NUVOCO VISTAS CORP. LTD.

NUVOCO
Shaping a new world

Ref. No.: Sec/120/2022-23

November 16, 2022

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001 Scrip Code: **543334** Scrip ID: **NUVOCO**	**National Stock Exchange of India Limited** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Trading Symbol: **NUVOCO**

Dear Sir/Madam,

Sub: Transcript of Investor and Analyst Conference Call on the Un-audited standalone and consolidated financial results of the Company for the quarter and half year ended September 30, 2022

Further to our letter no. Sec/110/2022-23 dated November 7, 2022, letter no. Sec/115/2022-23 dated November 9, 2022 and letter no. Sec/117/2022-23 dated November 10, 2022, please find enclosed the transcript of the Investor and Analyst Conference Call held on November 10, 2022 on the Unaudited standalone and consolidated financial results of the Company for the quarter and half year ended September 30, 2022.

The same is also being made available on the Company's website at www.nuvoco.com.

This is for your information and records, please.

Thanking you,

Yours faithfully,
For **Nuvoco Vistas Corporation Limited**

SHRUTA JATIN SANGHAVI
Digitally signed by SHRUTA JATIN SANGHAVI
Date: 2022.11.16 17:51:52 +05'30'

Nuvoco Vistas Corp. Ltd. MUMBAI 70

Shruta Sanghavi
SVP and Company Secretary

Nuvoco Vistas Corporation Limited
Q2 FY 2023 Earnings Conference Call Transcript
November 10, 2022

Moderator: Ladies and gentlemen, good day, and welcome to Q2 and H1 FY23 Earnings Conference Call of Nuvoco Vistas Corporation 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 the 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 Mr. Gavin Desa from CDR India. Thank you, and over to you, sir.

Gavin Desa: Good day, everyone, and thank you for joining us on Nuvoco Vistas Corporation Limited's Q2 and H1 Earnings Conference Call. We have with us, Ms. Madhumita Basu, Chief Strategy and Marketing Officer.

Before we begin, I would like to mention that some of the statements made in today's call may be forward-looking in nature, and may be viewed in conjunction with the risks that the Company faces. The Company does not undertake to update them. A statement in this regard is available for reference in the presentation shared with you earlier.

We will begin the call with opening remarks from Ms. Basu, who will share perspective of the business model and strategy and the outlook of the Company. Post this, we will have the forum open for an interactive Q&A session.

I'd now like to hand over to Ms. Basu.

Madhumita Basu: Thank you, Gavin. Good afternoon, everyone, and a warm welcome to the Q2 FY23 Earnings Call of Nuvoco Vistas. To start off with the cement demand, east has witnessed a healthy double-digit demand growth during the quarter on y-o-y basis driven by housing and rural segments, coupled with lower base effect of last year. North region also saw modest demand growth during Q2 mainly by housing segments, followed by infra. Strong momentum in urban housing, despite increase in interest rate and property prices, improvement in post festive seasoned rural demand and expectation of retail inflation cooling augers well for near term demand.

Despite the cut in projections by various agencies, India maintains its position as the fastest growing major economy in the world. Government's continue trust on CapEx, improvement in capacity utilization in manufacturing and pick up in non-food credit to sustain the expansion in industrial activity and give the necessary fillip to the cement demand growth in the country. Cement demand will also continue to witness major support from government, consistent trust on programs like Pradhan Mantri Awas Yojna, Pradhan Mantri Grameen Sadak Yojna and boosting spend towards major infrastructure development projects. This gives us enough confidence about the India growth story.

Returning to Q2, this being a seasonally weak period, we saw continuous softening of prices starting end-May. However, with demand picking up in east, we were able to take some price recovery in the months of September and October. Further price hikes remain essential to mitigate the impact of soaring costs. With modest demand growth in North, the region didn't witness any hike and prices remained muted during the quarter. If you look at the regional price movement on y-o-y basis, Nuvoco has delivered realizations better than the market prices by activating internal levers with continuous focus on premiumization, trade shares and geo mix optimization.

Moving on to cost, the most talked-around topic. Cost pressures continued to impact the cement industry during the quarter, basically led by elevated fuel prices and inflationary pressure on key raw materials like slag and gypsum. While we saw some cool off in the petcoke prices for a brief period, the softness were short lived. In the meanwhile, we utilized alternative fuels and waste heat recovery systems more efficiently, along with effective fuel procurement and consumption strategies. As a result, we achieved one of the most efficient power and fuel consumption rates in the industry during the quarter standing at INR1,554 per ton of cement.

A quick update now on our key ongoing CapEx programs. We are working on clinker capacity enhancement projects in Risda and Nimbol through debottlenecking and expanding our Bhiwani unit in Haryana to a 1.2 million tons per annum grinding unit, which will take our overall cement capacity to 25 million tons per annum. We are progressing well on our sustainability agenda linked projects of alternate fuel material handling at Risda and Nimbol plants. We recently inaugurated and commissioned the co-processing system at Risda, which enabled us to initiate the feeding of alternative fuels. Work on full facility with pre-processing system is underway. Civil work at Nimbol for similar facility is ongoing. This will give us a thrust to improve our AFR, which is a key positive in today's high fuel cost environment.

