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KIL/SE/Reg. 30/2021-2022 **Dated: 30th November, 2021**

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(BSE Equity Scrip Code – 502937) **(BSE NCD Scrip Code – 973060)**	**(NSE Symbol – KESORAMIND)**	**(CSE Scrip code – 10000020)**

Subject: Conference Call Transcript

Dear Sirs/Madam,

Please find enclosed herewith Conference Call Transcript in respect of conference call with Investor held on 22nd November, 2021.

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

Thanking you,

Yours faithfully,
For Kesoram Industries Limited

Raghuram Nath
Company Secretary

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B.K. BIRLA GROUP OF COMPANIES

"Kesoram Industries Limited Q2FY2022Earnings Conference Call"

November 22, 2021

ANALYST: **MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS**

MANAGEMENT: **MR. P. RADHAKRISHNAN – WHOLE TIME DIRECTOR & CEO - KESORAM INDUSTRIES LIMITED**
MR. SURESH SHARMA – CFO - KESORAM INDUSTRIES LIMITED
MR. RAGHURAM NATH –COMPANY SECRETARY AND COMPLIANCE OFFICER - KESORAM INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Kesoram Industries Limited Q2 FY2022 Earnings Conference Call hosted by DAM Capital Advisors Limited. 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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors Limited. Thank you and over to you, Madam!

Bhoomika Nair: Thanks Faizon. Good evening everyone and welcome to the Q2 FY2022 earnings call of Kesoram Industries Limited. We have with us today the management being represented by Mr. P Radhakrishnan – Whole Time Director & CEO. I will now hand over the call to him for his initial remarks post which we will open up the floor for Q&A. Over to you, Sir!

P Radhakrishnan: Good evening to everyone. At the outset I would like to thank DAM Capital for facilitating this call. I am Radhakrishnan – Whole Time Director & CEO of Kesoram Industries Limited, along with me, I have got, Mr. Suresh Sharma – CFO of Kesoram Industries Limited; Mr. Raghuram Nath – the Company Secretary and Compliance Officer of Kesoram Industries Limited.

Thank you all for taking your time out for this call. As you all know Kesoram is a 100-year plus old company and we for the first time in our 100 plus years, we are a pure cement company. We were a conglomerate having multiple businesses. Over a period, we have metamorphosed and we expand as a pure cement manufacturing company.

Just to give you a brief background we have got two manufacturing facilities mainly at Sedam in the state of Karnataka and Basantnagar, Telangana is the other plant. Traditionally, in the past, if you look at Kesoram we have been manufacturing/selling about 5 million to 6 million tons of cement every year and our EBITDA hovers between 300 Crores to 400 Crores per year.

What has happened is in the recent 12 months, the way we have functioned, we have moved this volume to closer to 7 million tons is what we will manufacture and sell and we have got the ability to do close to anywhere between 8.5 million to 9 million tons per annum is what as a company we can manufacture and sell cement comprising up on two units which are fully integrated cement plants.

That is the brief background that Kesoram and in the recent past what we have done is post demerger there has been liquidity requirements in the business so we have settled all the banks sometime during last March and the focus was to bring in the requisite liquidity in the fastest possible time and demonstrate that we are able to operate the business at an optimal level. If we look at our first few quarter's performance that is Q1 and Q2 we have demonstrated that once the liquidity improves the business can operate at a good operating level, which the numbers demonstrate. Q2 volume growth is 37% and for the entire H1 we have grown by 58% in volume. So overall volume we have done about 3.47million tons for H1 as against 2.2 million tons which is a healthy growth.

Now having achieved the first milestone of optimizing the business with the requisite working capital the company's immediate milestone is to reduce the cost and manage the debt that is where we are. On the operation front, we did clock an EBITDA of about Rs. 339 Crores for H1 as against Rs. 234 Crores corresponding H1. Our accent is more on blended cement and we did grow in the blended cement volume by about 51% so far as we sell across 7 states and core markets are Telangana, Maharashtra, Karnataka besides Tamil Nadu, Kerala, Madhya Pradesh, Uttar Pradesh, Chhattisgarh and of course Goa to be take it as part of Karnataka. So these are the states we predominantly manufacture and sell the cement.

We have achieved a good milestone so far our operation is concerned. The Sedam unit has bagged multiple awards. It has bagged the excellent Energy efficient unit award and has bagged more than 7 awards during the period which we are discussing. We have started our Solapur packing plant in the month of August 2021. This would help us to penetrate the market deeper and serve our customers at a faster rate. So far these were the broad features of the operations and performance in the Q2 as well as in the first half of the year. Q2 is supposed to be a relatively weaker quarter for the industry but we have clocked a healthy volume in Q2 quarter too - that is as against 1.3 million tons sale in 2020-2021, we have clocked 1.78 million tons in 2021-2022.

The EBITDA - H1, it is at Rs. 234 Crores to about Rs. 339 Crores is what we achieved. Predominantly this EBITDA increase was made possible by volume and of course the net sales realization. There were cost increases in power and fuel, but so far in the first H1 we were able to weather the power and fuel costs through a combination of volume and prices. Going forward, yes, there has been uptick in the power and fuel costs in October as all of us know. There has been a sudden spike in coal and non-availability of coal to sectors other than power manufacturing unit.

