SAGAR CEMENTS LIMITED

Ref:SCL:SEC:2022-23 17th May 2022

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

Symbol: SAGCEM
Series: EQ

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

Scrip Code: 502090

Dear Sirs,

Sub: Submission of transcription of Conference Call under Regulation 30 read with Part A of Schedule III of SEBI (LODR) Regulations, 2015 on Q4 FY 22 financial results

Pursuant to the above said Regulation, we are forwarding herewith the transcription of the Conference Call held by us on 12th May, 2022 in connection with the recently announced audited stand-alone and consolidated financial results for the fourth quarter and year ended 31st March, 2022.

Thanking you

Yours faithfully
For Sagar Cements Limited

R.Soundararajan
Company Secretary

Encl.

Sagar Cements Limited

Q4 FY22 Earnings Conference Call Transcript

May 12, 2022

Moderator: Good morning ladies and gentlemen. Welcome you all to the Q4 FY22 and FY22 Results Conference Call of Sagar Cements Limited. We have with us from the management Mr. Sreekanth Reddy, Joint Managing Director, Mr. K. Prasad, CFO, Mr. Rajesh Singh, Chief Marketing Officer and Mr. Soundararajan, Company Secretary. We will start the session today by opening remarks from the management and then will be followed by a Q&A session. I request all the participants to be on mute mode during the course of the call. I would now like to hand over the call to Mr. Gavin Desa of CDR for his opening remarks. Over to you Gavin.

Gavin Desa: Thank you Manish. Manish has just introduced the management, the management of Sagar Cements, Q4 FY22 Conference Call. Welcome to the call. We just like to add that some statements made in today's discussions maybe forward looking in nature and in order to this effect was stated in the conference call invite that has been sent to you earlier. We have trust you had a chance to look at the presentation. I would now like to invite Mr. Sreekanth Reddy to begin his opening remarks. Over to you Sreekanth.

Sreekanth Reddy: Thank you Gavin. Good morning everyone and welcome to Sagar Cements' earnings call for the quarter and year ended March 31st, 2022.

Let me begin the discussion with a brief overview of the market – in terms of demand and pricing post which I will move on to Sagar specific developments.

Overall volume growth has been fairly resilient during the quarter. We have seen realisations, as well trending higher compared to the exit price of March quarter, largely owing to higher input prices. Prices across raw materials have seen a sharp surge, be it coal, freight, and packing material in recent times. Demand momentum, though has remained fairly buoyant which has helped sustain the recent price hikes. While we have started seeing some moderation in raw material prices, it would be a bit premature to comment if things have normalized on that front, the situation is fairly dynamic with extreme moves in either direction. It is better to observe them before commenting on a definitive trend.

On a long-term basis though, we remain positive on the business and believe greater government allocation to infrastructure and to low-cost housing projects would provide the requisite fillip to demand growth, both urban and rural.

Moving on to Sagar specific developments, we are pleased with our volume growth during the quarter, which has seen an improvement both sequentially as well as annually. Realizations have further improved compared to the exit price of the quarter largely necessitated by the unrelenting increase in fuel prices. Demand sentiment as well, is fairly buoyant, helping sustain the price revision.

Another noteworthy development was the investment by Premji Invest to help meet the organic and inorganic aspirations of the Company. We will jointly work with Premji Invest towards setting up a best-in-class governance process in our endeavor to drive value creation to all our stakeholders.

We are also pleased to announce that we have been awarded the “Best Management Award” by the Govt. of Telangana for its Mattampally Unit and our Gudipadu Unit was Awarded with “State Level and Zonal level overall 2nd prize for Mines Safety -2022”, in appreciation of the Safety and other works pertaining to the Mines, by Mines Safety Association of Karnataka under the aegis of Directorate General of Mines Safety, Government of India.

Our cost rationalization measures, and better inventory management helped us partly control the pressures of the input prices. As indicated earlier, we have increased the usage of domestic coal and lowered our consumption of pet coke during the quarter, which has helped us in lowering our operational cost.

Going ahead, we believe the commissioning of the new units coupled with a strong balance sheet following the preferential allotment, positions us well to deliver steady and consistent growth.

With that, let me now move on to our quarterly performance. We reported revenues worth Rs. 502 crores during the quarter; driven largely by volumes. Overall contribution from the two units commissioned during the year, stood at 77,836 Tonnes.

