Shree Cement

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21st May, 2024

| National Stock Exchange of India Limited,<br>Exchange Plaza,<br>Bandra – Kurla Complex, Bandra (East)<br>MUMBAI – 400 051<br>**SCRIP CODE: SHREECEM EQ**<br>**Debt Segment NCD ISIN: INE070A07061** | BSE Ltd.<br>Phiroze Jeejeebhoy Towers,<br>25th Floor, Dalal Street,<br>MUMBAI – 400 001<br>**SCRIP CODE 500387**<br>**Debt Segment NCD ISIN: INE070A07061** |
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**Sub:- Transcript of the Conference call**

Dear Sirs,

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations, 2015, the transcript of the Conference Call held on 15th May, 2024 relating to the audited Standalone and Consolidated Financial Results of the Company for the Quarter and Year ended 31st March, 2024 is enclosed.

Kindly take the same on record.

Thanking you,

For **SHREE CEMENT LIMITED**

SHYAM SUNDER KHANDELWAL

Digitally signed by SHYAM SUNDER KHANDELWAL
Date: 2024.05.21 15:23:57 +05'30'

(**S.S. KHANDELWAL**)
COMPANY SECRETARY

Encl: As above

“Shree Cement Limited

Q4 FY '24 Earnings Conference Call”

May 15, 2024

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| **MANAGEMENT:** | **MR. NEERAJ AKHOURY – MANAGING DIRECTOR – SHREE CEMENT LIMITED**<br>**MR. ASHOK BHANDARI – SENIOR ADVISOR – SHREE CEMENT LIMITED**<br>**MR. SUBHASH JAJOO – CHIEF FINANCE OFFICER – SHREE CEMENT LIMITED**<br>**MR. K.K. JAIN- HEAD OF FINANCE- SHREE CEMENT LIMITED** |
| **MODERATOR:** | **MR. NAVIN SAHADEO – ICICI SECURITIES** |

**Moderator:** Ladies and gentlemen, good day, and welcome to Shree Cement Q4 FY '24 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Navin from ICICI Securities. Thank you, and over to you, sir.

**Navin Sahadeo:** Thank you, Steve. Good morning, everyone. On behalf of ICICI Securities, I welcome you all to the Q4 FY '24 earnings call of Shree Cement Limited. From the management, we have with us MD, Mr. Neeraj Akhoury; Senior Advisor, Mr. Ashok Bhandari; and CFO, Mr. Subhash Jajoo. So without any further ado, I hand over the call to the management for their opening comments. Over to you, Akhoury ji.

**Neeraj Akhoury:** Thank you, Navin. Good morning, ladies and gentlemen. I hope my voice is loud and clear. Most welcome to the earnings call of Shree Cement Limited, also now known as Bangur in the market for the quarter and year ending March '24. During our last call, we informed you that we have taken a major exercise to simplify our brand structure with Bangur as master brand and also launched a new premium brand called Magna.

I'm happy to see the enthusiastic support and response that we received for our master brand Bangur for the last quarter. This rebranding as I explained last year is combined with our accelerated channel expansion programs, but also very sharply focused on creating a sustainable differentiation amongst the consumers.

The broad features of the financial results both on year-on-year and quarter-on-quarter basis can be summarized as follows. So very happy to say that Shree Cement recorded its best-ever volume and profitability in the year 23- 24. Due to buoyancy in the demand, the total sales were up by about 12% from 31.8 million tons to 35.5 million tons, thereby increasing capacity utilization from 70% in 2022-23 to 77% in 23-24. Of course, realization remained flat at INR4,833 against around INR4,872 per ton last year.

Operational EBITDA increased by 48% from INR2,942 crores to INR4,364 crores on the back of rising volumes, lower fuel cost, operating efficiencies and leverage and, of course, our very major thrust on the digital initiatives. Both this quarter as well as annual EBITDA are the highest ever achieved by the company during any quarter or year. Also, the net profit for the year, I believe, is highest ever achieved by the company.

In the March '24 quarter, our total sales were up by 8% at 9.5 million tons against at about 8.8 million tons registered in the March '23 quarter. Capacity utilization was also at about 79% versus 78% in the last March quarter. Our realization were, however, down by about 3% from INR4,847 to INR4,721 per ton. Fuel cost witnessed a significant downward trajectory from INR2.53 per CV to INR1.82 per CV in the last quarter, majorly contributing in the EBITDA increase from INR892 crores to INR1,327 crores. EBITDA per ton also stood at a healthy INR1,392 per ton, up by about 38% versus last year at INR1,011 per ton.

On the capex front, apart from operationalizing integrated units at Nawalgarh in Jan '24 this year, we commissioned our 3 million-ton Guntur plant in Andhra Pradesh on April 2nd of this year. Work is also progressing well on the other 80 million tons capacity expansion projects, which we have already announced last time as well. We believe that we should be completing out of this, about 9.4 million to 10 million tons capacity in FY '25 itself.

