6th May, 2024

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers,
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Scrip Code: 532538

The Manager
Listing Department
The National Stock Exchange of India Limited
"Exchange Plaza", Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051.
Scrip Code: ULTRACEMCO

Sub.:
Transcript of Q4 FY-24 Earnings Conference Call of UltraTech Cement Limited ("the Company")

Ref.:

a. Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")
b. ISIN: INE481G01011

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, please find attached transcript of the Q4 FY-24 Earnings Conference Call conducted after the meeting of the Board of Directors of the Company held on 29th April, 2024, for your information and record.

The same is available on the website of the Company viz. www.ultratechcement.com

Thanking you,

Yours faithfully,
For UltraTech Cement Limited

SANJEEB KUMAR CHATTERJEE
Digitally signed by SANJEEB KUMAR CHATTERJEE
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Sanjeeb Kumar Chatterjee
Company Secretary and Compliance Officer

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and USY9048BAA18

"UltraTech Cement Limited

Q4 FY '24 Earnings Conference Call"

April 29, 2024

MANAGEMENT: MR. ATUL DAGA – CHIEF FINANCIAL OFFICER
MR. K.C. JHANWAR – MANAGING DIRECTOR

Moderator: Ladies and gentlemen, good day, and welcome to the UltraTech Cement Limited Q4 FY '24 Earnings Conference Call.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be, therefore, viewed in consumption with the risk that the company faces. The company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent development, information or events or otherwise.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Atul Daga, Chief Financial Officer of the company. Thank you, and over to you, Mr. Daga.

Atul Daga: Thank you. Good evening, everybody. One more quarter and one more year has gone by and at UltraTech, we have not got tired up growing. We have not yet exhausted all our resources to keep doing that up. This year, again, we have achieved a double-digit volume growth and how? There's an increase in our base capacity. On a full-year basis, we have achieved a 13% growth, and this is a third straight year of double-digit growth. In the fiscal year '22, we grew 9%, 14% in '23 and again 13% in the current fiscal yearin the reporting. And we are confident to deliver good performance year after year.

In absolute terms, we sold about 94 million tons of cement in FY '22, which has crossed to almost 119 million tons in FY '24. This, I believe, is the power of UltraTech. For Jan-March '24, we grew 30% over the last quarter and 11% Y-o-Y in volume terms. We have delivered this performance obviously with the rapid growth in the Indian economy. The Indian economy is hiring and is expected to grow anywhere between 6.5% to 6.8% this current year. And cement and industrial products definitely grow that pace higher than GDP.

To give you a glimpse, a very brief perspective, NHAI spent a record INR 2,07,000 crores in construction of highways in FY '24, the highest ever capital expenditure so far, a jump of 20% over last year. Construction of highways starts a record 12,300 kilometers in '24, almost 34 or 35 kilometers per day. This is the second highest rate at which the construction of highways is being seen in the country.

Our growth has been possible only with the support of our 23,000-plus employees, our 1.3 lakh plus channel partners, business associates, bankers and all other agencies involved. As we grow, we have also increased our pace of growth in the RMC business. We ended this year with 307 RMC plants serving our customers all over the country. RMC consumes almost 2.5 million tons of cement for us. It still is small and growing very rapidly. India is urbanizing. Vertical houses are increasing, but yet India still remains an individual homebuilder market. IHBs as they are called continue to be the biggest demand driver segment for cement in India.

Another unique phenomenon, another important aspect to know about UltraTech still being an industrial commodity, we have the largest retail footprint in the country with over 3,900 stores at the close of this year and continuously growing. In quarter four, 16% of our sales were through this retail platform. We call it UltraTech Business Solutions or UBS stores. It is one-stop-shop for an individual homebuilder requirement for all building materials.

One thing which keeps everybody on their toes is the growth in supply of cement capacity in the country. Last year, 40 million tons of new capacity was commissioned, but at different points in time during the year, out of which UltraTech had a share of almost 1/3. Nothing to get worried about, since demand estimated for FY '23 was 388 million tons, which most likely is around 425 million tons for FY '24. This is another 40 million tons of incremental demand. Point to keep in mind is that incremental effective supply would have been lesser than incremental demand because the new capacity in the country would have come throughout the year and not having a 12-month run.

All India capacity utilization seems to have increased by about 200 basis points to 71%. UltraTech this year, yet again, has achieved a significantly higher capacity utilization for the year at 85%, thus consistently making inroads into the market.