I would now like to share the progress on key sustainability initiatives. We are focusing on enhancing the use of alternative fuels, improving the share of composite cement in our mix and conserving natural resources. Happy to say that we are progressing on all these parameters and sharing here a few highlights. As mentioned during previous calls, we have one of the lowest net carbon footprint in cement industry at 478 kg CO_2 per ton of cementitious materials in FY22 duly validated by CII.

Our AFR has improved by about 5% on-Y-o-Y basis to touch 9% in Q2 FY23. With the ongoing investments in the material handling systems, we are targeting to achieve an exit rate of 12% by end of this fiscal. We are also one of the largest producers of blended cement. We continue to deliver best-in-class with our clinker to cement ratio standing at 1.8x during the quarter. Within one year of launch, we are on track on our composite cement sales.

With premium offerings in mind, we recently launched Duraguard Xtra foundation-to-finish cement in Bihar market, which is a premium composite cement. Our six ready mix concrete plants have been recently certified as greenpro eco level plants. Here, we will be manufacturing our Ecodure product line. Ecodure is a revolutionary range of low carbon concrete or green concrete that can reduce the carbon emissions up to 60%.

Briefly touching upon our Ready Mix and MBM businesses. Both the businesses are performing well. We have 52 operational ready-mix plants across the country. Our value-added product mix improved to 30% during the quarter under review. Company remains committed to product innovation and have launched Concreto Glyde, a premium quality effective solution designed for interior and exterior flooring underlay. In Modern Building Materials, we have extended our customer reach with expansion into non-cement channel and tapping new markets.

Moving onto our financial performance for the quarter, our consolidated cement volumes improved by 15% y-o-y to 4.4 million tons in Q2 FY23. Our revenue from operations improved by 19% y-o-y to INR 2,401 crore, driven by higher volume and price increases in both East and North.

Quickly commenting on the three cement cost elements. Raw material cost per ton increased by 24% y-o-y amidst the inflationary pressure on key raw materials like slag and gypsum, coupled with a higher consumption of slag in line with our thrust to improve the share of blended cement. Power and fuel cost was effectively contained at INR 1,554 per ton. We will continue to focus on optimizing fuel mix, improving AFR and internal levers like higher utilization of waste heat recovery systems, as they have been yielding results for us. Distribution cost during the quarter increased by 8% y-o-y with higher freight costs. Our consolidated EBITDA for the quarter stood at INR 194 crore. We continue to focus on our internal levers, which is helping us to navigate through these tough times.

Broadly touching on a couple of highlights. Our share of the new products improved by 4% on y-o-y basis to 38% of total trade volumes. Trade mix stood at 72%. Project SPRINT, which is to get synergies with the integration of NU Vista operation has been continuously on track.

I'll take a moment now to share that great pleasure and pride in this investor forum that Nuvoco has won the Golden Peacock Award for Excellence in Corporate Governance. This is a testament to our commitment to implement best-in-class governance and management system. The felicitation ceremony is being held today.

Lastly, I want to spend a few minutes to explain our medium-term plan for the Company, and where we are heading. It's been more than a year now since we are listed and there has been a lot of things happening in the industry since then. While we have been continuously interacting with you, I would like to take a pause moment here and reiterate our plans.

Balance sheet strengthening remains our key priority with our efforts focused upon bringing down net debt to our comfort level. In FY25, we will be a 25 million ton player. This provides sufficient capacity headroom to sustain near double-digit volume growth on FY22 sales volume base, reinforcing our position as the fifth largest cement group in India on current state basis.

To support our growth, we'll continue to invest responsibly for the long term in a way that is responsive to the current economic environment. Our next phase of growth is planned in North and West India. Progressive update on our expansion projects shall be provided quarter upon quarter, considering and calibrating the industry dynamics and company performance. In the meanwhile, we will keep our focus upon improving our sales volume through better capacity utilization, paring our debt, dialling up our internal levers and relentlessly driving cost optimization program.

With this, I will end my opening remarks. I am joined by Mr. Jayakumar Krishnaswamy, Managing Director; and Mr. Maneesh Agrawal, Chief Financial Officer. We are here together to take your questions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Abhimanyu Kasliwal from Choice India Limited. Please go ahead.

Abhimanyu Kasliwal: I wanted to ask specifically -- I believe Ms. Madhumita Basu right now mentioned that we are hoping to reach a capacity of 25 million tons by FY25. The current capacity, I understand, is roughly in the vicinity of 20-22 million tons, does that mean that we are not looking at great capacity expansion over the next two to three years? That was my first question.

My second question was, if we are looking at creative capacity expansion, then are we look at organic or inorganic growth?

And thirdly, I wanted to know the margin expansion. What is the situation? I mean, fuel costs, they are seem to be elevated, but is that the only thing we are depending on to see some kind of margin expansion or do we have other value addition projects or we are depending on price recovery to take place strongly in October, November? These are my three questions.