Rest assured, everyone that we'll continue to progress with all our attention on the expansion projects in the coming years as well. The company is very happy to say the company's green power generation capacity, which now stands at 480-megawatt as on 31st March 2024. This is versus 386 megawatts in the last March quarter. The company is in the process of adding another 188-megawatt of green power capacity at various locations.

During Q4 '24, Shree also became part of the prestigious RE100 initiative where we have committed to using 100% of energy through renewable sources by 2050. Our existing green power consumption is roughly about 56% of our total power consumption, which will further increase to over 60% with this new renewable power plants coming in.

We have increased usage of alternate fuels as well, like agro waste, stubble, hazardous waste to reduce Greenhouse emissions. We are working aggressively on setting up advanced technology shredders and associated equipments to increase usage of municipal solid waste which will increase our TSR level significantly.

Our water harvesting and conservation initiatives have helped us. And now we are very-very proud to state, we are about 7x water positive. This is up from 6x last year. And these are the areas where we would like to work more in the coming years. Again, very proud to say that our new vertical ready-mix concrete business, which we announced last time, we have signed a deal to purchase 5 ready-mix plants in Mumbai at a consideration of about INR33.5 crores. Additionally, we have also commissioned 1 more plant in Hyderabad with a facility of 90 cubic meters per hour capacity.

The company has mega plans to scale up this business very fast. And soon, you will see us as an important player in the ready-mix business as well. This is from my side. Now I hand over to my colleagues, Mr. Ashok Bhandari who is a Senior Advisor; Mr. Subhash Jajoo, our CFO; and Mr. K.K. Jain, our Head of Finance, to take this conversation further. Thank you, everybody. Thanks a lot.

**Ashok Bhandari:** Good morning, everybody. Before we start going into the results, let me share my experience of various NDRs I have held in last 1 year. The common questions, which have been asked to me why the growth is slow, what is happening to the convergence of EBITDA margin, why are you not doing inorganic, why are you not being more aggressive in the market? Now to address all this once for all, I thought this is the right time to tell you what the ethos had been of Shree Cement and what is the cultural background and how we have progressed.

If you look at CRISIL data of per capita cement consumption CAGR, from 2001 till date or 2023, if you may correct me the CAGR is 7%. You will be surprised to note that during this period, the capacity of Shree Cement grew by 17%. So the challenge, which is being faced to us that why are you slow in expansion is probably misplaced. If we are growing more than 2.5x the market.

Secondly, why are you so conservative? Why don't you look at inorganic? Why don't you look at other opportunities? Yes, point taken. But let me share with you another data point. Since 1985 till 2024 March, the internal rate of return generated by Shree Cement for its shareholders is north of 24%, we are exactly at 24.40%. Now this has been possible because of a very astute capital allocation strategy and also our penchant to protect the sanctity of equity.

Please understand, once we go into the inorganic section, we may jeopardize the liability side of the balance sheet, which is the main value driver for equity shares. Asset side doesn't drive the value of equity my dear friend, it is the net enterprise value, net of debt, which is the equity value determinant. And that is why we prefer to grow organically because when you grow organically, when you don't borrow and when you don't dilute, then you are using one fungible asset like cash and investments into fixed assets for better productivity.

Having said all this, let me give you another very interesting point. We have INR3.6 crores equity shares outstanding, and we are sitting at a capacity of 56 million tons, which should go to 62 plus million tons within this financial year. Ipso facto, this means that for every share we have created 15 tons of capacity. And by 2028, every share will lead to 20 tons of capacity. I challenge all and sundry to show me a single company, which has created this kind of equity value. And on top of that, more than INR5,000 crores cash in the bank. I assure you that going to 80 million tons, we neither need equity nor we need debt. We have sufficient internal generations and cash balance to meet the entire capex requirement.

Now I open the floor to questioning. I wanted to address all these points so that everybody is in sync with the ethos and culture. Shree has never been an aggressive expander, it has never wanted to become number one cement player in India. It has always aspired to remain the most profitable cement plant in India, and that is what we have achieved. And between the two years of lull in capacity creation, we were not sitting idle, as Mr. Akhoury pointed out, our renewables have gone to 480 megawatts.

We are still actively working with 188 megawatts of additional capacity to be created. This takes the renewable share in the overall energy consumption from 56% correctly to 62%-63%. Please appreciate that the arbitrage between a weighted average mix cost of energy and purchased energy is about INR3, and you need about 66 units of power per ton of cement.

Also, as Mr. Akhoury pointed out, the fuel cost has come to INR1.82 NAR or per kilocalorie as received. We don't see at the moment any uptick in this. We have sufficient pipeline to maintain at least INR1.82 per kilocalorie cost. So there is no threat from the fuel side. The cost side should improve. Capacity utilization has been the focus. We intend to reach the capacity utilization of 80%.

