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Dear Sirs

Sub: Transcript of Q4 FY-22 Earnings Conference Call

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, please find attached transcript of the Q4FY22 Earnings Conference Call held on 29th April, 2022.

The same will also be uploaded on Company's website: www.ultratechcement.com

The same is for your information and record please.

Yours very truly,

For UltraTech Cement Limited

Sanjeeb Kumar Chatterjee
Company Secretary

Encl: a/a

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UltraTech Cement Limited



“UltraTech Cement Limited Q4 FY-22 Earnings Conference Call”

April 29, 2022



MANAGEMENT: MR. ATUL DAGA – EXECUTIVE DIRECTOR & CFO



Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY22 Earnings Conference call of UltraTech Cement Limited.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risk that the Company faces. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statement 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 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 touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Atul Daga – Executive Director and CFO of the Company. Thank you, and over to you, sir.

Atul Daga: Thank you. Good evening, friends. I'm glad to be speaking to you again at the end of this fiscal year, which yet again saw several disruptions and new beginnings. I guess, cement is not for the weak-kneed people. I will try and focus on two key aspects in this meeting, demand and cost. But before that, I must refresh your mind that cement is always a long-term story. If you believe in it, then don't get disturbed by daily events.

Let's look at demand:

To my mind as we have spoken in the past, India is fundamentally on a positive trajectory for cement demand growing at a pace significantly higher than the world, infrastructure, rural markets and now, urban housing has also started generating good traction for cement. Infrastructure growth has been one of the key pillars of growth for cement in the country. As part of the budget, Government has planned to complete further 25,000 kilometers of roads. Recently there was an announcement about 220 new airports by 2025. Even if 100 airports were commissioned, you can imagine the amount of infrastructure in and around the airport, the airport itself will generate demand.

On the housing front, the Government is doing about 8 million low income houses this year, which will generate demand from the rural segment.

Another positive development is the revival in demand in the urban housing space. As you must already be aware, unsold residential inventory in top seven Indian cities has come down to the levels seen pre-COVID as property sales recovered very rapidly in 2021. As per an independent report, sales have gone up in major metro cities, very high.

Housing inventory across cities is down to 32 months by end of 2021 from 55 months a year ago. New projects launches are good and this clearly shows sign for cement consumption will

follow. Rural markets are also not going to be left behind. Fourth year in a row the monsoons are expected to be good this season as well, which should result in a good harvest and improved cash flows for the rural markets. So, 3 out of 4 engines of demand are humming well.

Now the question is about rising costs and its impact on demand. I believe that the projects in progress will not stop. Construction costs are certainly going up. But construction work cannot stop due to other compulsions like timelines to complete the projects and associated interest cost. Any further delay might increase the costs further and hence the existing projects will continue on their path of execution. What could certainly happen is a new home builder who has not started construction for the house may stall because his or her budgets have to be revised with the rising costs of materials used in construction of a house. This to my mind may not be more than 1% to 2% of the incremental demand every year. And within no time general elections 2024 will be around the corner, which will also boost demand.

As per estimates of the real estate players, cement is about 11% of total project cost and has had an impact of less than 1%, whereas all other products have impacted nearly 12% of their costs. On the other cost elements, which is fuel cost, coal and petcoke have risen to unrealistic levels. I believe they should cool down sooner or later. These are really unrealistic prices.

There are uncertainties around the Russia-Ukraine situation which is anybody's guess. Crude prices are of course, impacting our logistics costs. All possible efficiency improvement efforts are being put in place to minimize the impact of rising cost and there is no choice but to increase the selling prices. April has witnessed recent price increases as well.

I must clarify to you our position on white cement. We have acquired a majority stake in a company called RAK White Cement in the UAE. It's a company listed on the Abu Dhabi and Kuwait Stock Exchange. RAK White Cement is a market leader in the GCC region and synergies with Birla White will boost its market leadership. This is a critical strategic investment which will help strengthen Birla White in India. It provides us much needed access to additional capacity to serve markets in the country.

