KESORAM
www.kesocorp.com

KIL/SE/Reg. 30/2021-2022

2nd March, 2022

BSE Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001	National Stock Exchange of India Ltd. "Exchange Plaza", Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E) Mumbai – 400051	The Calcutta Stock Exchange Ltd. 7, Lyons Range, Kolkata – 700001
(Eq. Scrip Code - 502937) (NCD Scrip Code-973060)	**(Symbol – KESORAMIND)**	**(Scrip code – 10000020)**

Dear Sir / Madam,

Sub: Investors conference call transcript

Please find enclosed herewith Conference Call Transcript in respect of conference call with the investors held on February 25, 2022.

The same is also available in the website of the Company www.kesocorp.com.

Thanking You,

Yours faithfully,
For Kesoram Industries Ltd

Raghuram Nath
Company Secretary

Encl: As above

P + 91 33 2243 5453, 2242 9454
+ 91 33 2248 0764, 2213 0441
F + 91 33 2210 9455
E : corporate@kesoram.net

Kesoram Industries Limited
Registered & Corporate Office
9/1, R.N. Mukherjee Road, Kolkata - 700 001
CIN - L17119WB1919PLC003429

B.K. BIRLA GROUP OF COMPANIES

"Kesoram Industries Limited Q3 FY22 Earnings Conference Call"

February 25, 2022

CALL LEADER: MS. BHOOMIKA NAIR - DAM CAPITAL ADVISORS LTD

MANAGEMENT: MR. P RADHAKRISHNAN, – WHOLE TIME DIRECTOR AND CEO - KESORAM INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY22 Earnings Conference Call of Kesoram Industries Limited, hosted by DAM Capital Advisors.

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 "*" than "0" on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Miss Bhoomika Nair from DAM Capital Advisors Limited. Thank you and over to you Ms. Nair.

Bhoomika Nair: Thanks, Janice. Good evening everyone, I would like to welcome you to the 3Q FY22 earnings calls of Kesoram Industries. We have with us Mr. P Radhakrishnan, Whole time Director and CEO from Kesoram Industries Limited. I would now like to hand over the call to him for his initial remarks post which will open up the floor for Q&A. Over to you sir.

P Radhakrishnan: Thank you at the outset, I would like to express my gratitude for DAM Capital in organizing this call. And thank you all, to all the participants who have joined this conference. And I'm joined by my colleague, Mr. Suresh Sharma, the CFO with the Chief Compliance Officer and Company Secretary, Mr. Raghuram Nath and the team.

So, for as Kesoram Industries, Q3 results are concerned, our financial performance on the volume trend, to sum it up, we can go line item wise, but, I would like to here to walk you through a major highlights. Basically, we have maintained earnest volume. We had a growth of about 49% in the production and 54% growth in salesin nine months for the financial year. And the blended cement growth has been 40% as well as the OPC cement growth has been 50%. So, on both the segments we have grown well. The EBITDA for the nine months was INR 464 crore as against INR 359 crore for the corresponding nine month and EBITDA per ton was at INR 826 per ton versus INR 756 per ton for the corresponding nine months in the FY21.

We did face cost pressure. The fuel cost had gone up as you know, the cost per GCVof coal had touch about INR 3 per GCV. The cost per GCV has increased and we did face cost pressure during this quarter. We managed this cost pressure ? ----by clocking good volume and the revenue per ton of cement to grow. But if you ask whether the price increase covers the cost in full, No, the answer is no. So, we made our efforts to cover the cost increases by virtue of better volumes and tried to sell more of blended cement. That common substance so far as how Q3 on the operational side was managed. Predominantly the increase was in power and fuel and of course, correspondingly the power and fuel goes up, the per tonton per kilometer cost too goes up.

On the balance sheet side, during Q3, we had opened our second part of the rights issue. And on January 4, subsequently we have closed the final call of the rights issue and except about INR 7 crore and all the money was collected. As we speak, a substantial portion has been collected, second notices were sent where the money's were pending. That is on the rights issue side. On the Debt side, we paid INR 55 crore, that is of NCD and we also paid in the month of January, INR 293 crore of face value of the OCD. So, the overall Debt including OCD and NCD should be about INR 1650 crore. And these are subsequent events. As we take this Q3 earnings in February, I'm just covering the subsequent events which are in the public domain too. We are at BBB minus by ICRA. That's where we are. So, the way forward we have been consistently saying, we needed liquidity and we focused on what it takes to inject liquidity, so, that the business does not suffer, maybe during the month of March 21 about 11 months back, and the way the business operations have shaped up, probably indicates, that was the right approach at that point in time.