Going forward, there might be some amount of moderation in FY '25 in terms of demand. However, our belief is that the slowdown should be shorter than earlier years, primarily because private sector housing has also picked up momentum. Industry could see a high single-digit growth this year as well. UltraTech should be surely doing better. Even though we had a 98% capacity utilization in January-March quarter, please rest assured we will have sufficient capacity available this year to grow and keep growing. We should be adding almost 15 million to 17 million tons this year, and our team's capability of commissioning a cement plant in time and then achieving a vertical start has been demonstrated time and again.

To talk about prices, our realizations dropped about 6% Q-o-Q, more or less this kind of a pattern was observed all across the country. However, an important aspect to note is that on a longer period average, the average prices have increased 3.5% CAGR over last five years. Costs also have increased about 3.5%, but yet, this differential leads to an improvement in margins. On prices this year, we expect the pricing environment to remain stable or improve only, not going down any further.

Let's just talk about costs. At UltraTech, cost efficiency, continuous increase in green power mix, lower fuel costs, increase in AFR and operating leverage continue to improve our cost parameters. Over the next three years, as we grow, you will see the operating costs continue to come down, and we should be seeing a reduction of almost INR200 to INR300 per ton. Fuel costs, which are always a burning issue, remain at the same level, has stabilized, but we cannot have a concrete guidance on the fuel prices given the large dependence on the geopolitical factors. Our fuel consumption cost for the quarter was INR2.03 per kilo calorie. The costs will keep sliding down during this year with material improvements being visible from January, March '25 onwards only.

A quick update on our capex program. All our organic expansions are on track. The Kesoram transaction, CCI approval has already been received. The plan is to merge with effect from 1/4/24 subject to all regulatory approvals. We are waiting a nod from SEBI and stock exchange before we file the scheme with the NCLT. Interesting to note is that they have already refinanced and reduced the cost of their debt by almost 50%. Keeping in mind the potential capacity that we will get from Kesoram in the same market, we have put on hold our Hotgi grinding unit expansion, which was a 2.7-million-ton ground clearance capacity. We will revisit it at an opportune time in future.

Last week, we had concluded the acquisition of a grinding unit in Southern Maharashtra, which and with available surplus clinker in the state, it gives us a unique opportunity to increase our footprint in the fast-growing state of Maharashtra. Dispatches from this unit have already commenced since last two days for UltraTech.

Before I conclude, I must tell you that we have started this year with an available -- fully available capacity of 146.16 million tons. Indian market will continue to grow, and we have more capacity coming this year and the next. Our cash flows are strong and will strengthen further.

Thank you so much, and over to you for questions.

Moderator: The first question is from the line of Rahul Gupta from Morgan Stanley.

Rahul Gupta: I have a couple of questions. First, based on results that we have had until now, we have seen volumes surprisingly positive across the board. Given UltraTech's positioning in the industry, I just want to understand if the industry is seeing front-loading of demand ahead of elections and monsoons? And if yes, is there a big risk for both volumes and prices over the next few months? Any color on this would be appreciated. I'll have my second question after this.

Atul Daga: Rahul, I think I already clarified that there might be a slowdown in FY '25 and you put a name to that reason, but however, the slowdown should not be longer on. Because there are -- this year, practically, as we see all the verticals, all the engines for demand are firing up. So even if there is a slowdown in one sector of demand, there could be a positive impact on -- or the support would be given by the other drivers of demand, private sector housing, rural housing, rural infra, everything is growing. And the second point you mentioned about front loading, I think when demand is there, everybody would want to fulfil the needs of their customers and nobody would want to leave an opportunity. So that's the way I would read it. No more, no less.

Rahul Gupta: That's very comforting. My second question is you had made a point that you would see some deflation in fuel cost last quarter and we have seen better-than-expected performance this quarter. So is it fair based on spot prices, that fuel cost moderation is largely behind us? Or how should we look at from here?

Atul Daga: Again, one more point to keep in mind, now the last episode, which happened was the Baltimore crisis, the bridge, which collapsed with the accident took place, which is slowing down the movement of cargo from that side. So all these kind of events do have an impact. Now Iran war happening or anything else happening do have an impact. Having said all of that, we still don't see -- again, I had mentioned in my opening remarks also, we don't see too much of a negative impact on the prices of fuel.

Next point to keep in mind is that a spot price is misleading because that spot price comes into consumption almost five months later because take into account the spot price itself is for ship loading at least 45 days to two months later, then you take the ocean freight time and everything else included, four to five months later. That is another point that you need to keep in mind.

Rahul Gupta: Maybe I was not clear. The point I was making that based on we not seeing enough moderation -- yes, sorry.

Atul Daga: Listen to me. So we expect the fuel prices to soften for us continuously. However, you will see a dramatic improvement or substantial, I shouldn't say dramatic, but a substantial improvement from January-March quarter from January-March '25 onwards.