White cement market in India is growing at a rate of about 7%. This capacity will help us meet the growing demand. We are now putting on hold the capacity expansion plan in India which was about Rs. 978 crores which we had announced recently because we now will have access to RAK White Cement's 9 lakh metric ton of clinker and 6 lakh metric ton of white cement capacity. Currently, operating at 65% capacity utilization. Their EBITDA margins are good at about 19.5%, quality of product is good. Nearly 20% of their capacity is exported to India and 45% is sold in the highly lucrative GCC African markets. Birla White will be able to secure white cement and clinker supplies from RAK White to meet its capacity shortages.

Our ongoing expansion is on track. Capex expense have been at a record high of nearly Rs. 6,000 crores this year and God willing, we should be able to complete all our projects in time or ahead of schedule in spite of the delays caused by COVID-related lockdown, labor shortages, oxygen shortages and other related activities. In spite of this Rs. 6,000 crore of Capex, we had been able



to deleverage our balance sheet by a further Rs. 2,800 crores and now ended the year with a 0.32x net debt to EBITDA.

We are managing and maintaining our working capital on a very tight leash again continuing on a negative working capital trend with upwards of Rs. 1700 crores being negative working capital that we ended with. So, in sum, all is good, all is well that ends well.

I would like to conclude on a happy note that we have crossed our annual revenues of Rs. 50,000 crores like an FMCG company with operating margins as close. Thank you so much.

Moderator: We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Pinakin from JP Morgan. Please go ahead.

Pinakin: Sir, I have 2 questions. First on price hikes. Now there have been industry reports of very large price hikes. What we wanted to understand from you, sir, is that as a company, have you taken similar price hikes in both the trade and non-trade segment? And how has demand been in April versus last year? And what has been the impact of prices hikes on volumes at this point?

Atul Daga: Yes, we have taken price hikes like the industry, can't be left behind. And your other question was on trade, non-trade, yes, both the segments have taken a price increase.

Pinakin: And sir, how was April trended so far after the price hike?

Atul Daga: April is doing well, doing better than last year.

Pinakin: And sir, my second question is on the media reports about Ultratech being a potential bidder for Holcim's assets in India. How should we read into it, sir?

Atul Daga: Like I'm reading the newspaper, you're also reading the newspaper. So, that's about it.

Pinakin: So, is it fair to say that the company is not interested in them, sir?

Atul Daga: I wouldn't want to comment anything till the Board takes a decision.

Pinakin: Sure, fair enough. Thank you very much.

Atul Daga: Also not on what these newspaper say.

Moderator: The next question is from the line of Indrajit from CLSA. Please go ahead.

Indrajit: I have 2 questions. First on raw material sourcing, particularly fuel sourcing. Costs aside, are you facing any concerns on shipment availability, particularly for imported coal or imported



petcoke? Are the delays longer and could it impact our production at any point through the course of next three to six months?

Atul Daga: Not at the moment. So, you see ocean freight is high, but freight availability and supplies are not restricted.

Indrajit: And even for rake availability in domestic we are facing --

Atul Daga: Rake availability has nothing to do with it, it's normal. Suddenly some railway company will withdraw rakes, you would have read. In fact, 16 passenger trains were shunted out to let coal movement for power plants. So, these kind of things keep happening in the country. This is normal.

Indrajit: Secondly, while you highlighted or fairly detailed in terms of the homebuilder segment demand, but not just cement, every other commodity has gone up and it looks like the cooling off is still some time away. Even then, particularly the rural IHB segment, are you not seeing any impact on demand?

Atul Daga: April is growing in all segments. So, I don't see anything pulling down. So, as I mentioned, whatever has already started, it will be financially illogical, otherwise also illogical to stop the project in between because whatever you have spent does not get into good maintenance, that also will get spoiled, you will require additional costs to bring it up. Interest meter will be continuously on. So, to that extent, only a person who was deciding to build a new house has to redo his or her own budgets. Instead of doing a 1,000 square feet house, they might decide to do a 800 square feet house or defer the decision.

Indrajit: One last question, if I may. Is there any change in fuel mix on a sequential or year-over-year basis between petcoke, imported coke?

Atul Daga: So, we keep playing with the mix. Last quarter, I think petcoke was 20%, 25%; this quarter, it is up around 40%. Today petcoke landed is definitely in energy terms is far cheaper than coal. So, efforts will be to increase petcoke consumption.

Indrajit: That's all from my side.

