



# SAGAR CEMENTS LIMITED

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The National Stock Exchange of India Ltd.,  
"Exchange Plaza", 5<sup>th</sup> Floor  
Bandra – Kurla Complex  
Bandra (East)  
**Mumbai – 400 051**

The Secretary  
BSE Limited  
P J Towers  
Dalal Street  
**Mumbai – 400 001**

**Symbol: SAGCEM**

**Scrip Code: 502090**

**Series: EQ**

Symbol	<b>SAGCEM</b>
Series	<b>DEBT</b>
ISIN	<b>INE433R07016</b>

Dear Sirs,

Sub: Submission of transcription of Conference Call under Regulation 30 read with Part A of Schedule III of SEBI (LODR) Regulations, 2015 on Q1 FY 24 financial results

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Pursuant to the above said Regulation, we are forwarding herewith the transcription of the Conference Call held by us on 28<sup>th</sup> July 2023 in connection with the recently announced un-audited stand-alone and consolidated financial results for the first quarter ended 30<sup>th</sup> June, 2023.

Thanking you

Yours faithfully  
For Sagar Cements Limited

R.Soundararajan  
Company Secretary

Encl.



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**MANAGEMENT:** Gavin Desa - CDR India  
S. Sreekanth Reddy - Joint Managing Director

**ANALYSTS:** Shravan Shah  
Rajesh Ravi  
Ritesh Shah  
Keshav Lahoti  
Bhavin Chheda  
Sanjay Nandi  
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Amit Murarka

### **Presentation**

**Manish Valecha:** Good morning, ladies and gentlemen. Welcome you all to the 1Q FY '24 Results Conference Call of Sagar Cements Limited. We have with us from the management, Mr. Sreekanth Reddy, Joint Managing Director; Mr. K. Prasad, CFO; Mr. Rajesh Singh, Chief Marketing Officer; and Mr. Soundararajan, the Company Secretary.

We will start the session today with an opening remark from the management, and then we'll be open followed by a Q&A session. I request all the participants to be on a mute mode during the course of the call.

I would now like to hand over the call to Gavin Desa of CDR for his opening remarks. Over to you, Gavin.

**Gavin Desa:** Thank you, Manish, and thank you for the introduction. Just to add that I would like to point out that some statements made in today's discussion may be forward-looking in nature, and a note to this effect was stated in the con call invite sent to you earlier. We trust you all received the presentation and the communication results.

I now request Mr. Reddy to commence his opening remarks. Over to you, Sreekanth.

**Sreekanth Reddy:** Thank you, Gavin. Good morning, everyone, and welcome to Sagar Cements earnings call for the quarter ended June 30, 2023. Let me begin the discussion with a brief overview of the market in terms of demand and pricing, post which I will move on to Sagar specific developments.

Overall, the industry in general has seen good volume growth during the quarter on the back of steady demand from both housing and infrastructure segments

across regions. Input prices as well continue to trend lower, auguring well for the business in this sector. Higher utilization levels amidst steady demand, coupled with lower input prices, should help improve the overall profitability of the industry over the coming quarters.

Despite stable demand, realizations though, have remained more or less benign in turn capping the overall benefit from the moderating raw material prices. On the whole, we remain optimistic about the sector's prospects as we believe, demand and eventually pricing both should improve on back of government's infrastructure push coupled with demand from urban housing.

Let me now move on to our quarterly performance. I would just like to highlight that Q1 performance was largely impacted owing to the maintenance shutdown undertaken for the Matampally's line II clinker production that coupled with competitive pricing environment across our key markets weighed in on our quarterly performance.

With that, let me call out our headline numbers, starting with the revenue, which came in at ₹540 crores as against ₹558 crores during the quarter, lower by 3% on a Y-o-Y basis. EBITDA for the quarter stood at ₹30 crores as against ₹61 crores generated during Q1 FY '23, lower by almost 50%. Margins for the current quarter stood at 6% as against 11% reported during the corresponding period last year and 6% generated during the previous quarter. Lower utilization rate coupled with high cost inventory and benign pricing environment resulted in profitability compression for the quarter.

As mentioned in our earlier call, Q1's profitability was expected to be muted owing to the higher cost inventory on our books. However, going forward, though we believe the business will start reflecting the benefits of lower input prices. In addition to lower input prices, we believe higher utilization levels and geographical diversification should assist in improving the margin profile. Although the overall advantage may be restricted due to the overall benign pricing environment.

Furthermore, we are hopeful that our investments towards strengthening our operational infrastructure in recent times should help us further improve the profitability. In terms of key operational activities, as mentioned earlier, our efforts are directed towards improving the overall efficiency and ramping up the utilization levels of our recently acquired units Jeerabad and Jajpur units are performing as per our expectations, and we believe we will be able to achieve the 80% utilization levels for the former and the EBITDA breakeven for Jajpur during this fiscal.

Average fuel cost stood at ₹1,735 per ton as against ₹1,827 per ton reported during Q1 FY '23. Freight cost for the quarter stood at ₹862 per ton as against ₹798 per ton during Q1 FY '23. On a sequential basis, though, as mentioned earlier, we see moderation in fuel and freight costs. Loss after tax for the quarter stood at ₹42 crores as against loss of ₹13 crores reported during Q1 FY '23.