We would have reached it last quarter, but for the fact that for 2 days, the new launch of brand event and the migration from old Oracle system to SAP has taken away about 3 to 4 days of dispatches. If you add 4 lakh tons of additional dispatch, our capacity utilization as on March 31 would have reached 80%. That is the aim we intend to achieve in '24-25.

And hopefully, the prices should support us. I don't take a call on prices. So I don't take a call on EBITDA. But I have always taken a call on cost, and I can assure you that looking at current fuel price trend, looking at overall logistic pricing and the work we are doing on logistics front should keep all these costs in check. Balance are very nominal costs, they don't make the cement business very sensitive.

I would also like to share one point, which is very important. By 2028, we intend to have rail connectivity at all our sites. Detailed statements are available. And I suggest and I strongly suggest that I have been privileged to be the part of Shree Cement journey for the last 40 years. Probably I understand this company good enough. All of you, all in sundry are invited my doors are open, come and understand first.

You see risk is inversely proportional to knowledge. Increase your knowledge on us, then assess risk and take your decisions. You all are intelligent enough, you all analyse and understand the business enough. But maybe you don't know the ethos and culture of this company fully. So I invite each one of you to come and personally meet me just to understand how the company was managed for 40 years.

I suggest all your financial questions be directed to Subhash Jajoo. He is there, and I would like to clarify on all points if I have to at all intervene, I will do. And if you have a question directly for me, please feel free to say so. Thank you. I'm giving it to Jajoo.

**Subhash Jajoo:** Navin, we can start with the Q&A session.

**Moderator:** Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Amit Murarka from Axis Capital.

**Ashok Bhandari:** Sir, Ashok Bhandari here.

**Amit Murarka:** Yes, Bhandariji.

**Ashok Bhandari:** Sir, it was such a long meeting. I explained the whole philosophy to you. Where did the confusion remain?

**Amit Murarka:** We will connect again on that one.

**Ashok Bhandari:** All right, okay, fine. Thanks. Now you can go ahead and join with Jajoo. Jajoo, please.

**Amit Murarka:** Yes. So on the Q4 like couple of things I wanted to clarify. First thing was what was the power revenue booked in Q4? And also, if you could just help understand the EBITDA that came from the Power segment?

**Subhash Jajoo:** Power revenue during the March was around INR440 crores and roughly 10% is the EBITDA, which we get out of this.

**Amit Murarka:** Okay. To understand the fuel sourcing that you do for power. So the coal prices generally have corrected to, I think, INR1.75, INR1.8, given the imported coalers broadly. So is the EBITDA margin still at 10% with the lower fuel cost that you are seeing now?

**Ashok Bhandari:** Amit, I had explained to you we have very old power plants. Our thermal efficiency of the new power plants are very low. We are 1,200 kilometers land locked. Please understand that my repair and maintenance incidents and though the fuel cost has come down and other auxiliary plus the efficiency of the plant. The 300 megawatt IPP was set up in 2010 or so. We have fully recovered the capital cost of the plant. Now we are running it because it makes money. If it doesn't make money, we will stop it. If it makes 10%, then so be it. You are right that the coal cost has come down and your EBITDA margin should increase. The coal cost has come down, that is true. But this year the market was like this. The plant was running more, so does there was more maintenance. The thermal efficiency of the plant has also come down. So what can we do? The fact remains EBITDA is at 10%

**Amit Murarka:** Sure, sure. Okay. And also other expenses seem to be a bit lower in Q4. So could you help understand like marketing spends are lower. What was the reason for that?

**Ashok Bhandari:** The reason is simple. There were three things. One was that the celebrity expenses incurred for the brand building were less. I will explain why less expenses were incurred. Celebrities have three components of payment in their contracts. Component number one is filming, which is the largest component. Component two is regular payment. And component three is our own ad expenses.

Now this time if Sunny Deol gets only one shooting time, it will cost us only once. He has to make three films with us. We have launched a new film. We were not sure of the acceptance in the market? We were cautious with our spends in the paper ad. We planned to increase it slowly. And the third thing is the regular expense. So this is not a big deal. It will be regularized.

The major point is lower spares cost. Please understand that the four-day dispatch was already lost because of the two events I explained. So now the routine repair and maintenance has been deferred a bit so that the plant runs and we achieve the capacity utilisation. The goods were being sold. And this is not a one-off adjustment, this will play out well when we reach 80% capacity utilization because per ton spare consumption goes down then. So this is a real saving which we have attained. We have not attained any saving. We have deferred the advertising expenses only. But still, the world should be fine at 80%. What else do you want to say?