Madhumita Basu: Abhimanyu, thank you for your question. The first one, I will repeat the perspective. I mentioned that in FY25, we will be a 25 million ton cement player. The math is for our current capacity of 23.8 million tons and a 1.2 million ton grinding unit, which is coming up in Bhiwani. And I further reiterated, we shall be providing progressive quarter upon quarter outlook on further expansion plans.

Abhimanyu Kasliwal: Fair enough. Fair enough. So, regarding this, then the question of organic. Inorganic expansion doesn't really arise, because it seems that we're not really looking at capacity expansion over the next two years. Am I correct in my understanding, Ma'am?

Madhumita Basu: So inorganic opportunity is something we do not have for evaluation on our table right now. The 25 million tons stated capacity is basis organic growth.

Abhimanyu Kasliwal: Fair enough. Lastly, since our capacity is going to remain stable, are we looking at some kind of margin expansion besides price recovery? Are we doing some value addition in our products hoping to earn a higher margin or we will remain in the same band that we have been in the past year or two?

Madhumita Basu: Abhimanyu, our guidance for sales for this year over FY22 base is something like 20 million ton of cement. So at a 25 million ton capacity, we have adequate headroom to date double-digit growth for the next two years up to FY25. So, there is going to be value (volume) increase in the business. Added to this, of course, we will be dialing up, as we have been mentioning, our premiumization, our geo optimization and trade share.

Abhimanyu Kasliwa: Fair enough.

Madhumita Basu: To reiterate that there is good volume headroom in this 25 million tons.

Abhimanyu Kasliwal: Again, I'm just not clear, what is the current capacity of the company right now?

Madhumita Basu: It is 23.8 million tons.

Abhimanyu Kasliwal: Okay, so from 23.8 million ton to 25 million ton.

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

Satyadeep Jain: Couple of questions. One, on the capacity expansion. Just the Company won a favorable verdict for limestone in North. As you evaluate different options, if you had to look at brownfield expansion in North, what could be the capital cost for that project in North? And when could we possibly look at the timeline for committing one way or another, whether West or North to expansion in the equipment, in the corresponding equipment ordering for that project? Is that something that could happen this financial year? That's my first question.

Jayakumar Krishnaswamy: Let me just take that, Satyadeep. I guess I've been speaking about the capacity expansion in the last two quarterly calls. So we have options to grow for Nuvoco in West via Gulbarga and North via a plant in Rajasthan, and as I mentioned in the previous calls, based on the attractiveness of the market and the pricing, we would make a call either of these zones. While we have clear limestone mines and approvals in Gulbarga, the one in Nimbahera and other two mines in Rajasthan, like Nimbahera I have already mentioned that it was pending with High Court, and some development is happening there, and we would be in a better position to comment on that in the coming quarters.

As regards to, what kind of infrastructure facility we will plan to expand. If it will be a North plant, our idea is to do a brownfield, and if it's going to be West plant, it will be Greenfield, split Grinding in both the cases. And in terms of capacity, if it's going to be brownfield, obviously, it's going be much lower than a greenfield site.

As regards timing of project as well as the starting of construction, equipment ordering, I have to say that there is no such plan as we speak right now. Like I mentioned in the previous quarters, based on the company performance as well as the market dynamics, we will take an appropriate call. And in every one of these earnings calls, we will update all of you about the company's future expansion plans.

As of now, it is the brownfield expansion in the Company which will take this company from 23.8 million tons to 25 million tons. As against the volume of 17.8-million-ton last year, we still have a headroom of 7 million ton during the next two to three years, which is substantial amount of growth for the company in a period of 24 to 36 months.

Lastly, as I mentioned in the previous call and also as Mita mentioned in her speech, the priority for the company is to kind of make the balance sheet healthy. And once the market improves then we will come back and announce the further mega growth expansion plans.

Satyadeep Jain: The brownfield, if it is, let's say 6,000 ton per day with a corresponding greenfield split GU, typically the benchmark, we would see for such a project would be about $70, give or take that. So it'll be substantially lower than $100 per ton greenfield. Would that be correct understanding if we look at a possible brownfield project?

Jayakumar Krishnaswamy: Yes, you are right, I think that's the kind of ballpark number one we will look as regards whether 6,000 TPD, 7,500, 10,000 TPD, I guess we will make an appropriate call. But as we stand today, this is the numbers which we also have in mind about the brownfield expansion dollars per ton and greenfield expansion dollars per ton.

Satyadeep Jain: Okay, thank you. Secondly on the power and fuel cost, two-part question, somewhat longer term, there are 140 odd blocks that are coming for auction -- coal blocks. Would Nuvoco be interested in bidding for some of these blocks for captive coal and there's a lot of incentives from the government for open access, group captive stuff, is there a possibility, if you have to look at more renewable, even from where you are, it's relatively high green energy mix you already have in the portfolio, but incrementally if we have to look at it, is there a possibility that the company may look at setting up more renewable capacity or you would look to maybe tie-up with merchant producers, round-the-clock solar power in future?