EBITDA for the quarter stood at Rs. 61 crores as against Rs. 104 generated during Q4 FY21; while margins for the current period stood at 12% as against 25% reported during corresponding period last year. As mentioned earlier, we also had to operate in a rising input price environment, owing to which we registered a margin compression and also due to the start-up costs that have been incurred at both the new capacities. The overall impact on the profitability would have been even more severe but for our prudent procurement and cost rationalization strategy. We have been working towards increasing the share of domestic coal to better manage the power & fuel expenditure. Higher depreciation and interest expense resulted in loss for the quarter of Rs. (19) crore as against Rs. 48 crores profit generated during Q4FY21. This is also due to the borrowings that we have done for a potential acquisition.

Average fuel cost stood at Rs. 1,596 per ton as against Rs. 870 per ton reported during Q4 FY21. Elevated prices of coal and pet coke resulted in higher per ton cost of fuel for the quarter. Freight cost for the quarter stood at Rs. 776 as against Rs. 742 per ton during Q4 FY21.

From an operational stand point, Mattampally plant operated at 66% utilization level while Gudipadu, Bayyavaram, Jeerabad and Jajpur plants operated at 83%, 72%, 30% and 9% respectively during the quarter.

On an annual base, net revenue from the operations for the year stood at Rs.1,597 crores as against Rs.1,371 crore generated during the last year, increase by 16% YoY. EBITDA for the year stood at Rs. 276 crores as against Rs. 400 crores reported during FY21, declined by almost 31% YoY. Profit before tax for the year stood at Rs.104 crores as against Rs.281 crores reported during FY21. Profit after tax for the year stood at Rs.59 crore, as against PAT of Rs. 186 crores reported during the FY21.

As far as the key balance sheet items are concerned the gross debt as on 31st March 2022 stood at Rs. 1,503 crores out of which Rs. 1,324 crores as a long-term debt and the remaining constitutes the working capital. Out of this around Rs. 500 crores has been borrowed for potential acquisition. The net worth of the company on a consolidated basis as on 31st March 2022 stood at Rs. 1,309 crores. Debt equity ratio stands at 1.01:1. Cash and bank balances were at Rs. 163 crores as on 31st March 2022.

The Board of Directors has recommended a dividend of Rs. 0.70 per equity share of Rs. 2 each (35%) on the 13,07,07,548 equity shares of the Company, translating to a dividend pay-out of Rs around 9 crores.

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

Moderator: Thank you. We will now begin the Q&A session a reminder to all participants you can ask your question by raise of hands in the participant tab of the Zoom platform. We will wait for a moment for the question queue. The first question is from Shravan Shah. Please go-ahead Shravan.

Shravan Shah: Thank you, sir. Am I audible?

Sreekanth Reddy: Yes sir, you are.

Shravan Shah: Yeah, Sir first coming on pricing front. So, if you can help us in terms of that fourth quarter in eastern South, how much the pricing that we have done and post March, in April and May how much prices we have raised because in South my understanding says the price increase is relatively lower versus other parts of India. So just wanted your thought on that.

Sreekanth Reddy: Yeah. Good morning. Mr. Shravan. See our observation in the southern markets, especially the Hyderabad market. It has been flat from March to April. May, there is a slight change. But we are still in the early part of May. But from exit price of December to March there has been an increase of around 15 rupees per bag, from March to April they more or less remained flat. Bangalore from December which was at 365 to March it actually increased by five rupees and from March to April it increased by 10 rupees. Chennai in December was at 380, It’s only remained flat at 380 and more or less it is flat for even April month. Our specific markets of East which includes Berhampur as well as to certain extent Bhubaneswar, the March price was around 300 rupees in Berhampur and 310 for Bhubaneswar, they increased to the April month from 300 to 320 in Berhampur, In Bhubaneswar from 310 to 330 rupees. Indore, we have seen December prices at 330, which increased to March by 10 rupees to 340 and from 340, they moved to 370 for the March month Sir. This is our reading of the markets.

Shravan Shah: So, are you feeling any pressure or what's the main reason do you see in terms of the prices not moving much in south? So, any thought on that and do you see that the remaining months of this quarter, May and June can we see, because of the cost pressure, everybody knows the cost pressure. So, what is stopping in terms of the prices to go up?

Sreekanth Reddy: See, I think the demand has been okay. But it has been lackluster Sir. It has been highly fluctuating. I think that could be one of the reasons why the price did not follow the input price in terms of the curve. Yeah, that's what we strongly think. Our internal view again, it's very specific to our internal view is that it might continue similar for this quarter, maybe to the next quarter before it actually starts rising to follow the input prices is what we strongly believe.