Yes, at whatever cost we get, first is to not to starve the business of cash. Now, the business operations are stabilizing, I should say, we are on the growth path. While we are on the growth path,the next stage is obviously, before the next phase of growth comes in, we should look at reducing the cost of borrowing. That's the reason we have paida portion of the debt and we are looking at ways and means of reducing the cost of borrowing. That will be the next focus for the organization. And then hand in hand we will look at growing our volume and our presence in the market. So, this is a broad outline of the way forward which we will look at. Now, I leave the floor for the question and answer session please.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on your touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. A reminder to the participants if you wish to ask a question please press "*" then "1" at this time. The first question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Yes, hello Radha Sir. Sir a question, if you could give us the numbers, the volume numbers, the production and the sales number for the third quarter and the nine months.

P Radhakrishnan: Yes, complete all your questions then I will answer.

Saket Kapoor: Definitely sir. And how are we looking to close FY 22 In terms of the volumes and the utilization levels, what we have done for the preceding quarter as well as for the 9 months? How are the utilization levels currently shaping up? I am also looking at the elevated prices of coal and diesel, have affected the profitability of all cement players. So what are the price adjustments that we have taken for the quarter, that December quarter as well as post the exit of the quarter? Has there been any change in the prices? And on the net Debt levels, are You mentioned the figure at INR1650 crore Sir?

P Radhakrishnan: Yes.

Saket Kapoor: Okay. So what is our -- Hello?

P Radhakrishnan: Yes, about INR 1650 crore.

Saket Kapoor: So what are the current maturity, sirfor FY22 and FY 23? What is our blended cost of funds? So, if you could answer them, and then I'll put forward another set and then I'll come again.

P Radhakrishnan: If you could -- are you complete with your first set of questions?

Saket Kapoor: First set of questions I am done with. And for working capital requirements also if you could throw some light, what is our current working capital requirement and blended cost of funds.

P Radhakrishnan: So, thanks Mr Kapoor for asking these questions. So, firstly, production waswashigher by 49% at 5.4 million metric tons in for thenine months as against 3.6 million metric tons in the corresponding period last year. Of course, last year, we were affected by liquidity constraints, so, to that extent, the base effect of growth will be there. As you all know, because of liquidity constraint, we were unable to operate at optimum level. So, the salesgrowth, there is a growth of 54%, we have done 5.3 million tons as against 3.6 million tons, that for the nine months.. So, in the Q3 alone, if you look at the volume, we have done about 1.82 million tonnes, as against 1.44 million tonnes. So, that's the volume part of it. And then the cost parameters, yes, we are grappling with a cost. How best to address, as I outlined, we are looking at selling closer to the geography or penetrating the geographies closer to the market, increasing their share of blended cements. And as we have got to be lined with the market, and as I indicated, the entire cost increase we were unable to pass on. And still the cost increase is not fully covered. As we speak, yes from the exit of December, there had been sporadic increases and some of the increases was given away too. So overall, on an average, if you look at, there had been an increase but not substantial increase. That's where we are. in February there was some marginal increase, and it is 28 day month, and today as we speak, right in reaction, the fuel cost and various commodity costs have gone up. Hope it's not going to stay at this elevated level, it certainly hopefully it'll come up in the second round of increase will not last long. If this lasts, we have to probably look at increasing our prices because our costs are not fully covered. That's where we are, our cost increases are not fully covered. Like there is a reduction in margin which is evident in the EBITDA per ton. So Mr. Kapoor, you asked what would be the overall volumes for the fourth quarter where we will end up the year? So we should clock around whatever we clocked in the third quarter. That's the number we should probably look at, for the fourth quarter.

Moderator: Mr. Kapoor does that answer your question. AS there is no response from the current participant we take the next question from the line Siddhant from Goodwill

Investments. Please go ahead…. As there is no response from the current participant we take the next from the line of Aviral Jain from Siguler Guff. Please go ahead.

Aviral Jain: Thank you so much. Sir I had four or five questions primarily. First one was, what's the sustainable volume that you are targeting given the current capacity the company has. That's number one. On an annual basis, the number two, again basis last four or five years trend, because last FY20 and FY21, all the cement players witness unusually high profitability, but given long term trends, what is the sustainable EBITDA per ton given the industry operates in your region? What sort of EBITDA per ton would you be happy with and is achievable? And third question is any capacity expansion that you can do through debottlenecking or increase lending or just investing a little bit in grinding? Given we are still -- the company is just very OPC heavy, still is very OPC heavy. And post this, the net debt -- that number that you have given does that include the WBIDFC and the zero coupon convertible debentures and the negative working capital that the company has been carrying since last quarter or till last quarter?