Jayakumar Krishnaswamy: Three points. . We have WHR in all our kilns and connected load for WHR is about 45 megawatt. In addition to that, we also have solar plant in two plants of Nuvoco.

What are our steps? As you say, number of coal blocks are coming up for auction. A year ago, year and half ago, when couple of blocks came up for auction in Chhattisgarh, we went -- we bid for it, but then we couldn't kind of succeed in the bidding process. But constantly, we are on the lookout for coal blocks in Chhattisgarh-Jharkhand belt because our plants are located there. So very much, we would be participating in any auction that will come up.

Number two is the thrust area for the company for fuel is setting up alternate processing facility. We now have two plants in North, both Chittor and Nimbol (Nimbol will come in January), both plants will have full-fledged AFR, pre-processing as well as co-processing. Risda in East also will have pre and co. Once we have these three plants running at pre and co, we are looking at close to –(within these three plants) get anywhere about 20% of AFR. But then Sonadih and Arasmeta are other plants where currently we are operating at about 3%, 5%, 6%. But once these three plants get commissioned, we will look at setting up AFR facility in Sonadih. So second thrust area for the company will be to scale up the AFR in fiscal FY23-'24.

The third step, third point is, green power. As you mentioned, if there are going to be open access auctions and we partner with somebody or we tie-up with organizations to get 24 by 7 solar power, we are constantly on the lookout and certainly explore that possibility. On our own, we are exploring GUs in Panagarh, Bhabua and Jajpur and also Nimbol facility where we have an option to setup somewhat 5 to 7 megawatt solar power plant. So that's how our processes stack. First step is to bid for coal block, whenever it happens and we should get it. Second one is to maximize the AFR. And the last one is to look for green power wherever it is available, so that we have competitive advantage in the power cost for the company.

Moderator: The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, the first is on the CapEx. For this 1H, we have done INR 173-odd crore. last time we said INR 500 crore to INR 600 crore for this year. So what's the number? And for FY24 if West and North expansion, if you don't go ahead and then what's the CapEx, and if we go ahead, broadly, how much would be the CapEx that we would be spending in '24 and '25?

Jayakumar Krishnaswamy: Yes, thanks Shravan. Last time when we met and in the call, , we had mentioned that our outlay for the various expansion projects brownfield and sustaining CapEx for the company is close to about INR 570 crore, out of which in H1 this year we have done INR 173 crore. And most of these projects, whether it is at Bhiwani GU or the Nimbol debottlenecking and AFR, Sonadih railway siding, Jajpur railway siding and Risda debottlenecking as well as AFR. All these projects are on track and we would -- in the next 9 months to 12 months, all these projects are going to be completed and this INR500 crore incurred to set up and complete all these expansions.

That's the outlay going forward. As regards the large expansion, whether in West or on North, as I mentioned in the previous question, as well as in the previous calls, the timing of the decision is going to be based on the deleveraging as well as the market dynamics and the overall performance of the company, and every quarter, as someone mentioned, when do we start the construction activities, suffice to say that both the places we are in a very good position to start. The day we decide, we can start very quickly.

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Shravan Shah: Okay. And currently, in terms of the debt in the first half has increased INR 220-odd crore. Last time we mentioned that this year we will be repaying INR 600-odd crore and INR1,100 crore in next year, and we will be debt free by FY'26. So any change in standing this?

Maneesh Agrawal: As I have mentioned last time, net repayment in this year would be INR600 crore, out of which we have already repaid INR300 crore in H1 FY23. With regard to the next year, you are right, the numbers are at INR1,100 crore.

Jayakumar Krishnaswamy: We are close to doing the repayment this year. As regards the next year repayment, we are on course to do the repayment next year as well. In case the business environment and the industry environment continues to be difficult, hopefully it improves, but as of now fuel prices doesn't seem to taper down at least in Q3; it may come down maybe in Q4. So we'll have to kind of find a way to rebalance the CapEx spends to ensure that we meet all the repayment criteria, which I guess we are in good position.

Shravan Shah: Now on the operational front, in terms of the pricing post September, how much price hike we have seen in our markets?

Jayakumar Krishnaswamy: Like we mentioned between 1Q this year and 2Q this year, 2Q, obviously, prices reduced from 1Q, whereas end of September, middle of September there has been a marginal increase in prices, which is not a very encouraging sign. But come October, some price increase happened, but I have to say, in November we have already had are non-trade price increase on the 1st, as well as trade price increase, we did two, three days ago in East. So I think welcome sign. Certainly, we'll have to find a way to take the prices up to compensate for the cost inflation.

Shravan Shah: So, sir, broadly, how much increase we would have taken from the 1st October till date?

Jayakumar Krishnaswamy: 1st October till date, I guess, because this happens in various states and sometimes you take up, but then immediately it gets corrected. But I can give a ballpark number. It's a modest number. I think starting from October 1 till today, we are sitting on November 10, anyway we can look at between INR10 to INR15 in various markets in East. North, not much of movement in pricing has happened, all the pricing movement has happened in East.