Rahul Gupta: Perfect. No, this is very helpful, yes.

Moderator: The next question is from the line of Ashish Jain from Macquarie.

Ashish Jain: So my first question is on cost, you spoke about INR200 to INR300 decline in the next, I guess, two to three years. Can you give some color on that? What will be the key driver? And does it also factor any impact of lower coal prices because that's something which may or may not be considerable.

Atul Daga: No, these are all controllable drivers, Ashish. First one is, as I have talked about, our blended cement or conversion factor is improving, if you have noticed, this has improved to 1.44 and every decimal counts, that itself by 2027 should bring a large part of the savings. Second thing is our investment in Green Power continues. Green Power would be WHRS and renewable energy. Both of them today stack up to 24%. By '27, we would have almost 60% or even higher than 60% being contributed by Green Power.

The cost of Green Power, WHRS, all of you know, is almost 90% lower than thermal power and renewable energy would be 40% or thereabouts lower than the thermal power. So these programs are in -- under implementation, so the benefit will come through. As we expand, as I mentioned, 15 million tons to 17 million tons will commission this year, which is '25 and by the end of '27, we would be about 199 million tons to be exact, 199.6 million tons of capacity, that's global, right, including our UAE capacity.

So with that kind of dense network in India, we would have 70 locations servicing our customers. Naturally, my lead distance will come down. We know we have a plan in place, which will help me reduce my lead distance. Second, next point would be alternate fuel. We are ramping up the consumption of alternate fuel. We are still pretty low in -- around 5% to 6% only even if it goes to 15%, and we are investing behind it. So it's not dependent on external factors, we are investing behind it. That will lead to an advantage. And lastly, when we are operating at 200 million tons of capacity, imagine selling 80%, 85% of that volume bare minimum, would generate a lot of operating leverage. All put together, I'm pretty confident that we will generate those gains.

Ashish Jain: Right. Atul, can you speak a bit more about the freight cost savings, means if you have to quantify that number, what kind of lead business reduction can we think of?

Atul Daga: So we are at 400 kilometers of lead today. Per ton per kilometer cost would be a thumb rule of INR3 per kilometer. Even if a 25-kilometer reduction happens, that is what would lead to INR75 gain.

Ashish Jain: Okay. Got it. And just a continuation of this point. So how should we think about -- again, I'm not looking for -- as in for a right or wrong answer, but how should we think about pricing in this context? Because you and one of the other larger players is also talking of a meaningful price cost decline all sustainable in nature. So how should we think about industry profitability in this...

Atul Daga: Profitability, it's going to improve. We will focus on EBITDA per ton, which will be on a northbound journey. And given again, Ashish I had already mentioned in my opening remarks that this year, it's too difficult to predict, but we expect the pricing environment to be stable or be positive only.

Ashish Jain: My question is not like -- if I get fiscal '25 for a moment. My question is with INR200, INR300 decline. That is a lot of leeway to have a healthy EBITDA per ton and still weak pricing on the way down. So I was asking more from that point of view because this kind of saving is a humungous number, right?

Atul Daga: Yes. So it is. It is. You should compliment -- won't you want to compliment us for delivering that improvement.

Ashish Jain: I would. Let's see that in the numbers. Okay. So my second question is on your cash flows.

Atul Daga: Ashish, this is a fourth question.

Ashish Jain: This is the second question. Those were subparts. Those were subparts. So my second question is on capex. Like this year, we have done a phenomenal job of managing our debt even with roughly INR10,000 crores of capex and we are kind of guiding for a similar capex for next year also. So how do we see leverage panning out from here? Do we see any upside risk to debt in the interval?

Atul Daga: Our target is to inch towards zero net cash on the balance sheet by the end of '25, not taking into account the Kesoram debt. But yes, if I take that into account, so INR2,700 crores of debt -- net debt that we have today, we should be inching towards INR1,500 crores to INR2,000 crores of net debt, including Kesoram.

Ashish Jain: Okay. With Kesoram. Yes.

Atul Daga: Without that, I am net cash on the balance sheet.

Ashish Jain: By '25 end.

Atul Daga: Yes.

Ashish Jain: So just 1 last very small question. On Kesoram, do we expect further reduction in interest costs? Or do you think whatever they have achieved...

Atul Daga: Yes. So right now, they are on their own balance sheet. Once we get on to our balance sheet, we will look at reducing that cost further. They are now -- I can share with you, they were at -- they have dropped down to 11.5%, our cost of borrowing would be in today's time, it would be 8% or thereabouts.

Moderator: The next question is from the line of Pulkit Patni from Goldman Sachs.

