Keshav CEMENT

Shri Keshav Cements & Infra Ltd.

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Date: 04/08/2023

To,
The General Manager,
Department of Corporate Services,
BSE Limited,
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai - 400001.

Dear Sir,

Sub: Analyst/Investor call Audio Transcript for the Quarter ended 30/06/2023

Ref: Scrip Code: 530977
Scrip Name: SHRI KESHAV CEMENTS AND INFRA LIMITED

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find the attached Earnings call transcript of analyst/investor call for the quarter ended 30th June, 2023 conducted after the meeting of Board of Directors held on 01st August, 2023, for your information and records.

Kindly take the above intimation on record.

Thanking You,
Yours truly,
For **SHRI KESHAV CEMENTS AND INFRA LIMITED**

VENKATESH HANAMANTSA KATWA
Digitally signed by VENKATESH HANAMANTSA KATWA
Date: 2023.08.04 13:22:26 +05'30'

Venkatesh Katwa
Chairman
00211504

"Shri Keshav Cement And Infra Limited Q1 FY24 Results Conference Call"

August 02, 2023

MANAGEMENT: **MR. VENKATESH H. KATWA – CHAIRMAN, SHRI KESHAV CEMENT & INFRA LIMITED**
MR. VILAS H. KATWA – MANAGING DIRECTOR, SHRI KESHAV CEMENT & INFRA LIMITED
MR. DEEPAK H. KATWA – CHIEF FINANCIAL OFFICER, SHRI KESHAV CEMENT & INFRA LIMITED

MODERATOR: **MR. GOPAL CHANDAK – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Shri Keshav Cement & Infra Limited Q1 FY24 Results Conference call hosted by Kirin Advisors.

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 star, then zero on the touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gopal Chandak from Kiran Advisors. Thank you and over to you, sir.

Gopal Chandak: Thank you. On behalf of Kiran Advisors, I welcome you all to Shri Keshav Cement & Infra Limited Q1 FY24 Concall.

From the management side, we have Mr. Venkatesh Katwa – Chairman; Mr. Vilas Katwa -- Managing Director; Mr. Deepak Katwa -- CFO.

Venkatesh H. Katwa: Good afternoon, everyone. Hare Krishna. My name is Venkatesh Katwa and I am the Chairman of Shri Keshav Cement & Infra Limited. I extend my warm welcome to you all for the Q1 FY 2024 Conference Call.

Shri Keshav Cement and Infrastructure Limited is a Karnataka-based cement plant which has two business verticals, namely cement division and solar renewable power division, cement division with the capacity of 0.35 million tons per annum and the renewable power capacity of 37 MW.

To start off, cement demand is growing in the region of our presence, that is mainly of North Karnataka and Goa. We have reported a total income of Rs.31.74 crores in Q1 FY24. The positive side is that we have witnessed to some extent controlling the fuel prices, which used to be a major concern in FY23, the benefit of which will of course accrue in the following quarters.

Strong profitability from the solar business and cost reduction in cement business have enabled us to report a 10% rise in EBITDA, while our EBITDA margin increased with about 440 basis points to around 32.36%. We have reported a net profit of Rs.2.68 crores for the quarter while the net profit margin stood at 8.42%.

The cement division reported a sales of Rs.23.31 crores while the solar division reported Rs.6.03 crores. The total EBITDA for Q1 was Rs.10.27 crores and significantly solar is contributing around Rs.10 crores in that EBITDA with the balance of around just Rs.27 lakhs contributed by power. This is considering that the capital consumption of power was considered at market price calculating EBITDA of solar.

So, with the encouragement we are getting from the infrastructure focused union budget cement demand is set for its third straight growth with 7% to 9% jump or expected around 4 and 25 million tons in fiscal 2024.

In 2023, the total consumption of cement was around 398 million tons. Cement demand grew led by rapid execution in the infrastructure projects and strong traction in the real estate and the rural affording housing segments. This fiscal would again see the infrastructure and affordable rural housing segments propelling growth. The highest traction is expected from roads where the outlay from the Minister of Road and Transport and Highways is risen by 25% on year. And this being a typical election year, there has been a history where typically tends to favor the cement verticals.