Shravan Shah: Okay. I need a couple of data points on the fuel mix for this quarter and consumption cost per kcal basis for linkage, non-linkage, imported coal, petcoke, AFR for this quarter.

Jayakumar Krishnaswamy: I think to give fuel mix details for every line item, it is an assumption, because as we stand today, linkage coal is dependent on SECL availability and every time we released the DO, the assumption changes. Like last time during our earnings call, I mentioned that we got an SECL allocation of 12% to 13%, but that certainly has improved between early Q1, early Q2 to Q3. So I think that should improve. But as against other fuel, petcoke, I can safely say we are operating anywhere between 45% to 50%. North is all petcoke. East trending between 45% to 50%, and the balancing is all the domestic open-market coal. And domestic open-market coal is a function of how much linkage coal we get.

Shravan Shah: So for Q2 in terms of the consumption cost per kcal basis, what would be, because last time we said the number for linkage coal, non-linkage coal, imported coal, petcoke and AFR for the Q1 FY23, what would be the number? Just wanted a comparison.

Jayakumar Krishnaswamy: If you want to give me a granular detail of fuel mix, I guess that's something which is privy to our data, but suffice to say that the power and fuel cost, we reported as INR 1,554 per ton of cement. Because the multiple factory, multiple types of coal coming in, I think in a call like this, I don't think it's appropriate to give every little detail of every part and every fuel, which we are using in all the factories.
If you want more details, I guess our Investor Relation teams will be happy. On a one-on-one call, we can give you details for your modeling.

Shravan Shah: In Q3, broadly, how much we expect in terms of the power and fuel cost because we take the RM also in that. So combined, put together, RM plus power and fuel, how do we see that how much decline we can expect in the Q3?

Jayakumar Krishnaswamy: I guess from across the industry, as well as we are part of the industry, I think fuel cost has more or less peaked. So unless and until, any adverse events happen going forward, whatever is the fuel price which existed in August, September, I guess is existing in October. There has been a marginal reduction, about $20 month-end October. But again, it firmed up as petcoke prices went up.

But suffice to say that the prevailing rates of mid-to-end Q2 is what is currently prevailing. But for our company, the positive thing is the commissioning of the AFR facilities in – Risda as well as Nimbol, and also with the setting up the co-processing and pre-processing, our alternate fuel consumption usage will keep on increasing from Q1 to Q2 to Q3 to Q4.

And I can give guidance on this that by the time it comes to January, February we should anyway trend between 9% to 10% through AFR which will be one of the best in the industry.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: Hello. Yes, good afternoon, sir. My first question is just a confirmation. So unlike despite like a fairly muted CapEx in the first half, looking to close year at INR500 crore - INR600 crore of CapEx for 2023. That's right?

Jayakumar Krishnaswamy: Your voice was little bit feeble. Can you repeat the second sentence, please?

Prateek Kumar: So despite fairly muted CapEx in first half at INR173 crore, we are still looking at INR500 -600 crore CapEx for FY23. Is that right?

Jayakumar Krishnaswamy: Yes, yes. Maybe give or take INR 50 - 100 crore (here and there), because all projects are on stream actually. It's all happening, and as you would see many of these projects are based on civil, fabrication and all this stuff. All the equipment ordering for this core brownfield expansion is done. So maybe give or take three months here and there, but all projects are happening. The Bhiwani expansion, Nimbol expansion, Risda expansion as well as Jajpur and Sonadih railway siding. They are on course, so maybe give or take INR 100 crore. I can't exactly say that I will spend INR 570 crore, or INR 490 crore, but it be in the ballpark of give or take INR 70 crore, INR 80 crore because based on timing and the progress of projects. Nothing beyond that.

Prateek Kumar: And related follow-up, when is the clinker debottlenecking expected to complete and Bhiwani expansion timelines?

Jayakumar Krishnaswamy: The Risda clinker expansion from 10,500 to 11,000 has already happened, Nimbol, 4,750 to 5,750 as we speak, the civil is done, fabrication is happening. I guess sometime in March or April, based on the season, as well as the window where we can take a shutdown, we will do the hook-up of the new systems and the current kiln (because we need to take a shutdown of three, four weeks).

So I guess that's the time. We'll have to choose based on the demand in the market and the clinker stocks which we will have. So it could be, give or take one or two months for the Nimbol clinker to go to 5,750. But suffice to say Q2 next year, we should have 6,000 TPD Chittor and 5750 TPD Nimbol.

As regards Bhiwani, public hearing is done, we are just waiting for the EC for us through the main plant construction. However, the clinker silo and cement silo construction has already happened because that's part of the current plant expansion, and our target is again by August next year, Bhiwani should also be on steam. So, safe to say that when we hit Q3 next year, North will be 6 million tons of cement capacity.

Prateek Kumar: just one more question on synergies. So we had this targeted synergy of 250 over '22 and '23. With two more quarters remaining, so where we are in terms of synergies we had targeted for over this period?