P Radhakrishnan: So, I'll try to answer, probably from the latest the first. The debt which I gave, presently we don't have any working capital line other than non-fund baselines, right from one of the banks. Because -- and our entire debt in the books is funded by a consortium of the Goldman, Cerberus and Edelweiss as disclosed. So, as a highlighted, the way we look at this we were suffering for lack of liquidity and for lack of adequate induction of working capital and funds into the operation. And that's the reason -- one of the reasons we looked at demerging and trying to find out each of the Kesoram for us. Focus on cement in Kesoram and other business books embedded in other balance sheets and focus on each of the businesses from the conglomerate Kesoram move to be a pure cement play. So therefore, now we are at a stage where as you know this is a 19% loan, which we did this at that point in time to ensure the business doesn't starve of funds. Now, having achieved that, we are at a stage where we should look at reducing the cost of borrowing. That's where we are. So while reducing the cost of borrowing, probably we will look at, as we progress aggregating, now there is no working capital line and term line. So, one of the tools available to remove working capital line separately and probably try to get borrowing, give the borrowings at a reduced rate. And term borrowing at the right tenure. There is adequate liquidity to run the business efficiently. That is on the borrowing side, coming to the volume sustainable volume on this, as I highlighted we have not been operating our business at the right level for lack of adequate working capital. We see we are close to seven million tons, when there is scope to sell more, yes we should sell more from where we are and we will be sustained -- like we will finish this year at about 7 million tonnes and sustainable levels should be bit higher, maybe a million or half a million higher than. That's where I look at it currently in the near term. So, debottlenecking, yes, there is scope for debottlenecking, but as you rightly pointed out, we are still OPC heavy. So, we will try to first correct that and optimally use the clinker which is currently available, we don't have a constraint on grinding capacity, then we will look at the debottleneck. First is to optimize the usage of clinker, I guess that largely answer all the questions. Thank you.

Aviral Jain: Sir, One more question, sustainable EBITDA per ton on a per unit capacity, how we are looking at it.

P Radhakrishnan: So, yes, there are company with 2000, to 2100, ideally we should aspire to be there. But while we aspire to be there, we want to walk some more to reach there. I would look at on the lower side about 800 EBITDA per ton, and the upper side 1000. So INR 1000 on a consistent basis, EBITDA per ton we do, that should be a realistic target, an achievable target.

Aviral Jain: And what was the EBITDA per ton in the last quarter? In the Q3 just went past by.

P Radhakrishnan: This was probably the EBITDA per ton, closeto between 650.

Aviral Jain: One final question, is there is a lock in on the NCDs because they were one tranche which was 18 months, but the rest of the instrument have a 50 more -- 54 months term. So, is there a possibility that you can pay them early -- without there is no locking in the NCD agreement.

P Radhakrishnan: As per the agreement Aviral, NCDs agreement 25% can be paid subject to certain conditions of the NCD, balance 75% is the lock in up for thirty six months.

Aviral Jain: So, the INR 1650 crore of the NCD you can pay 25% and what about the balance?

P Radhakrishnan: Absolutely and for the balance we have to negotiate and see what best we could do because the way I look at this even if there is going to be repayment cost in long term it will be better to move to the lower interest rates and we should be ideally targeting sub 10%.

Aviral Jain: And we already have had these NCDs almost for 12 months now. So it's any way the lock in it for 36 months so two more years If at all there is no headway in terms of the.

P Radhakrishnan: Sooner the better the NCD is at 19% and that will be a drain. In fact, relatively the purpose of this NCD was not to run its course purpose -- the paramount purpose was to create the liquidity the point of time. So we have achieved that purpose now we have to look at unwind at early as possible.

Aviral Jain: Okay, thank you.

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

Rajesh Ravi: Yes, hi, sir. Am I audible?

P Radhakrishnan: Yes, please.

Rajesh Ravi: Yes, I have a few questions. First, on the operating numbers. Could you share the clinker production in first quarter and for the nine month period?

P Radhakrishnan: Go ahead. Please. I will answer all your questions together.

Rajesh Ravi: Okay. And then gross debt number which you mentioned consolidated gross debt for the third quarter versus INR 2200 crore in second quarter. And thirdly, what is your view on the Rayon business, we see that the year on year this business seem to significant scale down in terms of employee costs and all. So what is your thought on that? And lastly, on the -- I think you mentioned earlier, I missed it. But current maturities of your gross debt and the interest rate break up for different types of borrowing that are there on the books.

P Radhakrishnan: So, the clinker production as on the 9 months readily available is about 4.3 million tons.

Rajesh Ravi: And 3 months?

P Radhakrishnan: 3 months I will probably give it to you offline.

Rajesh Ravi: No issue

P Radhakrishnan: So far -- all though -- there is no working capital loan. It is all 19%, there is an OCD component and there is a NCD component. The OCD component in the normal course matures in August '22 and partially about INR 293 crore of face value out of INR 459.9 crore we have paid in the month of January. So, and it also carries a coupon of 19%. The NCD also carries a coupon of 19%.