So, the outlook of cement division is very promising on the back of rising infrastructure and household projects. To meet the rising demand, we are executing capacity expansion from 0.35 million tons to 1 million tons by adding a modern kiln and a cooler equipment. The project cost for this is around Rs.125 crores which is funded by Canara Bank and the capital has been brought in since company has raised capital in April 2023 by issue of preferential and warrants in April 2023 for this project.

The project is currently under execution and expected to be commissioned by June 30th, 2024. The very main objective of this CAPEX of the cement plant expansion is reduction in fuel and power consumption rate, thereby increasing the cement EBITDA per ton to the industry standards which is around Rs.1,012 per metric ton. So the focus continues to be on reducing power and fuel consumption and improving EBITDA per metric ton of cement matching the industry standards. We expect substantial improvement in revenues along with the cutting cost and optimizing profit on back of the robust demand growth and noticing that the fuel prices have softened compared to preceding quarters. So, we are optimistic on the demand outlook and expect strong growth in the coming years.

So, with this, I would like to conclude my initial discussion on the Q1 results. I would be very happy to answer any questions if anyone would like to ask. Thank you.

Moderator: We will now begin the question-and-answer session. Our first question is from the line of Anupama Prakash Bhootra from Arihant Capital. Please go ahead.

Anupama P. Bhootra: My first question is regarding some data points. I don't know whether I've missed volumes and trade share. What is trade and non-trade? And the other thing is premium products or share trade things. If you can let us know about that. The second question is regarding if you can elaborate on the progress of obsolete machine machinery and the plan which the company had the issue. I don't know. So if you can elaborate on that point. So these are my questions.

Venkatesh H. Katwa: So let me understand the question. you wanted the sales in trade and non-trade percentage and you wanted to know the project, the kind of machinery and where what we're going to do about it? Most of our business sale is trade. There is very miniscule amount of non-trade and I would say the specific percentage would be less than 2% or so. And regarding the machinery and these specifics for that, the simple thing is the cement plant that we have right now was bought in the public option in 2007. But they kiln what was existing there, it belonged to 1980s. So, we tried to modify it as much as possible beyond a point that the kiln of the infrastructure it was fit for original capacity of 200 tons per day, which we have increased to about 800 tons per day. Because of that, what is happening is having a technology which is as old as 40-years meant that our fuel consumption and power consumption is extremely high; our fuel consumption is nearly 50% higher than the industry standards when the power consumption is almost 50%, 60% higher than the industry standards. To give an example, the large most efficient industries can produce clinker in less than 700 kilo calories per ton of clinker, whereas we are consuming around 1,100 tons of kilo calories per ton of clinker. We are typically utilizing 110 units of power to manufacture one ton of cement, whereas industry is already targeting around 55 to 60 units per ton of cement. Now, this beyond a point we could not do any modernization. So, what we are doing right now is we are installing a new kiln, a new preheater, a new cooler together which becomes a decisive process to reduce the cost of fuel and power for which we are going to put a new kiln, preheater and a cooler, only specifically to address power and fuel consumption. Because we are doing that, there is automatic increase in the capacity of clinkerization, which is why we need to go for a new grinding equipment which we are going in the form of vertical roll mill which are supposed to be the most efficient, least breakdown and also with the lowest power consumption. As of now, regarding the projects under executions, we have placed order for the entire machinery and the first set of machinery we expect in November and December. So the commissioning will start, there are two, one section of the machinery is expected to be commissioned earlier, and then the final kiln and everything we're expecting to commission by June 30th. So that is the kind of progress that we're making right now.

Anupama P. Bhootra: And sir, if you can also give me like volumes for Q1 FY24?

Venkatesh H. Katwa: Sure. So the volume for Q1 FY24 is 55,981, approximately 62% of capacity utilization. This mainly was because Karnataka had elections in mid-May. So typically, after beginning mid of April till mid-May election the construction activity had slowed down or at least the availability of labor is becoming a challenge. Apart from that, we have picked up after that and the plant has continued to give good operations.

Moderator: Our next question is from the. Line of Deepika Chaddha from Cogent Finvest. Please go ahead.

Deepika Chaddha: Sir. I wanted to ask the sales growth of Jyoti Power, Jyoti Gold and Keshav Cement brand.

Venkatesh H. Katwa: So typically most of our brand sells in the name of Jyoti Power and Jyoti Gold and almost the 30%, 40% in the name of Keshav. So in growth wise compared to the preceding quarter, it has

almost remained same with the minor improvement. All the three brands have shown similar consumption patterns like earlier. So, one is a 40 grade, another is 58 grade and then we also have a slag cement.