From an operational standpoint of view, Mattampally plant operated at 52% utilization, while Gudipadu, Bayyavaram, Jeerabad, Jajpur and Dachepalli plants operated at 89%, 59%, 81%, 14% and 6% respectively, during the quarter. As far as the key balance sheet items are concerned, the gross debt as on 30th of June 2023 stood at ₹1,507 crores, out of which ₹1,300 crores as long-term debt and the remaining constitutes the working capital.

The net worth of the company on a consolidated basis as on 30th June 2023 stood at ₹1,647 crores. Debt equity ratio stands at 0.79:1. Cash and bank balances were at ₹151 crores as on 30th of June 2023.

During Q1 FY '24, the blended cement sales improved to 55% as against 50% reported during Q1 FY '23. On the ESG front, company has acquired electric trucks and electric wheel loader to be used in the operations at the plants. Also, company has started using biomass fuel as alternate fuels in the kiln.

In summary, we believe that our efforts towards cost rationalization, better product mix and presence across the established and faster growing regions position us well to create value for our stakeholders.

That concludes my opening remarks. We would now be glad to take any questions that you may have. Thank you.

## Question-and-Answer Session

**Manish Valecha:** Thank you, sir. We will now begin the question-and-answer session. A reminder to all participants, you can ask your question by raise of hands in the participant tab of the Zoom platform. The first question is from Shravan Shah. Please go ahead.

**Shravan Shah:** Thank you. Sir the first question is on the volume front. So, this quarter, definitely volume is just a 1% or a flattish, I would say, Y-o-Y. So, we were looking at 6.5 million tons, 35% growth for this year. So how do we now look at console volume for this year? And if you can also help us, although we mentioned that 80% utilization for Jeerabad and Jajpur to breakeven. So, if you can help us in terms of how the volume will come, particularly all the plants, including the Andhra that we were looking at 1 million ton? So that is our first question.

**Sreekanth Reddy:** Yes. Good morning, Mr. Shravan. As indicated, our outlook remains very close to 6.5 million what we have indicated. I think we should be very close to 6.4 million. We are expecting an EBITDA of around ₹400 crores for the current fiscal. This quarter, we had a shutdown. Unfortunately, the shutdown took longer almost by 10 days extra, because we were trying to fine tune the kiln at Mattampally for additional biomass fuel feeding, which was long overdue. So, it almost took one-month complete shutdown at Mattampally. In spite of that shutdown, I think the outlook for the current year remains very close to what we have indicated earlier at 6.4 million and close to ₹400 crores of EBITDA is what we believe would come.

Now specific to each of the units, Sir, as indicated, more or less ramp up at Jeerabad is almost complete. Jajpur, we are more than confident that in the current year, we should more than breakeven. Earlier, we thought it would take longer, but I think the ramp up at Jajpur also is taking a good shape.

And we are very happy to tell that Andhra Cement Dachepalli unit, the clinker is stabilized. We are almost at 80% of the rated output, and it is hitting historical high numbers. As indicated, the capacity at Dachepalli, as we speak, is a 2.25-million-ton cement. So, we should be able to achieve 750,000 tons of sale for the current fiscal from Andhra Cement sir. With that, we are more than hopeful to achieve 6.5 million volumes, Mr. Shravan.

**Shravan Shah:** Okay. So, Andhra for full-year, previously, we were looking at 1 million tons. So now 7,50,000?

**Sreekanth Reddy:** 7,50,000 as a minimum is what we are indicating, sir. Because we are also believing that some amount of clinker also we should be able to transfer to Bayyavaram. So, with all that, I think 7,50,000 is definitely a doable number from Andhra.

**Shravan Shah:** Okay. So just to elaborate further on that. So, have we started seeing the volume growth from June, July to achieve this number?

**Sreekanth Reddy:** Yes, sir. I think except for the month of April and partially to first week of May, the rest of the monthly performance run rate has been aligned with what we have indicated Mr. Shravan.

**Shravan Shah:** Okay. Secondly, so on the profitability front, still we are seeing that ₹400 crores kind of EBITDA, it seems definitely a difficult task on that front. But how do we broadly feel that?

