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14th August, 2023

Corporate Relationship Department
BSE Limited
1st Floor, New Trading Ring,
Rotunda Building,
P.J. Towers, Dalal Street, Fort,
Mumbai- 400 001
Scrip Code: 500335

The Manager
Listing Department
National Stock Exchange of India Limited
'Exchange Plaza', C-1, Block G,
Bandra-Kurla Complex, Bandra (East),
Mumbai- 400 051
Scrip Code: BIRLACORPN

Dear Sir(s),

Sub: **Transcript of the investors/analyst earnings conference call on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended 30th June, 2023**

Pursuant to the provisions of Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the investors/analyst earnings conference call held on 9th August, 2023 at 2.30 P.M. (IST) on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended 30th June, 2023. The event concluded at 3.42 p.m. (IST) on 9th August, 2023.

A copy of the same is also available on the Company's website at https://birlacorporation.com/earnings-call-transcript.html.

This is for your information and record.

Thanking you,

Yours faithfully,
For **BIRLA CORPORATION LIMITED**

MANOJ MEHTA
Digitally signed by MANOJ MEHTA
Date: 2023.08.14 12:56:11 +05'30'

(MANOJ KUMAR MEHTA)
Company Secretary & Legal Head

Encl: As above

"Birla Corporation Limited

Q1 FY '24 Earnings Conference Call"

August 09, 2023

MANAGEMENT:	**MR. SANDIP GHOSE – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – BIRLA CORPORATION LIMITED** **MR. ADITYA SARAOGI – CHIEF FINANCIAL OFFICER – BIRLA CORPORATION LIMITED** **MR. RAJAT PRUSTY – CHIEF OF MANUFACTURING AND PROJECTS – BIRLA CORPORATION LIMITED** **MR. KALIDAS PRAMANIK – HEAD OF MARKETING AND SALES – BIRLA CORPORATION LIMITED** **MR. ARUN AGARWAL – CHIEF FINANCIAL OFFICER, RCCPL PRIVATE LIMITED** **MR. TAMAL PAL – HEAD OF STRATEGY – BIRLA CORPORATION LIMITED**
MODERATOR:	**MR. RAJESH RAVI – HDFC SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Birla Corp Q1 FY24 Earnings Conference Call hosted by HDFC Securities. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajesh Kumar Ravi from HDFC Securities. Thank you and over to you, sir.

Rajesh Ravi: Thank you, Dorwin. Good afternoon, everyone. On behalf of HDFC Securities, I welcome you all on the Q1 FY24 earnings call of Birla Corp. From the management side, we have today Mr. Sandip Ghose, MD and CEO and Mr. Aditya Saraogi, CFO, to discuss the same. I now hand over the call to the management. After their opening remarks, we'll open the floor for Q&A. Thank you and over to you, sir.

Sandip Ghose: Good afternoon and welcome, everyone, our valued investors and analysts. This is Sandip Ghose and I have with me Mr. Aditya Saraogi, our CFO and key members of our E-team. Mr. Rajat Prusty, who is the Chief of Manufacturing and Projects. We have Mr. Kalidas Pramanik, who is our Head of Marketing and Sales. We have Mr. Arun Agarwal, who is the CFO, the Financial Controller, and we have Mr. Tamal Pal, who is our Head of Strategy and also he looks after our mines and land acquisitions.

So once again, thank you very much for joining. We are quite overwhelmed by the number of you who have come on the line. In fact, as you know, last quarter was our first con call which we held in the Company and we weren't too sure about the general level of interest and we didn't think that we would probably be holding it every quarter, but going by the interest evinced by all of you at the conference and then subsequently also we held a few roadshows where we met people.

We felt that it's probably warranted that we come back and speak to you after the first quarter. I will give a brief overview of both our performance and how we have looked at the market or the overall industry scenario. First thing is for us, this quarter from our standpoint has been quite satisfactory, or I would say it's really confidence-giving to our own leadership team because we had embarked on the new year, or the last quarter from January, with a new team at the helm, and also revisited our strategy in the light of all the developments, in the light of not only Mukutban, but our overall business and growth plans.

And the first quarter was confidence-giving because we seemed to get the initial kind of results which we were looking for directionally. We were seeing that as, you know, sort of vindication of our policies which we undertook. Many thought maybe that's a flash in the pan and therefore it was important for us to validate the strategy of where we were moving forward, even in the first quarter. And at the end of it, therefore, we feel quite satisfied with the outcome.

And it gives us the reassurance that probably we are on the right track while we have to constantly recalibrate, measure, reorient our way forward path because we are ultimately living not just in a volatile and uncertain world, but we are living in an environment of disruptions and nonlinear development. So, one has to be vigilant, one has to be able to quickly correct course.

And for that, as I had mentioned to you all earlier, we have now moved in our management cycle, we have moved to the OKR principles, which is the objective and key result principles, which were earlier used primarily by a lot of the leading tech companies, like Intel in fact had pioneered it, and then Google, then Adobe, Microsoft, a lot of these people took it.