Shravan Shah: Okay. Sir, now coming to the question in terms of the demand and on the costing part, so demand. So, if you can once again help us in terms of last time what we guided in terms of the both the new plants utilization, how we are expecting for full year and broadly in terms of what kind of volume growth that we are targeting for this year. So, that is one aspect and second in terms of the costing, I understand it is very difficult the kind of fluctuation is happening in the coal prices, but whatever is, till now inventory we have, how do we see particularly during this quarter in terms of the costing, how much we can expect it to go further up.

Sreekanth Reddy: Now, let me address the first question first in terms of our demand outlook, our demand outlook is to do 5 million for the current year. This is primarily because we are expecting a flat to slightly positive kind of for the existing markets and with both the new plants reasonably ramping up should be significantly contributing to this 5 millions out of 1.4 million incremental demand we expect sizable volumes to come from both these plants, that is Jeerabad as well as Jajpur and more specifically from Jeerabad but and to a lesser extent to Jajpur because in the first half we expect Jajpur to slowly ramp up and only during the second half we expect Jajpur to fully catch up all in all we are expecting a 5 million tone consolidated kind of a volume outlook is what we have for the current year. Now going to the input prices sir, as you rightly mentioned, it is difficult for us to predict anything. But with the current inventories that we have, in the past we used to maintain a six-month inventory that got reduced to four, four and a half months now. So, we do have inventory of fuel, the only thing that we are not in control at this point of time is both the inward and the outward freight sir, that is exactly what we are not in a situation to predict. Overall, we are expecting the cost to move up anywhere between 2 to 3% from the last quarter to this quarter, primarily on account of freight, both inward and outward. Coming to the coal landed cost, As I mentioned, we are reasonably secured for this quarter and halfway through the next quarter. So, we are not expecting a significant jump, but for the domestic Pet coke pricing, which has been in tandem with the imported pet coke, we do use close to 30% of Pet coke that might have some influence, but domestic coal yeah, we are reasonably sure that availability and cost related. Yeah, we are in control for at least this quarter and halfway through the next quarter.

Shravan Shah: Sir, my last question is on the finance cost and the debt. Sir, the finance costs this quarter has significantly went apart. So, it is a 47 Odd crore. Sir, will this run rate continue or will it decline and in terms of the debt, I understand that you mentioned the 500 Crores is for acquisition. So, anything you want to give a highlight would it be organic, inorganic or anything have we move on or inorganic part? Or can be materialized or can we expect some announcement at least in next one or two quarters and ultimately how do we see the debts by end of FY 23?

Sreekanth Reddy: We did narrate that our net debt would not exceed more than 800 crores to 850 crores. so, that remain sir, but for this 500 crores debt which we have taken for an acquisition. As I mentioned, it's an acquisition. So, organic is ruled out, we are definitely looking, chasing couple of things and we are more than hopeful that it would get translate either at the end of Q2 to early part of Q3.

Shravan Shah: And regarding the finance cost?

Sreekanth Reddy: See I think finance cost as I mentioned to you sir, I think we are in control of it. The only reason why it surged is because of this incremental 500 crore which has been borrowed for the acquisition that added up to a normal kind of less than 800 crores kind of this thing, we don't expect a major shift in the real debt for the operation. The only debt that we have, that we are servicing at this point of time incrementally is for the acquisitions. Once it gets materialized, I'm sure that also should get moderated to a great extent.

Shravan Shah: Okay, thank you and all the best Sir.

Sreekanth Reddy: Thank you

Moderator: Thank you anyone who has a question may please indicate by raise of hands. Dhiral, can you please go ahead with your questions?

Dhiral Shah: Good Morning Sir, ---------------------------------? (Not audible)

Sreekanth Reddy: Mr. Dhiral, can you repeat the question ………, Sorry I missed on your…………? (Not audible)

Dhiral Shah: Any reason for you know---------------------------------? (Not audible)

Moderator: Sir, his question is any reason for expecting a flat growth in your core region?

Sreekanth Reddy: Yeah, the expectation is that there is some amount of new capacities that are likely to come up. So, given that scenario, we believe that whenever market is very tough, the incremental demand which we are expecting around AP and Telangana to grow at 5% to be attributed to the capacities rather the getting it same would be the case with the existing markets that we operate both Tamilnadu, Karnataka, Maharashtra, we do expect whatever is the incremental growth is likely to go to the new capacities rather than to an existing one's Sir. So, we have always been a market player so we believe that would definitely be taken by the new capacities rather than coming to us.

Dhiral Shah: How much capacities coming---------------------------------? (Not audible)

Sreekanth Reddy: Mr. Dhiral, I am Sorry, your voice is very feeble Sir. Can you please repeat the question please?