Rajesh Ravi: And what is the gross debt number sir? December end?

P Radhakrishnan: All put together INR 1619 crore, see the gross debt number moves because today it is as of December I say it is about a after payment of this OCD this number is after January 2022. INR 1619 crore and what happens if 19% is the coupon, right, 10% is the cash which goes out, between 10% to 11% it is a stepped up coupon, balance 9% accrues. And this 9% if you allow the structure to move on, this accrual will loom right,. and it is not very prudent to save say 19% we can pay every month on month, because there are seasonal variation now having achieved this we want to go back to normalcy.

Rajesh Ravi: Even on the NCD it is same? 10% or 9%?

P Radhakrishnan: Yes. Capped token is close to – cap rate of the coupon is close to 50% -51%.

Rajesh Ravi: Okay. And so, like –

P Radhakrishnan: Business and as we speak as of December end we are still negative working capital so some distance to go. But now, we are looking at refining it as soon as possible. That's where we are.

Rajesh Ravi: Okay and what we see is we have been able to reduce debt between you know from INR 2200 crore to you mentioned INR 1600 crore so, good 500 off crore have been knocked off from the borrowings right. Okay, so what is your thought process for next one by FY 23 and what sort of number you're looking at?

P Radhakrishnan: First focus is to refinance this debt whatever, even if it is -- because this accrual will again loom so it's important to refinance. So once we refinance, then we will go to the next step right. Parallely we have achieved close to 7 million tons how will we ensure this debt gets reduced that will be the next stage of planning.

Rajesh Ravi: Okay. And this Rayon business.

P Radhakrishnan: So far as Rayon business is concerned, we are positive that both the Kesoram Rayon as well as the transparent paper. These are got a very good and Rayon business we have – suspension of work we have reopened, and in the public domain we have disclosed. We feel we will reach a stage that we are not supporting the Rayon business from Kesoram. So probably, we want to bring the Rayon business where it is sustainable without any support and we see a lot of potential in both the products in which because transparent paper is again a replacement of plastic, this is an ESG product and Kesoram Rayon is a widely used product which is a substitute for silk and the substitution for silk by a percentage is catching up.

Rajesh Ravi: Okay, why am I asking because if I look up the consol standalone employee cost numbers or last year it was around 20 crore you know, into the subsidiary employee cost, which last two quarter it has come down to around INR 4 crore to INR 6 crore. So, post Q1 there has been sharp reduction in the employee costs in the Rayon business is that understanding right and what has that led to?

P Radhakrishnan: Because they were under suspension of work, so to that extent that cost could come down, when the plant was in suspension.

Rajesh Ravi: They have gone for being capitalized for that period.

P Radhakrishnan: And for settlement with the workers to go about -- as we speak, there is a substantial portion of workers who are taken a scheme of voluntary retirement, they are 400 plus as we speak.

Rajesh Ravi: So, what would be the recurring ongoing costs when you have now resuming your operations for the Rayon business?

P Radhakrishnan: So I can give you the reduction -- this will bring in like 400 -- this will bring in about anywhere between close to between INR 12 crore to INR 15 crore of reduction?

Rajesh Ravi: What level from what level?

P Radhakrishnan: Pardon?

Rajesh Ravi: On what level this INR 12 crore reduction you're looking at?

P Radhakrishnan: Wage cost

Rajesh Ravi: Sorry, what wage costs

P Radhakrishnan: Wage cost. You said employee costs you know.

Rajesh Ravi: Understood I'm saying the last year run rate was INR 20 Crore quarterly is that understanding right on that we're looking at INR 12 crore reduction on what?

P Radhakrishnan: If we look at it the on an average full blown level the salaries and wages cost in the Rayon business used to be close to INR 90 crore. Right. Which we feel is not sustainable

Rajesh Ravi: So, the complete separation and the scheme gets implemented we expect this to come to about INR 25 crore. So, this INR 90 crore will be reduced by INR 25 crore on perpetual basis.

P Radhakrishnan: And so, around INR 70 crore would be your running on an average of the normal inflation.

Rajesh Ravi: Okay, and any view on the cement business, you're talking about margin expansion, you know, INR 800 to 1000, what could take you there from INR 450 to INR 600 level we are currently generating.

P Radhakrishnan: So, see as we speak for the nine months it is INR 826. Correct. So, we hope to at least close to INR 800 that is our endeavor right.

Rajesh Ravi: No, but because Q3 has been quite bad and Q4 do you see that there is a margin expansion expectation versus December quarter a significant recovery?

P Radhakrishnan: Versus December Yes, there is a margin expansion versus December but it has been parodic, the margin expanded, then it got again reduced now, margin expanded again in February. We were still not anywhere because there was a huge spike in imported coal, right. So, that's a long way to still to cover but, will it be better than December I think we hope it will be better than December. But we should wait and watch.