But now it has become the order of the day because everybody sees that you probably need to cut down your planning cycle and look at deliverables quarter-wise, and with not just deliverables in the end but also key indicators or key results which will show that you are proceeding as per your longer term direction because ultimate goal remains the same, you just keep on adjusting your path. So, the OKR principle seemed to be working in our case.

We have now had a formal rollout of OKR. We are working with external consultants and we have rolled it out. We've got an OKR platform. The idea being that you need to bring all operating people on the same platform so that they're totally aligned to the corporate objectives and they deliver as per on track and they can clearly, they can see the results, they have transparency to see the objectives of their seniors, of the corporate objectives and how they're contributing and that's how they get rewarded and recognized.

This is critical for us, especially for, among everything is important, but especially for Mukutban, which is I think a matter of interest for all of you. And in Mukutban's case, we have been following the OKR very closely. And I'm happy to say that we have been seeing steady progress there. The progress has been the most notable progress we have had is in terms of reduction in costs. In Mukutban we are going down on a very steep, you know, fall in the cost levels as predicted, as projected by us, as the volumes are not only being ramped up, not only due to the volume ramping up, but all the other efficiencies which we had planned for.

Especially in power conservation with full implementation of WHRS, efficient running of our CPP, but more importantly also, getting our mining operations up to full speed, use of internal captive mine limestone to the maximum extent possible, improving our clinker quality due to which we are not required to buy or get third-party clinker or clinker from any of our plants to produce the higher grades of OPC, etcetera, which we have announced.

So, there are a lot of technical improvements and innovations which Mr. Prusty under him his team has done. So, we are extremely satisfied with how the cost curve is behaving. And we see that progressively coming down in the subsequent quarters exactly as we had predicted. On the sales side, we have been ramping up and there has been a little bit of a chicken and egg story out there, essentially because of the depressed prices in the Maharashtra market.

Now, how that has, why is it a chicken and egg story? It is because it has been our plan to gradually extend our footprint within Maharashtra from the immediate vicinity and proximity of the plant. So, in the previous quarter, we were operating within about 200-250 kilometres from the plant that was really our core market which was essentially Vidarbha and parts of Khandesh. Our plan was to now extend it further to go down towards Nasik, Aurangabad and other areas.

But while going on as you will realize it calls for, it involves additional freight, and the additional freight you can compensate only if there is better realization. Now there we got a little handicap because prices in Maharashtra were unexpectedly depressed, I would say, than what it was in other regions, even in comparison to other regions. So that, you know, made sometimes a difficult choice as to how much we want to invest in seeding the market going forward and how much we want to pull back to stay within the positive contribution.

So that required careful balancing. We tried to make up for that with three initiatives. One, our thrust even in the Mukutban market, though we have gone there, we are new entrants there, our thrust has been largely on the premium product which is our Perfect Plus. And we are happy to see there is a brand recognition of Perfect Plus because Perfect Plus had gained some kind of a, national identity because we had been supporting the Perfect Plus on national mainstream media, especially on television, with very key properties like cricket.

Some of you who are cricket fans would have seen the Perfect Plus advertisement coming, not in a big way, but in a very noticeable way as Aston Vans below in the World Cup, in the Test Series which just now happened, and on ODIs, etcetera. And this has been happening systematically over since the time we had launched it. But that is in 2016-‘17 beginning, from there it has been accruing.

And we are pleasantly therefore not surprised but we are happy to see that that recognition carries through even in Maharashtra market, coupled with our quality. I think the Mukutban plant has been producing excellent quality, quality-wise, and there is a lot of confidence in the local stakeholders, local market, about this being. Although there are a lot of other plants present, but in the kind of when you see the plant, some of you have visited the plant to see.

It's really a state-of-the-art, modern plant with very, very advanced quality control systems and due to which -- and that the proof of the pudding is in the eating because they see that translated in the product. So Perfect Plus is giving us -- so about 50%, 45% to 50% of our sales in Mukutban in the trade segment is of Perfect Plus. And overall as you see in the company we are around 54% in the premium category nationally across all units. So, when Mukutban is picking up at 45%, that shows that we feel is encouraging.

Now, along with that, when we are talking about logistics, our logistics, we have been trying to make again, innovations. We have increased our direct sales from plant DSOs, and DSO percentage of Mukutban has gone up to as high as 65% of our road dispatches from Mukutban. We have improved our rake loading efficiency and both mini rakes and full rakes and giving our whole packaging plant operation, cutting down on demurrage and loading time.

So that to reach further points. So, we have now started reaching areas like Nashik, Aurangabad, these are within Maharashtra I am talking about, other areas we were already reaching, I will come to that later in Madhya Pradesh, Gujarat, etcetera. So that has started giving us, so directionally we find had the prices been a little better.

We probably could have ramped up much more aggressively during this quarter. It did not happen as fast or as aggressively as we would have liked to. But still, we are ahead of what our own original estimates and anticipation was.