Yes, we hope to be a temporary sight and we are sure it to be temporary. It has its impact and we as an organization were not able to fully transmit this increase; however, reasonable coverage we have done on this as we had moved forward post the first half and we are confident that we should be able to cover this as it progresses by way of the prices coming down to reasonable level and the prices stabilize. These are the major features from the operational side. It is important to touch upon the balance sheet side and what we are looking at and how we are planning.

As you all aware that we had done a rights issue and have raised about Rs. 200 Crores, 50% of the rights issue as we speak and the balance 50% our Board has given the go ahead to do the final call and we will be doing the call and collecting the money from here around till January 2022. So with this collection of money of the rights issue backed by the healthy H1 results, it is bound to the move the rating parameters on the upward trend and this will facilitate for us to bring down the cost of borrowing. It is the next milestone which we want to operate.

We have capex expansion. I think we can comfortably manufacture and sell, 8.5 million to 9 million tones without doing any capex spends that is where we are. Once we correct the balance sheet by way of bringing down the borrowing costs, obviously we look at first fully utilizing our existing capacities and maximizing our capacity by doing more blended cement and the next stage would be to debottlenecking our existing facilities. If we look upon, we were always called a 7.25 million tons but over a period of time we have debottlenecked because of which we have the ability to do 8.5 million to 9 million tons and we have already demonstrated abilities in the first half of the year. We will be further debottlenecking our clinker capacity and that is the way forward for that we will move as an organization.

The other capex priority will be to come up with limestone bearing land, so that we have good amount of limestone bearing lands which will last up to seven - eight plus years in our sedam plants. We will look at acquiring these lands and another priority would be to spend on waste heat recovery system, which will have a payback period of about 1.5 years to close to two years.

This would be the way we go forward as an organization. This is what we want to take this organization forward and we want to put all the efforts more efficiently and in the best possible manner. With this I have touched upon our operations on Q2. Our volume growth and the couple of things which probably needs to be highlighted apart from the rights issue is we have launched one more product with the name CONQUERETE a premium product in the blended cement in the state of Maharashtra to start with. That is another milestone which happened recently and out of the rights issue which we raised about Rs. 200 Crores part rights to see the maturity of Rs. 55 Crores of NCD which was supposed to mature by November 30, we have prepaid in the first week of November. So these are the key highlights of the Q2 as well as the way forward.

With this I hand over to the convener. We are open to any questions or any clarifications which may come up.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Thanks Sir. Sir, my question pertains to first of all on the capacity side in the rights document our capacity mentioned is about 10.8 million tons so can you let me know what exactly is the current capacity with the company?

P Radhakrishnan: Our Basantnagar plant we have the ability to produce 1.75 million tons of cement per annum, as per the approval and 9 million tons in Sedam. 10.75 million tons is the capacity for which we have got approval to manufacture and produce combined to both the units.

Rajesh Ravi: What is the operational capacity Sir this is also your operational capacity or this is on the max we are looking at?

P Radhakrishnan: The way when I walk through you operationally if we have close to 100% blended cement we can touch this capacity and the fact it is more theoretical going towards 100% blended cement from where we are. We are currently at 50% OPC and 50% blended cement.

Rajesh Ravi: You mentioned around 8.5 to 9 million tons so what is that?

P Radhakrishnan: Practically given that 80, 70, 80 we can go to blended cement we can do 8.5 million to 9 million tons without any bottlenecks in grinding or distribution or dispatches.

Rajesh Ravi: Corresponding clinker capacities how are they placed Sir?

P Radhakrishnan: Clinker capacity will be close to 6.25 million tons.

Rajesh Ravi: For the current quarter what would be our clinker production in Q2 and H1?

P Radhakrishnan: I can give you, one can always backwards the average ratio is about 1.4 so if you look standalone it may go even up to 1.6 clinker to blended cement conversion ratio. Our split of 3.47 between blended cements and clinker is about 1.7 each right. 1.7 that will probably will give you the clinker that you backup at the rate of 1.4 that will give the clinker production.

Rajesh Ravi: Perfect, Sir. Lastly on the balance sheet front what would be our current average cost of borrowing?

P Radhakrishnan: 20.75% is the rate at which we replaced, borrowed this from the various private institutions for settling with bank. Though the cash flow could be lower that is the coupon could be 9%, stepped up coupon, the charge to P&L will be at the rate of 20.75%. So that is where our focus was when we have caught up with lack of liquidity and our inability to operate the business at optional level, we wanted a solution fast, as solution was getting delayed because of COVID etc., we thought every month we lose about Rs. 30 - Rs 40 Crores of EBITDA earning ability, the more we delay it, so it should settle the banks and go for this. And our intention is very clear that this cannot run at full course. The tenure of this paper is five years. Our plan initially when we took was within anywhere between 20 to close to 24 months, that is what we should be paying is in full. Now as we speak, it is in public domain our Board has approved to raise funds to replace this. So we once got in-principal approval so it is a good probability we should be doing before 24 months our endeavor will be towards that.

