THE INDIA CEMENTS LIMITED

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24.05.2024

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MUMBAI 400 001.

Scrip Code : 530005

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
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MUMBAI 400 051.

Scrip Code : INDIACEM

Dear Sirs,

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

In continuation to our letter dated 20.05.2024, please find enclosed the transcript of the conference call (concall) held on 20.05.2024 with representatives of various Investors / Analysts on the audited financial results of the Company for the quarter and year ended March 31, 2024.

Thanking you,

Yours faithfully,

for **THE INDIA CEMENTS LIMITED**

S. Sridharan

COMPANY SECRETARY

Encl.: As above

"India Cements Limited Q4 FY '24 Earnings Conference Call"

May 20, 2024

MANAGEMENT: **MR. N. SRINIVASAN – VICE CHAIRMAN AND MANAGING DIRECTOR, INDIA CEMENTS LIMITED**

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

Moderator: Ladies and gentlemen, good day and welcome to the Earnings Call for quarter and year ended 31st March 2024 of India Cements Limited hosted by PhillipCapital (India) Private Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions 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. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you, and over to you.

Vaibhav Agarwal: Thank you, Yashashree. Good afternoon everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q4 and FY '24 Earnings Call for India Cements Limited.

On the call we have with us the entire Senior Management Team of the India Cements Limited.

Now, I would like to mention on behalf of the India Cements and its management that certain statements that we made or discuss on this conference call may be forward-looking statements related to future development and based on current expectations. These statements are subject to a number of risks, uncertainties and other important factors that may cause actual developments and results to differ materially from the statements made. The India Cements Limited and the Management of the Company assumes no obligation to publicly alter or update these forward-looking statements, whether as a result of new information or future events or otherwise.

I would now hand over the floor to Mr. N. Srinivasan – Vice Chairman and Managing Director of India Cements for his opening remarks, which will be followed by interactive Q&A. Thank you, and over to you, Srinivasan sir.

Management: Thank you, Vaibhav. I have a short opening statement. You see, the last few years we were in the boondocks. We had a tough time. Fuel prices shot up. Our costs were high. We had a number of collections of plants of various vintages. So, as a result of it getting to a low cost of production and one was difficult.

What we have done? We have now systematized our approach to costs. For example, what was 3,500 year ago is 3050, this substantial drop is the drop of coal price plus our economies. This year we expect to go further.

Now, as far as clinker, we are installing a waste heat recovery at Chilamakuru, which will substantially reduce the power and some of the tweaking that we are doing will increase the output also.

We are installing a vertical roller mill at Sankari, which will substantially drop the cost of fly ash, because we can use wet fly ash, which is much cheaper, which is closer and use more and more of it. And the plant will become a million ton plant in no time.

We have some plans for the Raasi plant group, which will unfold as time goes on. But with the existing and the fact that we will be operating at closer to capacity, because of the availability of, we were constrained by, you can say, working capital which will not be the case in the years going and the period. So, therefore, we will out-turn a much higher quantity of cement. As a result of which, our earnings will be much better.

So, this is the broad outline I wanted to sketch to you. I am very happy to answer any questions that any of you may have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a question from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

Rajesh Kumar Ravi: Sir, could you share the rupees per kilo cal costing in Q4 and the housekeeping numbers for revenue and EBITDA for shipping, wind and concrete?

Management: The cost per Kcal for the quarter was 1.95 and shipping turnover was 7.4 with EBITDA of 1.7 and RMC division was 27 crores with 2.2 crores of EBITDA.

Rajesh Kumar Ravi: 2.24?

Management: Yes.

Rajesh Kumar Ravi: And windmill? Wind?

Management: Windmill was very marginal, only 0.5 crores revenue and there was a negative EBITDA.

Rajesh Kumar Ravi: How much did you say? Revenue was how much?

Management: Only 0.5 crores.

Rajesh Kumar Ravi: Okay, 0.5 crores. And sir, this quarter we see that there is a significant improvement in balance sheet. You know, net debt has come off considerably if I look at the past few years. And so, what is the plan in terms of non-core assets monetization in terms of asset sell-off? And secondly, how much is the profit you are looking at from the sale of Trinetra plant which you have done, which will be booked in Q1?

Management: Which plant?

Management: We sold the Parli Grinding Unit, not Trinetra.

Management: We sold the grinding unit at Parli for 315 crores.

Management: As far as we are concerned, to the extent necessary, we will dispose off assets. But we will not dispose additional assets just for the sake of disposing.

Rajesh Kumar Ravi: Parli unit, how much is the profit booked, sir, net of taxes?