Moderator: The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Couple of questions. Sir, first on white cement, could you please repeat the volumes? You did indicate 20% of that capacity currently caters to India. Sir, can you give that number please?

Atul Daga: So, 20% of 6 lakh tons, 120,000 is approximately getting imported in India.

Ritesh Shah: And sir, you also said that we will put to rest the expansion what we had announced. Sir, how should one read this? Is it because of the limestone --?



Atul Daga: No, because we will have access to RAK White Cement's product, that is why we don't want to -- we have spent money on this investment. So, no need to invest right now on expanding in India.

Ritesh Shah: But sir, if I have to look at it on delivered cost basis, still this would be more meaningful as compared to moving cargo from say north to south. So, that was one angle that I was thinking of, probably it could be cheaper on delivered cost basis. And the other question was if RAK were supplying to say paint majors or other companies, would it mean that they would continue to supply or that material would come to Birla White and they will dictate where to supply. How should one look at that part of the equation?

Atul Daga: Obviously, the priorities will change for RAK White, because they will have to cater to Birla White first before catering to other customers.

Ritesh Shah: And sir, on delivered cost.

Atul Daga: Delivered cost, it's cheaper. The freight from Ras Al Khaimah to the ports of India is as economical as transporting from our plant in Rajasthan to Andhra, Karnataka and those markets.

Ritesh Shah: And sir, just a follow-up. Is there a volume arrangement minimum offtake that we have? So, can this 20% go to 50% or more going forward?

Atul Daga: There is no minimum requirement and there is no minimum commitment. So, whatever I want we will want to definitely prioritize for India. And as long as it is value accretive for that company, they will also want to do that. They will also want to increase their capacity utilization. They will also benefit from the expertise of Birla White. Birla White is a branded product, far more respected than other products which are getting imported in the country.

Ritesh Shah: And sir, will we look to increase our stake over here?

Atul Daga: We will definitely attempt to do that.

Ritesh Shah: Sir. Just another question. Any update on divestments, Binani Fibre Glass?

Atul Daga: Sorry, I forgot to mention in my commentary, we have completed the divestment of the non-core assets. Funds have already been received on the 30th or 31st March. In fact, we had completed the closing. So, we are done and dusted.

Ritesh Shah: Sir, how should one look at fuel inflation into next quarter? Given you indicated like

Atul Daga: Million-dollar last question, Ritesh. All I can say is your guess is as good as mine, and it's a lottery. Today you buy at X price, tomorrow it could be X minus or X plus. So, there is no way to predict or forecast how these prices will go. Coal, as you know, from the Rs. 300s, it became softened in the last couple of months to Rs. 250 or thereabout. So, it has spiked again.



- Moderator:** The next question is from the Madhav Marda from Fidelity International. Please go ahead.
- Madhav Marda:** I just wanted to ask that for Ultratech, in case if you are a potential bidder, from a CCI point of view, are there any particular regions where it is easier or difficult for us? Just from Competition Commission –
- Atul Daga:** We'll see if we do it. Why should we start building castles in the air? So, I really don't know.
- Moderator:** The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.
- Amit Murarka:** Just first question is like on FY23, could you just provide some CAPEX guidance?
- Atul Daga:** CAPEX guidance, we should be closer between Rs. 4,000 crore to Rs. 5,000 crores which will complete all our ongoing expansion plus whatever other WHRS projects are there. So, Rs. 4,000 crores to Rs. 5000 crores.
- Amit Murarka:** And given that your expansion will be done by the end of this financial year, I believe in the last call you had said that probably by Q4, you would finalize the new plant.
- Atul Daga:** Yes.
- Amit Murarka:** So, what's the status on that?
- Atul Daga:** Sorry, finalize what?
- Amit Murarka:** As in the new investment plans, beyond FY23
- Atul Daga:** We will come back to you once the Board approves. We are working on our growth plans because clearly we see India as a growth story. We don't want to degrow when India is growing. So, we will definitely keep growing, we will expand.
- Amit Murarka:** And what's the status on Dalla Super as of now?
- Atul Daga:** Dalla Super, I know it is delayed, but the latest is that stage 1 approval was completed and the file should be moving from UP to MOEF Delhi for stage 2 clearance this month. Keeping my fingers crossed, we should be able to get the plant in our hands by the end of this quarter, April-June quarter.
- Amit Murarka:** Okay. And then probably another 6 to 9 months to revamp?
- Atul Daga:** Yes, absolutely.
- Amit Murarka:** And last question is like on this white cement acquisition, will it also help improve or lower the competitive intensity? Because I believe imports were actually coming in --?