As we go forward into the third quarter with costs coming down and even if the prices were not to improve significantly, we are better off to spread out further and go on. As on date, our Mukutban average lead is how much? We are doing 384 kilometres average lead, but the 384 kilometres is higher because of the other, we are also supplying in the Madhya Pradesh, Gujarat, etcetera, which is going.

So, within Mukutban, we remain at about between 250 to 300 kilometres is what we are doing in terms of Maharashtra. We have seeded Telangana market, which is just adjacent and it is actually a natural extension. We are again finding their acceptance of the brand to be quite good. So that is broadly the picture on Mukutban, I dwelt on it at length because that I know is of great interest to… And the growth in Mukutban has been 21% in volumes over Q4 of 2022- 23.

So that gives you the overall, flavour of what's happening in Mukutban. But all other building blocks in Mukutban are right now in place in all functions. So operationally also, we are getting more efficient and we are beginning to also look at on the operation side, how to bring down our cost structure because in terms of right-sizing manpower because of the project states, you probably had a little bit of a higher bench strength, all those are being rationalized.

So Mukutban, in terms of as a standalone operation, because it's a major unit of RCCPL, which is a subsidiary, we have our eyes totally on the ball. And so far, we are satisfied, I repeat myself, with what's been happening. Now keeping aside Mukutban, I saw some comments in the analyst report talking about the growth, which we have got in terms of volumes and in terms of pricing, thinking that most of the upside has come from Mukutban.

I would like to correct, or not correct, I'd like to clarify or elaborate on that, to say that our performance in our existing core markets has been again in our internal assessment, quite commendable. First of all, talking about capacity utilization, including Mukutban, our total capacity 91%, but if you were to look at the capacity utilization of our remaining plants, it has been at a whopping 105%, which I would think would be one of the best in the industry in terms of capacity utilization that is all our existing plants, Maihar, Satna, Chanderia, Kundanganj, Raebareli, all of them have produced ahead of their overall capacity.

As a result, this is a question a lot of times asked by some of you in our offline conversation about our clinker utilization. Somebody had was quite cynical about why would we would like to transfer some clinker from Mukutban to Durgapur. Does it make sense? Yes, it makes great sense because our entire clinker production of Chanderia, Satna, Maihar are totally utilized in our highest realization and in our strongest markets, which is Eastern UP, Western Bihar and Madhya Pradesh.

These are the markets, where we are able to absorb the entire clinker and get the maximum what we call the clinker realization. And therefore, instead of supplying clinker from those plants to far away, Durgapur, where the realizations are lower and all of you know, the markets in the east have been depressed, my incremental clinker from Mukutban, if I supply to Durgapur, it makes in our calculations eminent sense.

I am not getting into the aspects of clinker swapping, that is an option which is there, which people sometimes do not realize, so I don't always have to send my clinker all the way from there to Durgapur. There are other ways to optimize. So, the Mukutban, what I underscored in our previous telecom, Mukutban one has to look at not just with the lens of Maharashtra, Mukutban gives us a great deal of flexibility and creates synergy for our entire operations.

I would ask for your indulgence for two more minutes to explain to you what I mean by synergy. If you see our core market, the heart of our market, is broadly what you would it call, what is loosely referred to as the Hindi heartland. And that is the area of Uttar Pradesh, Western Bihar, Rajasthan and Madhya Pradesh, practically the whole of Madhya Pradesh. If you see today, Birla Corporation is most uniquely placed.

We kind of encircle this area almost on a 360-degree basis from all directions. I have got two plants in Madhya Pradesh, Maihar and Satna, in Kundanganj in UP, Raebareli, which is though small, it's a highly profitable and efficient operation. And of course, we have got Chanderia in Rajasthan. And now, because of Mukutban, I can service the lower part of that geography, which means southern Madhya Pradesh, southern Gujarat, which was earlier beyond my reach from Mukutban. And I can do these interchangeably.

The talk of cross branding, which has become very, very fashionable and popular in the industry, we have been doing cross branding way back from 2016. And then I can continue to do now today with far more ease and far more flexibility to supply these markets with the brand, with the product which is required and where it makes the biggest sense.

And we are probably, I can say with some modesty over there that, we are one of the companies which has actually a full brand architecture with a segmented architecture, segmented both on the price level as well as in geographies. So, we are one of the few companies, when I read a lot of people are talking about premiumization, but our premiumization strategy has been very different.

We have had the flagship brand, the umbrella brand, Perfect Plus at top, which we have been investing as I mentioned to you consistently to make it get with the critical mass to become a recognizable national brand at position in the A category. But below that, it's not unlike others may have brand A and say brand A premium, I have got my value segment brand, which are the regional champions.

So, look at Samrat in UP. Samrat is an extremely strong brand in UP and it's a heritage brand which has been around for many years. So, I get a complementary, I get a synergy between Samrat and Perfect Plus in both the segments. So, my distributor or dealer has a unique position to be able to sell both a premium brand and a value brand from the same counter depending on the customers.