Rajesh Ravi: Okay. Great sir I'll come back in queue. Thank you.

P Radhakrishnan: Thank you.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Yes. Thank you, sir. I got disconnected at the point might be repetition. So, as I was listening to the earlier speaker Sir this Rayon part of the story what is the current status. Post this VRS part being laid out what is the thought process for this segment contribution and whether this will remain an entity with Kesoram or are we trying to go for another restructuring by demerging this unit also?

P Radhakrishnan: See the entire exercise of doing this, we are closer because we want to bring this -- the product lines are good, got good potential, however, the cost has to come to a sustainable. So, which is getting achieved. The very purpose of segregating the businesses Kesoram from a conglomerate has come to become a pure cement company. Each of the businesses should run independently and that's what will be the long term for Rayon business too. So, if demerger is going to bring in long term sustained at Rayon why not right.

Saket Kapoor: What are the utilization levels currently?

P Radhakrishnan: Currently open from suspension of work. So, slowly it is getting lit up. Right. The acid plants have started, sulphuric acid and carbon disulfide has started updating. Now, next will calm the Rayon and transport and paper will start producing in the month of March.

Saket Kapoor: And then on an optimized levels or what is the likely contribution from this unit?

P Radhakrishnan: Sustainable level it can be INR 50 crore of cash this business can generate. And we got tie up with global majors on the transparent paper site and we are a strong brand in the case -- in the Rayon business too. So, like with the increase awareness and usage of transparent paper which is biodegradable and home compostable. We feel there is a huge potential for transparent paper, as well as for our Kesoram Rayon which is a well received product.

Saket Kapoor: INR 50 crore you said for on an annualized basis? INR 50 Crore Cash Generation.

P Radhakrishnan: INR 50 crore plus.

Saket Kapoor: Okay. And then coming to this point is that we are hearing from the large cement players about huge capacity additions, which they are planning for process for 2025 and then 2030 and even later stages also the plans are been well out in the public domain, so taking that part into play and the type of inflationary trend that has become now a part of the cyclical nature of the business. Sir, what is the thought process currently for the management because over a period of time, well firstly for us is to optimize our capacity to create sustainable cash service the debt and then comes a point of expanding capacity. By that time your peers, if I make use the term will have greater capacity dominant market share more pricing power than us. So, how do Kesoram stands today going forward and how good it is for the management to think over in other ways of joining hands with big bigger players in context to be a relevant player in the cement market? We are predominantly in Southern India, where already the capacity are in excess then what the demand is. And even big players like India Cement and all are not able to generate cash. So how is our position in this cash generation exercise? So we believe that being the right size, biggest not necessarily is good, small, mesh and stronger we want to be that's where we are. And it's not that we don't have ambition to grow. We will grow at the right time and there is ample space for us to grow. That's the way we look at and we have demonstrated in the way, we have come back on this post liquidity in the future?

P Radhakrishnan: I don't see that there are brands which are smaller, which thrive very well. So what is important is the word where your brand is positioned in each of the markets. Important. So we focus on brand positioning, we focus on more of blended cement. That's why we introduced premium blended cement. So this all will augur well, and we will grow at the right time. Definitely we have got ambitions to grow, we will grow and I don't -- I humbly disagree, we will get marginalized.

Saket Kapoor: We will get?

P Radhakrishnan: We won't get marginalized.

Saket Kapoor: Okay, just one small suggestion and then my next question sir what we have we generally find that for whenever a con call for a cement there happens there is a preface type or a press release type wherein we get the volume data, we get the unit wise production numbers and a summary of how the quarter was. The way you articulated it that could be very well summarized in a prepared manner to the investor before the call come in. So that we people are on the same page with reference to what the debt level was, what are we going to do with liquidity and all those FAQs, which have been asked by the investor and the analyst community on a concurrent basis. So a request for the team to work over it and come up with a release along with the numbers that will suffice a lot of our queries.

Moderator: Excuse me Mr. Kapoor. Please request you to rejoin the queue.

Saket Kapoor: I'll come in the queue M'aam.

Moderator: The next question is from the line of Ashna Seth, from Saral Management. Please go ahead.

Ashna Seth: Yes, Hi. Could you give me -- what is the remuneration taken by the promoter for the nine months?

P Radhakrishnan: Promoter? The Chairman is the non-executive Chairman. So promoter doesn't take any remuneration at all.

Ashna Seth: Even for board meetings and all.

P Radhakrishnan: Even the sitting seats, when we had liquidity issues, the Chairman has chosen to forego.

Ashna Seth: And for nine months she has foregone all her?

P Radhakrishnan: She is still abstaining from taking a sitting fee.