Management: That will come in this quarter. That is only in this quarter.

Rajesh Kumar Ravi: When you are saying that, you are not looking at immediate monetization of more land or any other assets currently?

Management: We are looking at selling some land with parcels which happens when you get the right price and the right buyer will look at that as we have already stated in the policy.

Management: We have no fixed ideas on this. We are looking towards monetization. Depending on the price and the parcel of land, it will go.

Moderator: Thank you. We will take our next question from the line of Shouvik Chakraborty from Dolat Capital. Please go ahead.

Shouvik Chakraborty: So, can you just share some color on the pricing scenario from the exit of March, maybe how much the prices have changed in your operating regions?

Management: See, post March, the exit price from March, the prices went up in April, in fact went up smartly. But then in May again we have seen some dilution, and it is across the South. So, it is not like it is associated to any states. It has come down. So, maybe the current prices are slightly better than March exit price, but not very greatly higher.

So, this is the position today, but you know prices keep changing. Looks like in June again the prices will go up. So, this is what we expect. I think as the election thing gets over, I think the prices will go up in June is what we are expecting. It will be a yo-yo sort of a thing for this quarter. It went up, it came down and is again likely to go up.

Shouvik Chakraborty: Also, can you just share the trade numbers, I mean, trade mix for this quarter?

Management: You want the percentage?

Shouvik Chakraborty: Yes.

Management: Yes, we have sold around 57% in trade, balance in non-trade.

Moderator: Thank you. We have our next question from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo: Sir, I had one question regarding the CAPEX. So, how much do we pencil in towards CAPEX in FY '25 and '26 given the overall efficiency enhancement works that the company is likely to undertake? Just wanted to understand potential benefits of that and how much CAPEX are we budgeting for that?

Management: You see, actually the total amount is about 700 crores, 750, out of which 300 will go for working capital. Balance will go for CAPEX.

Management: So, just to explain what MD mentioned, CAPEX plan is about 500. That 500 crores will go towards efficiency improvement CAPEX and normal routine CAPEX will be about 100 crores here, which is what we have been spending all the way through. So, the next two years you can take approximately 700 crores is the total CAPEX.

Navin Sahadeo: Just to confirm, next two years, CAPEX of roughly 700 crores with roughly 350 each year, right?

Management: No, 500 crores towards efficiency improvement CAPEX, like waste heat recovery system in Chilamakuru or VRM in Sankari and so on and so forth. And 200 will be normal. 100 crores per annum is our normal CAPEX, routine CAPEX.

Navin Sahadeo: Yes, exactly. So, broadly, total outflow will be 700. We can fit between 300 and 350 each year, right?

Management: Need not necessarily. We are now looking to launch our modernization CAPEX as soon as possible. Once that happens, then most of the money will be spent this year. Next year will be restricted to the balance spending and routine CAPEX.

Navin Sahadeo: So, out of this 500 crore efficiency CAPEX, you are saying there is a chance that FY '25 may see a front loading of it and '26 may see some part of that, but your maintenance CAPEX of 100 crore each year, roughly like that, right?

Management: Exactly like that.

Moderator: Thank you. We have a question from the line of Shouvik Chakraborty from Dolat Capital. Please go ahead.

Shouvik Chakraborty: So, just wanted to get, could not hear the number for the windmill EBITDA. I mean, you said 0.5 crore was the revenue and how much was the EBITDA?

Management: Negative of 1. Negative EBITDA of 1 crore.

Moderator: Thank you. We have a next question from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

Rajesh Kumar Ravi: Sir, could you please spell out this 500 crore improvement CAPEX that you are doing? What all things would be achieved in this?

Management: It is waste heat recovery plant in Chilamakuru, cooler upgrade in some of the plants. Sankarnagar will have MMD crusher. Dalavoi will have a cooler and burner. Banswara will have a cooler and a burner. Cement mill upgrade at Sankari Durg and VRM at Sankari Durg.

Rajesh Kumar Ravi: And this WHR is what size?

Management: 8 Megawatts.

Rajesh Kumar Ravi: 8 Megawatts. And recently we completed one upgradation of a mill, right?

Management: '23-'24.

Management: Sankarnagar VRM got capitalized last year.

Rajesh Kumar Ravi: So, was there any capacity increase because of that?

Management: No capacity increases. It was a replacement CAPEX of old cement mills.

Management: And also efficiency improvement. That's all.

Rajesh Kumar Ravi: And what sort of cost reduction you are looking at through these efforts and the investments of 500 crore that you are making and by when these would start reflecting in numbers?