Rajesh Ravi: Over next two years the refinance component will come at a much lower cost and that will improve your profitability.

P Radhakrishnan: Absolutely right. So last March 15 is what we raise this, so by next coming March we will be one year past that and your predominant portion of the rights issue will go towards reducing this debt. So we will be left with about Rs. 1600 Crores of debt. Our endeavor will be to reduce this debt and replace with a lower interest bearing during this next financial year.

Rajesh Ravi: That is all. I will come back in queue. Thank you.

Moderator: Thank you. The next question is from the line of Sanjeev Damani from SKD Consulting. Please go ahead.

SanjeevDamani: Good afternoon. Sir. Radhakrishnan Sir your voice is very low. I think either you are not close to the mike or there is some disturbance in your mike though we have heard you.

P Radhakrishnan: Is it now better?

Sanjeev Damani: Somewhat better Sir, somewhat better than what it was. Sir I will begin with thanking you for organizing this concall it is a welcome step and we hope that every quarter this will continue. Secondly, we also want to thank you for giving me this opportunity to talk to you. My first question is regarding the debt that I think we borrowed, please confirm me, the debt we borrowed approximately Rs.1600 Crores through this bond issues optionally convertible and nonconvertible debenture, is it correct Sir? As on September 30, 2021, the net figures as have shown in the balance sheet are non-current at Rs.1434 crores and current at Rs. 572 crores, so I would like to have some details on this that would be my first question. Second question is regarding quarter two, the EBITDA per ton what is our quarter two EBITDA per ton, third question is regarding sale of volume is 3.48 tons, approximately in H2, so what is the portion of clinker and cement, if at all we have sold any clinker so that also I want to know Sir then I also want to know from you Sir the strength and weakness of the Telangana plant? We were given to understand that Telangana plant was closed for number of years, if it has restarted then how and what arrangements have been made and whether it is cost effective or efficient enough then one more comparison I wanted as to raw material efficiencies of our company as to coal or blend of petcoke and consumption you have just mentioned that you are a very efficient, electricity consuming plant so we were very happy to energy efficient plant, we were very happy to listen to it but with the best of the industry if you can kindly compare us so that we can make our own estimates about the efficiency of our own investment here? So these are my initial questions Sir then during the course of your answer if I would generate some more question, I will jot down, thank you very much Sir please reply.

P Radhakrishnan: Thank you for putting these questions. To start with, there are two legs to this borrowing, one is NCD where the face value of about Rs.1603 Crores and other is OCD about Rs. 460 Crores. So these are the two components of our borrowing. So the OCD in the normal course matures by August of next financial year. So, by August next financial year the 460 Crores of OCD will be paid. Our endeavor is to pay a substantial portion and full portion of the OCD before maturity, that where a major portion of our right issue will be applied, so that is one. And you asked about the current liabilities. Anything which are due within one year the classification will be there. So I need to check but probably it is due within one year portion, the OCD forms the largest chunk for that current liability. So that answers your second leg of the question. Then did we sell any clinker during this second quarter or H1? We have not sold any clinkers. To my knowledge probably maximum about one rake it is not more, about 2700 tons of clinker plus or minus is what we would have sold like Q4 of last year we did sell substantial clinker close to 28000 to 30000 tons of clinkers whereas there is no such significant sale of clinker at all during this H1. Then our strengths and weaknesses at our Telangana plant? One is, Telangana Plant as we said it is relatively older plant that it is still very good. It is hardly 50 kilometers to 70 kilometers away from Ramagundam, so closer to source of coal, closer to source of fly ash and therefore the cost of energy, that is the number of units consumed to produce one ton of cement could be slightly higher because of the plant age, which could be around the plant about 70 units per ton, close to as what we produce there, whereas in our Sedam plant which we were numerous of for energy efficiency and for mines, we produce clinker at about 51 units per ton and that will give an idea. A very few in the industry produced clinker at about 51 units, that gives an idea where we are and that is how we have received numerous awards of being efficient by various bodies including CII. So Telangana already we have very good plant. The Telangana plant was never closed. We have been operating somewhere around 70000 to 80000 tons per month and that time it used to touch 1 lakh tons per month production and sales from there. Now what we have done is consistently we are doing about 1.30 lakh to 1.40 lakh tons and we have demonstrated even we can come close to 1.5 lakh tons six months and there. We do 100% blended cement there and it is a profitable and geographically very well located and it is a good plant for us so far as Telangana plant is concerned. Sholapur our packing plant was shut for some time for various reasons, then we started this packing plant after hiatus of five and odd years and it is operational now. Probably it got mixed up between the Sholapur packing plant and Basantnagar. So far as raw material efficiency, I think there we have got captive mine, therefore mining is in-house and relatively the largest plant the Sedam as we all know it is one of the best limestone reserves in the country, therefore the overburden is not much, the limestone is tight on the surface. Therefore we are blessed in a way that it is naturally cost efficient. And the coal linkages as I said to you we are closer to Ramagundam, Singareni, etc., we have got our own rakes and we move between Basantnagar to Sedam, connectivity is safe, therefore that makes us more efficient and that is one of the reasons for us though our Sedam plant out of four Kiln two to three Kilns are capable of operating on petcoke unless the differential between petcoke and indigenous coal is wide, it is not attractive for us go to petcoke. Yes, on the imported coal side as everybody has affected we were affected and we have to resort to imported coal for some period in the month of October as indigenous coal was not available for most of the manufacturers. Barring that a very exceptional spike I do not think we have got the problems, of course the moment we say we are in a comfortable position, we start improving the way, we look at it there is always scope for improving and we will continue to improve.

