Keshav CEMENT

# Shri Keshav Cements & Infra Ltd.

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Date: 16/08/2022

To,
The General Manager,
Department of Corporate Services,
**BSE Limited,**
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai - 400001.

Dear Sir,

**Sub: Analyst/Investor call Audio Transcript for the Quarter ended 30/06/2022**

**Ref: Scrip Code: 530977**
**Scrip Name: SHRI KESHAV CEMENTS AND INFRA LIMITED**

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find the attached Earnings call transcript of analyst/investor call for the quarter ended June 30th, 2022 conducted after the meeting of Board of Directors held on August 10th, 2022, for your information and records.

Kindly take the above intimation on record.

Thanking You,
Yours truly,
For **SHRI KESHAV CEMENTS AND INFRA LIMITED**

VShirgurkar

**Varsha Shirgurkar**
**Company Secretary**

Shri Keshav Cements & Infra Ltd. Belagavi

# "Shri Keshav Cements and Infra Limited Q1 FY-23 Earnings Conference Call"

**August 11, 2022**

**MANAGEMENT:** **MR. VENKATESH KATWA – CHAIRMAN, SHRI KESHAV CEMENT AND INFRA LTD.**
**MR. VILAS KATWA – MANAGING DIRECTOR, SHRI KESHAV CEMENT AND INFRA LTD**
**MR. DEEPAK KATWA – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER, SHRI KESHAV CEMENT AND INFRA LTD.**

**MODERATOR:** **MS. SUPRIYA MADYE – KIRIN ADVISORS.**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY23 Results Conference Call of Shri Keshav Cements and Infra Limited, hosted by Kirin Advisors Private 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 Ms. Supriya Madye from Kirin Advisors Private Limited. Thank you and over to you ma'am.

**Supriya Madye:** Thank you. Good afternoon, ladies and gentlemen. On behalf of Kirin Advisors Private Limited, I thank you everyone for joining the second conference call of Shri Keshav Cements and Infra Limited. Today we have with us Mr. Venkatesh Katwa – Chairman of Shri Keshav Cements and Infrastructure. Now, I hand over the floor to Mr. Venkatesh Katwa. Over to you sir.

**Venkatesh Katwa:** Thank you Supriya. Hare Krishna and a good afternoon to everyone. I trust everyone must be in a great health today. And as we know today is an auspicious day of Raksha Bandhan, I extend my warm wishes to you all on the call on this occasion. So, to begin with I thank you for being attending this call and I welcome you to the second conference call of Shri Keshav Cements and Infra Limited for first quarter financial 2022-23 results discussion.

Just to brief again about our company, Shri Keshav Cements and Infra Limited is a public limited company which was incorporated in 1993. The inception of the company began with the acquisition of a small sick unit in 1994 of just 20 tonnes per day. So plan was gradually increased to the current capacity of 1100 tonnes per day which is almost 0.35 million tonnes per annum capacity. We have two manufacturing units both in Bagalkote districts of Karnataka. And currently as of now, we operate into two business segments, one is manufacturing of segment which has been our inheritance since the beginning and second is generation and change of renewable power meaning to solar as of now.

Shri Keshav Cements crossed 100 crore revenue milestone financial year 22. And which was pretty much in line of our projections and our growth trajectory. We continue to post better sales and profits compared to the previous period. Even for this quarter one, the sales has increased by 22% and achieved nearly 7% increase in actual cash profits which is again comparing to the corresponding previous period. As we all know about the geopolitical situation of Ukraine war suddenly there was a dent on the fuel cost, there were sudden energy crisis which was imposed on the economic and no industry who was dependent on the fuel were isolated.

Based on that there were some impact on the company due to cost of fuel due to which the EBITDA margin which we consistently posted between 33% to 35% came down to around 27%. And this, we hope will not continue as we see that the fuel cost is already showing the signs of relaxation. Specifically regarding cement business, our this quarter has shown an average selling price increased by nearly 2% and quantity selling by around 7% more than the previous period. The price itself has not increased significantly because of still some kind of overcapacity into the industry. EBITDA margin was subdued on account of fuel prices, like explained above, but there's a robust initiative from the government to develop infrastructure. We foresee that cement will continue to be demand in future. The capacity utilization, which has seen improvement compared to previous trade will continue to improve going forward.