Ashna Seth: Okay, that is good to know.

P Radhakrishnan: And the debt number that you are given 1650 is the net debt or gross debt?

Ashna Seth: Gross debt.

P Radhakrishnan: I don't -- I mean, I'm not sure of what you mean by net and gross?

Ashna Seth: Working capital, etc.

P Radhakrishnan: These overall -- in the sense, this is the borrowing, right. There is a total borrowing, excluding delayed deposits, etc. Right. So that doesn't come to us as debt. That's the way -- though the balance sheet may show as a current liability as a thing, this is the borrowing which we have on our books. 1619 crore, close to 1650 crore as of January.

Ashna Seth: Okay, does this include the OCRPS.

P Radhakrishnan: Sorry, there was OCRPS which matures from FY28 to FY32. Right correctly, which was issued as the face value of INR 450 crore. And as per indices it has been discounted and accounted for. That is not include.

Ashna Seth: Yes, what will be the discounted value as of now? Close to 100?

P Radhakrishnan: I'm not sure that close to 100 crore discounted value. As if the zero coupon OCRPS.

Ashna Seth: Yes. And what is the rate of discount?

P Radhakrishnan: Rate of discount as per indices application? I'm not sure I will know the nuances probably.

Ashna Seth: I just wanted to know, are there any legal issues or any obligations from the demerger entity of Birla Tire?

P Radhakrishnan: We know it is clear.

Ashna Seth: No obligation.

P Radhakrishnan: Absolutely zero. Absolutely zero.

Ashna Seth: Another question is, have we been approached for buyout or, you know, sale of a plant or something like that? Or have we approached other players because, you know, there's a lot of players looking to expand their capacity and, you know, they're considering inorganic and considering our balance sheet is a little threat, wouldn't it be appropriate to also, look at, you know, merging into some other players or by takeover?.

P Radhakrishnan: Let me answer this as a whole time Director and CEO. My mandate by Board is to run the business, not to lookout trading on this business.

Ashna Seth: Correct? I agree. But you know, because of the stretch…

P Radhakrishnan: Operation itself speaks for it. Right? So we don't have to look at it, the way we look at is Birla Shakti cement is a strong brand. And we got a very strong presence in the markets we operate. I don't think we should look at that. That's my view. Of course, I can't, I'm a member of board. I can speak on the behalf of the Board, because these are larger questions and may lead to speculations.

Ashna Seth: Okay, fair, fair. And just one more what would be the timeline by which you know, you're considering to refinance? And what will be the penalty on the 75%, that you'll have to negotiate on the?

P Radhakrishnan: Because that's not inclusive. Again, I don't want to give speculations which is not conclusive. Actual I have said which is 36 months for 75% 12 months have gone by. So this is what as per contract. So how best we can handle this, we need to look at it.

Ashna Seth: Okay, okay. The Board and the committee formed by the Board will be seized on this.

P Radhakrishnan: So my job is to apprise the committee and the board. And we will take -- there is no second opinion at least, that this has to be unrolled at the earliest possible in the interest of all stakeholders. Right. That's what I consider.

Ashna Seth: Okay. Perfect. Thank you.

Moderator: Thank you. The next question is from the line of Neha Ignani from Minerva Advisors, Please go ahead.

Neha Ignani: Good evening, Sir I wanted to, can you hear me?

P Radhakrishnan: Yes, please. Good evening.

Neha Ignani: Okay. So, I wanted to ask you a little bit more about your Rayon business. So, from what I understand on a sustainable basis, you make about 250 to 300 crore of revenue in Rayon as well as transparent paper, there is PBT loss on the business is it?

P Radhakrishnan: Yes, so, the way is Rayon is INR 300 crore plus we can clock in and both are good gross profit margin. So, on the cost front, we have tried to reduce the cost by various methods, the fixed cost. as I say, a sustainable basis, we should talk about INR 50 crore of cash should be generated on a INR 300 crore plus turnover. That's where the long part. Will take this business.

Neha Ignani: And Sir, currently, what is the loss that the business is making in terms of cash flow as well as in terms of profitability?

P Radhakrishnan: So, currently the business is under suspension. So that's where it is.

Neha Ignani: So you're not incurring any fixed costs currently on keeping the business?

P Radhakrishnan: As one of the questions pointed out right, while under suspension of work, the fixed cost reduction on the salaries and wages too will be there, which will be under the suspension. On a steady state, if you look at the question too was answered INR 65 crore, is what we should read. So, the major component of the fixed head cost is obviously salaries and wages. So, INR 65 crore per annum will be that number going forward as we implement this scheme of separation.

Neha Ignani: Understood sir. And Sir 2700 employees, and what would that come to post the VRS.

P Radhakrishnan: So the way as we speak, as 400 have gone into separation. So the targeted number is 900.