SanjeevDamani: Thank you very much, very happy to know this now regarding EBITDA per ton during the second quarter?

P Radhakrishnan: Yes, EBITDA per ton is close to Rs.800 per ton. First quarter was Rs.1000 per ton EBITDA.

SanjeevDamani: So EBITDA means actually before interest I wanted to know before interest from see we are making only Rs.40 per bag whereas the industry averages is from Rs.1200 to. Rs.1600 per ton?

P Radhakrishnan: This is a fair point. While we are energy efficient etc. we are still if you look at whomsoever you compare the benchmark 1200 to 1600, where the sale of blended will be higher. So as we progress one of the components for us to look for is more of blended cement that will be the accent for the company too. We still have 50, 50 say 51 % OPC as an organization. Therefore moving more towards blended cements, will definitely bring our EBITDA per ton naturally up and we are looking at alternative AFR like municipal waste etc. power and fuel too and third aspect which we have to look because it is important for us to look where we need to improve, we on an average we sell at a radius of 407 to 410 kilometers, can it bring down to 350, 380, this too will augur. These are the factors which as an organizations we are working for.

SanjeevDamani: Thank you Sir, actually I wanted to know the radius also of the average radius your sales of kilometers that in how much kilometer area we are selling so reducing this will also help us and Sir what is the logic of having a packing plant in Solapur means either it is a loose sales cement is the idea or what is the idea of having a packing plant in this, many people put a grinding plant so that they can meet fly ash available from that source. So I mean packing plant does it add value or it increase as cost I want to understand? Thank you Sir.

P Radhakrishnan: It is an important question. Most of the industries do newer packing plants too. What happens is in the mother plant, it improves your TAT. Let us say we are being at close to 7 million tons even and in the earlier question I answered, the question was whether we can move from 7 million, yes we can move from 7 million. To increase your TAT, it takes 3.5 minutes to 4 minutes to fill a bulker. Imagine a fast bag, what will be the time and difference so it improves the TAT. When you do more of bulk movement at the same time if you want to foray into blended cement we need to pack and give, versus rebound rig predominantly, therefore from the mother plant we quickly moved to cement and pack it elsewhere. That will ensure the dispatch is faster and our manufacturing assets gets efficiently used, that is one part of positive. The second is, there is a psyche that okay when it comes from packing plant it is as it is fresh, and immediate and Sholapur it operates such a natural storage house too for us. We can push the cement from our mother plant to Sholapur and then pack it and sell as well as sell it divert the bulker when you get an order. Let us say you don't have an order let us say we move to Sholapur and store it and in mid-way if you are getting bulk order you can well use Sholapur, these are the advantages.

SanjeevDamani: Got it Sir thank you very much I got clear Sir. Now coming to finally matching power plant I mean do we buy power from outside sources or we produce enough in-house at both of our plant power?

P Radhakrishnan: For us in Sedam as well as in Basantnagar we do not take any grid power. Probably in our Basantnagar plant to satisfy the minimum procurement augur power connection from few units we have got to draw minimum from the grid to that extent we draw in Basantnagar but what as from Sedam, we do not draw anything from the state power unit and our sufficient power plant capacity even if we are going to add 1 million or 2 million kilns in Sedam, the power plant can even cater to one more Kiln. There are 4 kilns are there.

SanjeevDamani: Sir are we selling some surplus power to someone else or we will bringing it to the grid to be taken by our Telangana plant that way also we are doing sometime?

P Radhakrishnan: Yes what we do is time to time when there is a window, we sell to IEX. As you rightly pointed out there is a long-term contract with someone which will be steady but presently we sell through IEX, then we are exploring if anybody wants power on long-term we will tie up back to it.

SanjeevDamani: One sir futuristic question I mean in the sense that sir when you have tied up and you are allocated certain coal mines to be given the prices are being varied by Coal India Limited for such buying every month sometime reduced sometime raised, am I right sir grow the prices?

P Radhakrishnan: Yes, there is a linkage agreement to take coal and the prices are determined by the market currently on a monthly basis.

SanjeevDamani: So now Sir are you planning to take some coal mine for your company because government of India is now leasing coal mines also for your captive convention and to be export and for resale so is there any such idea Sir?

P Radhakrishnan: Perhaps the priority is first scaling up cement. Of course we are less than close to Coal India subsidiary, Singareni which is 50 kilometers away from our Basantnagar plant and we have got our own rakes, therefore our priority, no doubt it is a good idea what you suggested, but when we prioritize it goes a bit down the order, first is to reduce the cost of borrowing and then second is to set the clinker capacity optimally and debottleneck, third is waste heat recovery system, next comes others.