Dhiral Shah: Sir, how much new capacities are coming up in our core region? So, talking about AP and Telangana.

Sreekanth Reddy: See, I think over next one and a half to two years, we are expecting somewhere around the 9 million in these two states. We are expecting 9 million in these two states and another close to 10 million in Odisha.

Dhiral Shah: Okay, okay. Thank you.

Moderator: Thank you. The next question is from Madhu Babu. Please go-ahead Madhu.

Madhu Babu: Yeah, hi, sir, just because of the overall inflation and now there is a rate hike also. So, do you see that individual home building spent coming down? And second is how is the spend in AP government which is obviously facing some challenges in terms of the Overall Budgets.

Sreekanth Reddy: See, I think with the inflationary kind of trends, what we have seen is the initial reactions is to slow down. But even in the past, our experience has been that it's only momentary, once the inflationary price trends get set into the mindset of most of the people, we believe the trends to come back. So, a deferral, a small deferral is always a possibility, but that could be for a very, very short period, this time the inflation impact is quite sharp, but if you see not only the steel, but all the other building materials, they have literally doubled over the last previous three quarters to four quarters. So, since the impact is very, very severe, we do expect some amount of slowdown, but it could be momentarily once people get adjusted that this inflation is not going to taper down anytime soon, we expect the housing construction to recover and recovery to be very sharp once the reconciliation happens or the inflationary pressures come down.

Madhu Babu: And Just on the government spending on the AP Side?

Sreekanth Reddy: I think, the government spend, our experience is that typically post March it tends to slow down. But that has not been the case in the current state of affairs. For first 15 days, there were no orders from the government. But for last few days, at least close to 30 days that we have seen there have been surge of orders from Andhra government. So, we expect Andhra government to be very, very aggressive in their spends because it is part of their election commitment and even in the past, we have seen whenever any of the government's gear up for the elections, which is two years. So, I think that clock started now. So, we do expect most of the state governments which will be going for election over next two years to accelerate the spends. So, that is the trend that we have seen, even now.

Madhu Babu: Okay Sir, Thanks.

Moderator: Thank you, Rajesh, you may please go ahead with your question.

Rajesh Ravi: Yeah, hi, sir. I’m audible?

Sreekanth Reddy: Yes, Mr. Ravi.

Rajesh Ravi: Yeah. Hi, sir. Good morning. My question pertains to the interest cost on the debt, which is borrowed for the acquisition? And is there any time period, locking period for the same?

Sreekanth Reddy: Yeah, it's borrowed from three institutions Sir. Yeah, there is a definitive kind of locking period, ranging anywhere between 18 months to 2 years, Mr. Rajesh.

Rajesh Ravi: And what is the interest rate?

Sreekanth Reddy: Yeah, the average cost is around 12%.

Rajesh Ravi: Almost 12%?

Sreekanth Reddy: Yes.

Rajesh Ravi: Okay. Okay, and how about the other borrowings that you have on books?

Sreekanth Reddy: The average is at around 8%.

Rajesh Ravi: Okay, so the blended will be close to 10% for you. And this quarter is going to be June quarter realizations you're mentioning are broadly flattish versus March quarter. While you know, the industry is well aware about this sharp spike in the cost, so you know, what would, obviously be evident that March quarter has been weak in terms of the margins? So, are we starring further you know, sort of falling margins given that the pricing doesn't seem to inch up?

Sreekanth Reddy: Yeah, Mr. Rajesh, this I will speak for myself. That's easier. So, our experience is that March quarter, as you have seen, there was a lot of pressure on the both input as well as the realization.

Rajesh Ravi: Right.

Sreekanth Reddy: In our case, very specifically, we had an issue because we're starting up two new plants. So, as you know, the startup costs usually tend to be higher and the operating capacity utilization of both the plants were relatively lower. So that did put pressure on our margin. If you exclude that, we would have been a lot better and we are lot better and getting into the Q1 Sir. The ramp up from these two actually is helping us, in our case, it's too soon. But we have seen that though the realizations moved only to certain extent not to cover the major cost. But there has been a significant improvement in our EBITDA per ton kind of number. It's purely because the startup costs and everything had been done, and at the same time, the operational utilizations have also gone up for those two plants. With that we have seen our EBITDA per ton moving up significantly.

Rajesh Ravi: Okay, this is happening to yourself, but could you quantify how much would have been the impact of the startup cost of the two plants your March quarter numbers?

Sreekanth Reddy: Yeah, both are relatively sizes are very different, but all in all, it could be around anywhere between 100 to 150 rupees per ton, could have been impact on the console.