Earlier, even for us, if they were selling my Samrat, they would have had to go and buy another A category brand to keep on the shelf of another of my competitors. But today, because of the Perfect Plus having been established in those markets, my distributors are able to sell both simultaneously.

And why I'm belaboring on this? I'm belaboring on this because we have seen the impact of that during this period, where even in the overall in the company, you will see in the overall terms, my premium sales has gone up from 51% to 54% of my total trade sales. And much of this increase has therefore come from my core market. Why one is happy or one is proud is as you know, some of our core markets have seen very, very intense competition in the last six months with a lot of new entrants in that place.

That we have not only been able to hold on there, but actually consolidate and premiumize in that market is I would give a lot of credit to Mr. Pramanik and his team, which is I would consider one of the best sales team, we have in that region. And last year, for a variety of reasons, Madhya Pradesh was probably underperforming. But today we see Madhya Pradesh also picking up despite the intensity.

And Madhya Pradesh has grown 21% in the last quarter. Okay, so we are getting and all that growth is really coming from the premium segment. That's Perfect Plus, is driving the growth with some amount of growth coming from Rakshak, which is a waterproof super premium brand. So, the brand strategy seem to be in place.

We are not complacent about it, but we know that, we have the right assets in place in terms of our distribution assets, go-to-market assets, and in terms of the brand and marketing assets, and certainly the people assets in those markets. So that gives us our confidence. The next area on which we have obviously been focusing is on logistics. Logistics, apart from the conventional way where we have done I think well is in terms of movement of fly ash in container, in rakes over there. And there are two kinds of rakes which we are doing, lot of other people are also doing ordinary rakes where they're making conditioned fly ash with spray.

But we have been pioneers in investing in the BTAP rakes and having, that's where Tamal, who's our strategy head, he has played a big role. We have done that and today we are one of the highest movers of BTAP rakes to our plants, especially in Madhya Pradesh and the BTAP rakes give us, between BTAP and your normal wagons, we get about a INR200 benefit in the landed cost of fly ash.

why I am citing this is an example, this is not a one-off example, but that is the kind of focus which we are looking at in terms of our cost management and that is where OKRs come to play a role. The last thing again on cost I will tell you, it's common observation that most companies have benefited from the softening of fuel prices, imported fuel. But when you look at our fuel reduction, I would like to point out to you, it's not just a function of the lower fuel prices.

Our fuel prices have come down also due to our changing of fuel mix and much of it has been one of the areas apart from solar, green energy, apart from our alternative fuel thrust, which has been -- you'll find, we have already reported that this quarter we have been one of the highest use of unconventional green energy.

We have actually now reduced our import dependence from 41% to 29% by beginning to use domestic coal, including from our captive mines, which will only go up. We have, I think, mentioned there, with Marki-Barka Bikram coming through, that will go up, so, our captive coal and internal coal.

So, the point to be noted here is, if there is a sensitivity of tomorrow, the imported coal prices going up again, we are, I think, managed to insulate ourselves a little better than others in terms of the energy cost. Finally, we had referred to even in the thing about Project Shikhar, which is being led by Mr. Prusty there, and it is essentially manufacturing excellence, but manufacturing excellence clearly focused on not just increasing efficiency, but actual cost reduction.

We have achieved in this quarter estimated about INR30 per metric ton from the Shikhar which we are planning in quarter two we are targeting another INR50 per metric ton on Shikhar. Now how is Shikhar being done? It is not a buzzword. It is not the new flavour of the month. There have been workshops held across the factories and there will be 4,800 ideas which were generated.

Out of the 4,800 ideas, 249 projects were identified and these projects were categorized in terms of priority from P1 to P4, and with we sanctioned both opex and capex investments on this, capex was authorized by the board, which we did, and then it is being tracked on a daily basis at a central level. So, that has given us those savings and now in terms of cultural change, in terms of change management, we have set up earlier, I'd be very honest in saying, Birla Corporation in his earlier days, each factory, the older days used to work in kind of silos, they were independent units.

There was not too much of cross learning or exchange of best practices which was happening. So, now what, thanks to IT, thanks to digitization, thanks to apps, we have been able to set up community of practices and actually encourage a copy with pride kind of initiative by which the good practices can get exchanged and we get an organizational synergy.

So, Shikhar has given us very encouraging results and this we believe this will be culturally embedded in the organization which will not be individual specific, not a person specific. This will become our way of working, the MP Birla way of working and we should start seeing this on an ongoing basis as a lot of large organizations even in different industry segments in categories of which they do, this continuous improvement in the cost function.

Equally, as I mentioned earlier, in marketing, there is work happening, because we have been quite frank and honest in saying earlier that we have temporarily we are kind of almost sold out on our clinker other than in Mukutban. So, our idea is to increase the premiumization, but along with the premiumization, focus on our high realization geographies there, and high realization geographies, not just because they're high realization, where we have, I reiterate, our industrial strength, that is our industrial assets, present the footprint.