SanjeevDamani: So waste heat recovery is not fully deployed usually yours is the latest plant in Basantnagar so waste heat recovery is much be bring fully utilized by now?

P Radhakrishnan: We can. We are energy efficient. We have been constantly upgrading our plants and for that is the reason we are at 51 units per ton of clinker produced. Waste heat recovery system will further bring in efficiency so that is priority presently we do not have waste heat recovery plant.

SanjeevDamani: I think some solar installations are being made there or that also will be thought of little later?

P Radhakrishnan: Solar, that we are examining and we will do probably at an industrial scale as we will do as we achieve progress.

SanjeevDamani: Sir one more question during the six-month operation should we not generate some funds to be returned for debenture, in the sense depreciation part that we have provided for is noncash expense so say 100 Crores or something we could not generate all six months to repay some of the debenture?

P Radhakrishnan: Yes, you are absolutely right, to put it on the perspective we have generated 339 Crores of cash. so first is we were suffering in the business with the inability to scale up the quarter's working capital, our working capital was stretched, so it is important to achieve efficiency and some adequate amount of working capital into the business, that was our priority. Second, to augment and bring in efficiency, we went for a rights issue and we have prepaid 55 Crores of debentures. Third we do not have a working capital lines. There are no banks for us. Presently these investors have put in through NCD and OCD are the only debt we have got. When we do not have a working capital lines to fall back upon, it is important that business does not suffer for want of working capital. Though in the near-term it could be inefficient we sit on cash somewhere around close to 70 Crores to 100 Crores this point in time that is where we are.

Moderator: Thank you. The next question is from the line of Veeraiah Bandlamudi, Individual Investor. Please go ahead.

Veeraiah Bandlamudi: Thanks for organizing the investor meet and also explaining all the questions in detail. I have two questions. The first question is related to the final call payment that is being asked before January first week and looking at various other rights issues that I think any of them have got sufficient time to pay the second and third calls and all that we are the investors are feeling that this is very ad hoc and they were expecting at least six month time to make the final call and if possible and if you do not have working capital requirement is it possible to delay the final call by one or two months is the one question I have? Second question is now we are saying Kesoram is a fully pure cement player and we are also suffering from the high cost debt for a very long time for the last ten years, is it possible to monetize our noncore assets and as we know there are many noncore assets in Kesoram starting from cygnet, spun pipe divisions, heavy chemical lands and some percentage in KesoramTextile and there is lot of real estate assets so many things are there in Kesoram without diluting the stake and can we monetize these assets and reduce that the debt and we go for expansion of cement plant in future this is my second question?

P Radhakrishnan: Mr. Bandlamudi thank you for raising these points. First to answer your first and final call why the timing is faster, Board deliberated this and decided on this to call now in which the entire process will take somewhere between third week of December to January fourth is what the window will tentatively considering various formalities to be completed before opening up for subscription. We in our opinion feel, faster we do this first and final call, it increases our chances of reducing the interest costs in a quick fashion because the moment we complete this, this is one of the critical factors which we get into the rating upgrades to definitely whichever rating agency rates us will factor this, plus this gives us the impetus to go for retiring the existing debt and going for lower cost debt, and ultimately it is value accretive for shareholders when we do this early. The second prong of your question is if we are become a cement play, even before a cement play we were incurring lot of interest cost. True, this is history and this is factual, we were incurring lot of interest cost and there was debt, that is the reason we segregated the businesses into different entities like tyre business went into different entity, our rayon and transparent paper went to a different entity to be a subsidiary and Kesoram is first time pure cement player now. The noncore assets you touched upon, yes there are noncore assets which we have mentioned, we are bringing as an organization are evaluating this and definitely shed any noncore assets, wherever it is feasible to shift to reduce the debt while we are trying to replace and reduce the cost of interest, our energy is first invested into this than shedding the noncore assets.

Veeraiah Bandlamudi: Sir one more question related to the interest cost for Q3 will it be in the same lines as Q1 and Q2, is it the finance cost is too closed and it is disappointing the investors every time we see the finance cost?

P Radhakrishnan: We understand, that is the reason we are initiating the entire final call and whatever it takes to do, let us to do in our balance sheet and P&L and go back to low-cost loans that is the main reason which we are initiating it. Yes, I have answered probably in the earlier question too, the coupon could be 9% to 13%, cash outflow could be lower, and the 20.75% is the rate, so the charge to the P&L will be at 20.75%. If by the blessings and support of various stakeholders we are able to generate a good EBITDA surpassing the interest cost, we will continue to do that, but to answer you yes it will be elevated and till we will refinance.

Moderator: Thank you. The next question is from the line of Ashish Kumar from Infinity Alternatives. Please go ahead.

Ashish Kumar: Sir one question which I had was that the interest cost for Q2 is slightly more than the interest cost for Q1 so did we take any additional loans or what was while that marginal increase from Rs.117 to 122 Crores.