Deepika Chaddha: What is the current capacity utilization of solar power plant that is in Koppal, Karnataka?

Venkatesh H. Katwa: So typically all the solar plants in the country do have capacity utilization of almost 99% to 100%. Because it is not really dependent on any outside raw materials, will depend on sunlight. So, in line with that, even our capacity utilizations over 99% for the first quarter and even the entire last year.

Deepika Chaddha: So are there any plans for capacity expansion in cement or solar?

Venkatesh H. Katwa: Yes, typically we are looking for expanding the cement plant capacity from 0.35 million to 1 million ton per annum, mainly like I explained in the discussion to reduce the fuel and power consumption rate compared to what we have right now. So, industry is giving almost Rs.1,000 EBITDA per metric ton, but we are struggling with less than Rs.100 EBITDA per metric ton. The only reason we are making a healthy EBITDA of the balance sheet is because of solar generation and sale of solars. So yes, the expansion is going on and is expected to be commissioned by June 30th, 2024.

Deepika Chaddha: Solar Power segment contributes how much to our company's overall revenue?

Venkatesh H. Katwa: Revenue wise, the Q1, it only contributed to Rs.6 crores because almost 30% of the power is utilized in-house in that segment, whose sales is not recorded in segment wise sales. So typically, almost I would say compared to the segment last year it contributed 25% of our revenues.

Deepika Chaddha: Are there any specific projects in pipeline that will impact our financial position?

Venkatesh H. Katwa: With the CAPEX going on, company will be borrowing funds, Canara Bank has already sanctioned the money to go for this CAPEX which is costing about Rs.125 crores, so that Rs.80 crores debt is expected to be landing on the books spread till about 1-1/2 years from now. At the same time, our debt has gone down from Rs.180 crores to Rs.165 crores in Q1 because of the company's position to reduce the debt whenever, wherever possible.

Deepika Chaddha: So how we plan to capitalize our presence in Karnataka, Goa and Maharashtra?

Venkatesh H. Katwa: Typically with the more spending what that we're doing in the market, Q2 has already begun in a good note, so we are trying to get deeper into the existing pockets as opposed to going too far away. Even with the new capacity, Pune and Bangalore could be in the range of our supply zone. However, cement is a product with very low value to weight ratio, which means that logistic cost do weigh down on the product. Our first primary market, which is within 200 kilometers from the plant.

Deepika Chaddha: So, we have any long-term contracts or hedging strategies to mitigate our volatility risk?

Venkatesh H. Katwa: With the small capacity that we have right now, generally we don't get a benefit of very higher size basically. So, we are not bidding for the big, large government contracts because of our limited size. But once we make it a 1 million ton, we can address the infrastructure projects and infrastructure contracts. In fact, we have got clearance from almost all the government departments, be it dam, canal or even the institutional projects clear. But our limitation has been set basically because of the low EBITDA margins due to the old kiln capacity plus limited marketing budget. So with this expansion, we will have a sufficient budget and we expect to increase our market share.

Deepika Chaddha: Are there any specific cost-saving measures that you implement?

Venkatesh H. Katwa: The major cost saving is going to come from our, fuel and power itself. Like I said, the industry is generating about Rs.1,000 EBITDA per metric ton, our company is doing less than Rs.100. So that huge gap of Rs.900 will be covered with this expansion. So apart from that, company is also thinking of alternative fuels, some provisioning is being made in this CAPEX in the design and the civil structure wherein in future we could go for alternative fuels at least 20%, 25% of the fuel.

Deepika Chaddha: So, sir, how do you plan to sustain or improve the EBITDA margin in future?

Venkatesh H. Katwa: Technically, since most of the EBITDA is coming from solar, there's no disruption happening regarding solar right now. And the biggest changes what we have done is compared to last year is company is using 100% petroleum coke. Petcoke is done as a fuel. Petroleum coke is generally lower in cost compared to the regular coal. The modification we carried out last year helped us to start saving, which is why we see some EBITDA margins growing in this quarter, because we have completely switched over to pet coke, and the management will continue to think on other cost saving measures apart from like what I mentioned the alternative fuel, trying to go for certain type of fuel which is low cost and can be used to a certain extent in the kiln.

Moderator: Our next question is from the line of Ananya Swaminathan, who is an investor. Please go ahead with your question.