Rajesh Ravi: Okay. So, this 540 would be close to 700 for you,

Sreekanth Reddy: It should be slightly higher than that, yeah it should be the case.

Rajesh Ravi: Okay. So, we will taking that 700 as a base and realization improvement has been more or less flattish and Cost for sure would be going up by at least 30 rupees you know, on an average for the thirty rupees translates to 500 to 600 rupees per ton. So, how do you see to counter that, I mean, you know, even factoring that in is your margins expanding or you are benefiting from new possibilities.

Sreekanth Reddy: Yeah Rajesh, it is not 30 rupees from quarter to quarter Sir, I think the overall costs have gone up, year on year, it is almost around 40 to 50 rupees, but there was a set off in the realization uptick. So, what we expect is that the realizations only moved up by say, not even 10% of the cost input prices as a percentage basis points, but volumes did help us to cover some amount of cost pressures, the margin compression we are expecting not as severe as it went by. But unless prices move up, it's likely that we still could be under some pressure as far as margin is concerned going forward. Unless there is a pass through of these prices from, quantifying them is too soon. I think we would be very happy to come back to you by the end of this quarter. Exactly how the trend lines are. I think it is too soon for us to really quantify the real impacts for the current year.

Rajesh Ravi: Great Sir, thank you all the best.

Sreekanth Reddy: Thank you

Moderator: Thank you, Mangesh you may please go ahead with your question.

Mangesh Bhadang: Yeah, hello, sir. Good morning. Sir, my question is regarding the fuel costs. So, in the presentation that you have mentioned, the domestic coal now constitutes almost 40% of the total fuel. I just wanted to know where we can see it going forward, how much would that increase to? And secondly sir on the Pet coke side. So, we have mentioned that the current price of that pet coke is almost double of that of what we have actually realizing for 4Q. So, when do you expect that to hit our cost structure is it in 1Q itself or 2Q.

Sreekanth Reddy: Sir, we generally do on average kind of a costing. So, there is nothing new that you should expect, except for any further increase that is likely to happen. We have been consistently rating about 60% to 70% with the domestic coal, since the Jeerabad plant also has come up where we are sourcing the domestic pet coke. Percentage, there is a small shift. But for that, we started switching both Mattampally as well as Gudipadu plant is almost 60 to 70% domestic coal and 30 to 40% would be the domestic pet coke and we are using 95% domestic pet coke at Jeerabad sir and these are the costs which we have seen, which is on an average basis sir. We don't try to keep low cost in terms of booking. Yeah, we do it on an average inventory cost level so, it may not alter the equation quite soon. It's a continuous kind of a process. So, there is nothing new that is expected on the cost side other than what you have already seen. But for the freight sir, but for the freight. So, whatever is the incremental freight costs that would keep coming, that would be an addition to the overall kind of a cost.

Mangesh Bhadang: And Sir another question I had on the market sir that you are operating. So, if you can highlight, know what kind of demand was there in FY 22? And how much growth do you expect in FY 23? If it's possible?

Sreekanth Reddy: See, our reading of the market is last year AP and Telangana grew by almost 7%. So, we are also expecting a 5% growth for the current year, Tamilnadu has grown by 25%, these numbers look high, because of the earlier year base was very low. Here we are expecting a 5% growth in these markets Sir. Karnataka grew by almost 20% last year. So, we are again expecting a 5% growth, Maharashtra grew by 15%, we are expecting a 7% growth, Orissa was flat for last year. But we do expect a 10% growth for the current year, MP grew by 20%, we are expecting a 5 to 10% growth for MP for the current year sir. And these numbers take back all the state's demands by two to three years back sir. So, these are not new numbers, with the growth numbers that I'm trying to project. It's going back to the pre covid kind of levels. So, this is not new, and some of the states slowly start preparing for their election. Some states aggressively spent two years before the election. So that also has been considered for this outlook. But the outlook has a small caveat that the inflationary pressures we believe, to remain similar. Any upsurge could impact these demand outlook projections Mr. Mangesh.

Moderator: Thank you Mangesh, we may take the next question from Dipen Sheth, Please go-ahead.

Dipen Sheth: Yeah, can you hear me now?

Sreekanth Reddy: Yes, sir.

Dipen Sheth: Yeah, so I was just wondering if I'm making a mistake in something I might have heard earlier. You're shooting for what kind of volumes in this financial year,

Sreekanth Reddy: 5 million Sir.

Dipen Sheth: And you've done what about? So that's about 50 lakh tones versus the 36 or that you've done in the FY 22?

Sreekanth Reddy: Yes Sir.