P Radhakrishnan: We have not taken any additional loans at all between Q1 and Q2. There will be a fair value, while it is more of an accounting treatment, which creates with charge of interest. So the cash we are comfortable but we need to look at quickly bringing down this charge of interest to P&L that is the whole crux. Like Mr. Bandlamudi asked there are several investors asked what the haste is? We want to show the urgency to bring this charge down. So the first objective was passing of the business and generating EBITDA we are working at whatever cost; it is important to do that. That is where we are or else, if we do not do it at the right time we lose customers, we lose network, and we lose efficiency in the business. That is what we have done first and then the second round with an urgency we will bring.

Ashish Kumar: No, absolutely so I think you have done a phenomenal job and the question is how much more working capital do we need because our payable still seem to be high at around 500 Crores of trade payables so how much working capital more do you need before we can start using all the cash flows for repayment of high-cost debt?

P Radhakrishnan: The way we are operating today is our working capital was extremely stretched, which were unsustainable prior to this exercise of bringing in the investors and augmenting the working capital. Today are we positive in working capital? No, still we are negative working capital. Is it a healthy negative? It is neither healthy negative nor unhealthy negative. It is reasonably sustainable negative. Can it be better? Yes it can be better. How much it can be better? Maybe another 100 Crores it can be better, but we want to maintain the stretched and feel the pain a bit without affecting the business efficiency until we get this cost of borrowing come down, that is why we have asked this.

Ashish Kumar: Sir last question is that we have approved this board resolution for raising 2500 Crores and I know that is an enabling resolution but in your view how much was that would be pure debt and how much of that would be equity just to kind of give you what is your base can plan would be and then it is a very early but let us get your thought?

P Radhakrishnan: It will be far too early for me to say how much will be debt, how much will be equity. The more the equity it is better always, noninterest bearing is better, that is the fundamental, right, but if you look at just for a pure theoretical thing rather than paying 20.75% on 2000 Crores to pay about 10% to 11% on 2000 Crores, straightaway it is EPS accretive that is the way we look at it. So what it takes to deliver this fast, we will look at even it is a substantial portion of debt, it is still EPS accretive for investors.

Ashish Kumar: No obviously 2000 Crores will come down by roughly 300Crores, 400 Crores because of the rights issue, which ways so you are talking about 1600 Crores of debt, do you think that it is possible that given the fact that now you are running at a run rate EBITDA of let us say between 650 Crores and 700 Crores if I were to look at 2, 2.5 times debt to EBITDA then that entire 1600 Crores can come from debt. I am just trying to understand whole there is, yes it is important to bring down the costs but I am also trying to understand what will be the rate dilution that we might see because of this the balance sheet clean up?

P Radhakrishnan: The way we are looking as somewhere close to 3 and below we should bring the EBITDA earning to debt, that will be a comfortable parameter. Of course, somewhere it is close to lesser than 2.5 could be ideal but to start with at least we are not sure that 3 is what we should bring at. And there is scope for taking severe move the benchmark from 400 to upwards now and hopefully we have sustained this for two quarters. There could be up and down blips but we hope this to sustain not only sustain we feel there is a tremendous scope for moving this up, what it takes to move this up we will do that is the one way of handling this. The asset part is sweat in most efficient manner. We feel there is lot of room for it that. That will probably one way to bring down this ratio further and depending on the time which we paid that will be associated cost in prepayment the way we look at it is even if there is an associated cost of prepayment, sooner you release the high interest-bearing loans it is better for the P&L in the overall balance sheet.

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

Saket Kapoor: Thank you for the opportunity. Sir firstly about this equity dilution part, we have been constantly diluting equity and the promoters have been committed money now even the non-promoters have participated we would like to understand what is now the thought process of upto what degree of further dilution will or may happen because now the prices are trading at around Rs.50 or Rs.55 per share so and even at these levels were is the interest in the market wherein you would be able to get sizable amount of money through equity dilution and Sir if you could give us the EBITDA per ton number I missed if you could repeat it and then I will put another two questions.

P Radhakrishnan: So the EBITDA per ton in the first quarter was Rs.1000. The EBITDA per ton in the second quarter was close to Rs.800 per ton that is where we are and our endeavor is to maintain the EBITDA per ton closer to Rs.1000 per ton will be our endeavor that answers the last question. The first question is very important. See, the share prices are a function of your performance the way I look at there could be, you are all investors you could know much better and how it moves, that the way I look at as a Whole Time Director and CEO of this organization is our job is to perform, market and prices will take care the moment we perform. What has been legacy, which is overhang a bit, Kesoram went through its metamorphism and it has never been a pure cement player for the first time so one needs to look Kesoram through a different lens the way it is going to operate and the best way to answer this is to demonstrate through the numbers. This is what we are trying to do. The moment the demonstration will come consistently, the markets will reward. That is the way we look at I trust you that answers your questions largely so whatever is efficient for us to raise as an answer even if say it is a bit about close to 2000 Crores that are 10% to 11% it is 200 Crores with the EBITDA earnings generation of close to 600 Crores it is absolutely value accretive. What it takes us to do that we should do that of course; first question is that and one can always try to increase the efficiency further to be at the end of the day it should be whatever actions we take at approved or such operating times it should be value accretive to the shareholders that is what we will do.