Madhumita Basu: So Prateek, firstly, I would like to reiterate that all programs identified under internal levers are under execution and governance cycle checks with EXCO leads. Due to the overall elevated cost pressures, it is not immediately visible at an aggregate level. Some of the key levers would be in terms of higher premiumization, opportunities for cross sourcing and this, as you would have noted, we've been updating quarter-on-quarter basis. So largely, on track unless we face some headwinds going forward.

Jayakumar Krishnaswamy: The big projects and internal levers was premiumization. As Mita said, our premium percentage has gone to 38%. The second project was launching Double Bull in North. That has also ticked-off. The third project was getting composite cement, that's also ticked-off. The fourth project was cross-sourcing amongst the NU Vista-Nuvoco facilities. There, I can say, if I have to give a ballpark number, 80% of the intended cross-sourcing is almost done, but we are currently reworking the optimizer model to do a live optimizer change every week so that we can maximize the last rupee for optimization. In terms of best practices of raw materials and fuel mix and use of slag and use of gypsum, activated gypsum, all of it between Nuvoco and NU Vista plants are 100% completed.

Moderator: Thank you. Next question is from the line of Tejas Pradhan from Citigroup. Please go ahead.

Tejas Pradhan: Yes, hi. So on your CapEx plans, would you like to quantify a debt level or debt-EBITDA level which you consider would be comfortable for the Company to consider starting either North or West expansion?

Jayakumar Krishnaswamy: Yes, very clear. Like we communicated in our last call or prior call, we would look at a debt level of this company at INR 3,000 crore to INR 3,500 crore. And till such time we hit that number, we won't do a large scale expansion. So the current expansions will take us going for another 24 months from 17.8 million last year to reach 25 million tons, close to about 7.5 million tons of headroom is there for the company to grow. And 24 to 36 months is good enough time for us to grow 7 million tons over 17 million tons.

As we mentioned, till we hit between INR 3,000 crore to INR 3,500 crore, we won't go for a large scale greenfield expansion either in North or West.

Tejas Pradhan: Sure. Thanks. And just one more question. On your composite cement, could you share what is the current share of composite cement in your total sales mix. And if you plan to increase this, what could be the target over here?

So composite cement in our mix, currently is about 11%

Tejas Pradhan: And how much do you want to take it up to, according to your plans?

Madhumita Basu: See, capacity building, we will be doing at 3 million tons kind of levels. Some plants, we will have to progressively take up the volume, but since you asked for an end-state, that would be 3 million tons by roughly 23 million tons, which would be about 11-12%.

Jayakumar Krishnaswamy: So our goal is to get a CK ratio in excess of 2 in east. So for getting the CK ratio excess of 2, I guess composite cement as Mita said, should be about 3 million tons. Overall company can with an installed capacity of 23.8, 3 on 23 is the number, but then East will be 3 on 18, that will be close to about 16%

Tejas Pradhan: Okay, great, thanks. Thanks. And lastly, if I may just squeeze in, lead distance, if you could share, what was it for this quarter?

Jayakumar Krishnaswamy: Just a second. Our lead distance in Q2 is close to about 335 kilometers.

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

Sumangal Nevatia: Yes, good afternoon and thank you for the opportunity. So just couple of clarification. One, for FY24, after this INR500 crore, INR600 crore CapEx, what would be the pending or of spillover CapEx for the existing plans, and what is the level of maintenance CapEx we incur every year?

Jayakumar Krishnaswamy: Typically, our maintenance CapEx anyway trends about INR 125 crore to INR 145 crore. So, that would remain. Plus also, I guess we keep on purchasing land for limestone in the adjacent areas of our mines - to secure limestone for a longer period. So typically -- that is typically between INR50 crore to INR60 crore. We are looking at close to about INR 200 crore of routine CapEx as well as mandatory CapEx. Rest will be the carry-forward of some, as I said, little while ago, INR 570 crore is what we want to do. Maybe, it could be anywhere between INR 490 crore to INR 570 crore. If some of these projects get spillover over by two to three months due to construction activity, maybe about INR 80 crore, INR 90 crore will come from this year, another INR 200 crore -- so we're looking at what INR 300 crore to INR 350 crore (for FY24) as we speak. If we don't take up a very large scale expansion.

Sumangal Nevatia: Understood, understood. Sir, second question with respect to our preference, North and West, we have two options. What would be our market preference be to start with, number one.

And second is, is the balance sheet comfort the only factor which is stopping us? So once we achieve this INR3,000 crore, INR3,500 crore, kind of a level on the net debt, we can start or are there other market factors which we are keeping a tab on to take a decision?

Jayakumar Krishnaswamy: First of all, let me clarify, there are no market factors. The only factor is, I guess, as an organization, we need to keep growth as well as debt as well as profitability or the three things as a company we need to manage. So certainly, the large-scale growth projects will come once the debt level -- we are comfortable at INR 3,000 crore to INR 3,500 crore. So that be a principal criteria for us to kind of go for the next phase of large-scale expansion.