But along with that, most importantly, our commercial assets, which means the distribution system, the route to market, the go to market, our sales team, our brand strengths over there, because that is what is going to help us and these are investments which one has made over the years. People do not always -- it's difficult to put a value on it unless you do a separate valuation.

But I believe that if you were to value our brand assets and our commercial assets in any situation, theoretically also, it will put Birla Corporation ahead of many of our competitors and as we are clearly seeing in the market with some of them trying to emulate or follow our earlier strategy of premiumization or geo mix, which has become a buzzword now, everybody talking but they are probably not as well placed to do that as we have done over having the first mover advantage in the last six years or seven years. I think I will take a breather here. I will hand over to Mr. Saraogi in case.

Aditya Saraogi: Okay, I think we can ask the questions.

Sandip Ghose: Okay I think now we will open it out for questions and then we will take the questions here as a team.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press * and 1on their touchtone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use handsets while asking the questions. The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Thank you, sir. So, without wasting much time, I would request if you can get the in short answer would be helpful to address all the participants. So, the first question is last time we talked about a 15% volume growth. So, are we sticking on that? How much volume we have done from the Mukutban in this quarter?

Second, so does that mean last time we have talked about 2 lakh volume per month, so will it remain the same for the Mukutban and for FY25, does that mean that we can increase the utilization of Mukutban to 75%, then the second question is on the profitability?

Sandip Ghose: First, answer to your question, I think we already said that there is a 21% volume growth between Q4 last year and this year. So, we are proceeding on track in terms of our volume growth. And yes, what you are saying about a 2-lakh exit, that is something which we are also standing by just now of a 2 lakh exit from Mukutban. Right now, I wouldn't venture in talking about 2024-25, but this year we stand by what we had said earlier. Thank you.

Shravan Shah: Okay, second is in terms of the profitability we have talked about INR850, INR860 EBITDA per ton. This quarter, we have done 664. So, does that mean for next three quarters, we need to do 900, 925 type of EBITDA per ton? So, in that, from here on, how much more cost reduction at the console level we can see and if you can also talk about in terms of the pricing that would be helpful?

Sandip Ghose: Pricing to answer first I think everybody is assumed that there is not going to be much price, increased price will remain by and large flat to soft throughout the year. Though, it's too early to say, I wouldn't rule out later in the year a slight upswing in prices for a variety of reasons. I don't think that is something, it's not restricted to Birla Corporation, so I will not like to comment.

So, we may see some tailwind on pricing, but that if it comes, it'll come as a bonus to the industry per se. I'm not factoring in it for our results. But yes, we still stand by our not 860. We didn't say

860. We said closer to 850, and that is something which we stand by. We clearly have visibility of certain major cost saving coming through for us, which I would not like to discuss in an open forum just now, but we do have visibility of some major cost benefits coming our way, which gives us the confidence that we should still go for that 850 number at the end of the year.

Now it's not that it is going to move up in a continuous curve from today to March, you will have discrete jumps with some specific developments which will happen, which are expected to happen. And if that happens and if we maintain all our other assumptions and parameters which we are delivering, personally I would still hold 850 as a do-able target.

Shravan Shah: Okay just on the costing front, how much more at net opex we can see in terms of the reduction because we have talked about power cost to reduce by 250, but that is from the average of FY'23. So, we are already down to that number. So currently for this quarter, 1153 power and fuel costs. So, how much more we can see the cost reduction from here on?

Sandip Ghose: I don't think we'll go into further detail just now. I think we've given enough indications overall direction. Now, beyond that, the specifics, I think it will be premature or slightly unfair to get into there then I'd be probably have to put before you my entire working sheet. So, the direction I think we've indicated enough and since we are holding by our EBITDA projections and we've indicated like the kind of cost which we are reducing in our project Shikhar, what we are doing in logistics, and most importantly what I showed you in that how our fuel mix is changing as opposed to just being dependent on international prices. That should give you enough leads as to what's happening. Thank you. We'd like to move on to the next questioner, please.

Moderator: Thank you. The next question is from the line of Jyoti Gupta from Nirmal Bang. Please go ahead.

Jyoti Gupta: Good evening, sir. Good set of numbers. My question is on the raw material cost. There are two parts to it. One is the movement of the lead distance that you have mentioned is 384. What percentage is clinker because it is obviously 384 multiplied by 2, which means we are moving quite a bit of clinker, is that going to increase? And has the busy season surcharge in any way impacted this lead distance and would it further impact the lead distance and do we see some kind of rationalization in your raw material cost going forward?

Management: First question is we do not consider clinker dispatches in our distribution cost. It's purely cement Jyoti, there. And we will work on raw material reduction. There are many things which is in the pipeline. As I told you, Mr. Prusty has extremely clearly chalked out plans. He brings onto the table a wealth of experience from his long stint in ACC and in the Lafarge Holcim System. He is one of the rare people who has, who is a mining engineer to start with. Then he has worked in projects. He has worked in grinding units. he has worked in integrated units, small and large, new units, he has done for those companies. So, he brings in a lot of energy, lot of focus, and we've got, I think now, a very charged up manufacturing team. So, you will see benefits on the raw material cost. Thanks.