- Atul Daga:** Yes, certainly.
- Amit Murarka:** So, in that sense, you would probably look to improve the price realizations also?
- Atul Daga:** Certainly.
- Moderator:** The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Atul sir, 2 questions from my side. First, you mentioned in the presentation about \$164 of fuel cost. Could you identify this is what kcal of coal? And the reason I'm asking this is that if you look at where coal prices are now, petcoke prices are, it looks like we are staring at a massive increase in the subsequent quarters. So, if you can tell us with kcal that will help us calculate that better.
- Atul Daga:** About Rs. 2,000 per million kcal
- Pulkit Patni:** It's what you're using for this \$164 number?
- Atul Daga:** Yes, absolutely.
- Pulkit Patni:** And secondly, can you also identify what is the proportion of captive coal that we have right now and any sense on where that number would be in the next say 6 to 12 months?
- Atul Daga:** Captive coal, FSA coal?
- Pulkit Patni:** Yes. I mean linkage plus --
- Atul Daga:** Linkage plus, it should be about less than 20%.
- Moderator:** The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.
- Prateek Kumar:** My first question is, in the opening remarks you mentioned that you're looking to commission everything on your capacities in FY23. So, that could mean like 11 million tons clinker and 16 million tons grinding for FY23. So, can you space out like quarter wise if you have that data, like how are you looking to finish doing this?
- Atul Daga:** I should have given that earlier also, let me tell you, just give me 1 second. So, towards the end of Q2, we should have another 4 million tons; end of Q3, 1.5 million tons; and Q4 for the balance.
- Prateek Kumar:** Balance 10.
- Atul Daga:** Yes.
- Prateek Kumar:** And, and what about clinker likewise, 11 million ton of clinker which we are targeting for '23?



Atul Daga: So, this includes the clinker also. So, clinker was Hirmi, Pali and Dhar. So, yes, it should be by Q3.

Prateek Kumar: So, pretty much everything by Q3, including the Super Dalla and grinding by Q4.

Atul Daga: The only thing is Super Dalla, I'm keeping my fingers crossed because dealing with this process, it's too complicated, something or the other keeps surprising, and I have been promising you guys about Dalla Super since last 1 year. So, every time I think I'm at the last mile, but suddenly a new mile surfaces. So, keeping my fingers crossed is all I can say.

Prateek Kumar: And in your presentation for various presented sectoral update region wise commentary, you mentioned that rural housing seems to be doing better in essentially west and south and not so well in north and east, and probably expect to doing well as well. So, this seems to be different versus some of the commentary from industry like FMCG or auto companies on rural commentary, while you highlighted something in previous comments, but can you detail more like, so there's no rural setback in general for cement sector?

Atul Daga: I've not seen any setback. In north for example, what we saw in Q4, would be a temporary phenomenon because of extreme cold or elections happening in that belt. Other than that, it's back to normal. But, I wouldn't be able to compare FMCG and construction industry in bucket, also.

Prateek Kumar: And one last question on your fuel costs, like it is falling by 5% to \$164 versus I think, in 2Q you said around \$160. So, is there a --

Atul Daga: \$151 was Q3 and this quarter was \$164.

Prateek Kumar: So, comparable number like let's say you would I know that it is difficult to forecast, but like you would have inventory for at least the first quarter. So, how could this move like in first quarter 23?

Atul Daga: It will go up, I expect at least a 10% increase.

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

Sumangal Nevatia: First question is, just want to understand across the fuel, what is the inventory day which we carry? I mean, is it like 45 days or 2 months?

Atul Daga: So, we fluctuate between 45 to 55 days. Suddenly if our shipment lags, it will spike up. Otherwise, an average of 50 days is good to hold.