Regarding the renewable solar power business. As discussed last time a new 12 megawatt peak solar plant was commissioned in December 2021. This plant has already stabilized and is working as per the plan. So the average realization of price and sale of solar power has increased by 8%. But the sale has increased by 245% compared to previous period of this because of the new 12 megawatt peak solar plant and this will continue to show in the future quarters too. The power generated from the 12-megawatt plant are generally the renewable power will be a major contributor to the EBITDA in all the H1 quarters as we see today.

So, looking at the financial performance is expected to be positive as the management has opinion that share cost will rationalize in ensuing quarters as we are already seeing it right now, thereby contributing to better margins. Power, it will continue to be a major EBITDA contributor. Company is in the final stage of conducting a technical feasibility, to optimize the cement plant and increase the capacity by nearly three times to 1 million tonnes per day. So, what we are trying to do is, the existing cement plant we will be implementing the latest technology in grinding and optimizing the kiln thereby reducing the cost of utilization of fuel compared to now by we were saving about 20% to 22% of fuel per tonne of cement, thereby increasing the EBITDA margin.

This feasibility is almost at the verge of completion, we should have it anytime soon. So, again going through the financials, sale has increased by 21% to 32.57 crores this quarter. EBITDA is reported at 9.37 crores, profit before tax is 2.96 crores up by nearly 21% compared to previous year, the PAT has gone to 26 crores compared to 5.19 crores in the previous period. Now, due to a profitability achieved last year, the deferred tax assets which contributed to profit after tax, thereby which all our ratios the debt equity, current ratio have significantly improved compared to the previous quarter in the last year. So with this, thank you and I would open the session for any questions anyone might have. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with a question-and-answer session. The first question is from the line of Sachin from Savir Power & Automation Pvt Ltd. Please go ahead.

**Sachin:** Sir my question is related to revenue, last quarter our revenue was 36 crore and this quarter our revenue is 32 crore. So, I just wanted to know so since our sales have declined quietly around 10% to 15%, so what is the reason?

**Management:** So cement is typically being a cyclical industry, you'd see that quarter Q4 results are always on the higher side compared to Q1. Typically, Q4 always has a largest percentage of sales, pretty much because the March ending, there is pressure for the government to complete the projects and lot of deadlines which is why we see a huge sales during that period. So, I thought comparing it with the corresponding quarter of the previous period would do justice. And if we look at that, we have increased the sales by about 22%. And if we continue to keep this ratio of increment, it will start, in the ensuring quarters it will show a better sales compared to the previous quarters.

**Sachin:** Okay. And my next question is the raw material cost have significantly increased, last quarter, it was 15 crore now it is 20 crore so, how do you see next quarter, next upcoming quarters that this raw material process will be similar going forward due to Q1 prices or what do you see in next coming quarters?

**Management:** Yes, like we discussed the fuel costs typically increased by almost 2.5 times. Even though company shifted from Southern African coal to pet coke, pet coke is compared to lesser cost compared to coal. In the first quarter we completely utilized pet coke. If we had, still coal is almost 1.5 to two times expensive compared to pet coke. But what happened on absolute terms, the cost of pet coke also rose to a level of what it is to be of coal earlier, which is why our EBITDA margin dipped, but in ensuring quarters with Ukraine war, slowing down on the impact, we have already seen the price being rationalized since this month onwards. So, we hope that this month in ensuing quarters the fuel price will start going down as expected. And we will come back to realizing the similar EBITDA what we have done in the past.

**Sachin:** Depreciation and amortization expected 3.18 crore, so this is because we have capitalized one solar power plant of 45 crore. So, next quarter also it will be the same?

**Management:** This is going to be almost similar before next start hitting down. Yes, we have capitalized the solar to 12 megawatt power plant which we have set up the depreciation has started from the first quarter itself. Yes, eventually it start slowing down you're right.