**Amit Murarka:** No, that's helpful. And also lastly, on the volume growth, like generally 8% to us, it's not bad, but we saw companies like doing double digits this time. So is it a conscious that branding strategy related...

**Ashok Bhandari:** You forgot, add 4 lakh tons to our dispatch because of those special events of Oracle to SAP and Brand Launch add 4 lakh tons and tell us where we lag behind.

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

**Sumangal Nevatia:** Yes, Good Morning Sir, Thank You for the opportunity. Congratulations on the sector-leading performance and Bhandariji thanks for the reassuring of the commentary. First question on this railway connectivity at all side by FY '28. Is it possible to quantify what sort of freight cost savings can we expect over the next 2, 3 years from these initiatives? Maybe this is the first one, then I'll go ahead with the second one later.

**Subhash Jajoo:** Yes. The current differential between rail and road, rail is around INR 2.60 per ton per km, whereas road cost is around INR 3 per ton per km. And currently, our dispatch like in last quarter, 88% was through road and 12% through rail. So as by 2028, we should be able to make move much more material through rail. And accordingly, these cost economics will play. The differential is around 10% to 12% between rail and road on a per ton per kilometer basis.

**Sumangal Nevatia:** Okay. So I mean, something like 75:25, gradually is what we are moving at?

**Subhash Jajoo:** Yes. We should definitely be able to move at least 25% through rail in next 3 to 4 years.

**Sumangal Nevatia:** So next I wanted to understand a bit more on the RMC foray. I know it's a very small capex. But overall, what are we spending over the next few years? And what sort of return are we expecting on this invested capital?

**Neeraj Akhoury:** So typically, at the current level, the plan is to go for about INR100 crores per year for next 2 years. We are focusing on those cities where typically, the ready-mix market size is big. But we are also looking at some of the Tier 2 cities where RMC profitability is higher. Altogether, we would be targeting at about 5% to 7% of margins on a pure play basis of ready mix. And typically about 100 plants by end of the mid-term ambition of 4 to 5 years.

**Sumangal Nevatia:** Understood. Got it. And just one last bookkeeping question. This depreciation quarterly has been quite volatile. This quarter, it was almost 2x the previous quarter. So what sort of run rate should we expect in future quarters and maybe full year also, if you could explain?

**Subhash Jajoo:** The depreciation was higher for this quarter because in the month of January, we commissioned our Nawalgarh unit and that is the reason for the higher depreciation for the quarter. Going forward, I think you should take around INR1,500 crores to INR1,600 crores of depreciation for the full year because a few more units will be commissioned in the current year. Guntur has already been commissioned in April. So it should be around these levels only for full year.

**Sumangal Nevatia:** Okay. But that is similar to FY '24, ideally it should have increased, right?

**Subhash Jajoo:** So. Yes, it is similar...

**Ashok Bhandari:** This is Bhandari here. Listen, my friend. I had been telling all and sundry that when you look at Shree Cement balance sheet, there is no point looking at PAT number. You please look at cash profit number. Depreciation is specifically designed for us because that is the best way of converting your non-fungible fixed asset to cash asset in a faster manner.

You would like to add more fungible assets than non-fungible asset. If you want more fungible assets, then I need to necessarily depreciate my plant and machinery faster so that cash retention in the system is more, which helps us in setting up our own capacity from internal accruals itself. So there is no point you can say, how will it be the same? We have set up 3 million tons of capacity this year. We are going to have 9 million tons of capacities this year. And that is why we are happy. But because they are rear-ended, we are saying that the depreciation level will be almost same. Got the point?

**Moderator:** Next question is from the line of Indrajit Agarwal from CLSA.

**Indrajit Agarwal:** I have 2 questions. First, any color on how the regional demand has been in your key markets in fourth quarter?

**Subhash Jajoo:** –As far as the current quarter is concerned, the demand growth was mainly in the Eastern market, where we grew by almost 20% quarter on quarter, followed by North, where the growth was around 5%. In South, there was a slight decline of around 9% to 10%. So overall, the growth was around 7%.

**Indrajit Agarwal:** Sure. That's helpful, sir. And Thank you Mr. Jajoo for initially highlighting the cash flow and capacity expansion philosophy of the company. But if you look at the balance sheet, you have about INR5,000 crores to INR6,000 crores of cash that is sitting and your organic capex would more than be sufficient from your current cash flows, you'll throw up much more cash flows than what you need. So what is the thought process in the use of cash in the next 3 years?

**Ashok Bhandari:** What do we do about the limestone auctions, which are frequent, we give them up or we borrow for them? You have to appreciate my friend. We are not in borrowing mode. We are not in equity raising mode. We would prefer to remain cash long to remain limestone long. Capex, yes, you're right. I have INR5,000 crores of cash, I'll be needing that for this year's capex, but the cash generated during this year will be retained for limestone auctions.