- Sreekanth Reddy:** Mr. Shravan, except for the month of April, because which was negative EBITDA for us. The other run rate has been very close to the number what we have indicated. So that's what I would like to highlight at this point of time.
- Shravan Shah:** So, does that mean from Q2, we will be seeing a significant improvement? Or largely, this will be the third and maybe the fourth quarter where we see?
- Sreekanth Reddy:** It is across, we definitely have nine more months. So, it is spread, I would say, eight more months because even in the current month, things are not bad. So, what we have been very cautious is we are not chasing the volumes everywhere where there is a very difficult pricing. So, we have been very cautious even on that. The advantage for us has been on the costing side, Mr. Shravan.
- Shravan Shah:** So, for this, in terms to achieve this ₹400 crore kind of EBITDA. So now, just trying to understand on the pricing and the cost upfront. So, from the exit of or the average of 1Q, have you seen any price decline where we are operating on an average?
- Sreekanth Reddy:** Sir for us, Q1, as I mentioned, our volumes were not significant. So, we have not seen a major downward revision in our realization, because as I mentioned, we were not chasing the market share related. The exit of June to July, for us, the price has been very, very flat, sir. Except for certain pockets of Tamil Nadu where the price there has been a small correction, the Karnataka and AP, Telangana markets, which are significant markets for us, they remained flat, I would put it. We have not seen any downward revision as far as the pricing is concerned. The only concern area for us is the Tamil Nadu market. Unfortunately, there the price revision from June to July, there has been a slight downward revision. But it did not impact much.
- In our case, most of our margin expansion is happening from the ramp up itself, Mr. Shravan. I'm sure you would appreciate as and when the capacity utilization is moving up, the spread on the fixed cost would itself add up for the number that we have indicated to you. Q1 definitely look very depressive for a simple reason that we shut down. And we also did buy the clinker from an external district, which was 1,000 plus compared to the internal sourcing of clinker, Mr. Shravan, but I think we have hit the bottom with the Q1. From here on, we should look up is what we strongly believe.
- Shravan Shah:** Okay. Lastly, on the debt front, so ₹1,500 crores plus debt, and we were looking at a net debt of ₹1,200 crores, ₹1,250 crores. So, by the end of this year...
- Sreekanth Reddy:** Mr. Shravan, yes, that's a gross debt at ₹1,500 crores. The net debt, what we have indicated earlier, around ₹1,250 crores to ₹1,300 crore, I think we remain committed that we would not exceed the number what we have indicated earlier,

Mr. Shravan. This is also from a fact that Sagar would become by middle of FY '26 a 12 million company with expansion of Andhra from 2.25 million to 3 million. And there is also an investment that is getting into the brownfield from a 1.25 million to 1.5 million at Gudipadu, and at Jeerabad from 1 million to 1.5 million. This includes the CapEx that are associated with all these brownfield expansions. We believe that we should not cross ₹1,250 crores to ₹1,300 crores net debt kind of a thing for company over the next two years for sure.

- Shravan Shah:** Sir, just to clarify further on. Right now, we mentioned in terms of the expansion. So, two things. One is how much CapEx we are going to do for this year and next year? And when this all the capacity expansions that we mentioned will be coming in?
- Sreekanth Reddy:** Yes, Mr. Shravan, we would come back by end of this Q2 with a clear-cut plan in terms of each CapEx and how much it is costing. We'll be very happy to revert to you. We just received the quotations, which is still in negotiation stage. So, we will be very happy to come back by the Q2 results time about the overall structure in terms of the overall CapEx. But what I would like to assure is that we would not exceed the current net debt as indicated, even for those projects getting implemented, Mr. Shravan.
- Shravan Shah:** Okay. Last is on the sale of the Vizag land. So previously, we were saying it will take 15, 18 months. So, it has already...
- Sreekanth Reddy:** Yeah, I think we would stick to that, nothing much has changed on that, sir. If there is any revision in terms of the timeline, we would be happy to come back to you on that.
- Shravan Shah:** So broadly by next December, we should be able to monetize this land?
- Sreekanth Reddy:** As indicated, it's a 15, 18-month issue. If there is any reduction in time, I'm sure we would be happy to revert back to you on that Mr. Shravan.
- Shravan Shah:** So, this 15, 18 months starts from when or ends when?
- Sreekanth Reddy:** Yeah, I think in April, we have indicated that sir, that remains there Mr. Shravan.
- Shravan Shah:** Okay. Thank you, sir.
- Sreekanth Reddy:** Thank you Mr. Shravan.
- Manish Valecha:** Thank you. The next question is from Rajesh Ravi. Please go ahead.

**Rajesh Ravi:** Yeah, hi sir, good morning. My question pertains to, first, the ₹400 crore EBITDA target, which you have opened for this financial year. If I look at the nine months ask rate, given that you have a 6.5 million volume target. The ask rate for the nine months is close to ₹700 per ton. Obviously, Q2 would be a dull period because of rains and ongoing pricing pressure. So how do you look at this number working out?

And second, from your detailed presentation, what we see, the Jajpur and Andhra, the Jajpur utilization has been quite low sub 15% for long now. So, what is the trajectory you're looking at?

**Sreekanth Reddy:** Mr. Rajesh, you are right. So, the run rate for us is not very different, except for the April month was very difficult. It was negative EBITDA, as indicated earlier. So, the volume outlook, as indicated, is 1.2 million for Q1, which we have achieved. For Q2, it's 1.4 million, for Q3 1.8 million and for Q4 is 2 million. So that should add up to 6.4 million. But for the April month, all the other months run rate has been quite healthy in terms of the margin. So, we don't look at as a very, very difficult challenge. This in spite of the fact that we have not been very optimistic on the price outlook. So, we believe that prices more or less should remain very, very similar. So, the seasonality would definitely impact the volumes, margin may not vary very significantly, Mr. Rajesh. That's what we believe.