A Swaminathan: So, what were the key drivers behind the significant changes in revenue and profitability?

Venkatesh H. Katwa: So the key drivers at least for the profitability has been switching of fuel from coal to petroleum coke. Apart from that, since the new 12 MW solar plant, which was installed of course in the April 2002, after the initial hiccups, the capacity relation has been very, very sound and healthy. So, these are the main driving factors which has helped us to increase the profitability. Only because of being an election time in Karnataka, the sales dipped. But in spite of that, our EBITDA margin increased on account of change of fuel and efficient running of the plant.

A Swaminathan: Can you elaborate on strategies to improve revenue growth and increase the overall income in coming quarters?

Venkatesh H. Katwa: Absolutely. So now that elections are done and dusted in Karnataka, we are focusing on increasing the capacity utilization from current 62% to at least 70% to 75%. And with that, we could see a better revenue growth, and since the fixed cost and everything else is going to remain the same, we're expecting a better profitability this year too.

A Swaminathan: What is the current debt position of our company?

Venkatesh H. Katwa: So our outside debt is around Rs.140 crores… the outside that I mean to say for the bank, everything else that you see in the books is coming from the promoters or from the government as an industry loan which is repayable after 10 years. So typically outside debt is about 140 crores and the new debt what is expected due to the CAPEX is about Rs.80 crores, but that Rs.80 crores will not come on the books next quarter or this quarter so easily, it will be spread around four to five quarters from now. In fact, our debt-to-equity ratios also gone down significantly. So, it used to be more than nine in FY22, it has come down to less than six or seven in FY23, Q1 it has come down to less than 2.5.

Moderator: Our next question is from the line of Yeshwanti Kherkar who's an investor. Please go ahead.

Yeshwanti Kherkar: I just wanted to understand like you mentioned that lack of staff because of the election with it and that is why our production has been hampered. So, what is the outlook you would like to give for the next quarter and for FY24?

Venkatesh H. Katwa: So, typically production did not hamper, production is controlled because of non-availability of construction labors. It typically happens during, election month which comes once in five years. So that had to contribute to a large extent for us reaching less than expected capacity utilization. So for the ensuing quarters, one thing is for sure, the fuel cost has softened significantly. So, whatever softening we see of the fuel cost, we'll be able to see the benefit in a couple of quarters down the line because of the FIFO mechanism of accounting the cost of raw material. So next quarter in this year we are expecting the capacity utilization to be around 70% and profitability should be improved compared to last year only because the fuel prices have gone down, the plant has stabilized, plus due to regular repayment, the finances cost also is going down. And with this of course top line is expected to grow around 8% to 10% and EBITDA margin is expected to improve further.

Yeshwanti Kherkar: Sir, we have to take the loan from Canara Bank as you take for your proposed expansion. So what is the cost of debt we can assume for the same?

Venkatesh H. Katwa: So as of now, the cost of loan is about 9.5% is what they have sanctioned. We are expecting it to go down in future based on our discussion apart from the changes referred by the RBI, our rating

also is expected to improve, because our ratios have improved a lot in this quarter. And once that happens, there is going to be further reduction in the interest cost, not only in this loan, also in all the existing loans too.

Yeshwanti Kherkar: There was another question of what is the cost of debt for the existing loan on the books?

Venkatesh H. Katwa: So, the average debt on the books is little less than 10%, maybe about 9.85% or so… the average debt across all the loans taken, and our current rating is BB-plus. This BB-plus we have called it on FY22 balance sheet, since then there has been a significant change in the ratios which has gone from almost debt to equity from 12 to almost less than three and in Q1 it has gone down even further. So apart from that, our current ratios, everything has gone positive. The top line has gone up, the EBITDA margins have grown up. With this, we're expecting at least the expectation what we have from the rating is to give a better rating. And if we get that kind of rating, another 50 basis points is what we would reasonably expect.

Yeshwanti Kherkar: Sir, I just want to understand like now our EBITDA margin is really impressive, which is accounted because of your solar contribution. So, once we are done with our expansion, I believe that whatever the power generation happens, that will be consumed internally. So, in that case how our profitability will be impacted?