Pulkit Patni: My first question is if you were to just talk about consolidation in the sector. You mentioned that profitability from here should go up generally for the sector. We know Brownfield capex is happening at much, much lower rates. Does it mean that we see further consolidation from here? Or we don't see much given profitability probably has bottomed out for the sector? That would be question number one.

Atul Daga: So Pulkit, I said about our profitability and not commenting about industry's profitability. I would not be an expert to do that. But maybe you are deriving that comfort from the fact that we believe that fuel costs will remain benign and pricing environment should be positive. So in that scenario, as far as consolidation activity is concerned, there will be players and this is known about the Indian cement industry. There are players who would want to cash out when the going is good. So I really don't know as of now, I really can't comment on anything else.

Pulkit Patni: Sure, sir. I mean, the cash out if going is good or if things are getting bad. But either way, I think we'll have to...

Atul Daga: So the point, the bigger message is Pulkit, we are growing continuously year after year. As I mentioned, we would be physically present in almost 70 locations on our own excluding Kesoram location, so 72 locations with Kesoram. So obviously, and the kind of brand pull and the respect our product has in the marketplace, there is definitely a preference for UltraTech as compared to another cement. So that would be a message for lots of players.

Pulkit Patni: Sure, sir. My second question is more bookkeeping. This Nathdwara scheme of amalgamation, does it show anything -- is it already impacted the numbers that you've published and will it impact the stand-alone for us, which means stand-alone numbers will show better growth? If you could just talk about that?

Atul Daga: So in my results presentations, we've always shown India operation that was with Nathdwara. And in the published results, the category publication that goes out is a consolidated number this year with previous year numbers reinitiated. So by volumes that we have reported are always with Nathdwara cement earlier also.

Pulkit Patni: No, that I'm aware, but I'm just asking that the stand-alone numbers that you have in your official publication, does that include Nathdwara or that doesn't?

Atul Daga: Yes, yes. Because the merger was effective 1st April '23.

Moderator: The next question is from the line of Raashi Chopra from Citigroup.

Raashi Chopra: On demand, you mentioned that the Indian industry grew at about 9% during the year. What is the number for the quarter, roughly?

Atul Daga: 7%, 8% or thereabouts.

Management: It should be around 7%, 8%.

Raashi Chopra: Okay. And when you say that FY '25 could moderate or not a lot. So there, you're expecting again the growth rate to moderate down from 9%?

Atul Daga: For the full year for the industry, yes, it should be maybe 7% to 9%.

Raashi Chopra: Okay. And on the pricing side, have you seen any changes in prices in April or it is flat since March?

Atul Daga: There have been sparks of improvement.

Raashi Chopra: Across the board or a few regions?

Atul Daga: Several markets. So we've seen in Maharashtra. So there have been positive movements only practically across all the markets, except North, we have not seen so much North and West. West is already a well-priced market. So we have seen improvements, marginal improvements in Eastern corridor, Southern Corridor. Central is -- okay, Central also, I will call it flat. So Eastern, Maharashtra, South, we have seen improvements.

Raashi Chopra: Okay. And just coming back to the fuel costs, you're saying that largely stabilized and obviously, one can't predict them going forward. In the last quarter, you basically mentioned that we see a decline of about 6%, 7% over the course of the next two quarters. The bulk of that has largely played out. So incrementally, what will come will be a function of efficiency gains and the green energy.

Atul Daga: No, I don't know. If you're referring to fuel costs, like this quarter also we had our fuel cost at $150 per ton. We have to reach a number of $130 when everything remaining same as of current times. This should be traveling to a number of $130 per ton given our mix that we consume. So that's the kind of improvement that you will definitely see in the next three quarters -- three, four quarters, yes.

Raashi Chopra: And that 200, operating cost decline that you mentioned over the course of the next few years, the INR200 decline that...

Atul Daga: I don't include the pricing, no, no. I had narrated all the elements. Those are efficiency improvement. This is pure purchase price. It can go up also, go down. But as of now, indications are that most unpredictable. But as of now, the indications are that it will not go up.

Raashi Chopra: Okay. Just last trade volume for the quarter, how much, what percentage?

Atul Daga: Trade volumes for the quarter 65% was the mix.

Moderator: Our next question is from the line of Amit Murarka from Axis Capital.

Amit Murarka: So first question is on debt. I see from your presentation that the debt in stand-alone books have gone down Y-o-Y, but in the consol books is actually marginally up and then the difference basically between consol and stand-alone was INR1,100 crores in FY '23, it's INR2,200 crores in FY '24. So just wanted to understand like in the subsidiary books, why has the gross debt gone up so much?