**Sachin:** So, last month, you announced some CAPEX of 1 million tonne so, how much CAPEX we are doing for this cement?

**Management:** So, right now we are at 0.35 million tonnes per annum or about 1100 tonne per day capacity plant. So, what we are trying to achieve is, by optimizing the kiln, basically our whole attention is to optimize the kiln operations. The optimization of kiln operation we will be constructing new tower and certain equipment by which the existing kiln itself will start giving about 10% to 20% more clinker but of the highest quality with the best chemical structure what we look at. With that, we will be adding the additives like slag and fly ash flash, currently we are not able to add beyond 30% but with the new technology we should be able to add 50% to 60% by which what is going to happen is the total grinding capacity will increase from current level and it has to almost 2800 to the 2900 tonnes. So, basic information we have already received the project cost is about 110 crores, but we are yet to receive the finalization with all the details. Hopefully, we are expected to receive by next month. And we should come back with the actual project cost and what it looks like. Now, with this about 100 crore investment we are expecting an additional EBITDA only from this expanded capacity to 50 to 60 crores. And this is a good juncture for us to look at this kind of optimization because we're not going to buy demand, we already have the clearance from the government, plus certain equipment when we had done the expansion in 2018 the equipment were put considering this future expansion in mind. So, 100 crores is almost you can say what Rs.2000 per capital cost is much lesser compared to about Rs.8000 per metric tonne what is being established for cement plants. So, yes, we are looking at it right now. And hopefully in couple of months we will be coming back with actual figures and facts on how this project is going to be implemented.

**Sachin:** Yes. So, my is to you, so once we finalize that we have to ahead for the CAPEX in that case how much leading time is required to complete that 100 crore CAPEX, how much time is there to complete?

**Management:** Sure. So, typically, we would say not more than the earliest could be two quarters, the latest could be three quarters. So within nine months from the first digging to first bag coming out of the packing machine, it could take maximum nine months.

**Sachin:** Okay. And the EBITDA of this, asset to turn an EBITDA is around 50 to 60 crore?

**Management:** Yes, that is the additional EBITDA is what we are targeting based on the savings what we are getting. So what is going to happen is, your fuel costs you save about 20%, 25% in quantity, and then you save about 20% in power. So whatever is there in the power you're going to sell it outside. So both the savings together, your EBITDA margin per tonne is increasing compared to current. So with that increase, then you can realistically expect a higher EBITDA for cement. That is a whole idea behind arithmetic behind the optimization expansion of the cement plant.

**Sachin:** So, approximate PAT how much it will be post expansion, EBITDA is 50, 60 crore and PAT something 40, 45?

**Management:** Did you say PAT?

**Sachin:** Yes.

**Management:** No, I didn't specifically calculate the PAT but yes, it could be around in that region only 40 to 50.

**Moderator:** Thank you. The next question is from the line of Apoorva Raj from APVRAJ. Please go ahead.

**Apoorva Raj:** My question was, cement industry there are giants, all big entities, big name, big brands, so how are we able to manage competition or what is something we have that we are competing with them and also expanding and growing?

**Management:** So Raj. So there is one couple of advantages what we can list out, one is the location advantage. So, we are located in the North Karnataka region, where there are no major cement plants, other than a couple of them all the cement plants in Karnataka most of the major plant are in Gulbarga region. So, for them to come to our area, cement being a bulk product has a huge logistic disadvantage. So, the location advantage is one thing which we are thriving on. Secondly, what we are doing is the management is continuously focusing on investing in technology. So, with this new CAPEX what we are contemplating, it will have one of the best technologies available right now, almost equivalent to what all the major plants doing by which we are expecting a much higher quality of clinker obviously means we can go for better additives, increasing the capacity, so, cost of cement production will go down drastically. And apart from that, we already have an established brand name with that, we have a good indication that we will continue to grow, it should not be as a challenge as we would have been a challenge if we had a lot of major brands around us. So that location advantage no one is going to take away from us.