Venkatesh H. Katwa: What we mentioned in my discussion is entirely not generated due to sales. So, let's say in Q1, the entire sales due to solar division has come to about Rs.6.03 crores. Still, we have accounted EBITDA of almost Rs.10 crores of solar because the Rs.6 crores we have got from outside almost inter company, we have consumed around 4.5 to five crores worth of power, which otherwise would have been an opportunity cost for the cement division. So, based on that with this line of thinking, this cement EBITDA should not decrease going forward. So typically what will happen is once we stop selling solar, the cement EBITDA will just get added to cement, and cement EBITDA what I mentioned Rs.1,000 per metric ton, this was excluding the cost of power. So once the cement EBITDA adds to it, our EBITDA per metric ton on cement is likely to go up beyond Rs.1,000.

Yeshwanti Kherkar: And then like this quarter, we have the EBITDA of 32%. So, post expansion, what is the rate we can safely assume for the company to report EBITDA margin?

Venkatesh H. Katwa: It would be hard nut to crack. But based on our calculations and futuristic, we would significantly improve the EBITDA margins by 20% to 25%. So currently, we are reporting EBITDA margin of around 32%. We are targeting around 40% to 42%, at least that's what our estimate shows based on the current valuation of cement sales and the cost of raw materials. This is mainly because again the power is going to be less than Rs.1.80 to us, whereas the market price of the power is around Rs.7 to Rs.8.

Yeshwanti Kherkar: So I just want to understand like how the demand in the area of our region that is Karnataka and Goa right now and what are the expectation for the year?

Venkatesh H. Katwa: Last year for national elections year in 2024, the past record has always shown that election year always gives a very high growth for cement, typically because the government is more focused on investing in most projects which not only gives employment but also due to other various reasons. So, with this thought in mind and with the robust growth that we are seeing for housing in rural areas, we expect this growth to continue all through till the end of the financial year. So, I'm pretty hopeful that after the monsoons are over, the demand is going to go up.

Yeshwanti Kherkar: Now, currently we have I believe the debt of 140, right, in the books.

Venkatesh H. Katwa: No, outside, basically from the bank. On the books, what we show includes the promoters contribution or promoters unsecured loans in the books. So, books right now in Q1 is showing Rs.165 crores which used to be Rs.180 crores.

Yeshwanti Kherkar: Now we will take a further loan for around Rs.80 crores and all for the project expansion?

Venkatesh H. Katwa: Correct.

Yeshwanti Kherkar: So that will not weigh on our balance sheet?

Venkatesh H. Katwa: Not right now because till the interest rate generated, till the project is commissioned will be capitalized, so it will not be showing in the balance sheet till the commissioning is done. Once the commissioning is done, of course, the interest cost will come on the balance sheet but also to mitigate the sales would have jumped. So, if you look at the nature of this expansion what is happening is we're increasing the capacity by almost three times, whereas our cost of funds is increasing by only 50%, so 300% increase in capacity, assuming Rs.160 outside debt right now, so if we increase Rs.80 crores, finance cost will increase at 50% whereas your top line increase by 300%. So that's the idea where our EBITDA margin is expected to be bigger than earlier.

Moderator: Our next question is from the line of Himani Nubam from Suraj Enterprises. Please go ahead.

Himani Nubam: Can you please share production and sales volume of cement for Q1 FY23?

Venkatesh H. Katwa: So the sales figure I have is 55,991 and the production figures are around 56,300 tons. The storage capacity inside the plant is only less than 100,000 tons. So typically production and sales would not go far off.

Himani Nubam: We have seen expansion in the EBITDA margin. What is the outlook for the rest of the year, is it sustainable?

Venkatesh H. Katwa: Yes, it is likely to be sustainable because even these EBITDA margins we are able to get it with the fairly high cost of fuel, because the fuel consumed in this Q1 based on FIFO method comes from when we have purchased fuel in October and November. So, with the reduction in fuel prices, we're expecting to continue or even better the EBITDA margins.

Himani Nubam: What factors contributed to 440 bps expansion in EBITDA margin?

Venkatesh H. Katwa: Typically one is mainly that to some changeover of fuel. We were using coal earlier in last year… in the beginning period. Since about June, July 2022 we were excluding using petroleum coke. Petroleum coke is lower cost compared to coal and sudden modification that has been carried in the plant is helping us to achieve that kind of an EBITDA margin which is likely to continue because we will continue to use pet coke going forward which is used by almost all the plants right now.

Himani Nubam: What is the capacity utilization level of cement plant?