Jyoti Gupta: My other question is, sir, can I ask one more question?

Management: There are lots of people are in the queue, Jyoti.

Jyoti Gupta: Okay, I'll speak offline, sir. Thank you.

Moderator: Thank you. The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Hi, good afternoon. Just on incentives, could you just highlight how much incentive was booked in this quarter?

Management: We have booked about INR45 crores in this quarter. That's coming largely from Kundanganj.

Amit Murarka: Right. And this Kundanganj incentive is getting over when?

Management: We've said that it will get over at the end of this fiscal.

Amit Murarka: So, it will be available till Q4 then?

Management: That's right.

Amit Murarka: And you expect the Mukutban incentive to pick-up to compensate for this loss like, from FY '25 onwards?

Management: Mukutban will certainly start before that compensation. Yes, once we are in full same Mukutban the incentive is quite high. This will offset, but we have other plans as well, but we are too early to discuss.

Amit Murarka: Sure. And on Maihar Line 2, is there any update? You have some plans which you're working on, you had said.

Management: Maihar Line 2, we have always said that Maihar Line 2, we will look at it after some time because right now, you know our balance sheet, you know the kind of debt exposure, we are not a company who become overtly aggressive or adventurous, shall I say to on the debt front. We need to consolidate our thing. Our first challenge is to get Mukutban up and running to full steam. Once that happens, you'll find a lot of other things falling in place. So, it's very much on the anvil, but we'll action it as soon as we are ready in a time of our own choosing, not by any external pressure.

Amit Murarka: Sure, and just lastly on captive coal mining. So generally, anyway, the pet-coke costs have dropped to like INR1.75 Kcal. How much of benefit would come from captive mining given the current costs on pet-coke?

Management: First of all, pet-coke is not a fuel of choice for us in all our units. Okay, and the places where we use pet-coke, there the captive mining is not relevant. In other places, we have indicated, what is it, roughly?

Management: No, but our costs are still lower than the -- despite this reduction in pet-coke prices, our captive coal mine prices are still lower. In fact, the landed first from Bikram coal reserve is expected to be as low as INR1.10.

Amit Murarka: Okay, got it. Thanks a lot.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, when will the Mukutban, incentives start getting reported in the P&L?

Management: As soon as we start receiving them?

Pritesh Chheda: So, in the last quarter, it was mentioned around quarter 3. So, will that fall in time too or there can be changes in there?

Management: We by and large hold that if there is a setback, but we don't see a major shift in that. Three could get pushed to the end of 3 or beginning of 4 or something like that but not necessarily not any major shift.

Pritesh Chheda: And you know when you reach this 2-lakh ton per month type volume, ex of incentives what kind of EBITDA per ton one should look at?

Management: We've already said the exit EBITDA for the company.

Management: Average price is INR850 a ton, we can't get -- EBITDA from [inaudible 0:45:33]

Pritesh Chheda: No problem, sir. And my last question is sir, on the power cost, so incrementally on the two three quarters based on the positioning that we have, what kind of cost reduction we will see?

Management: See, on power front, last year because of non-availability of linkage as well as domestic coal and very-very high prices we had largely switched to grid power. Now with the cost of domestic coal coming down and the availability also improving, we have again gone back to captive power plants, wherever we have one. Okay so it is a dynamic situation which keeps on changing depending on the market situation, availability of coal, cost of coal etcetera.

Pritesh Chheda: So, based on the current situation what kind of cost reduction or will you see?

Management: Eventually, the cost per unit should be more than a INR1. More than a INR1 per unit eventually. But that may not happen overnight because we have increased our contracted demand. It will take a while to reduce the contracted demand. Once all of that happens, obviously we'll start to get into those on top.

Pritesh Chheda: Okay.

Management: Next question, please?

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Yes, hi, sir. Thanks for the opportunity. So just one question. What do we make of biodiversity? The reason I ask this is there have been like, 20-odd tiger deaths this year in Maharashtra. I think the last one was in the Yavatmal Sanctuary. So just wanted to have your thoughts on are you

100% sure on sourcing limestone in a sustainable way from the reserves which have been earmarked for us?

Again, the reason to ask this question is, prior to the current government, which gave us the approval to go ahead with the use of reserves, there were two technical committees which had actually given an outright, no. So just wanted your thoughts on this particular aspect which I believe is quite critical. Thank you.

Management: See I'm not too sure where you're getting this from. We have been engaged with the National Wildlife Board. We have been engaged with the Tiger Conservation Authority, we have been engaged with the WII Wildlife Institute of India all of that, the whole, in making a general comment, all these things, there's the approach is, one is mitigation, one is making, environment friendly thing.

The answer is, if you were to, if the approach of the government and everybody is, that if you were to simply look at what the kind of points which you are saying, then probably you can't have any construction, any development anywhere. So, whenever you're doing it, you have to do it in a sensitive and a scientific manner. And which is, you know, in the country, it is extremely, this is being managed very closely and at various levels.