Neha Ignani: Got it. And so just to understand from you, on your working capital side, currently you're negative working capital, but is there going to be any requirement on the working capital that you will need to fund going ahead?

P Radhakrishnan: So overall. We are firmly okay maybe if you ask the way to answer this question, if a working capital infusion of INR 100 Crore we are negative working capital becomes minus INR 100 crore will it help you to generate higher EBITDA, yes, answer is but is your operation suffering because of this in the supply chain? Right. The answer is no it was suffering which we have solved through this, content settlement and this consortium coming in. Now, the next stage is as I said 19% loan should go up to books, we should bring it down progressively 9% and then further infusion into the working capital we should look at that will be the order of priority.

Neha Ignani: Understood and so on refinancing of debt have you already started talking with the bankers and what has been their response so, far, if you can just give us some subjective light on this as well it would be very useful.

P Radhakrishnan: So, as I said. It is important to unwind this. So what it takes us to do that, we will do it. Yes obviously, when we say -- when we say with confidence, we have to do it, we are engaging. There is a contra party interest.

Neha Ignani: Understood. So sir can you give us the broad timeline by when you could achieve your goal that would also be quite useful to ask you now to understand and map out the cash flows.

P Radhakrishnan: As early as possible. Abroad time if he asked me the target we should do it well -- try to do it by 31st March. However stiff it is going to be. Probably bit realistically speaking, somewhere around April end or May is what we should target.

Neha Ignani: Got it. And just one last question from my side the Rayon business that you want to get to INR 50 crore sustainable cash by when do you think you will achieve it?

P Radhakrishnan: Probably from here, it would be 15 months time from now.

Neha Ignani: Understood and incrementally whatever cash that you generate from the business will go down in repaying debt. I assume the Capex requirements won't be very high. Right?

P Radhakrishnan: It won't be very high. So the priorities the Capex, we will do and substantial portion of the cash generated will go to reduce debt.

Moderator: Thank you. The next question is from the line of Sk Bamani. An individual investor. Please go ahead.

` Sk Bamani: Hello. Good afternoon, sir. I am Sanjeev Bamani am I audible?

P Radhakrishnan: Good evening, you are audible. How are you Mr. Bamani?

Sk Bamani: I'm very fine, sir. Sir first of all, congratulation for maintaining the trend of holding the conference meeting. It's something very good on your part to be talking to the investor world, and shareholders as well. What is the share of blended cement in 1.82 million last quarter?

P Radhakrishnan: Yes, see the way it was about 50%, will be close to blended cement, that's where it is.

Sk Bamani: 15% or 50 %.

P Radhakrishnan: 50%

Sk Bamani: Okay. Okay. So has it improved from your previous quarters?

P Radhakrishnan: So the way as the investor community, I'm sure you'd be happy. We have growing hand in hand in blended cement as far as OPC. So if you look at in the percentage terms. It won't reflect. But if you look at the growth of blended cement, it will be 40% growth. So directionally right. We have introduced premium blended cement too in the market.

Sk Bamani: Very, very nice. So now coming to a very small request, actually, sometime what happens whenever we listen to your figures. Just now, as I was trying to understand whether it is 15 or 50 It is my earnest request that if we can prepare a small paper and share it through BSE to the shareholders and investing public it will good.

P Radhakrishnan: This will be as per the requirement of the exchange.

Sk Bamani: I am coming to another subject, let me complete sir. See the total borrowings that we have got by way of OCD and NCD, if we can prepare a paper on it that you know, we brought this much in out of this this much is already paid by now, right sir, and this much is repayable, you know, a lot of discussion has gone on it many as investors and consultants have asked you this question, if this can be a black and white paper put on the BSE site for shareholders to watch that this much has already been done, if it is approved by user you know, if you, do it a proper paper can be prepared. So, this question will not come from time to time again and again in every meeting this my request. If you deem it fit, you can just place a paper and so, that you know, everybody's clear, as to the clear cut status of our things to happen that way. And sir, I was wondering are you have repaid 293 crore in January and the 55 Crore earlier. So, the total receipt gross receipts from right issue was to the tune of 400 crore. So, can we not fully repay it as a loan the 400 Crore that we have already received largely as you said, you know, some 7 crore was left out and out of that also we are receiving some more monies.

P Radhakrishnan: Issues for whatever it has to be applied like where some portion we have whatever purpose for repayment of debt is predominantly and then general corporate, which is largely going into the working capital, right, this has been applied, that's how we are able to take care of the operations to. So we were close to if you look at the balance sheet minus 500 crore of negative working capital. We are minus 200 crore.

Sk Bamani: Okay, so that means only we could repay and you have said that in January, you have paid 293 crore, but February and March out of current operations, will we be able to refund some more loans this year?