This is what, Indrajit, I wanted really you guys to understand. Come to me and understand how we see this business. It is not possible, it is not a spreadsheet game, a 40-year culture has gone into it. We have reaped the benefits. I've given you a 24.5% IRR. I'm giving you 2.5x CAGR in capacity creation. I have given you a net cash balance sheet. How this has all happened? This has all happened because of the philosophy, because of ethos which we follow. You come, you have asked for time somewhere, I think, next week or something, you are most welcome come and sit with me. I'll explain you how we have grown? Why we have grown? And why we pursue this strategy?

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

**Prateek Kumar:** Congrats for great results and great EBITDA per ton. I have a couple of questions. Firstly, on capex. So in the press release, we have talked about going to 66 million tons capacity, probably means like 12 million ton addition. You talked about 10 million ton in the opening remarks. So what is not included there and which all capacity we are looking to commission this year?

**Ashok Bhandari:** Prateek, please understand. We promise you 62 million ton by March. We can extend to 65 depending on how our grinding units start shaping up. So it is very difficult to pin-pointedly give you a 6 million, 9 million, 12 million. Then we proclaim. Then it does not happen. Then we explain. That is not our work. What we will deliver, we have told you. What is our possibility, we have told you. And if it is better say thank you. If it is worse than that, at least we will not be defensive by proclaiming. We'll deliver and then explain instead of proclaiming and then explaining.

**Prateek Kumar:** So the Etah grinding unit is probably, which is we are looking at maybe 1Q '26. So that is the only difference, right?

**Ashok Bhandari:** Etah promised March '25. It has too much of logistical advantage, we can't afford to delay that project.

**Neeraj Akhoury:** As we said, all these projects are going at full speed. Yes, most of them are to be commissioned in the last quarter of this year. There could be potentially some delays, unanticipated and uncertain delays. And therefore, we have been cautious. At the current speed, we expect that 9 million tons should be commissioned in this year itself, 9 million to 10 million tons, and rest in the coming year. Does that make sense?

**Prateek Kumar:** Yes. That makes sense, sir. Secondly, there have been the press release around amalgamation of Shree Cement East Private Limited and North. I mean, so what is the strategy there? Why are we not amalgamating them in stand-alone operations and amalgamating separately?

**Ashok Bhandari:** You have to understand that both these companies are under new regime of tax enjoying a tax rate of 15%. Amalgamating them in Shree Cement will have a tax dis-arbitrage. And we want to have an entity of 15% tax bracket so that whatever expansions we can do logically in those companies would keep on getting taxed at 15% only. If we amalgamate them in Shree Cement, the tax rate will go up and the tax arbitrage will go down.

**Prateek Kumar:** Right. And last question on RMC revenue expectation. I mean, we talked about INR100 crores capex numbers, but any revenue expectations we have for like first three years outflow or something or maybe first year?

**Neeraj Akhoury:** The RMC takes a while to stabilize. I mean, typically, it's a cycle time of six to eight months before you were able to operate it at a certain capacity. The five plants that we have acquired in Mumbai, they already have a customer base, so that could stabilize a little quicker. But the greenfield plants take some time to stabilize. In my experience and opinion typically six to eight months before it starts becoming EBITDA positive.

And that's the way it will be in this. Give us this year. This year will be a crucial year because we are embarking on a new journey. And maybe by early next year, we will start projecting, we will be more accurate in terms of RMC. In any case, the proportion will be -- if I may use the word, not insignificant, but very small compared to the whole cement business that we are doing. We should not have much of a material impact on our results.

**Prateek Kumar:** Sorry, if I can ask one more question on the premium segment. So we had a brand makeover like earlier last quarter. So what is the expectation on price improvement for our product-wise vis-a-vis like some of the other companies and proportion of our premium cement on overall sales in next one to two years?

**Neeraj Akhoury:** Bangur is established in the month of January. It is still stabilizing in the market as a new brand. It takes a while to it. What I expect that Bangur Magna, Magna being our premium product for now as one band premium product strategy. We should hopefully aspire to reaching somewhere around 12% to 15% of our total sales. That journey continues. A lot of initiatives are being taken on how to improve Magna consumer pool, you have seen us more active on the mass media like television and social media. We expect the pool to be creative. Magna is also one of the products with some of industry best standards on quality. So we expect that Magna pull should further enhance in the coming quarters, and it should reach about 12% to 15% of total sales.

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

**Pulkit Patni:** So my first question is on pricing. I mean because you spoke about the mix, it looks like despite having an adverse mix, your realization decline was actually lower than most of your competition. But my question is more broadly on this 5% to 6% Q-o-Q decline in pricing. Now Mr. Bhandari, you spoke about 40 years of experience in this industry. Can you think of a time period where between two quarters, prices declined 6%?