Atul Daga: So this was an interest play opportunity that we had where we could raise debt locally and give them money to our subsidiary UAE, which the opportunity was over. So we repaid that debt in India, and they have borrowed it locally. So when we had given that money from India to the UAE, it was in the form of preference capital. That's why it would not appear as -- that's why the number would look different to you that their leverage has gone up.

However, in their books, in the books of the UAE company, we always had that amount of money. Earlier, it was a preference capital. Now they have repaid their preference capital by replacing it with debt raised outside India. Clearly, there is an interest rate arbitrage and opportunity that we have benefited from.

Amit Murarka: Got it. That's clear. And also, the second question would be on Kesoram. I believe that the final approvals should come soon. So what would be the rebranding strategy over here? Like how would you shift to UltraTech branding in Kesoram? Will it be across markets or region-wise?

Atul Daga: So we will come to that, there's plenty of time and the final approval. We will get the approvals from SEBI and stock exchanges to file the scheme with NCLT, then there are shareholder meetings, creditors meetings on both sides of the company to have both sides of the parties to happen. They have their ROC and their NCLT out of Kolkata. We have to -- we have Mumbai. So the meetings and orders have to be completed, it will take almost a year, if no less, maybe. We will reach a conclusion only by March '25. We'll look at it after that.

Amit Murarka: Sure. And if I could just sneak a clarification. So if I understood it right, you said the fuel cost will decline, but mostly in Q4 FY '25, right?

Atul Daga: Okay, let me clarify. So we will see marginal improvements quarter after quarter. And why this is so, because we had some high-priced contracts, which will get completely used up by the end of December. After that, we don't have any high-price contracts. So we will see much better performance in January, March onwards -- January, March '25 onwards.

Moderator: Our next question is from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: First question is on the demand, which I'm trying to understand. If you could share what would be the region-wise demand in fourth quarter and FY '24? Just some broad numbers. And on the presentation, we are seeing East struggling in infra and commercial. If you could just share your outlook on how do we see FY '25 for this particular market?

Atul Daga: So as I see the data, western markets continue to thrive with a very high double-digit growth. All other markets were hovering between 6%, 7% to 9% growth.

Sumangal Nevatia: Sir, this is for fourth quarter or for the full year?

Atul Daga: Fourth quarter.

Sumangal Nevatia: Okay. So East also, we were seeing mid-single-digit kind of growth?

Atul Daga: Yes. Yes. What our presentation reflects upon is two specific areas. Now this was, again, incidental because there was some transport strike taking place over there. And as we have mentioned earlier also, there have been fiscal challenges in the eastern states, which are surfacing in low demand in those infra markets.

Sumangal Nevatia: Okay. Okay. And sir, how different would that be for FY '24 as a whole, just to get some perspective?

Atul Daga: FY '24 as a whole, where we are looking at only central markets where central markets were below 10%. All other markets were high single digits -- I'm sorry, high double digits. I'm wrong.

Sumangal Nevatia: Yes, yes. Got that. And East would be the weakest, right, among these.

Atul Daga: No, no. Relatively weak because where South was strong and then East, Central, North, I would pick them in the same bucket.

Sumangal Nevatia: Perfect. Got it. That's helpful. Sir, my second question more from a top-down perspective on the market share aspiration that we have. I mean, being the leader, if we've been growing ahead of the market, at least theoretically, it would have some bit of a constant deflationary impact on the prices. So is there a particular aspiration target over the next three, five years, which we want to reach and maybe then maintain given our size and leadership?

Atul Daga: Sumangal, we want to grow with the market. In any case the Indian market is growing. We want to be present and participate in that too. There's no market share number that we can define or we decide. Its growth is an opportunity that we are looking at.

Moderator: The next question is from the line of Ritesh Shah.

Ritesh Shah: Couple of questions. First, sir, what do we make on the status of JP Super Dalla. We understand it's under arbitration, but how should we look at the time lines over here? And the second question, again on the status is pertaining to Letein Valley.

Atul Daga: Let me just complete the first question. So it's under arbitration, the matter is subjudice. I don't want to comment on that. Next one.

Ritesh Shah: Sir, time lines?

Atul Daga: I have no idea. You do know how the court matters and judiciary matters get settled, there's no time line.

Ritesh Shah: Sir, second, again on status on Letein Valley, basically that we are planning in Northeast?

Atul Daga: Yes. So we have obtained a single-window clearance that is the license required. We will -- we have identified mines. We will -- we are doing due diligence on those mines so that we can fast track our growth in that market.

Ritesh Shah: Sir, any time lines over here?

Atul Daga: You will hear from us within this year, within this financial year.

Moderator: The next question is from the line of Indrajit Agarwal from CLSA.