Saket Kapoor: Sir if you could explain to us the reason for the OPC and the PPC mix why is it skewed at 50/50 there were even other players are able to create so much of money in the cement segment by going through this blended part even higher end, is this the markets where we are catering to that except more of OPC or is it other way around and how are you going to change this going forward, newer markets you would making enrolled into the new markets and also about what is the trade and the nontrade mix Sir if you could give that data on that?

P Radhakrishnan: Thank you for this very important question. It needs to be explained in the right perspective. The moment I say look I cater to this market this is what the mix I can do then we as an organization resign to that we cannot improve. Whichever market we operate, our endeavor would be to reach a highest level of blended cement. I do not want to say largely 60%, 70%, 80%. We have demonstrated already the numbers. Rather than saying a lofty number now it is better to deliver and then speak in the subsequent calls which is what I feel. There is a latent demand from nontrade parties for all cement while trade and nontrade are both are performing. As you know nontrade, is traditionally more of a blended cement but we are making efforts to conserve nontrade into some OPC to blended cement too. We are foraying into blended cement markets, it is a traditionally blended cement markets more and again launch of our new product and one more blended cement. This blended cement is good for the economy, good for the building and good for the overall conserving of the natural minerals too, so we strongly believe to execute and what it takes us to achieve we have to definitely achieve greater ratio of blended cement. And here what is the nontrade and trade percentage? Typically it mirrors the OPC blended cement ratio, which is the way it is. Yes we have grown and if you look at it we have grown in both segments, trade we have grown by 28% and nontrade we have grown with higher 93%, so overall if you look at the ratio because of the base effect, the ratio maybe static 44, 50 or 56 or 50/50 that is the way so give you a perspective that from 1 million tons about close to 1.5 million tons and all we moved on the blended cement so that is a demonstration of the numbers of our effort to move towards blended cement.

Saket Kapoor: Sir I missed your last part come again sir you were I think so away from the mike?

P Radhakrishnan: From a corresponding H1 comparison, about 1 million tons of blended cement we sold last year H1 we increased to close to 1.7 million tons of blended cement space so that will give you the efforts which the organization has taken to move towards more towards blended cement overall our volume itself was smooth from 2.2 to 3.4 it therefore if you look at the ratios we look static but if you look at the number of tonnage we have sold we are substantially high.

Saket Kapoor: With your permission just a small point Sir. Sir firstly what sense does it make for us going forward, to induct a strategic partner in the existing cement play so that we could take advantage of this technical upfront in the economy and get our balance sheet prepared at the optimum time otherwise this small packets of infusion of funds are my understanding is are not able to bridge this chain of profits or lower profit so how much all are open with the management for a strategic decision if they were taking a strategic partner so there are players

Sir who are coming up with new cement capacity and also interested in taking over small cement if I may use the term for 9.5 or 8.5 million tons since they are eyeing for 120 and 130 in a decade's time so how open is the management taking into account these factors which are prevailing and also Sir what is the hierarchy of work in our organization how does it play who reports where and if you could give us some color you are the WTD and how does decision making goes through and if you could give some more color on the cement if there were a talk about Rs.40 per bag or Rs.40 EBITDA which you have mentioned so I was just confused with it what was that Rs.40 number pertaining to.

P Radhakrishnan: I do not know what is Rs.40 number? I have always about Rs.1000 and Rs.800 per ton of cement.

Saket Kapoor: That point corrected and other point if you could clarify and I will get back in the queue thanks and I hope sir there was a continuity of a call even post the numbers and it is not pertaining to this fund raising only.

P Radhakrishnan: I would suggest you to complete all your questions.

Saket Kapoor: I am done Sir and I have taken my time Sir now please answer it if there is something left I will definitely join post you answer Sir.

P Radhakrishnan: Yes, most welcome to raise more questions which you have. Our intension is very clear. We with Birla Shakti Cement our premium brand, our brand is positioned at the A category at the highest end. In my opinion there is no reason for us to require a strategic partner and dilute our brand position in the marketplace, first. We should spent time to infuse largely into the balance sheet, first is to reduce cost and move forward and go to a position of looking at acquiring more brand that is the position we should take into rather than we being looking to get acquired by some other 100 million ton or 110 million ton. I do not look at we should function that way as an organization and being part of the Board. And the way the decisions are taken is I am the Whole Time Director and CEO of the organization, I run the operations and the business and part of the Board whereas an operating team and the Board takes the decisions like any other companies that is the way it functions. This is the second question. I trust I have answered both the pertinent points which Mr. Kapoor had raised.

Moderator: Thank you. The next question is from the line of Harsh Mittal from Systematix Shares & Stocks. Please go ahead.

Harsh Mittal: Thank you for taking my question. Initially during the call you mentioned about your geographical mix that your key operating markets of Maharashtra, Gujarat, Tamil Nadu, Goa, Karnataka so can you please enumerate give the percentage breakup of all the markets Sir?