**Apoorva Raj:** So, basically the one of the biggest cost for the cement companies are transportation, which is also an advantage for you?

**Management:** Correct.

**Apoorva Raj:** Sir how much is the percentage of exactly your transportation costs because fuel costs have gone up drastically, and it has impacted transportation costs, especially products which has a higher percentage of transportation cost, so how it has impacted?

**Management:** So typically, what we're doing is we are selling the mix of X plant and we don't typically have CNF godowns like what major plants have. Our cement directly goes from a cement plant to the dealer or the authorized dealer. So, logistic cost to the most extent is borne by the dealer itself, unless in some cases where we have do it but of course, that cost is recovered from him. So we keep our logistics costs at the minimum by making almost all the sales that we see is x works and x tile basis.

**Apoorva Raj:** Okay. And sir do we have any plan to go on a more and more value-added products like cement, ready mix and then again a more better and updated technologically improved value-added product something like, so in your value chain where you want to go back this could be nearest from the value chain till now, in the value chain till now we are here and next target is to achieve that level in terms of product?

**Management:** So, typically as of now the management is focused on the CAPEX and reduction of the cost. So, once that is done, there are certain few other things which are within the sight of the management like the RMC, like cement boards and panels, like 2D and 3D construction. But this is something which we're going to look at after the CAPEX is completed and we are stabilized on that. And those kinds of industries, what I'm talking about are purely service oriented, which the major cost comes from the cement itself. So, we will be working on that direction eventually, but yes, these are some long term plans which company has already contemplated to look at.

**Apoorva Raj:** Ready mix and all you already have it?

**Management:** No, we do not have ready mix as of now but that is one area which we will look into the moment we are done with the CAPEX or we are almost completing with the CAPEX plans. How we want to do it, we want to utilize our entire cement for creating the product itself as opposed to selling the cement itself. The product will have a better margins and they are generally lower in taxes that is going to definitely help us contribute better EBITDA compared to selling cement directly.

**Moderator:** Thank you. The next question is from the line of Sandeep Mane an Individual Investor. Please go ahead.

**Sandeep Mane:** Sir, FY22 witnessed a rise in utilization level to 63% is it?

**Management:** Come again, utilization is what?

**Sandeep Mane:** FY22 witnessed a rise in utilization level to 63%.

**Management:** Correct.

**Sandeep Mane:** So, my question is sir, can it sustain these levels or we can see more increment from the earlier**?**

**Management:** Definitely Sandeep, the first quarter we already achieved 68% and if you look at the industry average being about 80% we are pretty sure we should reach 80% in next three or four quarters. But, that being said, basically what happened was till 2018 our capacity was 1/3 of what it was right now. And we are reaching almost 100% capacity then. So, in last three to four years our capacity utilization did increase from almost 40% to 63%. So, this quarter, we clocked out at 68% and we will continue to grow based on the conditions of industry.

**Sandeep Mane:** Okay. My next question is sir, long term borrowings are increasing and there are no provision made, is there any plan to reduce or restructure debt in upcoming quarter or years?

**Management:** Yes, most significant portion of the long-term borrowing comes from the solar capacity, that is because solar is a very high capital cost industry. Now, what is going to happen is, since solar also is contributing the highest EBITDA it is taking care by itself. And this high debt is replacing the cost of electricity for us. So, in a way, even though it appears to be a very high capital cost, but our EBITDA is there to support it by nearly about two to three times.

**Sandeep Mane:** Okay. Sir, one more question since the top clients contribution has increased to around 70%, so, how certain are we to get the order in the long terms?

**Management:** So top line to 70% we you clarify the question please?

**Sandeep Mane:** Sir, since the top client contribution has increased to around 70%. Then how certain are we to get the order in the long term?

**Management:** Okay, I am still very confused. Okay, let me figure out the question. So, where did you see that 70% coming from?

**Sandeep Mane:** Sir contribution of top clients.

**Management:** Alright clients, I didn't hear that, top line I heard so. So you are asking me as contribution of the top customer 70% increase?