**Rajesh Ravi:** And Jajpur sir, how are you looking at Jajpur?

**Sreekanth Reddy:** Yes, Jajpur, the current outlook is from current operating rate of close to around single-digit number or slightly higher double-digit number. We believe we should achieve 40% capacity utilization for the current full-year. Our target is to achieve 0.6 million for the current year, Mr. Rajesh. And we are more than hopeful to breakeven in the current year itself.

**Rajesh Ravi:** Okay. And coming to this CapEx number, let me complete the P&L first. This Andhra clinker expansion, which you would be doing it in Q2 start assumed. So, this ₹50 crore depreciation run rate, how would that change Q2 onwards and same for interest, is interest fully capitalized in P&L on a console level?

**Sreekanth Reddy:** Sir, I think everything is done. I think the new depreciation would only kick in once we start the expansion and commission it, sir and we are good 18 months away from when we start. I think all these projects should get commissioned by end of FY '25 to early part of FY '26. So, till such time, I think the depreciation would be very, very similar to what you are seeing at this point of time.



- Rajesh Ravi:** Okay. So, Andhra is already fully capitalized in terms of depreciation and interest, current ₹4 crore interest is also fully reflecting all the debt on book, right?
- Sreekanth Reddy:** Yes, sir.
- Rajesh Ravi:** Okay. Great. And CapEx number, did you mention I think I missed...
- Sreekanth Reddy:** We are yet to mention the CapEx number, because this entails two brownfield expansions, both at Gudipadu and Jeerabad and also in Andhra Cement. So, we will be happy to come back along with the Q2 results, exactly the CapEx outlay and the timelines for those CapEx also will be indicating with the Q2 results Mr. Rajesh.
- Rajesh Ravi:** Okay. But any broad numbers, I know you can find...
- Sreekanth Reddy:** I think let us wait, just we are in finalization stage, so once it is firmed up, we'll be very happy to revert back.
- Rajesh Ravi:** Okay Sir, I will come back in queue. Thank you, all the best, sir.
- Sreekanth Reddy:** Thank you Mr. Rajesh.
- Manish Valecha:** Thank you. The next question is from Ritesh Shah. Please go ahead.
- Sreekanth Reddy:** Good morning, Mr. Ritesh.
- Ritesh Shah:** Good morning sir. Sir, I have three questions. First is specific to your comment on the EV thing. Sir, can you highlight from a CapEx perspective, OpEx perspective? And basically, if one had to look at payback, how should we look at this particular investment? And I think I can look at the image, I think we have BYD trucks and something called SOLG or SDLG. So, was there any specific reason to zero down on these guys?
- Sreekanth Reddy:** Good morning, Ritesh. See the EV truck, the SDLG is actually Volvo. It's actually the wheel loader that we have taken it on lease from the Volvo itself. So, the Capex impact is negligible. From an OpEx perspective, it is aligned with more or less the existing wheel loader, which is diesel operated. So, from an Opex perspective, it is neutral, I would put it. So, we are turning green. So, we ended up having two SDLG loaders at Mattampally, and we've also signed contract for having two more in Andhra Cement. So, this is neutral on CapEx as well as on OpEx as far as the wheel loader is concerned.

Now specifically going back to the EV truck, which we are going to operate, we received two trucks of BYD after the long delay of more than a year. Unfortunately, because of the COVID the BYD trucks just landed exactly a year later than what we have anticipated. Those trucks we did buy. The breakeven for us is around three and a half years. The only reason why it is breakevening fast is because we are able to put this at only the Vizag unit. The range, as indicated by them is around 200 kilometers.

So, in our case, the market as well as one of the primary raw material sources, which is the Vizag steel plant is less than 100 kilometers. So, we could deploy these trucks there. And it's more or less loaded on all the directions. So, we take cement to the godown, except for 10 kilometers from godown to the slag loading side, that is the only time when it is actually empty, and it comes back with the slag back to the plant.

So, since it has a two-way load, so the breakeven is less than three and a half years in spite of paying almost 2x of the conventional truck, Mr. Ritesh. So, the way we have structured this, the truck would be operated by the authorized contractor, but owned by the company. This is for the first time the company is owning the truck, but would be operated by the contractor, the authorized transport contractor from an operational standpoint, Mr. Ritesh.

**Ritesh Shah:** Can you give tonnage for the truck. And when we say 2x a normal cost, can you please quantify the numbers?

**Sreekanth Reddy:** Yeah, I think it is close to around ₹1.1 crore. So, by virtue of it, it is exactly 2x of the overall ownership of the truck. Because there is a tractor, which has come from BYD and the trailer is locally made

**Ritesh Shah:** And tonnage?

**Sreekanth Reddy:** Tonnage is 45 tons sir.

**Ritesh Shah:** And the plans to increase the fleet further?

**Sreekanth Reddy:** No, I think this we would want to try, because as I mentioned to you, this is very useful only for that leg of our logistics because the range is not much. The range looks to be somewhere around 200 to 220 kilometers. So, rest of the areas, it is not looking feasible because the breakeven also is partly due to the turnaround time. In other cases, the turnaround time is not as quick. But we wanted to look at this. And the reason for choosing BYD is at that point of time, there were not much of trucks in this range.