Dipen Sheth: Okay. Okay and you're going to do this at a time when costs have sky rocketed and the demand outlook is, is lukewarm, it's not red hot.

Sreekanth Reddy: Yeah Mr. Dipen Sheth, see from sub 80,000 tons that we have done from these two ramped-up assets, or the new asset, yeah, we are expecting a 1.4 million tonne sir, so we are not trying to squeeze any new volumes into the existing markets and nor we are trying to disturb any of them. If the best we will be displacing some of those material, which was coming from far off into the markets that we are going to service Mr. Dipesh Sheth.

Dipen Sheth: Okay, okay. So, maybe you will do well there and the other thing on your balance sheet structure. So, you raised money at 12% for acquisition.

Sreekanth Reddy: Yes Sir.

Dipen Sheth: 300 odd crores?

Sreekanth Reddy: 500 crores.

Dipen Sheth: 500 Odd crores and you're, and you're sitting on the cash right now?

Sreekanth Reddy: Yes Sir.

Dipen Sheth: You raise this sometime in November, right?

Sreekanth Reddy: December Sir.

Dipen Sheth: December, okay. Okay. So, this is what shows up as investments on your consolidated balance sheet about 300 Odd crores?

Sreekanth Reddy: Yes Sir.

Dipen Sheth: Some of these and the cash and all that. And, and you funded this at 12%. And I'm sure you're not getting a 12% yield on whatever investing you're doing right now. So, your

Sreekanth Reddy: It's an acquisition. So right now, we obviously would not get the yields proportion to 12, yeah, this is right now, the parking is happening at a very, very low kind of yields. This is where a strategic investment. So, the yields are not likely to happen. It's more at an acquisition that we expect the yields to happen. We are not doing any treasury management at this point of time.

Dipen Sheth: No, no, I'm okay with that. Sir. The question I'm asking is that it's okay. That the acquisition might be very lucrative, and for a short while, you will get low yields on your deployment.

Sreekanth Reddy: Yes Sir. You are Correct.

Dipen Sheth: But in that case, I would hope that the deal is pretty much sealed. I'm not sure, I'm not very familiar with the company. But I'm not sure if there is a public announcement to that effect and even if you haven't made such an announcement, can I take it as a given that it's in the pipe?

Sreekanth Reddy: It is definitely in pipeline, sir. In fact, we have two choices. I would not say, if they would have firmed up, obviously would have come back to the market to announce.

Dipen Sheth: Right.

Sreekanth Reddy: The possibility of these deals happening is very, very likely Sir.

Dipen Sheth: And again, I don't want to sound nasty here, but to acquire these assets with money borrowed at 12% makes sense to us.

Sreekanth Reddy: Yeah, it makes sense to us sir. Historically, we have never made wrong judgment on our acquisitions we made. So.

Dipen Sheth: Okay and just one bookkeeping question on the balance sheet. On the asset side on the consolidated balance sheet, the last items for both non-current assets and current assets have increased materially over the year. So, if you look at under non-current item (i), the other non-current assets at 135 crores and under current assets item (c), other current assets at 217 crores which is more than doubled. So, can you just share some color on what these items might cover?

Sreekanth Reddy: One-minute Sir. Yeah, Mr. Dipen, can we revert to you in detail explanation on this offline? If it is Okay with you.

Dipen Sheth: Sure. I'll put my email id and telephone number in the chat box. Thanks very much.

Sreekanth Reddy: Thank you, sir. Thank you.

Moderator: Thank you. The next question is from Sanjay Nandi. Please go ahead.

Sanjay Nandi: Yeah, good morning Sir.

Sreekanth Reddy: Good morning.

Sanjay Nandi: Yeah. So, just to mention like there happened a cost escalation of rupees 40 to 50 per bag on a YoY basis. Am I right? Sir?

Sreekanth Reddy: Yes, sir.

Sanjay Nandi: Sir, can you just quantify like, what is the escalation that happened on a QoQ basis like from the exit of March quarter, in terms of cost per bag, so that we can just measure it out? Like what kind of pricing we have taken?

Sreekanth Reddy: Mr. Sanjay, we have not done for the Per Bag, but we will revert to you, we would be happy to share that number.

Sanjay Nandi: Okay and the second question is like that Sir, we have just thinking of doing some acquisitions? Can we just quantify the number like what kind of size we are thinking of or it's there in our mind?

Sreekanth Reddy: Kindly bear with us? We are not very far. I think by either end of Q2 or early part of Q3. We'll be very happy to share all the details with you.