P Radhakrishnan: I can give you a broad outlook of what is the volume you can say without taking into too specific. The key markets are Maharashtra, Telangana, Karnataka which is proximate to our manufacturing units, obviously closer to sell the better it is for us. The volumes are spread across the 3.47 million tons of volumes are get likewise close to roughly very quickly putting a percentage about maybe to 40% of it is produced in Maharashtra and another 25% could be in Telangana, Telangana is the second and third will be Karnataka to give you the broad volume of these.

Harsh Mittal: No, Karnataka is 18% to 22% what you are trying to say?

P Radhakrishnan: Karnataka is the third is picking order if we look at it.

Harsh Mittal: Got your point Sir. Thank you and Sir I just missed one point initially you do the call what is the current cost of borrowing I had missed that point?

P Radhakrishnan: 20.75% as I said this is the current cost of borrowing.

Harsh Mittal: 10.75%.

P Radhakrishnan: 20.75%.

Harsh Mittal: What are we aiming for next two years or at what level do we aim to bring that to 20.75% to what is the level?

P Radhakrishnan: 10 to 11% in next, I said we initially plan to bring it down this debt prepay this debt by 24 months for initial plan. Now we have passed this, there are few investors who raised this question, what is the urgency to collect the balance rights money and then that this is one of the reasons to collect balance rights money as well as this will facilitate us to get ourselves re-rated and prioritize this towards reducing this current cost of loan at a faster rate probably here we have done 24 months.

Harsh Mittal: Got your point Sir. Thank you Sir. That is all from me.

Moderator: Thank you. The next question is a follow up question from the line of Sanjeev Damani from SKD Consulting. Please go ahead.

SanjeevDamani: Sir kindly correct me in the initial stages of resolution plan there was some mention of about approximately Rs.500 Crores from bankers to be made deferred at 0.01% so that is also shown in the balance sheet?

P Radhakrishnan: Yes, so what we have shown as OCRPS. This is the normal course, if there we have to pay it is a zero coupon it starts from FY28 to FY32.

SanjeevDamani: So it is a noncurrent liability which shown us in the balance sheet.

P Radhakrishnan: Right and if you go by present volume it will be very lower in fact.

SanjeevDamani: We have repaid somewhat out of Rs 500 crs we have repaid some money

P Radhakrishnan: Yes, repaid 55 Crores of debentures which are 20.75% rate.

SanjeevDamani: But this amount I mean I was not be able to identify this amount in the balance sheet so I just ask it is a part of?

P Radhakrishnan: All the money we get this in the month of November.

SanjeevDamani: Again you have issued this 500 Crores worth of deferred payment Sir we are still to pay to the bankers Rs.500 Crores or not at zero point no kindly clarify any?

P Radhakrishnan: What we have done is 80%, just to give you a perspective we did a settlement to the bank 82% of their loan outstanding is what we paid fully we gave, 10% equity.

SanjeevDamani: 100 Crores worth of equity what you said.

P Radhakrishnan: Equity valuation as per SEBI valuation it was about Rs.65 or somewhat. Then the balance 15% to 16% is what given by way of OCRPS – optionally convertible redeemable preference share which carried zero coupon, no coupon on that to be repaid in FY28 to FY32 in five equal installment.

SanjeevDamani: And sir next question is regarding our current position in October November one is regarding the sales price is the sales price is higher than September in these months October and November cement sales prices?

P Radhakrishnan: Yes, October and the September exit price it is higher, that as I have explained October we are a onetime spike in fuel cost. To answer that in the right perspective were we able to cover the entire fuel cost hike, with that increase in sales price? No, we were unable to pull it at least Rs.5 to Rs.6 per ton covered as this fuel cost it is a onetime November it has the spike has come of that is what it is.

SanjeevDamani: So cost now my second question was regarding cost of raw material also must have gone down from October and November means, coal prices?

P Radhakrishnan: Yes, so between October and November yes the manufacturing cost / variable cost would have come down.

SanjeevDamani: Has come down and sales prices have on an average from September last quarter on an average they must be somewhat better, as you said it is better by Rs.5 to Rs.6 or even more Sir.

P Radhakrishnan: Around that range.

SanjeevDamani: Because we heard in that newspaper that certain prices range by Rs.40 per bag so I mean we thought that October, November will be far better.

P Radhakrishnan: Increase happens from this, comes off, so it was fluctuating so on an average it is close to Rs.40.

SanjeevDamani: Sir how is the demand scenario from October onwards the demand scenario?

P Radhakrishnan: Demand is good. The only thing the climate vagaries are there like some market is a big market, the demand is good.

SanjeevDamani: Okay but because of heavy rains and all other things are there so the demand is good and our production is also higher as compared to last quarter in this quarter in the present two months?

P Radhakrishnan: We will continue to sustain the elevated level of production and sales.

SanjeevDamani: We may not grow in this quarter at least.

P Radhakrishnan: Fingers crossed. We want to grow in every quarter.

SanjeevDamani: Thank you very much Sir.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Ms. Bhoomika Nair for closing comments.

Bhoomika Nair: Thank you everyone for attending the call and especially the management for giving us an opportunity. Thank you so much and wish you all the very best Sir.

P Radhakrishnan: Thank you very much Bhoomika and thank you all the investors for their time. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.