Indrajit Agarwal: I have two questions. First question, sir, we have -- we are almost at the touching distance of 200-million-ton capacity by FY '27. And we will be a net cash company by end of this year. So what's next for us? So what are we planning? How do we see the progress from here on?

Atul Daga: India is a growing market. And if there's an opportunity, we will keep growing. We are a very focused cement company. We will grow further. 200 is not the point where we will stop. If India requires more cement, we will give more cement.

Indrajit Agarwal: And we will have the organic opportunity to grow that.

Atul Daga: Yes. Most certainly. We have mines. We have land in future years, and we're talking about 2030 and beyond, we will have more mines, more land and opportunities of growth. It all remains to be seen how India is growing. If India becomes top three economies in the world, then obviously, we will also be there to participate in that growth story.

Indrajit Agarwal: Sure. My second question is on pet coke consumption as proportion has consistently declined. This quarter also, we have seen from 44% to 36%. Is it a conscious decision given the cost? Or is it more about availability?

Atul Daga: It's more about availability because pet coke as a commodity globally is limited in supply compared to coal. As and when a parcel of pet coke is available, we bid for it. We don't want to increase the prices for pet coke unnecessarily. So it's more about availability, I would say.

Indrajit Agarwal: Just to follow up the high cost that you mentioned that is just for pet coke or both for coal and pet coke, the earlier contracts that...

Atul Daga: Coal, coal contracts.

Moderator: The next question is from the line of Navin Sahadeo from ICICI Securities.

Navin Sahadeo: So two questions. First is, of course, on the cost front and INR200 to INR300 per ton decline over three years is indeed a great number to be looked out for. And you also said that in that your CC ratio or the conversion ratio will play a major role. So at your presentation, if I'm just taking a look, the CC ratio in FY '14 was 1.3 to where we have come of 1.4, which is a CAGR of 1% like each year. So from that perspective, just wanted to understand that how are we seeing this CC ratio? And then in that same context, what is the trade-off impact then on our overall realization as a result of this change or increase in CC ratio?

Atul Daga: Very interesting point. So if we're not at 1.4, we are at 1.44 because every penny matters. And from here onwards, we are seeing an increasing penetration of composite cement, which will help fast track that percentage growth that you were looking at, if you have done a CAGR, I didn't see that CAGR. but yes, going forward, since our composite cement is increasing at a rapid pace.

Navin Sahadeo: Sorry, pardon my ignorance, but isn't it the clinker component in composite remains the same?

Atul Daga: No, it's lower.

Navin Sahadeo: Okay. Noted.

Atul Daga: So cost of that cement will also be to our advantage.

Navin Sahadeo: Yes. So my question really was, of course, if this can reduce. So that INR200 to INR300 each year. So can we take about INR100 each year? And then in relation to the CC ratio, what do you see the impact or trade-off on realization as a result of this change?

Atul Daga: So realization, Navin, has nothing to do with our conversion ratio. It will be a pure demand-supply phenomenon. When I'm giving you a INR300 plan, it's not quarter by quarter or year by year. It's an end state. I'm not able to predict how much will you see each year.

Navin Sahadeo: Fair point. I appreciate that, and this is really very encouraging. Just that one point, composite cement, would it sell lower than OPC.

Atul Daga: Sorry, will it sell lower than OPC?

Navin Sahadeo: Is the price point of composite cement lower than OPC?

Atul Daga: Today, it might be lower, yes.

Navin Sahadeo: Fair, fair point. Sir, just 1 observation. Other operating income, and this is my second and last question. Other operating income sequentially has gone up by almost about INR100 crores. So is there anything like related to new capacity commissioning? Is this the run rate that we should see at roughly INR350 crores? Or it's purely linked to volumes?

Atul Daga: No, it's a mix. Everything, there is incentives that kick in with new capacities, volume play, everything comes to the party.

Moderator: Our next question is from the line of Satyadeep Jain from Ambit Capital.

Satyadeep Jain: A couple of questions. One on Kesoram after the acquisition if you look at your market share and asset footprint in that particular geography, do you think there is potential for you to acquire another sizable asset within the same geography, given the CCI constraints? That's the number one question.

Atul Daga: Okay. So let's address the number one question. South is a very, very fragmented market. It is, again, for you to analyse how, which market, which geography material is flowing in and flowing out. I believe there will be more opportunities for consolidation for us also in South.

Satyadeep Jain: Okay. Second question would be tied to the questions on capital allocation. As you can see, you're reaching almost net cash position. As you look at deployment on renewable energy, we can see one of your competitors is actually taking all that capex on its own balance sheet and the returns seem to be decent. Can we see -- I know it's not the core cement business, but it's also vertically integrated in terms of the cost.