**Sandeep Mane:** Yes.

**Management:** So, we are planning to get it done and it is kind of coming down anyway. As we spread around, as we get into more of government related contracts we will start being to be less dependent on the top level customers. And of course when we go deeper into the villages, we also get a better realization and better reach. So, yes the management is continuously working towards achieving those levels.

**Sandeep Mane:** Sir, lastly are you planning to do CAPEX which were rising cement?

**Management:** CAPEX. Yes, in cement we are doing the CAPEX. Yes, typically cement we are looking to do the CAPEX and they're almost closing on the feasibility of the CAPEX. So, like discussed earlier, the CAPEX will be about 100 to 120 crores and EBITDA contribution is going to go about 50 crores for the extended plus existing EBITDA of what they are achieving now. So, we are targeting almost EBITDA of nearly 90 to 100 crores once the CAPEX is complete and we operate at about 80% capacity.

**Moderator:** Thank you. The next question is from the line of Avinash Gorakshakar from Profit Mart Securities. Please go ahead.

**Avinash Gorakshakar:** Sir, I've got three questions. First is what is the outlook on cement prices now going forward, and secondly you mentioned about your CAPEX, 120 odd crores, could you give us some idea about how much of it is going to be funded from internal accruals, how much of it is going to come from debt. And the third question is on a very broader level, now since the infrastructure both has picked up, we have seen that corporate CAPEX activity has started increasing, could you share with us what is your medium term view on the cement sector specifically, as far as your side, your location side is concerned, considering that you're one of the few players who have got enough capacities here. So, in terms of demand growth outlook, what kind of outlook do you perceive?

**Management:** Sure Avinash, good afternoon to you. So, let's look at the cement outlook itself for this quarter and the remainder of the year. So, this quarter two typically being a monsoon season, very cyclical and as expected you will see our production and reserves inline typically all the major brands, so there won't be much significant change in the quarter two, but again as we know that India is still one of the lowest per capita consumer of the cement and that the central government is so boosted up, there is a robust growth expected in building up the infrastructure, which will obviously mean that the outlook is going to be on the brighter side. And this we have consistently seen in the last couple of years too. So, as we keep moving towards direction of better infrastructure, I feel that cement is going to be product will be very bright future. And regarding the CAPEX and the means of finance, typically, as of now we haven't decided on the exact mean of finance, but in the past what we have done is, the promoters have invested the equity in the form of unsecured loans and then the remainder we have taken debt from the bank. So, either we will stick to same or we may do some placements to get some equity or a mix of both. So, that is what will happen once we finalize on the feasibility of the project itself.

And the general view on cement demand, not now and the future is, like I said, amongst our countries, India is still one of the lowest consumers of cement. I don't think so, other than Pakistan, we are still rallying at behind young countries like Sri Lanka and Bangladesh, even Nepal is ahead of us in per capita consumption. So, we definitely have a long way to go, as per Cement Research Institute from 2023 to 2030 Cement CAGR expected is around 11% to 14%. And if that is conservatively achieved, we will need not less than about 800 to 900 million tonnes cement capacity in India by 2029-30. Our current installed capacity is around 500 million tonnes and utilization is about 375 million tonnes this is as per the statistics provided by the CML online data what you look at. So, yes, I see this robust growth still we are yet to come to a level where infrastructure has to be equal to a lot of other Asian countries. And I feel cement is the only product which is not replaceable right now, and will continue to grow.

And of course, in my region where we are operating at there are no major capacities, so that location benefit will continue to accrue on us. One of the reason is there is no huge limestone deposits available there in our region, which will attract bigger players or large capacity players which of course means for one or two million tonnes it is okay but if you have to think about 20 or 30 million tonnes, which large corporates want to look at that advantage, location advantage will continue to accrue on our business. So, I hope I answered your question, did I miss something.

**Moderator:** Thank you. The next question is from the line of Nilesh Karani from Magnum Equity Broking Ltd. Please go ahead.