Sanjay Nandi: Okay, thank you so much. Wish you all the best sir. That's all from my side Sir.

Moderator: Thank you. The next question is from Madhu Babu, please go-ahead Madhu.

Madhu Babu: Yeah Sir, just one question. Sir, the season is passing without good tail wind for us, because prices are not up to the Mark. And again, from May to June, July monsoon will start so how do you see overall pricing sir, is it still possible to raise pricing, even if monsoon comes in all, because that first half is not that good.

Sreekanth Reddy: There has never been a correlation between price to demand to the season. But we do think the first half probably still could be a challenging kind of thing for us to anything is the we are halfway through Q1, which is supposed to be one of the best quarters. So, we are halfway through. So, pricing thing happened but not to a stage and scale that no industry was looking for or for the pass through to happen. So, we are still left with another month and half the current quarter, and probably a month of good this thing even into the Q2, I am hopeful. But still, the outlook that we internally factored is that it could be a flattish, kind of half, first half without any major kind of changes is what we're from here on any increase probably potentially could be passed through recovery could take some time.

Madhu Babu: But you're hopeful that even in monsoon time price hike can happen I mean like may be July?

Sreekanth Reddy: we have seen that it has no correlation in the past so there were times when you know in the monsoon season prices actually moved up because volume was shrinking so we have seen in the past, anything can be ruled out on that particular front.

Madhu Babu: And another thing said that acquisition target so has the valuation expectation moderated for that target entity because of the current situation?

Sreekanth Reddy: It doesn't change on the short-term sir, it doesn't change on the short term. It's too soon there are two targets that we are looking at it, it helps when the market is under pressure, but it may not significantly alter the valuation, the valuation itself is very huge sir.

Madhu Babu: Okay, okay sir, thanks.

Moderator: Thank you. Shantanu could you please go-ahead with your question. Shantanu you may please unmute your line and go ahead with your question, your line is not audible Shantanu, maybe request Shravan Shah to go-ahead with his question.

Shravan Shah: Yeah. Sir, trade sir, what was the number for fourth quarter?

Sreekanth Reddy: You're looking at the trade and non-trade shares.

Shravan Shah: Yeah Trade and Non-Trade Sir.

Sreekanth Reddy: See typically we have always been around 65 to 70% Trade sir; Non-Trade keeps expanding based on the government demand. So Q4 We were close to around 65%.

Shravan Shah: Okay, and sir blending this quarter has came down from 50% to 46 Odd percent. So, now with the new plants. Will this…

Sreekanth Reddy: Our outlook for the current year on the blending is 60% blended and 40% OPC Sir. I think this is purely possible because of the ramp up of the new capacities, in these two new capacities are in the markets where the demand for blended cement is higher.

Shravan Shah: Okay, and just to I understand our Capex definitely would be much much lower for this year, but just trying to get a number, any number you want to throw?

Sreekanth Reddy: Around 30 crores is the operational capex that we have kept for the current year sir.

Shravan Shah: Okay. And sir, we were previously thinking in terms of the WHR asset at Gudipadu. But we haven't decided as it has that

Sreekanth Reddy: It takes time sir, it is working progress. So, it is definitely not due for the current year. If any changes would happen, we would be very happy to come back to you.

Shravan Shah: And sir currently or maybe the fourth quarter and currently in terms of the gap between trade and non-trade price would be how much?

Sreekanth Reddy: Sir that I cannot comment for the market. In our case, the gap is very, very small. So, we generally don't chase the non-trade orders as aggressively. So, for us the gap between trade and non-trade is very, very limited. Internally the cap that we have kept is 50 rupees per bag sir, it cannot go beyond that in our case.

Shravan Shah: Okay, and sir broadly whatever the diesel price hike, which has happened and you are also mentioning that in your outward freight so how do you see it would be inching up on Per Ton basis for this quarter? Can it be 5% plus kind of thing? Because price…

Sreekanth Reddy: I wish I could give you an answer in a very straight fashion. We are clue less, because that's one which has been going on forever. Just to give you an update, diesel price alone moved up by 30% from whole of last year. Yeah, it is moved only by almost 10% From March to April, and from April to May we are yet to track sir. So, it's something which is a challenging kind of an input number, we would be very happy to share offline on the impact of diesel on a per bag what has happened in the past, the influence of diesel on the overall kind of cost.

Shravan Shah: But broadly, whatever the price hike, which is our diesel price hike, which has happened in last one to two months have entirely been passed on to the…

Sreekanth Reddy: Shravan See cost, as I mentioned, realization moved up by only 2 to 3%. Cost by 28%.

