacity of further achieving volume numbers, this is how I see.

Navin Sahadeo: Appreciate Sir. Great.

Moderator: Thank you. The next question is from Shouvik Chakraborty from Dolat Capital. Please go ahead.

Shouvik Chakraborty: Thank you for the opportunity Sir. Sir I just wanted to know can you share the cement realization for this quarter and also for the year-on-year the last quarter also?

Subhash Jajoo: Realization for the current quarter is around 4850 it was similar to that in December and in March last year it was around 4743 and for full year the realization will be for the current year it is around 4872 as compared to 4732 last year.

Shouvik Chakraborty: Got it Sir. Thank you that was my question.

Moderator: Thank you. The next question is followup question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Sir my questions are answered. Thank you.

Moderator: Thank you. The next question is from Amit Murarka from Axis Capital. Follow up question Please go ahead.

Amit Murarka: Thank you for the opportunity again, so I just wanted to check what is the region wise capacity utilization in Q4 and FY2023?

Subhash Jajoo: The capacity utilization in Q4 was around 78% as compared to 71% in March 2022, it was 72% in the December quarter and for full year last year it was 64% and for a full year fiscal year 23 it is around 70% . We are continuously increasing the capacity utilization.

Amit Murarka: I was just checking for like if you could give it region wise let us say for north, east and South like I think you used to share it earlier.

Subhash Jajoo: In north we are operating at around 80%, east we are operating at around 82% and south, as the new unit Pune has come up, so the utilization is slightly down, at around 65%.

Amit Murarka: Understood and on the TSR expansion to 15% target like does it also involve some capex and setting up some units at the plants?

Neeraj Akhoury: Yes exactly what I said that we are setting up state-of-art facilities in our plant for feeding AFR which is a major challenge in our industry or how do you feed in. In the calciner or the kiln part which has different moisture levels, different chemistry be it in agricultural AFR or be it in the municipal AFR, be it in the industrial AFR. Right. So that is why we are setting up this feeding system so that we are able to feed to the maximum extent possible in the cement plant. So there will be some capex involved and we started last year itself to create those facilities.

Moderator: Thank you. Ladies and gentlemen that would be our last question for today. I would now like to hand the conference over to Mr. Navin Sahadeo for closing comments. Thank you and over to you!

Navin Sahadeo: Thank you. On behalf of ICICI Securities I once again thank the management and all the participants on the call. Akhoury Sir if you have any closing comments please take that and we will conclude the call. Thank you.

Neeraj Akhoury: Again on behalf of the management of Shree and everybody present today in the call we would like to really thank all our investors, all our shareholder groups who have come here today. It is encouraging when you all ask questions, when you ask some deep probing questions, it is frustrating when we are not able to answer any of those questions but we will come back next time more prepared, better prepared. Overall Shree is on the right path, right direction. Our assurance to all of you that the performance Shree is known for will be continued, the team that Shree is known for will continue, the deliverable position Shree is known for will continue. We will reach those targets that we spoke about. Thank you very much everybody for participating today.

Moderator: Thank you. Ladies and gentlemen on behalf of ICICI Securities that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

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