**Nilesh Karani:** So, just to understand, solar power basically you said 12 megawatts if I understood correctly?

**Management:** 12 megawatt peak is what we mentioned, it is like AC capacity is 10 megawatt, peak is 12 megawatt, we usually 12 megawatt, because that's investment goes for.

**Nilesh Karani:** Correct. So basically, the whole 10 megawatt basically do sell out or you utilize it for the captive consumption?

**Management:** So, to answer that question, what I'll do is I'll go couple of steps back. Now the first plant that we have is 20 megawatt AC and 25 megawatt DC. And the next power plant which we commission in December was 10 megawatt AC and 12 megawatt peak DC. So, I will use this term interrelating or I'll call it first one as first solar plant and second one as second solar plant. So, what happened was, when we commissioned first solar one plant of 20-megawatt AC capacity, government has given us a host of incentives in the form of when the power is distributed, there are losses, there are charges, all of this and subsidy charges, all those charges are waived off for 10 years. Since we commission itself on March 31st, 2018, which was the last day for us to accrue the benefit. So, we will continue to accrue the benefit till 28-29, still five and a half years to go with. But, this is even if you sell the power or even consume it, by which management thought was, it was not a good idea to consume power from this plant, because this plant has host of incentives, it is better to sell power from this plant to continue to get the benefits, which is why we commissioned another solar plant of 12 megawatt peak. The 12 megawatts peak plant does not have any incentives like the first plant, but incentives are there if you do captive consumption, if you want to sell it, then all the charges, the losses will be impacted on the plant. So what we will do, we are consuming power from the second power plant and we're selling the power from the first power plant for the first quarter present there are no other charges, we are realizing the fullest benefit. In fact my last year average realization relation of the price was Rs.6.10 per unit last year in this quarter is about Rs.6.70 almost. So, yes as of now the capacity expansion solar has been a great contributor towards EBITDA,

**Nilesh Karani:** And sir, basically how do you see this part of your work is still panning out like once you are done with your first and this already the PPA and all have been done with that or you supplied to the bid?

**Management:** Did you ask me about the PPA right?

**Nilesh Karani:** Yes.

**Management:** So, what we have done is, we have not signed a PPA with the government at all. We are selling to private parties. When you set up the power plant first it was mentioned only for captive use, eventually we took permission from the government to sell the power to third party and all our customers are, in fact the demand for power is so high that we are actually rationing to the customers and taking the best price available for that particular month

**Nilesh Karani:** Okay. So, basically it is a win-win venture for the company as well as procure for the buyers who are getting the power?

**Management:** Absolutely. In fact, even after we do the expansion which I answered to the first question, our power consumption per unit will go down, which will what will happen is even though our capacity will increase by nearly three times our power requirement will be little less than two times a week that is because the equipment what we will be adding will be the latest least power consuming equipment.

**Moderator:** Thank you. The next question is from the line of Apurva Mehta, an Individual Investor. Please go ahead.

**Apurva Mehta:** My question is, what is your current capacity utilization for Q1?

**Management:** The quarter one capacity utilization is about 68% for cement.

**Apurva Mehta:** Okay. And what was the total sale in terms of volumes?

**Management:** Come again, I couldn't get the question, what is the?

**Apurva Mehta:** What was the total sales in terms of volumes?

**Management:** In volumes the quarter one was about 61,000 tonnes for quarter one cement sales 61,000 metric tonnes.

**Apurva Mehta:** Okay. And what is the average cost per kg?

**Management:** Our net average realized price is 4001 and Rs.15 for quarter one compared to previous quarter of Rs.4014. So, there is only about 2% jump in the price realization we have got, but in quantity wise we are increased by 7%.

**Moderator:** Thank you. The next question is in the line of Vaibhav Sharma from Kojin Research. Please go ahead.

**Vaibhav Sharma:** I wanted to ask two questions regarding CAPEX, so what it will do the CAPEX, what will be the lead time to complete the whole process from the point we decide, second question is what will be the incremental revenue that we will generate from this CAPEX?

**Management:** Okay. So, the first question did you ask me the cost of the CAPEX and the time it will take to complete the project is it?