Shravan Shah: No Sir, I'm not trying to understand in terms of the realization, I'm trying to understand in terms of the passing on to the freight operator through which we use so?

Sreekanth Reddy: Freight operator would not operate at loss sir. Probably at the best, he will take it for a month. But after that you need to come back and update him. In our case, the service providers generally, it's an agreement so that it's a cost-plus kind of a function sir. So that gets passed on fairly quickly. They don't take any load on that.

Shravan Shah: Okay, okay, that's it from my side. Thank you and all the best.

Sreekanth Reddy: Thank you.

Moderator: Thank you. This question is from Mr. Shantanu. The question is about raw material cost reduction in Q4, what are the reasons for that?

Sreekanth Reddy: Sir, it is very simple, the blending reduced. So, the matching raw material costs have come down but for that there is no other.

Moderator: Okay, thank you, sir. Anyone who has a question may indicate by raise of hands. Sir, a couple of questions from my side. Firstly, on the ramp up of Satguru, how are things moving there in terms of placement in terms of you know, how are we placed in terms of category over there and how are volumes picking up?

Sreekanth Reddy: we don't believe in category Manish. So, it would be a challenge for us to say that but from the market leader, the delta is anywhere between 10 to 15 rupees. The positioning is very firm. So, we did not digest from the initial narration what we have done, that we would not compromise on volumes, but not the realization that actually helped us position well. The ramp up right now it is operating closer on 60%. We are more than hopeful by the end of this year, for the full year we might very close to 80% as indicated earlier sir.

Moderator: And the same for the Odisha plant.

Sreekanth Reddy: No Odisha plant is just started, it is too soon for us to take any call, we will be very happy by the end of this quarter we should be better situation to comment on the ramp up, the position perspective, we are not new to the market, we have always been a strong B player there. So, we remain there, some of the markets which we are servicing from a, with a higher lead distance actually, we are saving on that.

Moderator: Sure Sir, and my second question was on tie-up for coal. So, you mentioned you have four and four and half months of inventory, I mean, this is both locked in terms of price and volume?

Sreekanth Reddy: Typically, FSA only gets locked in with the quantity's sir, not with the price, okay. So, we are locked in for the full requirement of around six lakh tones from Singareni. So, there is no locking for the prices, there is a commitment for the quantity. Yeah, the only issue is the next couple of months, it could be a challenge to get material from them, obviously, their priority is to go into the power units at this point of time, but for that we would have actually gone back to the six months inventory. So, we are good, even though there is, there could be some delays in the deliveries, but we do have inventory on ground, but the commitment is literally at 70% at a console level, we have the full commitment of the domestic coal.

Moderator: Good. Sir, does that mean that with the peak power demand going down what starting June, July, we might see those supplies getting

Sreekanth Reddy: Yes Sir. Once the supply restore sir, we are more than hopeful and we will be going back to the six months kind of an inventory where you know, the control on the coal price can be can be at least corrected at least for one to two quarters firmly going forward we believe that it should, be on the ground for us to have control. So right now, we are only sitting on four and half month's kind of an inventory. Once this, this might come down a bit too or next month, month and a half. But we would go back by the monsoon season time for us to go back to the six months kind of inventory.

Moderator: Thank you, sir. Anyone who has a question may please signal by raise of hands. Shravan, you may please go ahead.

Shravan Shah: Yeah, sir. Lastly, on the Premji invest, trust that invested in our company, your thought in terms of how they will help us in terms of overall, strategically improving our business plan, business model, performance or anything, whatever you want to highlight?

Sreekanth Reddy: I think the size and the quality of the management that they have would obviously we strongly believe that the process and all that we are doing would get enhanced with their additional experience and the capabilities that they have very specific to business in terms of , will it increase the sale and it might, but it's too soon for us to take a call on that. But for sure on the, overall kind of business process implement. We strongly think that their contribution from their inputs and everything could be of a phenomenal value for us.

Shravan Shah: Okay, thank you, sir.

Sreekanth Reddy: Thank you.

Moderator: Thank you, sir. That was the last question. If you have any closing comments.

Sreekanth Reddy: Yeah, thank you, we would once again like to thank each one of you for joining on the call. I hope you got all the answers that you're looking for. Please feel free to connect with our team at Sagar Cements or at CDR should you need any further information. If you have any further queries, we would be more than happy to discuss them with you. We would definitely be sharing all the information which we told that we'll be sharing offline. Thank you again and have a good day. Thank you.

Moderator: Thank you, you may now disconnect. Thank you.

Sreekanth Reddy: Thank you Manish.

Moderator: Thank You Sir.