Venkatesh H. Katwa: About 62% in Q1, mainly. We were expecting around 65% to 68% this quarter. But due to election impact it has gone down. So, we are targeting around 70% this year.

Himani Nubam: My last question is what was the cost difference between coal and coke?

Venkatesh H. Katwa: Let's say we take for today, the cost of coal is around Rs.2.20 paisa per kilo calorie, whereas petroleum coal is Rs.1.40 paisa. So the difference is almost 40% to 50%.

Moderator: Our next question is from the line of Suyash Singh from Index Securities. Please go ahead.

Suyash Singh: Sir, what is your per day capacity of cement production and also solar power generation?

Venkatesh H. Katwa: Sure. So cement plant machinery capacity is 1,100 tons per day, which translates into 0.35 million tons per annum. Solar capacity is 37 MW. Typically, at full capacity, we would be producing around 1.80 lakh to 2 lakh units per day.

Suyash Singh: And also, you have mentioned about working on alternative fuels such as bagasse, any other fuels. So any advancement on that, sir?

Venkatesh H. Katwa: So typically what our first step we are achieving is the CAPEX, what we are doing right now, we are making platforms and certain civil structures which will accommodate usage of alternative fuel in future. In current stage we are not adding any machinery. So once the CAPEX goes online, then our next step would be to add the machinery for utilizing the alternative fuel and then use it directly. So that's the plan what we want to do. Apart from bagasse, we also can go for municipal waste, and there are some certain kind of dry items which could be used in alternative fuel.

Suyash Singh: Sir, also till which quarter do we plan to close the new expansion plan?

Venkatesh H. Katwa: Right now CAPEX has begun after the fund release was done in April. So, we started to work somewhere in the month of June. With that we are expecting to Commission by Q2 of 2024, we would expect the plant to go on line.

Suyash Singh: Sir, how are we working on increasing our current retail touch points that is 600, so will it increase in next financial year?

Venkatesh H. Katwa: Increase what you said?

Suyash Singh: Your retail touch points…your distribution.

Venkatesh H. Katwa: It will. Typically, what will happen is we will also start going for the institutional projects, the government-related projects, infrastructure projects and also go for deeper marketing strategies by increasing the market share. So currently due to limited EBITDA margins, it is not possible, but with the expansion then we get the EBITDA margins, we could go for a much more intense marketing and sales expenditures which thereby will increase our number of dealers from 600 to say about 800 or 1,000 and then also increase our market share itself.

Suyash Singh: Sir, what is your sales team size?

Venkatesh H. Katwa: I think our sales team is around about 18 people.

Suyash Singh: Sir, your budget for marketing as well?

Venkatesh H. Katwa: Right now is almost we can say very, very miniscule. We don't even give any larger advertisements also,, it could be less than 25 lakhs in a quarter.

Suyash Singh: So do you plan to increase your budget in near future?

Venkatesh H. Katwa: Yes. Once we have the new CAPEX in place, there's going to be huge change in marketing and sales budget… not only marketing sales budget, we will also have deeper connection with the end market by having contracts with the logistics and having contracts with the institutional buyers, the government-related projects, the big contractors, all those are going to come in line once we have a certain capacity on board.

Suyash Singh: Your current manufacturing, the land that we use is owned or -

Venkatesh H. Katwa: All the land for cement plant as well as for solar is entirely owned by the company.

Suyash Singh: Sir, it is operational all 365 days or -?

Venkatesh H. Katwa: Solar is operational all 365 days. The cement plant only during shutdowns where we have to fix the machine typically only that time it is closed, otherwise the cement plants are supposed to be running 24-hours. Once you fire the kiln, you cannot stop the kiln every day, it has to be operated for two or three months on a continuous basis.

Moderator: Our next question is from the line of Ananya Swaminathan, who's an investor. Please go ahead.

A Swaminathan: So my call was disconnected for some reason. So coming back to my question about debt, what is the typical debt repayment in one quarter?

Venkatesh H. Katwa: So typical debt repayment in the entire year is about Rs.18 crores, so one quarter would be say about Rs.4.5 crores.

A Swaminathan: So to what extent you achieved power cost reduction like from green power energy.

Venkatesh H. Katwa: So currently we are producing power at around Rs.1.80 paisa per unit and out of this Rs.1.80 paisa almost Rs.1.60 paise is contributed because of interest cost. So once that goes off, as the repayment continues to push the debt down, we're expecting the power cost to go to less than 25 to 30 paise in next three to four years down the line. So as of now it is less than Rs.2.