**Vaibhav Sharma:** Correct.

**Management:** So, Vaibhav thanks a lot for recommends, but for CAPEX like we said the technical feasibility study is almost complete. So indicative figures about 120 crores investment is what we are seeing with this 120 crores our capacity will increase by almost three times. Whereas the CAPEX cost of the industry is around 8000 to Rs.9000 per metric tonne, we are completing it in less than Rs.2000 or Rs.3000 per metric tonne. That is mainly because we are not adding most of the equipments, we're only optimizing the plant. So CAPEX, the typical timeline from the day we take the first dig to the first bag will come out, we expect about three quarters within three quarters is what we reasonably expect. And then the incremental benefits are going to be like this. Since this project is done to reduce the usage of fuel and electricity per unit of cement.

EBITDA margin will drastically increase compared to currently we will be expecting about 30% to 40% increase in EBITDA per metric tonne and of course, with that contribution, since the capital cost is lesser, we are hoping to contribute around 50 to 60 crore worth of EBITDA only on the incremental capacity running at about 80% capacity. So, this project is something which you should have done long time back, but I guess it is never too late and now we will be implementing it once the technical feasibility studies are complete.

**Vaibhav Sharma:** So, another thing I just wanted to understand have you started using pet coke in last quarter, from Q4 FY22 and this quarter you have used, so we are fully shifted to pet coke or still we are using traditional coal also?

**Management:** No, we have completely shifted to pet coke but right now what is happening only to fire the kiln to begin with. We still are working, utilizing coal but that is less than 5%. Overall they have already shifted to pet coke. The reason, in spite of that the fuel cost, the raw material everything increases because the cost of fuel itself has increased on absolute levels on both the sides, be it coal or pet coke. So, let me for example the cost of per kilo calorie of pet coke was about Rs.1.10 in the quarter one of FY22. And coal was around Rs.1.70 in quarter one FY22 so this has increased to from Rs1.10 it has increased to Rs.2.35 for pet coke and almost Rs.2 for coal. So, if you look at it more into pet coke we could not get the benefit because there is general increase in fuel cost ongoing geopolitical situation like Ukraine war.

**Vaibhav Sharma:** Yes. So that's why I asked the question, because I'm seeing the number from last quarter in this. So, I doesn't see much difference in the raw material prices so that is there, and what will be the average selling price per metal sir, if you had answered but I missed out on that.

**Management:** Sure, my first quarter was about 4115.

**Vaibhav Sharma:** And what was for the full year of FY22?

**Management:** FY22 around 473.

**Vaibhav Sharma:** So, is there any scope of more improvement in the prices for this year?

**Management:** Yes, now that the coal price have increased most of the cement plants have not responded to the increase as of now because of the subdued market. So, typically price rise do happen in Q3 and Q4 particularly. So, once it will continue to remain that level eventually. So, yes, there will be a price increase, but of course not immediately we are expecting a significant price increase from Q3 onwards.

**Vaibhav Sharma:** And sir one last question on the distribution front, you were answering to some earlier participant, you told so you were increasing your presence in more and more village, so can you just give a ballpark number in currently in how many villages you are currently supplying and basically what is our reach in terms of area in which we are, we are majorly into Coastal

Karnataka and some part of Maharashtra and Kerala. So, how we are seeing this shaping up if we are increasing our reach, so will we be increasing in the same region or any other **–43:03**?

**Management:** Sure. The cement of course is characterized with a very high logistic cost. So, what I managed to keep the market within 200 kilometers the more nearer you sell the better realization you can expect. So, what we are trying to do at least Kerala market this quarter we haven't sold anything. So, we left out Kerala market because of the high logistic cost, we are reduced to Coaster also. Most of the sales what you see right now is coming from the nearer regions, but we are already spending and we'll continue working on to reach through the villages, number of villages, I may not have the exact count, but pretty much the reason we are going to rural is because rural advantage is you get a better price realization the disadvantage is the quantity, the amount of service and of course, the lesser quantity and better pricing is what is going to happen and for our cement where variable cost is very high margins do play an important role. So, we will be focusing on the village by which we will be dependent on the top five customers.