Now the point which you are saying, I don't want to get into that territory, it's not a subject of this call. Some of those things are due to man-animal conflict and things like that which are happening in certain areas and that is precisely what the government or at the macro level they're trying to address. So, there are, if you read articles where they have said, what we need -- what India needs is not just an exponential growth in number of tigers and other thing, it's a sustainable tiger population.

So those are very larger question, that's not really my remittance purview, but whatever we have done, we are doing in very close collaboration and dialogue with experts, with the authorities, and this is a dynamic review. And wherever we are having to make sometimes investment, like say, somewhere we are having to actually invest in an overland conveyor belt. We are making those investments out there so that there is least disturbance to the biodiversity and the flora and fauna of that area.

So, this is done in close, as I repeat, in close consultation. And we go by the guidance of experts and do what is required of a responsible corporation. If you know the guidance, our guiding principle of this organization, our corporate principle is heart and strength. So, while we do believe in the strength of our commercial strengths or anything else, we are, at the same time, we're an organization with a heart. So, we would not do anything, and the heart doesn't apply only to humanity, it applies to much larger than that. So, it includes plants, it includes animals, it includes everybody else. So, we will do what is called for and everything it takes to maintain that.

Ritesh Shah: Right. So, I was just referring to the fine print documents which are available on the Maharashtra government website. So just to clarify that point. And just to continue, sir, is there a plan B just in case, if there is some disruption on supplies on limestone? Do we have a backstop plan B in place? And that will be my last question, thank you.

Management: I don't get you, please come again to repeat, please.

Ritesh Shah: Sir my question is, if at all, there is some problem in sourcing of limestone for the Yavatmal facility, do we have a plan B over here? The reason I ask is, earlier we have seen similar instances at the Chanderia CCW1, CCW2. So just being cautious, is there a plan B if at all there is some disruption over here? Thank you.

Management: Two points. First, Chanderia and Mukutban are not comparable. Okay. Having said that, first of all, let's, since you raised Chanderia, let me say, Chanderia, we have not stopped mining. We are doing mining in an environment-friendly way, even if it means some additional cost for us, because we value conservation as high as any, than any other activist or any other people over there.

First of all, we will not do anything that jeopardizes the nature, which we do not have permission for. Obviously, this plant cannot be set up, couldn't have been set up, based on availability of limestone in some other state. And even if you have some other state, the same kind of issues can arise there. We have limestone reserves earmarked for this, not just in one mining block. There are more than two, one, two, and there are others which are potential limestone blocks which are there within the vicinity. You cannot be running such a plant of 3 million tons by getting limestone from another state.

And I don't know which Maharashtra government notification you are looking at. We have, as I said, the requisite permission. We have the requisite mitigation measures in place, we have a -- and in which we have worked with authorities at various levels and that's the way to go forward. And I don't think the government or anybody wants to shut up plans on some theoretical assumptions. They are also interested in development happening in the areas and they will work in partnership with the industry to find a way forward.

Ritesh Shah: Sure, sir. Thank you so much. I'll look forward to the conversation on this topic with you sometime. Thank you.

Moderator: Thank you. The next question is from the line of Mangesh Bhadang from Centrum Broking. Please go ahead.

Mangesh Bhadang: Hi sir, congratulations on a good set of numbers. So, the first question is that we are already operating at very close to 90% utilization and probably if we achieve that 15% growth would be very close to full utilization of the plants which could hamper the volume growth in the future years. So, any debt levels that you would look at planning or you would probably plan and make sure that the plant would come up on-line? So that at least there is continuity to the volume growth that we are looking at. So just wanted to know the timelines when we can sue and what kind of debt levels you would be comfortable?

Management: See, first let me comment on the growth plans and I will let Mr. Saraogi talk on the debt levels. We obviously have a growth roadmap in mind and I have been, all of us have been, very upfront in saying we are not looking at exponential growth and getting at for that matter to get that get into any kind of adventurism in the market or invest thing.

But here we have very clear steps planned. Now to deliver on the first 15% we do not see that as a challenge, A, with Mukutban ramping up which we are doing. As soon as the Mukutban ramping up is in stage, we may do a couple of other things to make the operations more profitable. We have on the plan, we have indicated, we may be looking at some new grinding units in proximate markets, which will – we have still got some excess capacity in the Chanderia and other places. We will do that.

And once the whole thing stabilizes there, we will be ready – I don't want to give a date and number – to move forward. The most logical thing next would be our Maihar Second Line, which we will go for. So, we have a clear, steady plan of both volume as well as profitability.

One of the areas we would like to focus to create value for our shareholders, for our investors, is getting our profitability at par with the, you know, the top, the leading players, where we had been lagging earlier for a variety of reasons, and we want to catch up on that speedily.

Aditya Saraogi: On debt level, as we have mentioned, we would like our debt to EBITDA ratio to be within 3 on a sustainable basis. We stand by that.