And how do you read this into how the pricing environment is evolving? Is it different than what it has been? Is it larger players being more competitive? So if you could just talk about how you're thinking about this pricing dynamic from a medium-term perspective? That would be helpful.

**Ashok Bhandari:** Reinventing the wheel. The price is completely dependent on demand-supply situation. So in demand and supply, supply side we are quite confident that it will not go berserk, demand side depends on macro-economics, today majorly government project. This is also to remind you that over the last 40 years I have never taken a call on cement price, but it is impossible for anybody in the world to take a call on any commodity price.

If there is no point, we are just maintaining the stand that we are the most cost-efficient players and if it rains everybody gets wet. If prices come down, yes, we will also get wet. Our operating efficiency is directly proportional to our capacity utilization.

We expect the capacity utilization of 80% this year which should effectively result into a production of about 39 million to 40 million tons. At 80% capacity utilization having everything constant costs coming down we expect EBITDA margins to improve, but then it all dependent on how the top line moves and it is beyond anybody's control in the world to define the top line of any commodity business. And that is why I cannot define the EBITDA. I can tell you that we will remain the most cost-efficient player in the industry. That's it.

**Pulkit Patni:** Sir I fully appreciate that, but I'm sure there would be a reason internally to think about why these prices are where they are? I'm just trying to understand what is your opinion if that is the case?

**Ashok Bhandari:** No, just let me hold you there. No even if we try to do anything can we affect it? No, we can't. It's a completely market-based phenomena. I told you the laws of economics are supreme, demand supply is what determines the prices. Today, the demand is lull because of election or whatever reason, summer, laborers going for harvesting to their villages and voting as well.

If the demand picks up the prices also pickup. There are no dynamics please you are unnecessarily looking at industry dynamics, internal dynamics. There is nothing like that. The demand is down, that is why the price is down. Let demand supply correct, prices will automatically see an uptick.

You must be thinking what is happening, how it is happening. I am telling you from the 40 years experience that the macro principle of demand and supply defines the prices. You all think that understanding is there, it is not there, it is broken, he ran away, he fought it. You think that way there is nothing as such. Demand supply reigns supreme.

**Pulkit Patni:** Sir, second question, what is the kind of coal inventory we have right now?

**Ashok Bhandari:** This I don't know, I'll have to look at and come back to you. What is it?

**Subhash Jajoo:** Current inventory as on 31st March is around 14 lakh tons and the average fuel cost is same like 1.8.

**Ashok Bhandari:** What is the pipeline, does it include the pipelines here. It includes the pipeline? 14 lakh tons is equivalent to how many months of consumption?

**Subhash Jajoo:** At least 4 months of inventory we are already having at this rate.

**Pulkit Patni:** Very helpful sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Rashi Chopra from Citigroup. Please go ahead.

**Rashi Chopra:** Just on the cost side your realizations on a sequential basis have declined 6% and you've got a flat EBITDA per ton. So the correction in the cost, is that largely attributed to the marketing and the stores and spares that you mentioned or is there anything more than this sequentially?

**Ashok Bhandari:** There are two, three things Rashi. One is, of course, stores and spares does not have any meaning. The biggest beneficiary of my cost reduction is coal. The coal cost has come down by INR0.70 over the year, INR2.53 to INR1.82.

**Rashi Chopra:** Sir, sequentially, I am asking.

**Ashok Bhandari:** It is INR1.78.

**Raashi Chopra:** Coal cost has actually gone up, I think, sequentially, little bit...

**Ashok Bhandari:** You are right, INR1.78 to INR1.82. Please understand this, I have you told you every time that operating efficiency is directly proportional to capacity utilization. 79% capacity utilization, which would have been 80 plus if that 3–4 day dispatch wouldn't have been a problem.

**Raashi Chopra:** Sir, I think, what I am trying to ask is, you were saying that you reduce some of the expenses on the brand building, etc. So how do we look...

**Ashok Bhandari:** Expenses got deferred.

**Raashi Chopra:** Deferred, correct.

**Ashok Bhandari:** If the idol, means the brand idol, doesn't have time to shoot, then he won't get the money for the shooting. He will do it sometime this year, he will get it then. So it just got deferred. Paper advertisement and publicity, we went low because we wanted to see how the market reacts to our new brand strategy. It will also get recouped. Stores and spares, is yes, one time correction, small correction, and should last because of higher capacity utilization. The per ton spare cost comes down.

**Raashi Chopra:** Got it. And sir, what was the -- I know the overall year, green power was 56%. For this quarter, what was the proportion?

**Subhash Jajoo:** Around 54%.

**Ashok Bhandari:** How come you said 56% last year?

**Subhash Jajoo:** Overall.

**Ashok Bhandari:** Okay, alright. You are talking of quarter?

**Raashi Chopra:** Quarter sir. 54%. This 188-megawatt that you're adding, this is likely to come through in the course of this year or next couple of years, like what are the time lines?