Sumangal Nevatia: And sir, given the current overall fuel situation, blended cement cost versus your OPC would have of course moved very favorably towards blended. Sir, just want to check, is there any



impact on your other raw material cost? I mean, what sort of price inflation is happening in slag, fly ash, etc?

Atul Daga: We have seen inflation across, fly ash has also gone up. So, overall raw material cost has gone up 6% to 7% -- 7%. So, you have seen increase in cost across the board.

Sumangal Nevatia: Okay. So, this is for fourth quarter and the cost must be still continuing to rise, right?

Atul Daga: Not necessarily on these, fly ash is more of contractual in nature. And you might not see such a high jump again in this quarter, but general inflation would be there. Inflation itself is 6% to 7% now by the rate. Yes, sorry, diesel is something which is unpredictable, which impacts raw material costs, limestone raising cost moves with diesel.

Sumangal Nevatia: Just one more question on the price hike. You shared that there's been price increase taken across. Is it possible to give a very broad quantification region wise or overall pan India quantification?

Atul Daga: So, over for what period? That becomes very confusing. What are --

Sumangal Nevatia: Sir, April versus 4Q average or something like that.

Atul Daga: April versus 4Q was March, March was 365. So, average if I look at for the March quarter was around 360. It's roughly around 390 now.

Sumangal Nevatia: And will it be fair to say that I mean, some part of cost inflation is yet to be covered, so there will be further attempts?

Sumangal Nevatia: Attempts, yes.

Moderator: The next question is from the line of Girish Choudhary from Spark Capital Advisors. Please go ahead.

Girish Choudhary: A couple of questions. Firstly, on the media reports now that the second largest player combined seeing as potential change of hands. So, as the industry leader, how do you see dynamics changing for the industry and possibly for you? With potential Indian promoter coming in, will that make you even more aggressive or maybe look at inorganic slightly aggressively? So, just wanted to know your thoughts on this development.

Atul Daga: We will focus on our growth. As I mentioned, right now, we are reaching 130 million tons and the next phase of growth will also kick in because we expect Indian markets to be growing. As far as assets changing hands, whoever buys it they will have to generate returns on that asset and be logical in whatever they are doing.



Girish Choudhary: But more from Ultratech's inorganic opportunities given your scale of capacity and cash flow, so beyond a point I think organic growth might not help. So, are you prepared to look at inorganic?

Atul Daga: Yes, certainly. We keep examining opportunities. Unfortunately, whilst the current new media reports are the talk of the town, but there are smaller assets which keeps surfacing which we examine, good, bad, ugly, it has to be a composite asset for us to move forward.

Girish Choudhary: And my second question is on the region wise demand performance. So, here again, if I look, east is the only region which is continuing to see demand decline, like 3 consecutive quarters of demand declining on a Y-o-Y basis. So, sir, what's happening here and when do you see demand bouncing back here?

Atul Daga: Sorry, I missed your question, demand which segment?

Girish Choudhary: In the eastern region.

Atul Daga: Eastern region. So, my sense is, eastern region this year will show the fastest growth again. In terms of volume, there is a lot of inflow which happens from outside east. Now capacities will be available in the eastern markets. Our capacities will also surface in this year. So, East will grow.

Girish Choudhary: My question was more I think in this region, we're seeing three consecutive quarters of demand decline. So, sir, what is driving this deterioration? And when do you see this recover?

Atul Daga: Driving the deterioration, yes, there was a sand issue, big time and issue in Bengal and Bihar a few months ago. There were torrid rains, which impacted construction activity. These two factors for sure, impacted construction activities.

Moderator: The next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: Mr. Daga, a couple of questions. One on fuel, I think you mentioned a, petcoke is cheaper on a delivered-on a per kcal basis; and b, your inventory cycle is largely in line like 45-50 days. Is there a change in thought recently or would there be a change in thought? Would you given where prices are either look to layer in more inventory? Because you're maybe concerned because prices may go up or maybe shorten the cycle thinking prices may actually go down or maybe maintain a status quo. Or can we assume basically that this 50-55-day inventory cycle will remain largely similar in the coming months?

Atul Daga: The thing is nobody can predict and it will be gambling, if I take a call. So, yes, if there are some opportunistic trades available, we will look at those trades, but today it's quite expensive. So, we are maintaining our normal procurement plan instead of gambling on prices. Nobody can forecast. You yourself mention it could go down, go up, anything can happen.