Atul Daga: Satyadeep, I have evaluated it. And the other players are also getting convinced that it is from financial returns point of view, our method is generating higher returns.

Satyadeep Jain: Group capital.

Atul Daga: Yes, group capital scheme. It doesn't make sense to block capital and generate lower returns.

Satyadeep Jain: Okay. Just one quick question, if I can squeeze on the employee cost per ton. Again, one of the other peers, we're seeing the kind of numbers we've never seen in the cement industry, as employee cost per ton of INR150 per ton. The current gap between UltraTech and that number, is that -- how is that number possible? And is there a possibility for other players in the industry to bridge that cost gap?

Atul Daga: Well, if I'm bad, then we'll definitely try and improve further. Thank you for your input.

Moderator: The next question is from the line of Prateek Kumar from Jefferies.

Prateek Kumar: My first question is on your M&A. So with the Phase 1, Phase 2 and 3 round of expansion, does that restrict you from any reason in terms of your M&A possibility regarding CCI, you said South is not, what about other regions?

Atul Daga: So I think the markets are wide open. Markets are growing also. So I don't see a challenge. It has to be a profitable growth opportunity for us to get into the inorganic market.

Prateek Kumar: So there's no CCI issue, which can like sort of pop up in any of the market, anything like sort of smaller units which may reflect...

Atul Daga: I foresee it. We did the very small unit Burnpur in East. So smaller assets, obviously, can easily get absorbed. We did 1 unit in Maharashtra just now. Western markets, we are -- if you count Maharashtra as part of West, we are very strong in the Western markets. South, I already mentioned, is -- should be -- because of the fragmentation that exists in South, we should be able to look at opportunities.

Prateek Kumar: Sure. Second question is on utilization. You talked about 98% utilization in Q4 and industry is not like sort of taken hikes at that point. Utilizations have -- how would you see utilizations in like maybe in April or Q1 because of this expected deceleration in demand?

Atul Daga: There are so many uncertainties right now in the current quarter. I will not be able to take any directional call on how this quarter will prevail. April has gone by, May, still have elections happening. June will be -- we'll have to wait and watch. I don't want to comment on that.

Prateek Kumar: Lastly, on other expenses, which is like largely remained stable Q-on-Q. Is this likely because of operating leverage? There's no 30% increase in volumes.

Atul Daga: I would imagine because there's nothing abnormal. If I did not recall in our presentation was that we mentioned operating leverage is the benefit. So there's no abnormal increase or decrease.

Moderator: The next question is from the line of Pathanjali Srinivasan from Sundaram Mutual Fund.

Pathanjali Srinivasan: Firstly, I wanted to know in terms of regions, East is getting a huge amount of capacity additions in the next couple of years. So is there any specific reason why this is happening because it's kind of an oversupplied region based on my understanding?

Atul Daga: East remains to be the fastest-growing market. And there is a huge amount of IHB or a retail demand in the Eastern corridor. And that is why you see so much of capacity expansion taking place. These are temporary fiscal blips which are there, which will -- I'm sure post elections will get evened out.

Pathanjali Srinivasan: Okay. And just one more question, sir. In terms of realizations, given that it is a peak construction season and why do you think there was a big decline in terms of prices?

Atul Daga: More so because the markets were open and nobody wanted to let go of opportunity to service their customers. So nobody was focusing on prices. And volumes would have led to an improvement in profitability. I think that is what we would also look at where our profits -- cash flows are good. Profits are secured, that's what matters.

Pathanjali Srinivasan: Sir, but our sensitivity to price is much higher than that to volumes, right?

Atul Daga: Yes, you're right.

Pathanjali Srinivasan: Yes. So for every one percentage drop in prices...

Atul Daga: No, it's a standard phenomenon in India, when all India capacity utilization, all India, not one player, two players, one region. All India capacity utilization is higher, then prices go up. And now when costs are softening, I would imagine that the players have not thought about taking price increases because their profitability is being delivered.

Moderator: The next question is from the line of Aman Agarwal from Equirus Securities.

Aman Agrawal: I just have one question regarding the RMC business. We have seen good growth delivery during this quarter. Just wanted to understand on a broader basis, how do you see as a segment panning out for India? See, what we understand right now that for India, the conversion of cement to RMC is pretty lower than what Western countries typical see of around 50% plus. So I just wanted to take a view on this. How do you see this segment to grow?

Atul Daga: It has to grow, and it has been growing still very small, you have rightly picked it up, and we see a huge potential for RMC as a play, and that is why we are also focused on it. When will we reach a 50% conversion, I don't have a science to tell you that, but it's on the right path.