**Vaibhav Sharma:** Okay. So, it will be mostly through our existing dealer distributor network or any new dealer distributor you will be adding or directly approaching the retailer?

**Management:** So what we will do is, we will establish new dealerships also, plus if there's an existing dealer who's struggling in rural market, we help them to sell it more over there. So there is going to be a mix of both.

**Moderator:** Thank you. The next question is from the line of Sachin from Savir Power & Automation Pvt Ltd. Please go ahead.

**Sachin:** Sir my question is on the solar revenue, last quarter, it was 7.15 crore and this quarter something 5.67 crore, it has reduced drastically as far as segment results, profitability has also reduced last quarter 5.80 crore and this quarter 1.50 crore so what is the reason for this?

**Management:** No, you are talking about rates, this is power wise?

**Sachin:** Yes, solar power generation supply, so segment wise and revenue wise, last quarter it was 7.15 crore and this quarter it is 5.67 crore.

**Management:** Okay. Now, typically first comparing with the previous preceding quarter like 30th June, there is a significant increase of 250% in June 30th 2021, it was 1.61 and now it is higher, but if you compare it with the previous quarter, it is mainly because, last quarter typically what happens in, last quarter of every year all the industries have to meet up their renewable power obligations, which is when we tend to get a better pricing also. So, what we do is right now, we keep whatever excess power only if we get certain price we sell it otherwise we just keep it in the closing stock, at that time typically we tend to sell at the higher level. So, that probably impact would have this year to, the cyclical impact so, this fourth quarter also should be a similar jump like how we seen the previous quarters or previous year quarters.

**Sachin:** Okay. And the second question, how much are our long term debts and short term debts?

**Management:** See the total outstanding liabilities is around 165 crore approximation 165 crores and our short term debt I call it outside liabilities as of now is on the balance sheet is about 24 crores, but if you negate the cash balances in the bank itself, it is about 18 to 19 crores is what current liabilities will be, this is outside liabilities what we call is the overdraft limits. Apart from that the term loan maturities is what is showing up on the balance sheet which is around 14 crores. Long term debt we are continually repaying on time every time. So, this time the long term debt increase solely for the new solar project which we commissioned last year. So, this will continue to keep going down quarter-on-quarter and year-on-year till date we have been repaying every time correctly and that trend will obviously continue.

**Sachin:** Sir, having that any repayments for this long term debts, so within six months, last year also we have done something 18 crore, so before start the CAPEX, before kick of the CAPEX spends it stands to repayment of any loans or long term debt?

**Management:** No, apart from internal generation of the funds, there is no direct plan to secure funds from somewhere else and replace it as of now. Our management things that whatever loan what we are secured from the bank will be repaid out of the profits only. And did you mention about the financial costs for last year and this quarter?

**Sachin:** Financial cost?

**Management:** I thought you asked me a question regarding, you also added a question regarding financial cost right?

**Sachin:** No, not financial cost. It's regarding repayment, has there any to do any repayment of this coming six months like to….

**Management:** Nothing more than what we have a yearly obligation to repay at the banks.

**Sachin:** Okay. Now for the CAPEX we are not 100 crore so we are utilizing for the CAPEX and that 100 crore you told that will be from unsecured loans, secured loans from the promoter?

**Management:** Yes, we haven't finalized that. So, there are two options what we have, either we go for private placement and then the debt or contribute to private placement or through the unsecured debt what the promoters can bring in. So it is going to be a mix of all these things depending on how the management takes a decision on. Since we don't have the feasibility report and the project cost entirely at hand, it will be to pre mature to decide what would be our means of finance.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over the Ms. Supriya Madye for her closing comments.

**Supriya Madye:** I thank you, Mr. Venkatesh Katwa for his remark, and sharing his insight on the company. And everyone for joining the conference call. If you have any queries, you can write to us at info@kirinadvisors.com. Thank you.

**Venkatesh Katwa:** Thank you everyone.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Kirin Advisors Private Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.