Management: This is, some of the projects will get over in 6 to 8 months. Some projects will take up to 12 to 15 months. It all depends on the….. So, generally for plant by plant we can say Sankarnagar we are looking at around Rs. 300 sort of a reduction because the mines are also opening up post-election. Same way Sankari will have a reduction of around Rs. 100 to Rs. 120.

Rajesh Kumar Ravi: This is on per plant; on individual plant basis you are looking at?

Management: For each plant, the improvement will be for that plant specific. Banswara will have a volume increase as well as some reduction in cost. Each one will have an advantage of either the volume going up at higher EBITDA, higher margins are there or cost reduction or both. This is how it will be.

Rajesh Kumar Ravi: So, once you have completed this, the next 15 months, on a company level, what is the savings you are looking at?

Management: Rs. 150 to Rs. 175 per ton. That is what we are targeting.

Rajesh Kumar Ravi: And in FY '24, what sort of savings you have achieved from various operating efficiency programs which are underway?

Management: FY '24, we did not carry out any efficiency programs. Basically BCG came in and based on their suggestions in three of the plants we have achieved a savings of about Rs. 184 per ton.

Management: For those plants.

Management: Only three plants.

Moderator: Thank you. We will take a last question from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: My first question is on regional demand. We have like 12% volume decline year-on-year for ourselves during the quarter. What was the region growth during the quarter and how is it trending for the first quarter '25?

Management: See, the demand was not bad. Demand was okay though it declined in the last quarter. We lost volume because of our constraints on working capital. Otherwise, the industry has grown most of it on double digits and the last quarter a little less, around 7%, 8% was the growth. But if you look at the year as a whole, it should be close to 9% to 10% at least growth for the South. I am talking about South market. The country as a whole also is close to 10%, but definitely South is 10%. But we lost mainly because of the working capital constraints.

Prateek Kumar: And is it getting better in the first quarter, FY '25 for yourself and the industry?

Management: The volume so far has been very subdued from various reasons, including election being one of the points. So, we expect it to be improving only from post June onwards only. And the 1st April and May, the demand has not been very great, because it may be flattish kind of working.

Prateek Kumar: The industry would be lower like sharply in first quarter year-on-year?

Management: I couldn't get you. Can you repeat the question?

Prateek Kumar: The industry growth will be down sharply and negative year-on-year for first quarter FY '25?

Management: First two months it may be flat is my guess. It is a pure guess I am making. It may be flat.

Moderator: Thank you. I now hand over the conference to Mr. Vaibhav Agarwal for closing comments. Over to you.

Vaibhav Agarwal: Thank you, Yashashree. Sir, I had a question. Sir, I just wanted to know the basic, firstly the operational impact about selling the Parli Grinding Unit on our operating numbers and volumes in terms of what kind of EBITDA it was making and what was the future impact on this part of the brand?

Management: Vaibhav, Parli was not making much of EBITDA for us. That is the reason we thought of disposing it off. And what we have planned is to add up the grinding capacity in Malkapur, which gives us a better contribution. So, that is what we have realized because our market was more towards Sholapur to the Bombay area. We were not so strong in that area. So, it didn't make sense for us to continue with the capacity, especially with the sale tax benefit gone. So, that is why we thought of disposing this project.

Vaibhav Agarwal: So, sir, for the current year like FY '24, we have made about a volume of 9.5, 9.46 around. And so with the sale of this grinding unit, do we expect to kind of achieve a 10 million volume for FY '25 or your internal targets?

Management: Our plan is to do more volume because we are still at 61% is the utilization only. So, we have a headroom of almost 40% on existing plant. So, it is actually, as I said, the volumes will not be lost because we will add that capacity in Malkapur itself.

Vaibhav Agarwal: And sir, one last question would be, I just wanted to understand the broad management thought process since Parli was a core asset for us and we have all been making, we maintain that we will be looking to sell non-core assets to fund the working capital requirement or address the balance sheet issues, but this time this was a sale of a core asset. So, in going forward, if you identify new plants which are probably not making good EBITDA or good profitability in line to Parli, would we be looking to sell or what?

Management: We are not looking at selling plants. We are looking at selling waste land.

Vaibhav Agarwal: Exactly. So, that's what I was asking. So, any more plants which potentially in the future we will consider, or we look at the non-core only from here on to if there is any sale?

Management: Yes, only non-core.

Vaibhav Agarwal: Thanks a lot, sir. That addresses the question. Thank you very much, sir. On behalf of PhillipCapital (India) Private Limited, we would like to thank you for the call and many thanks for participants joining the call. Yashashree, you may now conclude the call. Thank you.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes the conference call. Thank you for joining us, and you may now disconnect your lines.