A Swaminathan: So how do you plan to strengthen your position in the cement market and expand it?

Venkatesh H. Katwa: So typically as of now sales is generally divided into three areas; the primary market which is where we want to be having the maximum presence, the secondary market, which is periphery to the primary market, and then we have a tertiary market where like if the cement is not getting consumed in primary and secondary it has to go to tertiary. Till date, we never had to go to the tertiary market because we were able to as much as possible try to sell here in the primary and secondary market. So, with the CAPEX what will happen is, our EBITDA margins will increase and profits will increase and we will have a very healthy budget for sales and marketing expenditure which we are not able to implement right now. So once that is done, we are looking for increasing our market share from current to at least 2.5 times of that. And after that we always have a secondary market which is like about beyond 200, 250 kilometers from the production center. So, with this strategy in place, management is pretty confident that once we have the CAPEX in place and due to better margins, we will be able to give better pricing and absorb the market share.

A Swaminathan: About the competitive landscape, how do we differentiate our offering from competitors?

Venkatesh H. Katwa: One very strategic advantage what we have been receiving from all our existing customers is quick service. That is mainly because our cement plant is located within 200 kilometers. So any cement which is delivered fresh, typically, I wouldn't say the quality is any improved or anything better like that. But generally, it's much more drier and it comes in nature where it becomes easy

to use for construction. So that is one thing which we always found having advantage. Typically, all the major plants do have godowns where they store the bags and then pick it up from there and then deliver it. So, once you store the bags beyond a certain period, it always tends to have some margin in it, which is not the case in our cement. And the cement market is typically positioned by Tier-1, Tier-2, Tier-3 brands; Tier-1 brand is the large brand which are Pan India; Tier-2 or anyone between 1 million and above who have local presence or regional presence. We consider ourselves as Tier-3 or rather the market considers us as Tier-3 only because our capacity is less than 1 million ton. So, we are typically competing with the Tier-2 brands and there is a delta price between our brand and their brand, which of course will start getting closed once we reach 1-million-ton capacity. So, with that strategy in place, we intend to increase our market share and which will help us to consume our production.

A Swaminathan: Last question on CAPEX. CAPEX will stop the plant for how much time?

Venkatesh H. Katwa: Typically, the way we are doing it right now, the plant itself is not going to stop beyond say about 20-25 days. But for those few days also, we will have sufficient stock that the sales will not be disturbed. So, from financial perspective, everything is going to be seamless. That is the reason we are not changing the existing kiln or changing the existing breeder, we are putting the new kiln cooler entire new section only. The only changes what we are doing is the feeding system and exit system has to be realigned to the new machinery. For that, we are expecting about 20, 25 days permanent shutdown of the old kiln.

Moderator: Our next question is from the line of Hemant M, who is an investor. Please go ahead, sir.

Hemant M: First question is what is the current debt in the books?

Venkatesh H. Katwa: On the books, the current date is Rs.165 crores at the end Of Q1 and out of Rs.165 crores, only Rs.140 crores is outside debt to the bank.

Hemant M: So this Rs.160 crores includes Rs.80 crores or is it separate?

Venkatesh H. Katwa: No, no, this Rs.165 crores does not include Rs.80 crores because the new Rs.80 crores disbursement started in July. So the new Rs.80 crores will come on the books spread within four to five quarters, so it will not appear immediately on the books. Even the finance cost coming from that new debt also will be capitalized. So it will not be recorded as an expense on the books.

Hemant M: What will be the current finance cost for this FY24?

Venkatesh H. Katwa: So 9.5% is the new interest cost given to us by the bank, but we are also expecting an improved credit rating. With that we expect the finance cost to go down by 50 basis points on all the loans… existing and new one.

Hemant M: So current existing are at 9.1%?

Venkatesh H. Katwa: Current existing on average is around 9.8% or so.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Gopal Chandak for closing comments.

Gopal Chandak: Thank you, everyone for joining the conference call of Shri Keshav Cement & Infra Limited. If you have any queries, you can write us at research@ kirinadvisors.com. Once more, thank you everyone for joining the conference.

Venkatesh H. Katwa: Thank you. Bye-bye.

Moderator: On behalf of Kiran Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.