Now I believe there are a few options available. Our team is evaluating them. Basis that we would like to do it, but you want to wait for this experience for next six months before taking a call. But we have been extremely happy with the EV loader because this is very much part of the in-plant kind of an operation, though we are operating for close to a month now, people are extremely happy operating it. And of course, from an OpEx standpoint and a CapEx standpoint, it is very neutral.

**Ritesh Shah:** This is very useful. Sir, I have two follow-up questions. It's more industry related. There has been one large transaction in the region where we operate. I'm referring to between Prism and Ramco. Sir, how do you lead at this, so there has been some transfer of these if the transaction is successful. Would it essentially imply that the new buyer will have to come up and set up a plant? Or is it that they could potentially get an exemption. I'm trying to make a read on demand supply for the region?

**Sreekanth Reddy:** See, I think Mr. Ritesh, the news that we had is exactly the press news and from interactions with good friends like you. So, it looks like they were trying to consolidate their limestone deposit. I think it entails the start of the mine, which we don't see a challenge here. Do they have to come up with the investment? I think the regulation now states that you have to operate the mine within three years or two years with an extension possible of one additional year.

But for that, I don't think there is any regulation which will state that if you buy a lime mine, you should put up a plant. But I think the regulations currently state that you should operate the mine in that two-year time frame, Mr. Ritesh.

**Ritesh Shah:** Sure. That's helpful. And sir, I'll just squeeze in one more. Sir, there has been other industry event potentially OMDC giving away a mine to one of the companies, which is looking for a small asset in your region. Is something of this sort of possible at no cost? Or is it something like OMDC will look at auctions as the only way out. The reason to ask is again, the OpEx or operating economics could actually vary significantly?

**Sreekanth Reddy:** If I'm not mistaken, you're talking about the Toshali, J.K. Mr. Ritesh.

**Ritesh Shah:** Yes sir.

**Sreekanth Reddy:** I think most of the governments would be happy giving away as long as they are helping the industry to come up, which in turn should help the economy. The cost implications, we are not aware sir. So, I cannot comment much what is involved in the overall kind of a transfer. But I think it is always a possibility. I think it's the prerogative of mine owner to transfer the mine to the other people.

At what cost is happening, I think it is mutual. So, from that perspective, we have nothing much to add other than the comments that I have already made.

- Ritesh Shah:** Sure, sir. Thank you so much. And sir, congratulations for excellent disclosures, Scope 1, 2 and 3 emissions separately. I think it's commendable, thank you.
- Sreekanth Reddy:** Yeah, thank you, Mr. Ritesh.
- Manish Valecha:** Thank you so much. The next question is from Keshav. Please go ahead.
- Keshav Lahoti:** Sir, it's good to see improvement in blended cement share. Have you seen the same in trade share too? What is the trade share for Q1?
- Sreekanth Reddy:** I think we are more or less very similar pattern, sir. I think around 60% to 65% is our trade share. That more or less remains uniform because we do have government exposure Mr. Keshav. So that puts that much extra into the non-trade. But as a company, we don't believe that these two are very significantly very different because we don't chase low cost on either side. So, both are very similar on the margin side for us, Mr. Keshav.
- Keshav Lahoti:** Okay, if you see your EBITDA per ton guidance has significantly reduced in this quarter versus what was guided earlier. So, last quarter, you were bearish on prices, you're expecting it to remain flattish. So, this reduction is due to lower prices or some sort of operational efficiency, which might be missing in some of the ramp-up units, which you are planning? How should we read this?
- Sreekanth Reddy:** Yes, Mr. Keshav last time, we did indicate ₹6.5 million and ₹410 crores kind of an EBITDA. So now we are talking of ₹6.4 million with ₹400 crores of EBITDA. So, I don't think there is a significant reduction because since there is a drop in almost 100,000 tons, so the matching number has come down, Mr. Keshav.
- Keshav Lahoti:** Okay. So, ₹400 crores, you told EBITDA. EBITDA per ton would be ₹625 only, what you guided earlier.
- Sreekanth Reddy:** I'd say it's a very simple arithmetic.
- Keshav Lahoti:** Okay. I missed it. I thought you said 400 unitary EBITDA, okay, and fuel cost reduction should be sort of 100 in Q2?
- Sreekanth Reddy:** Yes, sir. I think we did indicate in the past, so it should remain very close to that number as well, Mr. Keshav.
- Keshav Lahoti:** Okay, thank you, that's it.