**Ashok Bhandari:** Up to March '26. Major part is March '25. I think about 100 megawatts is March '25.

**Subhash Jajoo:** 148-megawatt is by March '25 and balance 40-megawatt is by March '26. This is a breakup for 188 megawatts.

**Raashi Chopra:** And if you don't mind, possible to break up the 188 between like WHR and wind, solar?

**Subhash Jajoo:** Yes, sure. It's 34-megawatt is WHR and 114 megawatts is solar.

**Raashi Chopra:** 34 is WHR?

**Subhash Jajoo:** Yes, 34 WHR, 114 megawatts is solar, and the next year, 40-megawatt is also solar. Hope that's clear.

**Raashi Chopra:** That's clear. And just lead distance in this quarter?

**Subhash Jajoo:** 435 kilometers.

**Raashi Chopra:** 435. So this has come down from 448 in 3Q.

**Subhash Jajoo:** No, in 3Q, it was 457.

**Raashi Chopra:** So it's come down by nearly 20 kilometers.

**Subhash Jajoo:** Yes.

**Moderator:** Thank you. The next question is from the line of Jashandeep Singh from Nomura. Please go ahead.

**Jashandeep Singh:** Congratulations on a great set of numbers. I just wanted to understand, since our power and fuel cost will most likely remain stable. And Shree Cement is the lowest cost producer right now. So what is the cost driver from where Shree Cement can see savings in future

**Ashok Bhandari:** We are adding 148 megawatt green power capacity and utilization is expected to go to 80%? 148 megawatt green power will be added, green energy share in total energy consumption will go from 56% to 62%. I have a power consumption of 66 units per ton. How much is 62% of 66 units? In that, the cost of INR3 is directly visible in the arbitrage.

**Jashandeep Singh:** Right sir, understood. And sir, one more thing on the volume and demand scenario. If I remember correctly, last quarter, you have given a target of around 40 million tons for FY '26. So given we have already been...

**Ashok Bhandari:** FY '25.

**Jashandeep Singh:** FY '25, sorry FY '25 and we have already seen 1.5 months of demand scenario. Does that guidance still hold? And how is the demand in each of the regions you have seen in the 1.5 months?

**Ashok Bhandari:** There is no point throwing the towel so early in the year. Yes, the 1.5 months has been slow, but we expect H2 to be much faster because by that time, the government will be operational in full swing. All orders will be there and good demand should come. So at the moment, I'm guiding 40. If you want to be conservative, take 39 to 40.

**Jashandeep Singh:** Understood. And just one more clarification. I think that Mr. Neeraj Akhoury and you also mentioned that most of the capacity expansion will come in the fourth quarter or the last leg of the FY '25, is that correct?

**Ashok Bhandari:** Correct.

**Moderator:** Thank you. The next question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

**Rajesh Kumar Ravi:** Thanks for detailed presentation in terms of numbers. Sir, my first question pertains to, could you split out what would be the capex expenditure in FY '25, '26? And how much incentives was booked in Q4 and full year FY '24?

**Ashok Bhandari:** Look, what you have to understand is that to complete 6 million tons of capacity we will be needing about INR6000 crores.

**Rajesh Kumar Ravi:** Okay.

**Ashok Bhandari:** Out of that, you will see INR1,500 crores crores in the CWIP. So there is a capex of INR4000 crores-INR4,500 crores for 6 million tons. As Mr. Akhoury said, if it is 9 million, it will increase a little. So there is no issue in that. If we are doing a capex of INR12,000 crores by 2027, to make life easier, you take INR 4,000 crores per year. And if you look at my cash flow, it is above INR4,000 crores.

**Rajesh Kumar Ravi:** Correct. There is no question mark in that.

**Ashok Bhandari:** There is no question mark, so you can take the capex like that. What was your second question?

**Rajesh Kumar Ravi:** Incentives booked in Q4 and FY'24.

**Ashok Bhandari:** Look, listen to me. Booked in Q4, FY'24, if you take the balance sheet and look at the operating income, you will get the subsidy number. It is not in front of me. It is not in front of me at the moment. But that is a disclosed number. What can I say about that? If you want the balance sheet, I will tell Jajoo.

**Moderator:** Sorry to interrupt, sir. I would request Mr. Ravi to please follow up in the question queue for further questions. Thank you. The next question is from the line of Rahul Gupta from Morgan Stanley. Please go ahead.

**Rahul Gupta:** Hi. Thank you for taking my question. I have a couple of questions. Sorry if I missed earlier. Can you help me with the realization number for the quarter?

**Ashok Bhandari:** Realization number means cement realization, power realization. What do you want, my friend?

**Rahul Gupta:** Cement realization, sir.

**Subhash Jajoo:** Yes. The cement realization for March is INR 4721 per ton. And for last year, it was INR4848 per ton.

**Rahul Gupta:** Thank you. My second question is, I know demand has been relatively weak in the first 1.5 months of this quarter. Can you help me understand how prices have behaved across your home geography? That will give us clarity in terms of how demand has been across markets. Thank you so much.