As regards market factors, I guess, as I said, I don't think we have any criteria to choose expansion based on market factors. Market factors, as in industry performance and coal costs will certainly be one of the key criteria for us to make an expansion announcement.

Moderator: Thank you. The next question is from the line of Naveen Sahadev from Nuvama Institutional Equities. Please go ahead.

Naveen Sahdev: Just one question, in your initial comments, you mentioned apart from the Bhiwani grinding unit, the company is also pursuing with clinker debottlenecking. So if you could just help us that post this debottlenecking, the clinker capacity of the company goes up to how much and by when? Thank you.

Madhumita Basu: Sure. To reiterate the specific projects we've talked about, in North post this debottlenecking, we will 6,000 in Chittor or and 5,750 in Nimbol. Roughly, 11,750.

And in East, we will be in-state of 27,050 between all the plants. That could take the capacity up by 8.9 million tons and 3.9 million tons.

Jayakumar Krishnaswamy: So, East, our clinker capacity be 8.9 million tons post all the debottlenecking, North, our clinker capacity will reach to 3.9 million tons after debottlenecking.

Naveen Sahdev: Correct, so you said 8.9 million tons in East and 3 -- how much 3 point?

Jayakumar Krishnaswamy: 3.9 million tons in North.

Madhumita Basu: Roughly 4 million tons, you can take it as.

Naveen Sahdev: Right. So okay, so total. It's about 12 -- little -- a shade under 12 million tons will be our clinker capacity post expansion.

Jayakumar Krishnaswamy: It will be 13 million tons. 8.9 million tons is 9 million tons, 3.9 million tons is 4 million tons. 9 plus 4, 13 million tons of clinker for the company.

Naveen Sahdev: Correct. So 13 million tons usually the maximum as in if I see your past performance, on an average the clinker to cement conversion ratio that has worked is more like 1.7. So at full blown utilization, the maximum cement what you can produce is about 22 million tons. My question is only from the point that next year in the run-up to the elections, there is a possibility of a very strong demand, and I'm just trying to understand how prepared are we in terms of like and of course, there is room for growth now. But if I were to look at it from a slightly longer period of two to three years, the maximum we can go up to is 22 million tons. Is that a correct understanding?

Madhumita Basu: Our rated capacity is 23.8 million tons. The C/K is continually increasing. As I mentioned, we are currently running at 1.8x. The current rated installed capacity is 23.8 million tons, and we are adding 1.2 million tons in Bhiwani.

Naveen Sahdev: Understood. No, this is helpful. I believe at 1.8x, it can clearly be 23.5-plus million tons kind of a volumes. That's what I wanted to understand. Thank you. Thank you so much.

Moderator: The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: Hi. I wanted to understand what sort of trade share improvement you are targeting in the next one year?

Madhumita Basu: So our target trade share is 75%. We are currently quarter level trending around 72% to 73%.

Keshav Lahoti: Okay. We had discussed about the fuel, what I want, maybe I'd be asking the question again, what is the fuel mix for this quarter and what is its costing on kcal basis?

Madhumita Basu: On kcal, I can give you a rough figure of about 2.64. You will have to reach out to our office for granular details of the mix.

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Yes. Thank you, sir. In terms of the RMC particularly, still we are having an EBIT loss. So though the quarterly run rate this quarter and the last quarter also, INR 230 crore, INR 225 crore, we are doing a revenue. So when can we start seeing EBITDA profit, and to what extent we can expect. So, will RMC continue to be having EBITDA loss, even if this year we will be doing of close of INR1,000 crore to INR1,100-odd crore RMC revenue, INR1,000 crore. Then also will we be having the EBITDA loss?

Jayakumar Krishnaswamy: No, RMC, certainly, we did not have EBITDA loss actually. In Q2 EBITDA margin is 6% in RMC and we clocked an EBITDA of close to about INR12-odd crore. At H1 level, our EBITA margin RMC is close to 5.6%. In fact, RMC is safely back to pre-COVID levels for us, getting a revenue of INR 420 crore in H1 and an EBITDA of about 20-odd or INR24 crore, leading to 5.6%. So RMC is well on way to pre-COVID numbers, I think by the time we end this fiscal, RMC will be at FY19 levels.

Shravan Shah: Okay. Secondly, just wanted to understand, because our cost also includes the cost for the RMC, So in terms of the freight costs particularly, whatever the absolute number we have given in the P&L divided by the volume, then it comes up to INR1,416. So that is a 11.8% q-o-q decline. Though our lead distance remains the same q-o-q. What explains this decline in freight cost?

Madhumita Basu: Shravan, I would request you to refer to our investor presentation for the distribution cost, which has already been adjusted on all these line items. So this is INR1,376 per ton figure, and then increased 8% on a y-o-y basis. I mentioned in my speech that it is a freight-related cost impact.

Shravan Shah: So, whatever the difference is that, INR 1,300 number what you are saying, if I multiply that into the volume, that will give the cement distribution cost? ? Correct?

Jayakumar Krishnaswamy: Yes, the overall cost will be INR 1,376 multiplied by the cement volumes, will give us the total cost of distribution.