P Radhakrishnan: We will endeavor as much as.

Sk Bamani: Okay, okay, got it. Now your voice is breaking somewhere. Hello, I don't know why your voice is breaking. But now I'm coming to the next question. Sir. With your permission, should I go ahead?

P Radhakrishnan: Please.

Sk Bamani: Hello,

P Radhakrishnan: Only timing till 5:30 definitely Mr. Bamani I'll be happy to take offline to your questions.

Sk Bamani: So kind you. Only submission is earlier you had told that we should categorize, categorically denied today also that now no obligation will come from tire division at all you know financial implication from tire division, which you said clearly. Now coming to Rayon that also you said that since we are separated and where we have written off everything which was given to them as loan etc. So, now we are not required to subsidize them or help them in any way. So, can I take an assurance from you that Rayon division who will not give further money? Can I take a promise sort of a thing from you?

P Radhakrishnan: I can’t promise the Board has to look at it.

Sk Bamani: Do remember in one of the meeting you told…

P Radhakrishnan: Get the factual information. The books of Rayon, Kesoram has not given any guarantee or comfort, I think. But if a child is going to make INR 50 crore EBITDA A father does not help then who will help. That's the way to look at it.

Sk Bamani: Okay, got it, got it. Now, coming to one more questions Kesoram is a purely cement company doing very well and lots of prospects are there as you rightly said. So now, coming to Rayon division can we see that and by doing that it we can realize some bigger amount.

Moderator: Mr. Bamai sorry to interrupt …..

P Radhakrishnan: I'm not saying anything. Right. So we will take this Mr. Bamani. So I have adequately answered. And feel free to reach out to me. I will get in touch with you of any of your unanswered questions, please, in the interest of time. Thank you.

Moderator: The next question is from the line of Veeraiah an individually investor please go ahead.

Veeraiah Bandlamudi: Hello.

P Radhakrishnan: Yes, please. Good evening.

Veeraiah Bandlamudi: Good evening. Thank you for conducting the second conference call. I think this will continue. And I see a lot of participation from several shareholder sir. It is good to see they're asking questions, and you're answering so many questions. And my question, one question is about the interest cost. We are in the quarter results we are showing INR 125 crore for quarter. I think it is coming to INR 500 crore of the entire year is a big amount. So my question is which quarter around the interest cost will come down after payment. That is one question. And the next question is I heard you on TV saying that we're planning to reduce the debt from the current to 20% and 14% to 9%. I understand that will be one time cost incurred in both the stages. Is it possible to go and reduce it to 9% at a single shot? This is a request. And other than that, I am worried about share dilution that was happening for so many years. And which is one of the reasons why the share has underperformed. Even if you take any period 30 years period, 20 year, 10, 5, even 1 year, either from Corona low it is doing well. I think one of the reasons is we just accumulating assets, not monetizing them. And if you could have monetized one five division which is valued at 400 crore, we could have avoided the rights issue completely. So there is no dilution. And our equity should be minimal enough to protect the interests of shareholders. So this is a request. I'm not sure whether this is in your control or the Board control, but our requests from the shareholders, please do not dilute the equity. We have so many assets like some percentage in Kesoram Textile we want the Division of some land from the chemical division. Why can't we monetize something?

P Radhakrishnan: I got your drift of the question. As a company we will do what it takes to enhance the value for the stakeholders. And to answer that, what creatively come down we are going to be engaged as I said, we are endeavoring to bring it down to below 10% Probably, we are trying to do to one stage, but if not, maybe somewhere close to 13% - 14% and then bring it to 9% in two stages, we will bring down. What is important again at the cost of repetition, this the purpose of taking this look is not the achieved at this rate. And then put yourself see that we need to undermine this existing loan, which we are leaving no stone unturned to accomplish this. That is number one. Number two, you said yes that should be valuation. The point was well taken equity doesn't come cheaply equity is costly, there is a cost associated with in equity capital. Therefore, we will look at as it's my duty and job to look at what could be done in the best interest of Kesoram and advise board and definitely do that. We will try to -- whatever is the non-core assets because there is always a difference between book value and what can realize and what the marketable value. But whatever it is, without getting into that. Your point is well and it's not that we are not seeing stuff. We are working on it. We will do what best could be done directly.

Thank you all. And thank you to the host for making this call and thanks to the participants too.

Moderator: Thank you very much. I'd now like to hand the conference over to Ms Bhoomika Nair for closing comments over to you, ma'am.

Bhoomika Nair: Yes, I would just like to thank the management for giving us an opportunity to host the call. Thank you very much, sir and wish you all the very best.

P Radhakrishnan: Thank you.

Moderator: On behalf of DAM Capital Advisors Limited. We conclude today's conference. Thank you for joining me now disconnect your lines.