**Ashok Bhandari:** They are stable to weak. The pricing is stable to weak.

**Rahul Gupta:** Thank you, sir. This is versus March exit prices or versus the quarterly averages?

**Ashok Bhandari:** March exit prices.

**Rahul Gupta:** And we have been seeing stable to weak across markets, right?

**Ashok Bhandari:** Well, you see, there are various markets where there are still pockets of lucrative pricing power. So it will be very difficult. We will have to go into an analysis. As far as the company is concerned, we look at the average gross realization. So average gross realization is lower than exit March '24.

**Moderator:** Thank you. The next question is from the line of Parth Bhavsar from Investec. Please go ahead.

**Parth Bhavsar:** Hi, sir. Thank you for the opportunity and congratulations on the good set of numbers. I just have one question. I just wanted revenue contribution from power segment last year. Q4 FY '23.

**Ashok Bhandari:** INR440 crores.

**Parth Bhavsar:** This was this year, right? 440. I wanted last year's number.

**Subhash Jajoo:** Q4. Last year it was INR343 crores. March '23 quarter.

**Parth Bhavsar:** March '23 quarter. One can assume same 10%. Same 10% EBITDA margin, right? Okay, sir. That was my question. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

**Navin Sahadeo:** Yes. Thank you for the opportunity. Just one question. This was more of a book-keeping in the sense the difference between the consolidated and standalone where I'm seeing the difference on revenue front is a very stable INR330-INR320 crores in the past 2 quarters. Or even on a year-on-year basis, the revenue difference is about INR300 crores. But EBITDA for the quarter difference is a good INR95 crores versus INR30-odd crores maybe in the previous quarter. It used to be really marginal, like, you know, low or marginal number in the past? It could just help us understand.

**Ashok Bhandari:** We have been fortunate in our Ras Al-Khaimah operation - UAE operations.

**Navin Sahadeo:** Is there any one-off or how should one?

**Ashok Bhandari:** I feel it is one-off, but let time tell.

**Navin Sahadeo:** Sure. I just wanted to clarify on this because the previous participant had asked about - one of the previous participants about consol numbers. So does this consolidated number has any volumes or benefits of any domestic expansions as such?

**Ashok Bhandari:** Come back again, what do you want? The domestic expansion was only in Nawalgarh.

**Navin Sahadeo:** So, Nawalgarh is not in the consol, right? It is not a separate subsidiary. It is in the stand-alone number captured.

**Ashok Bhandari:** In the consol, all the numbers will be there, friend.

**Navin Sahadeo:** Agreed. I was only saying, I will just rephrase. Just want a clarification is Nawalgarh is captured in Stand-alone. That is all the clarification.

**Ashok Bhandari:** Ras Al Khaimah was not captured in the standalone. It was captured in the consol numbers.

**Navin Sahadeo:** That is all I wanted to clarify. That is it.

**Subhash Jajoo:** They're in Shree Cement itself. So obviously, it is there in the stand-alone. Anything which is there in our subsidiary, East, like the Purulia unit, that will not come in the stand-alone and come in the consol. But anything which is there in Shree Cement will definitely be there in the stand-alone numbers.

**Navin Sahadeo:** That was only clarification. Thank you.

**Ashok Bhandari:** I just have one closing remark to make. Once you guys come and meet us or you have more meetings with us, you will understand that we have the uncanny habit of pulling rabbits out of the hat. So don't think that we have disclosed everything what we wanted to say or what we are planning. Look for further surprises. Thank you.

**Moderator:** Thank you, sir. The next question is from the line of Ashish Jain from Macquarie. Please go ahead.

**Ashish Jain:** Sir, just one question. Just railway lines, what is the progress? I wanted to understand.

**Ashok Bhandari:** I will do one thing. I will send you a chart. I will send you exactly a chart as to which units are there and which railway line is already there and what are the expectations of the railway line. That chart I will mail you tomorrow. I am in Delhi today. I will mail that chart to you. Or I will take a WhatsApp and send it to you.

**Moderator:** Thank you. Thank you. Ladies and gentlemen, that was the last question for today's conference call. I would like to hand the conference over to the management for closing comments.

**Neeraj Akhoury:** Thank you all our shareholders and everybody in this conference call. We are delighted to see that the numbers were pretty large. I think about 250 people attended our call. Thanks a lot. As it has been said, we will be progressing very strongly on all the topics that you all have raised.

What we have committed is what we have committed and we will deliver that. But clearly the effort will be to exceed your expectations as well. With that we will bring this call to an end. Again, thanks a lot and see you next quarter.

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

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