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

Rajesh Kumar Ravi: Maybe I have missed during your earlier discussion due to poor network at my end. Two questions. Just on the per kilo cal on a blended basis, what was the total cost in Q2 versus Q1?

And the sequential decline in the logistics cost per ton, what explains this number, would you please let us know?

Jayakumar Krishnaswamy: Fuel cost in Q1 to Q2 was INR 2.28 per million cal in Q1, and it went up to INR 2.64. As I mentioned, we've kind of peaked on the fuel cost now. And from now on, I guess, once the coal prices and petcoke has come down, that's when it will come down. Otherwise, the current trending rate is INR 2.64. One way Nuvoco will be able to reduce this through increased AFR consumption in the -- coming in the subsequent quarters.

As against distribution cost -- yes, Mita?

Madhumita Basu: Yes, you are referring to the distribution cost decline quarter-on-quarter. We mentioned in the last call, Rajesh, that there was rake shortage as we had to organize clinker by road to our GUs. So that is a situation which improved in this quarter just gone by.

I think there is some disturbance on the call. I am not getting a response from your end, Rajesh.

Rajesh Kumar Ravi: Okay. So what I'm saying this Q2 logistics cost is more representative on a normal basis?

Jayakumar Krishnaswamy: Yes, you are right. Q1 was a little bit of an anomalous because of serious rake shortage because all the Indian Railways rakes were used for supplying coal to the power plant. So, during the call, I had mentioned that the big impact, because we have close to about 50% of share. So that one is kind of -- situation certainly improved in Q2, where we've got adequate rakes. But as we speak, the rake shortage has kind of come back to haunt us from 15th of October. Hopefully, I guess November onwards, we are expecting better rake availability.

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

Satyadeep Jain: Hi, thank you. Just a couple of follow-up questions. Just wanted to clarify that the strategy is that unless the company achieves INR 3,000 crore, INR 3,500 crore net debt, there would be no announcement for either North or West capacity expansion. And unless the net debt number is, that number is achieved.

Jayakumar Krishnaswamy: I guess, even in the prior calls, we had mentioned that as a company, we have to grow, but we will decide our large-scale growth plant moment we hit our debt number set between INR 3,000 crore to INR 3,500 crore. The primary objective now will be to pare the debt. However, we need to grow. As I said little earlier, from 17.8 million tons of actual last year, we can still become a 25 million tons sale company, not capacity company, 25 million tons of sales can happen in 24 months, and all of us know that to grow about 7 million tons to over 17 million tons, it will not happen overnight. It will take 24 to 36 months for it to happen. So we are sufficiently having headroom to grow the company in terms of volume with the current capacity. Large-scale expansion of a new facility will take time and that is in turn, dependent upon the debt of the company coming to INR 3,000 - 3,500 crore.

Satyadeep Jain: Just wanted to clarify this that given that debt reduction is a function of market conditions, if market conditions are supportive, it could happen sooner but if they're not, it could take much longer. The target is that debt reduction is primarily predicated on internal cash flows only, that banking and internal cash flow to the debt reduction. And what is the clinker -- and what is the utilization levels you're seeing in North? If there is some debate? Just trying to figure out where you're operating in North in terms of utilization level?

Jayakumar Krishnaswamy: Yes, I guess two parts. First one, obviously, the announcement expansion will be subject to overall performance of the industry as well as our company's improved performance based on the cost inflation. I'm only hopeful that the current trend of not being able to pass on the cost inflation cannot be a long-term phenomenon. I think, time will come when we will have to compensate for the cost inflation. So we will have to correct the system going forward in the next maybe one or two quarters.

As regards the second bit of CK ratio, I think capacity utilization, you would all be aware that our company before the acquisition of Emami, always operated at 95% capacity utilization. So I guess one of the key things which we are good at is to test to run the company at excess of 90-odd percent capacity utilization and still be able to meet the market demands and grow the organization. So, East is all going to be exhausting the capacity which we have in the next 18 months, whereas in North, currently, we have an installed capacity of 4.8 million tons, out of which we are able to sell about 3.6 million tons, 3.7 million tons, but then with Bhiwani coming in and the GU coming in, it will be a big competitor advantage for us to sell in markets of Delhi, Haryana and Punjab regions. Hence, our ambition is to kind of grow the market in North all the way up to excess of 5 million tons, 5.5 million tons, even touch close to 6 million tons.

Moderator: Thank you. That was the last question. I now hand the conference over to Management for closing comments.

Madhumita Basu: Thank you for your questions. Just to summarize, cement demand is expected to witness a healthy uptick in FY23 with the strong momentum in housing and government-led infrastructure development projects. While we had a modest price increase in the Eastern region, high fuel prices will continue to affect near-term profitability. Key watch will remain on fuel costs. In the meanwhile, we will continue to focus on internal levers, operational efficiencies and remain committed to our ongoing expansion plans.

My team and I remain available for any classification required. Do connect with us. Thank you for joining us today.

Moderator: Thank you. On behalf of Nuvoco Vistas Corporation Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