- Satyadeep Jain:** Second question on the next phase of growth that you mentioned. Obviously, the Board, Company is looking at different options and there is optionality across the portfolio. When you look at the options that sit in front of you right now, if you had to pick maybe certain plants, certain regions ahead of others in your pecking order, is there may be somewhere you can possibly pull the trigger ahead of others?
- Atul Daga:** I will tell you when we do it, I can't reveal it right now.
- Moderator:** The next question is from the line of Navin Sahadeo from Edelweiss. Please go ahead.
- Navin Sahadeo:** Sir, just one question. On the fuel mix, you said petcoke in the current quarter, as in March quarter increased to about 40% and linkage coal, to one of the other participant's question you said is less than 20. So, roughly around a little less than 60% is what petcoke and linkage coal put together is. Imported coal then should make up for the balance 40%?
- Atul Daga:** Absolutely.
- Navin Sahadeo:** So, this is for the kiln, for the captive power plants that we use –
- Atul Daga:** It's largely FSA, domestic.
- Navin Sahadeo:** So, it's largely domestic coal.
- Atul Daga:** Yes.
- Navin Sahadeo:** Where there is not much increase or there is a fair amount of the auction coal also there?
- Atul Daga:** No, there's not much increase. All are on FSA, so linkage prices prevail.
- Navin Sahadeo:** So, only the kiln portion is where we see inflation part.
- Atul Daga:** Yes.
- Navin Sahadeo:** That's it from my side.
- Moderator:** The next question is from the line of Rajesh Ravi from HDFC. Please go ahead.
- Rajesh Ravi:** You talked about the fuel cost that we are looking at in Q1 and you mentioned at least around 10% increase. However, if we look at the prices which are prevailing in Q1 on a per kcal versus Rs. 1.5-Rs. 2, they are already north of Rs. 3 per kcal. So, how is that number for you looking so cheaper, sir?
- Atul Daga:** It will depend on the fuel mix, the carrying cost, the inventory, which is there, and anybody and everybody could have some advantage or disadvantage.



- Rajesh Ravi:** And in your balance sheet also, annual balance sheet numbers that are available, there is Rs. 150 crore increase in inventory. So, is it fair to assume a large chunk of that would be your fuel inventory?
- Atul Daga:** Yes, a large chunk because it was a price impact on the fuel inventory.
- Rajesh Ravi:** Yes, even that could be one factor. But even in volumetric terms that could be a number which you're looking at, okay. And in terms of CAPEX, you mentioned that around Rs. 5,000 crore plus CAPEX towards your green initiatives, right, for FY23?
- Atul Daga:** All inclusive.
- Atul Daga:** Lastly, this Dalla, how much we have spent so far or what is the amount which needs to be spent? This is 2-million-ton clinker, right?
- Atul Daga:** We have not spent anything because we still have to first get MOEF approvals, and we have estimated that it would cost anywhere around Rs. 200 crore or Rs. 250 crores to revive the plant.
- Rajesh Ravi:** And that's the 2-million-ton clinker, sir, or is there grinding also, sir?
- Atul Daga:** It's just only clinker, 2.3 clinker.
- Moderator:** Thank you. The next question is from the line of Ashish Jain from Macquarie. Please go ahead.
- Ashish Jain:** Sir, I had 2 questions, firstly on demand. The table that you put out in the presentation; it has fair bit of reds this time around. So, relative to that, how's the demand changed in the last few weeks, if at all, in terms of the drivers of demand?
- Atul Daga:** Y-o-Y April is growing.
- Ashish Jain:** But where's the delta coming from versus Q4? Is it any specific driver or it's --
- Atul Daga:** Not versus Q4, I'm saying Y-o-Y, you can't repeat Q4.
- Ashish Jain:** No, I know. Sir, I understand that. I'm saying that if I look at the Y-o-Y trend in Q4 and compare that with Y-o-Y trend in April, is there a specific reason for the --
- Atul Daga:** Ashish, I'm not able to track the sales on a day-to-day basis which segment is buying. So, it is difficult for me to comment on that.
- Ashish Jain:** And sir, secondly, in response to earlier question, did I hear you right that pricing today is Rs. 30 higher by and large versus total average?
- Atul Daga:** Yes. The exit prices, if I were to say, as of now, they are not average April, but as of now Rs. 30 higher.