- Sreekanth Reddy:** Thank you.
- Manish Valecha:** Thank you, the next question is from Bhavin Chheda. Please go ahead.
- Bhavin Chheda:** Good morning, Sreekanth, few questions. First, on Slide #16, where you are mentioning your capacities, what would be your current clinker capacity be?
- Sreekanth Reddy:** I think we did indicate that Mr. Bhavin. I don't mind giving you out those numbers.
- Bhavin Chheda:** Total is fine.
- Sreekanth Reddy:** Yes, we are at 6.4 million, the clinker capacity.
- Bhavin Chheda:** On the same theme, except for the Satguru where you have 65% stake, the rest of the units you have 100% stake?
- Sreekanth Reddy:** Sir, Andhra is 95%, and the rest are all the 100% wholly owned subsidiary. The only other asset that remains outside is the Jajpur Cements, sir, which also is due for merger. I think by end of this August, I think we should have merged Jajpur. So that leaves 95% stake in Andhra and the 65% stake in Sagar Cements (M) Private Limited, which is formerly Satguru Cement.
- Bhavin Chheda:** Sure. And also, congrats on a very strong guidance you are giving, so to just more understand from the opening remarks, as you said, April loss and then you have been operating as per your expectations only. So, can we assume you have exited June, more or less at the EBITDA per ton of ₹600, ₹700 per ton, what you're expecting for the year?
- Sreekanth Reddy:** Yes, sir. Except for the month of April, the rest of all the other run rate is very close to that number, Mr. Bhavin.
- Bhavin Chheda:** Right. And also, can we assume that the majority of the delta is coming from reduction in fuel prices because you commented that -- prices are more or less...
- Sreekanth Reddy:** As indicated, it is only ₹100 from the fuel sir, but it has more to do with the ramp-up, so the ramp up of what will happen is your fixed cost spread, whatever is the EBITDA items would also help us get there.
- Bhavin Chheda:** And you also said that you plan to go to 12 million, and you will soon give the CapEx guidance on the same. You're already at 10.85 million. Apart from that, any other CapEx you are planning or if you can give us a guidance on maintenance CapEx number? And apart from that, is there any other CapEx for...

- Sreekanth Reddy:** Mr. Bhavin, we just acquired and we are ramping up Andhra sir, so at this point of time, we are more or less focused on the ramp-up and operational efficiency improvement. The maintenance CapEx across all the units we did indicate that it would be close to ₹30 crores on a console basis. And the other CapEx, we would be happy to come back with the Q2 results, Mr. Bhavin.
- Bhavin Chheda:** And last question, if you can share your sales volume mix between different states roughly?
- Sreekanth Reddy:** Yes, we'll be happy to revert on that, Mr. Bhavin. We will be happy to share that number rather than reading out. I would be happy to share that with you.
- Bhavin Chheda:** Yes, thanks, Sreekanth.
- Sreekanth Reddy:** Thank you.
- Manish Valecha:** Thank you, the next question is from Sanjay Nandi, please go ahead.
- Sanjay Nandi:** Yeah, am I audible sir?
- Sreekanth Reddy:** Yeah, good morning, Mr. Sanjay. Yes, you are clear.
- Sanjay Nandi:** Yeah, good morning, good morning, good morning sir. Thank you for the opportunity. Hope you are well sir? Sir, just to guide us on the power and fuel cost front, like you told we have a high-cost inventory in the last quarter, which is why the overall cost got like stretched. So, going forward, what kind of guidance can we expect in the coming quarters?
- Sreekanth Reddy:** See the power cost, fuel cost as indicated, sir, we did get a ₹50 benefit, which in spite of having one full month shutdown. Going forward for the next quarter, we are indicating close to around ₹100 per ton kind of a drop from the current level on the power and fuel cost.
- Q3 we are yet to start booking the fuel because there is some amount of ambiguity in what's happening. We would be happy to revert once we reach close to procuring fuel, which fortunately looks like it is lower than the earlier procurement what we have done. But we are not able to give a specific number because we are still in the negotiation stage for the fuel.
- Sanjay Nandi:** Got it sir, thank you so much. I wish you all the very best sir.
- Sreekanth Reddy:** Thank you, Mr. Sanjay.

- Manish Valecha:** Thank you, anyone who has a question may please go ahead, Vibha, you can go ahead with your question.
- Vibha Jain:** Hi, good morning sir. Sir, can you please share the renewable energy share in your total fuel mix and any targets that you are having?
- Sreekanth Reddy:** Yeah, Vibha at this point of time, we are at 27%. I would rephrase my thing. It's not just the renewable, it is green power because waste heat recovery still is not classified part of the renewable. So, we call it as green power. Because waste heat recovery plus all the renewable energy that we have. We have all the possible sources that is the hydro, wind and solar part of our portfolio, along with waste heat recovery.
- Today, we are at a console basis close to 27%. And the guideline needs to go up to 50% by FY '30. So, we do have plans to ramp up the solar and some additional waste heat recovery. As indicated, we would be happy to come back with the breakup in terms of what we are likely to come going forward, along with the CapEx and the time lines will be coming back by Q2 results, Vibha.
- Vibha Jain:** Okay, sir.
- Manish Valecha:** Thank you. Sir, a couple of questions from the chat window. Can you please brief us about the significant CSR initiatives during the quarter and approximate spending?
- Sreekanth Reddy:** Yes. I think, Manish, we would be happy to revert because it makes no sense to read out those numbers, but I think we will revert for the circulation, we just implemented the ISO 26,000. So, part of that discussion, we will be happy to come back. We will be sharing the CSR spend across various sectors that we do, we'll be happy to revert on that. Kindly bear with us for a month, we will be happy to come with that number.
- Manish Valecha:** Sure sir. Thank you. The second question is on fuel prices have experienced fluctuation in the recent times. How do you see the next few months the likely impact on the future projects? And what plans do you have to tackle its adverse effects?
- Sreekanth Reddy:** Yeah, I think the prices did fluctuate. Fortunately, they are trending down for most part of the last quarter. Only during the last 15 days, what we have seen is the spot price looks to have indicated at \$105, but we have never seen any quote at less than \$118. In fact, as we speak, people are talking of \$120 on the imported pet coke, Manish.