Aman Agrawal: Okay. And just a related question on the possible impact on EBITDA when converted sold to RMC route, any possibility...

Atul Daga: RMC generated an incremental EBITDA, and we do a transfer pricing. So it's a good proposition.

Moderator: The next question is from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Congratulations on good profitability. Sir, most of the questions answered. Just on the green share, so how do we see this current 25.7% green share by FY '25, FY '26? And I know you have mentioned more than 60% by FY '27, but just wanted by FY '25 and FY '26?

Atul Daga: So the programs are under execution. I don't have an immediate number for exit March '25, but I'm confident that all these programs under execution will be completed by the time. And lots of the programs are along with our expansion that are happening from the current 140 million tons have we progressed to 190 million tons or 200 million tons. So you will see improvement continuity. So 60% is definitely happening.

Shravan Shah: So at 50%?

Atul Daga: 60% or 65% is definitely happening by the end of fiscal '27.

Shravan Shah: Okay. But from here on in terms of WHRS, how much more is planned to be added in the next two years in terms of the absolute capacity?

Atul Daga: About 150 million tons of -- 150 megawatts of WHRS will get commissioned.

Shravan Shah: Okay. And in terms of the -- when we mentioned the broader INR32,400 crores kind of a capex over next 3 years. So this year, we have given a INR9,500 crores kind of capex. So similar INR10,000 crore, INR11,000 crores capex will be there for '26, '27 also?

Atul Daga: Yes.

Moderator: The next question is from the line of Milind S Raginwar from Bank of Baroda Capital Markets Limited.

Milind Raginwar: Yes. Two questions for me. One is, if I look at the other expenditure, whether it is sequentially compared to the volume growth, that is remaining slightly almost stable. So is there anything that we need to read into this?

Atul Daga: No. I think these are normal run rate expenses. If I look at an absolute quantum of money spend, you will see natural inflation. So absolute value of spend has slightly gone up, which is normal inflation, there's no abnormal expenditure that we are seeing.

Milind Raginwar: My question was like, if I look at on a quarter-on-quarter basis, the volume growth is something like very end 30% odd and other expenditures like 2.5% growth. So I'm just trying to reconcile that.

Atul Daga: I really don't have any particular answer. Mukesh, anything specific?

Mukesh: 70% is volume, remaining based on fixed. Fixed is not interested.

Atul Daga: There's nothing more to read into it. These are all routine expenses.

Milind Raginwar: Okay. And the second question is when you speak of the blending or the mix where we have CC ratio 1.4 over the past decade, Incidentally, over the past decade, we have seen infrastructure size going up. Again, how do we read this? I mean, is it when the infrastructure size going up, our lending price going up. So anything that -- how is -- if you can just throw some light on this?

Atul Daga: So there is a gradual -- first and foremost, when the infrastructure size, it's not that all of them consume 100% OPC, they do a blending themselves also, part blending they do. Now that transition is happening, they are leaving the blending to cement companies. So that will help improve the blending ratios.

Milind Raginwar: Assuming that the infra profit is largely driven by the development of realizations, then would be -- how should we look at the realization is what I was just trying to drive the point?

Atul Daga: Realization is a generally stable and consistent in the infra markets.

Milind Raginwar: Okay. And just a small thing, if you can give incentive in the revenue If you can give that number?

Atul Daga: Sorry, what?

Milind Raginwar: The incentive percent in the revenue, if you can just share that number, please?

Atul Daga: INR60 a ton.

Moderator: The next question is from the line of Rahul Gupta from Morgan Stanley.

Rahul Gupta: I want to understand one basic thing. Given you will be broadly doubling your capacity from 100 million tons to 200 million tons in just eight, nine years. Is there any major cost improvement on cards because of newer plants being added? I mean, are there -- are new plants being a lot more cost efficient? And if yes, is there a way we can quantify it?

Atul Daga: Yes. So there is a lot of technological innovation that the team is able to bring about, the expertise that the team has to turn around a project, the design, the calibration of equipment, everything plays in. As we have been growing, we have been learning from our previous experiences and improving further.

Rahul Gupta: But there's no way we can quantify this, right? I mean there will be improvement we know, but...

Atul Daga: Other point to look at -- one second. One second, the other point to look at -- you should look at the capex cost in rupees per ton instead of dollars per ton. Then you will see that the reduction is gradual, and all those are efficiencies which the team brings in, whether it's in negotiations or execution.

Rahul Gupta: Yes, mix.

Moderator: Thank you. Ladies and gentlemen, we would take that as a last question for today. On behalf of UltraTech Cement, that concludes this conference. Thank you for joining us. You may now disconnect your lines.