- Ashish Jain:** So, that would cover us for the cost inflation by and large I think going by the number you indicated.
- Atul Daga:** Next month, yes, Rs. 30, going in the month of May, if the price increase holds for Rs. 30, then it is good.
- Moderator:** The next question is from the line of Raj Gandhi from SBI Mutual Fund. Please go ahead.
- Raj Gandhi:** Just going by the kind of cost inflation that we are seeing, any initial assessment in terms of further cement CAPEX cost, what will be the impact? And also, we are hearing chip shortage and all of that even delaying the cement plant. So, in terms of timelines and all on the equipment side and --
- Atul Daga:** So, as far as our existing expansion program is concerned, as I mentioned earlier, there's no delay. And if you were to look at a new Greenfield project cost, there I'm sure the costs have gone up by 20%-25%.
- Raj Gandhi:** And in terms of timelines and all because on the equipment side and all also we are hearing lot of --
- Atul Daga:** No, I don't think so, because equipment suppliers continue to have enough capacity to my mind. So, what you are referring to some insights you might have, which I don't have, as in some manufacturer facing some shortages, whether DCS or something like that. I'm not really aware.
- Raj Gandhi:** But broadly, most of the equipment, it is not that the long lead, okay.
- Atul Daga:** Nobody has warned us.
- Moderator:** The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Actually, 2-3 questions, if I may. First one, just a clarification. So, you are highlighting April is better Y-o-Y, but just wanted to check last year, April was impacted by the second wave in terms of demand. So, how should we look at it and in the context that price hike expectations were already built in the system? Post price hike, if you can just highlight as to how demand is trending?
- Atul Daga:** So, post price hike, again, I'll repeat Y-o-Y it is growing. Whether there was an impact of COVID or why should we factor in only negatives? Let's look at it positively. Now, this month is growing. The price hikes have been absorbed if that is what you're trying to conclude, so your conclusion is right.
- Rakesh Vyas:** The second question is related to fuel mix. Essentially, the price arbitrage that exists between imported coal versus the rest of fuel basket implies that most top players would be vying for higher proportion of the remaining basket, and to that extent, how confident are we in terms of

maintaining the availability of this mix and maybe improving it? The context being that petcoke availability is reasonably limited and so is the concern that we are hearing on the domestic coal side.

Atul Daga: Sorry. What is the question?

Rakesh Vyas: So, question was that given the price arbitrage that exists between imported coal versus the rest of the fuel basket –

Atul Daga: So, Yes, technically one would look at getting more of petcoke and more of domestic coal. So, as of now, as I mentioned earlier, availability does not seem to be a challenge. One more factor, which is very important, not from today's perspective but what happened after Winter Olympics of China, China has announced a substantial increase – I'm forgetting the number, a substantial increase in their coal production plan. I'm forgetting the number, I don't want to quote a wrong number, so that is one. Second is post Winter Olympics, all their mines which were stopped, power plants which were stopped have started again. So, there's a huge reduction in imports into China which is making material available for the rest of the world.

Rakesh Vyas: Got it, sir. And one last question is around the capital allocation going forward. Given that we are expected to generate strong cash flow and our Capex is going to be fairly stable and net debt already came down very, very sharply, how should we look at incremental deployment of the free cash flows going forward?

Atul Daga: So, this year, again, we have declared about 20% of net profits for shareholder returns and I believe this component will keep growing in future years, next year for sure because next year FY23 additional capacities will generate additional cash flows. And then the cash will be used for internal growth. As I mentioned earlier, we are already back on the drawing board for our next phase of growth. So, we will look at growth opportunities inorganic or organic.

Rakesh Vyas: And just one last clarification. If I have to look at the adjusted number after accounting for the tax provision changes that we made, in fourth quarter is it fair to assume that the benefit of tax adjustment changes was close to Rs. 1,300 odd crore?

Atul Daga: Rs. 900 odd crore -- Rs. 983 crores.

Moderator: The next question is from the line of Ashitosh Adkare from SBI General. Please go ahead.