Now, how do we address this issue? I think this is not an issue that we could address in the short term, but the internal policy is to make that much more efficient in terms of the process where in we consume less. So, we did stop the plant at Mattampally to upgrade the plant for consumption of higher percentage of biomass. We did indicate in the current quarter, we started using a new generation grass, which we did on a trial production.

But for us to be very successful, it should take a year. Instead of bamboo, we actually started growing grass, which is rapid growing grass, which is effectively very close replacement to Singareni coal that we use. It has anywhere between 3,600 to 3,800 GCV fuel with the one-week drying itself, we are able to achieve.

The grass actually comes to from cropping to the harvest, it should take only 60 days. So, it's a very, very rapidly growing grass. That's what we have tried. We have been very successful from the first crop. So, we did make some modifications for the process to accept it. So, given that scenario, we hope to mitigate some amount of these inflationary kind of things on the hydrocarbon fuels, Manish, I hope I could address. But I think we would revert back with few more initiatives that we have taken in due course of time, Manish.

**Manish Valecha:** Sure sir. Thank you so much. The next question is from Pathanjali Srinivasan. Please go ahead.

**Pathanjali Srinivasan:** Sir, firstly, I want to know the pricing trends in the region. So, some of the things that we heard from regional dealers and all of that is that the pricing gap between AP and TN has kind of shrunk a lot and all of that. So what kind of impact do you see on your business with respect to this?

**Sreekanth Reddy:** See, as indicated in my earlier comments, sir, the pricing in most part of South, except for Tamil Nadu and Kerala remained flat. Unfortunately, the Tamil Nadu, we have never seen Chennai prices being very close to Hyderabad prices historically ever. So, I think the gap has quite significantly shrunk, which we have never seen, at least in my career, I have never seen that happen. But the Tamil Nadu prices are very, very close to the Andhra prices at this point of time, Mr. Srinivasan. Now how do we mitigate? I think it's a question of we have to sell.

And fortunately, in our case, we are going more blended. So, we are trying to mitigate the risk by putting whatever is the volumes that we have to put. That is those are the volumes that we are putting in those markets. The rest everything, we are trying to sell at the places where we could comfortably divert and not lose those margins quite significantly.

**Pathanjali Srinivasan:** So, have we seen a dip in volumes in the region, sir for us?



- Sreekanth Reddy:** Q1 was an aberration because we never had volumes because we shut the plant. So that also helped us to reposition ourselves relatively better. But our volumes as we have indicated, sir, we should do 6.4 million. So, we cannot quite significantly alter our market mix. We are only trying to ensure that we don't go too far off places, and we are trying to avoid those few orders, which are extremely negative Mr. Srinivasan. We're trying to optimize.
- Pathanjali Srinivasan:** Okay. And just one last question on our fuel mix. What kind of alternate fuel mix do we have currently in our system? And what is the Kcal price for the alternate fuel that trying to get into your system, sir?
- Sreekanth Reddy:** See, the AFR historically, we were very aggressive on the pharma-waste and all. But with the Net Zero commitment and in the Net Zero commitment, most of the alternate fuels, which are abundantly available. Some of them are negatively priced, we started avoiding because that may not offset the CO2.
- We typically follow this Cem Bureau standards in terms of our competition for the CO2 emissions. So, if you are using those alternate fuels, the CO2 that is coming out is not offset sir. So, we slowly started for more than a year, one and a half years. We have been working on the biomass wherein there is enough offset mechanism. So most of this would happen at less than ₹1 per Kcal, Mr. Srinivasan.
- Pathanjali Srinivasan:** Yeah, so what is the contribution currently? And where would you like to speak to that percentage of fuel?
- Sreekanth Reddy:** Yeah, we are at 5%, sir. Our alternate fuel is at 5%. At some point, we were almost anywhere between 15% to 18%. As I mentioned, we slowly started moving away from those complex alternate fuels because we don't want to act like an incinerator. So, we have put a cap on what percentage of those alternate fuels from pharma waste and all we have to use. We have capped it at less than 5%, Mr. Srinivasan. So, for us a significant jump has to happen only from biomass and some of those fuels, which could offset the CO2 as per the guidelines given in Cem Bureau.
- Pathanjali Srinivasan:** Okay, sir. Thank you, sir.
- Sreekanth Reddy:** Thank you, Mr. Srinivasan.
- Manish Valecha:** Thank you. The next question is from Amit Murarka. Please go ahead.
- Amit Murarka:** Yeah, hi, can you hear me?

- Sreekanth Reddy:** Yeah, good morning, Mr. Amit. I can hear you.
- Amit Murarka:** Hi, Sreekanth. Just a couple of questions. Sorry, I joined the call a bit late. So, the fall in volumes is because of plant maintenance or like demand is also concerned?
- Sreekanth Reddy:** No, I think demand has been very healthy, sir. I think in our case, it's more an issue of shutdown at the plant. And most of these volumes that we have fulfilled also is partly from clinker purchase, so margin was an issue for us with the clinker purchase.
- But for that, I think volume, as indicated earlier, we believe that the markets that we service would grow anywhere between 8% to 10% even in the current year. This is in spite of having Telangana elections in Q3 of this current fiscal. So, I don't think demand is an issue. But of course, there are some ramp-ups that have happened in the region, so that has been adjusted. So, I don't think demand was an issue for our lower volume. In our case, it's very specific that we took a shutdown and there were no volumes available for us.
- Amit Murarka:** Okay, understood. And also, some capacities are coming here, like My Home was supposed to start, that's still not started. And even Shree Cement will have its Guntur plant?
- Sreekanth Reddy:** I believe in the current year, the only supply which is likely to ramp up is the Ramco's Kolimigundla plant sir, so we do expect both My Home and Shree Cement to come somewhere around Q4 and their volume ramp-up to start impacting from next year, Q1 onwards. Fortunately, the ramp-up time is happening at a time when we believe that demand is reasonable.
- Amit Murarka:** Okay. Understood. And just on the point, which I was just discussing around for the first time, like Andhra or Hyderabad prices coming to Chennai price levels. Is there a case of like the Tamil Nadu-based companies' kind of losing some market share to Andhra companies or like basically a ploy to kind of discourage the Andhra companies from getting into Tamil Nadu?
- Sreekanth Reddy:** Mr. Amit, you should understand that all the players who are servicing Chennai have all the plants on either side. So now how do I address this question?
- Amit Murarka:** No, why I ask the question is because we know the issue of low limestone reserves in that.
- Sreekanth Reddy:** But the fact is that Chennai gets serviced from both the regions. And fortunately, all the players have all the plants on either side.

**Amit Murarka:** Okay.

**Sreekanth Reddy:** Now there is no exception there. I mean if you look at ICL, you look at Ramco, you look at Dalmia, you look at Ultratech and Chettinad, see all these players who have plants deep South also have plants on this side. So, I don't think it's a question of somebody gaining a market share or not, but I think it's strange, but we have never seen in the past, but that is happening.

We wish we knew why and we had a solution for it, but it's something which we are seeing it happen for the first time. I think with this experience, probably we'll have better learnings to improve because at this current pricing in Chennai, it doesn't make commercial sense to anyone.

**Amit Murarka:** And any clarity or resolution to the limestone auction issue in Tamil Nadu?

**Sreekanth Reddy:** I have no idea, sir. We are not very active in that aspect. So, I have nothing to comment because I not know of any of those issues.

**Amit Murarka:** Thanks a lot. That's it. Thank you.

**Sreekanth Reddy:** Yeah, thank you, Mr. Amit.

**Manish Valecha:** Thank you. Sir, a couple of questions from the chat window. The company has excess land at Andhra Cement. Any plans to monetize it?

**Sreekanth Reddy:** Yes. I think that I've stated. So, we applied for the government for the conversion and permission to sell because that's how the previous agreement was, we hope to get the resolution fairly quickly from the government. The monetizing also involves, how do we do that? Should we go into joint development or -- as a company, I don't think we would be getting into any of those land developments, either it would be an outright sale or get into joint development, but we do have time. So, the first step is that we have applied for the government for conversion as well as seeking permission for the potential sale.

So, it should take probably 15 months from now. I have to be cautious in using my timelines. We did indicate in April that it should take 15 to 18 months. So, we believe that it should take 12 to 15 months from now. That's what is the potential time it could take, and we'll be happy to come back if there is any progress that is happening.

Of course, company is also monetizing some amount of stale lands that are there historically. So those are small parcel as I said, but these are not significant numbers for us to report to. Company do own a few acres of land in

Jayanthipuram, which is very close to Ultratech and Ramco site. Historically, Andhra Cement used to own some lands in that region, around five to 10 acres of land parcels to exist in that region. So those areas we are trying to identify the buyer and monetize them, but those are very, very small. And on the financial side, it's very insignificant, Manish.

**Manish Valecha:** Thank you, sir. And the next question is what one element is going to be the most important focus for the company?

**Sreekanth Reddy:** I wish there was one reason, sir, I think it's multiple reasons. The very existence of the company is for the business. I think we have been in the business for over 40-plus years. There are multiple reasons for us to be that long. And I'm sure it's a conversation which can go on. I would leave it there at this point of time, Mr. Manish.

**Manish Valecha:** Thank you. Anyone who has a question may please indicate by raise of hand. Sir, as there are no further questions, I would like to hand over the call to you for your closing comments.

**Sreekanth Reddy:** Yeah, thank you, Manish. Yes, we would once again thank each of you for taking your precious time off and hearing us and joining in the call. I hope you got all the answers that you are looking for. Please feel free to connect with us at CDR or at Sagar Cement, we'll be more than happy to revert. Thank you again. Have a good day.

**Manish Valecha:** Thank you so much. We will now conclude the call.

**Sreekanth Reddy:** Thank you.