Ashitosh Adkare: Sir, I just wanted to understand your net debt is to a significantly low level of 0.32 to EBITDA. So, going forward, you're also looking for inorganic goals. So, at what level you will be comfortable putting that net debt level?

Atul Daga: I would look at 0.5x as our threshold going forward. However, suppose there's an inorganic opportunity, it might spike up, but now we are confident given the size of cash flows, we should



be able to bring it down within 12 months period. But otherwise, a steady level of 0.5x is a good number to maintain on our balance sheet.

Ashitosh Adkare: So, the 3x net debt to EBITDA, we won't see in the near future. Is that what you're implying?

Atul Daga: Yes.

Ashitosh Adkare: That's it from my side.

Atul Daga: You throw up an acquisition which is so attractive, which requires me to pile up 3x, I will do it.

Ashitosh Adkare: Sir, is there any asset in your radar?

Atul Daga: You might have something, you tell me.

Ashitosh Adkare: Sir, Holcim is there.

Moderator: The next question is from the line of Sanjay Nandi from Ratnabali Investment. Please go ahead.

Sanjay Nandi: Just you mentioned, sir, you have taken a price hike of Rs. 30 per bag. So, is it good enough to cover all the inflation that has happened as of now?

Atul Daga: So, as of now, it looks good. And again, let me correct you, it is not an absolute amount of Rs. 30 through the month, multiple price hikes have taken during the month which today are amounting to Rs. 30 increase over the average of last quarter. Going in for the month of May if prices hold, then obviously the Rs. 30 increase is available. If costs don't go up further, then yes, we are covered.

Sanjay Nandi: Sir, if we presume like coal price is too stable here so far, so is Rs. 30 good enough to cover all those incremental cost?

Atul Daga: That's what I said, going in, if everything remains the same, then we are covered.

Moderator: The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: First question, sir, on this pricing what you have indicated, is it possible to give a regional flavor.

Atul Daga: What?

Ritesh Shah: Is it possible to give some regional flavor? You indicated 360 moving to 390, Rs. 30 bump on an integrated level. Is it something which is consistent on a pan India basis or are there some regional trends surprising over here sir?

Atul Daga: I think 5% to 10% increase is what I would give you a range across the markets except for south which is below 5%.



- Ritesh Shah:** Sir, my second question is on incentives. Sir, can you put some numbers for the quarter for the fiscal what we had? And given we have a lot of expansions which are lined up, how should we look at the sum going forward, given most of the industrial policies from the states where we have or where we are setting up capacity, they have decent quantum of incentives. So, sir, how should one understand this particular variable?
- Atul Daga:** So, Rajasthan will have incentives, Pali will have incentives, Dhar will have incentives. Which else in the expansion? Dhule with Maharashtra will have incentives and Patna will have incentives. And your other question about incentives for the quarter, guys give me a number, please. Ritesh, one second.
- Ritesh Shah:** And sir, how should this number trend going forward given to the expansion also what we have.
- Atul Daga:** There are multiple plants which are having incentives, somewhere the incentive might get completed, somewhere a new incentive will come up. The incentives for the quarter was about Rs. 117 crores.
- Ritesh Shah:** Sir, any broad ballpark number if we have to look at the post fiscal or first post quarter of FY24 by when all this expansion will be there and commissioning will be done.
- Atul Daga:** But some incentives will get completed as well. So, I don't have an exact number, Rs. 117 crores could go to Rs. 150 crores or lower?.
- Ritesh Shah:** Sir, meanwhile, can you indicate on the completed by year on construction chemicals for how much of revenues? And you had indicated a target of 25 billion in three years. Any particular update over there, sir?
- Atul Daga:** BPD, around Rs. 100 crores for this quarter.
- Ritesh Shah:** Sir, for the year?
- Atul Daga:** Quarter. For the year, I don't have the number readily.
- Ritesh Shah:** And sir, any progress over here given we had given a 25 billion in 3 years. Are you looking at....
- Atul Daga:** I am looking at opportunities to acquire some assets. And of course, the assets are very small ticket size. We'll see as and when we are able to conclude.
- Moderator:** Ladies and gentleman, that was the last question for today. On behalf of UltraTech Cement, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.