Mangesh Bhadang: Understood. Sir, I have just one small question that we recently purchased a company called Sanghi Infrastructure which has mining rights in Katni in MP. So, in this, just to augment other limestone resources for existing operations, or you'd be looking at a Greenfield facility here sometimes, probably in the future?

Management: We look at that whole block as a total consolidated production capacity in that block. By block I mean that whole geography of Satna, Katni and that area. So, this is where it is part of our whole limestone bank, raw material bank which we are doing and how, which is the most cost-efficient way of doing it, whether it is a separate greenfield plant or by adding a second line to Maihar or doing something in Satna, those are calls we'll take later.

But we are looking at how much production we need from that area. What is the kind of market share which we can realistically command in those areas, because we are not the only people present there. At the kind of returns that we want. We are not the kind of company who just put up capacity and then undercut my own brand to bring down premium and everything.

So, we will do what is best, but for a long-term limestone security, we take a number of steps and this is one of them which you have seen so far.

Mangesh Bhadang: Understood.

Management: This is exactly how we want to, you know, make our operation sustainable. So, there are many ways we feel to augment the business rather than just setting up capacity, buying units, etcetera. We have got a lot of these sort of things to do and we have been focusing on those, whether it's the, when you talk of the captive coal mines, we are getting our limestone security in place, and I talked about the whole branding, branding architecture, your distribution assets, all of that we focus rather than just simply once upon a time people used to look at the cement industry only in terms of capacity, but we think we need to look at it much more holistically.

And all these are equally important. And once all these blocks are in place, when you have your sourcing, the raw material assets, you have your production assets, industrial assets, you have your marketing assets, you have your logistics, there's a lot of work to be done, which we are focusing on, because that will be the next, I think, frontier of value creation in the cement industry. All those things, everything may not necessarily happen only by addition of capacity.

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

Prateek Kumar: Yes, good afternoon, sir. Thanks for the opportunity. My first question is on your debt level. So last quarter it was suggested as around INR3,600 crores, INR3,700 crores FY '23 end. Has that materially changed this quarter? And what is the capex number which we should build in for modelling purpose for FY'24?

Aditya Saraogi: Our debt as on 30th June was around INR3,600 crores only, net debt. And our total capex plan for this year is around INR1,000 crores which includes sustenance capex, capex required for Shikhar project, capex required for the operationalization of coal blocks of Bikram and Marki Barka and also some capex which remains to be run in Mukutban or the payment which needs to be made.

Prateek Kumar: INR1,000 crores is for one year or like you were saying for spread over '24-'25?

Aditya Saraogi: No, no this is for '24.

Prateek Kumar: And our capacity will remain at 20 million ton post this capacity capex what we are envisaging?

Aditya Saraogi: Yes, this year there is no change in capacity, this year.

Prateek Kumar: Right, and for the other capex or expansions which we have highlighted for going from 20 to 25 million ton, so the…

Aditya Saraogi: There is slightly improvement, there is slightly improvement.

Management: We are going into that question over and over again, we've been very clear, we are not looking at doing it just now, till the time we have got our existing operations in order, which does not mean its indefinite delay, but we'll do as I said, at the time of our choosing, and we are not changing capacity. And once we are comfortable, we'll do that. But because we don't really want to get, as mentioned earlier, adventurous on the financing trend.

Prateek Kumar: Right, and just one more question on Mukutban operations. You said last quarter, cost of operation has come down from 4,500 to 2,800 per ton variable cost. Has this come down further or is that stabilised at this level?

Management: We also indicated, I think you are supplementing questions, I have indicated that coming down is incremental and a steady coming down and we expect this to come down, as I mentioned earlier also, it is not just as a function of volumes or volume ramp up, it is in the function of various other initiatives and you know things which are going to come in terms of raw material sourcing and the rest of it which we so our target is far lower and we expect to achieve that in a steady manner and directionally we are proceeding there. So, it is not plateaued and it's far from having plateaued.

Moderator: Thank you. The next question is from the line of Tushar Verma, an individual investor. Please go ahead.

Tushar Verma: Yes, hi, sir. I have a couple of questions actually. My first question is on the pricing side. How are the prices of cement shaping up across various regions that we are catering to in Q2 FY'24?

Management: If you please finish all your questions. If this is the only question, then I'll take it on.

Tushar Verma: No, I have one more question on the fuel cost side. What was the consumption fuel cost in kilocalories in Q1 FY '24? And sorry, I missed this answer. What is the benefit we expect to occur in the coming quarter from this fuel cost coming down?

Management: Yes, so first point is we have been indicating that we do not expect prices to be fluctuating too highly anywhere. This quarter obviously you have the impact of monsoon, but despite monsoon we have not seen a huge slide in prices. The prices will remain soft, but I do not think it will crash in any way. We are proceeding on that basis that which has been projected for the industry at large that this year overall prices would remain flat. It might go up and down a little bit but average pricing for the year will remain flat.

Aditya Saraogi: And on fuel costs in this quarter our cost on an aggregate basis was INR1.95 per million calories. In the next couple of quarters, we expect that to come down to around INR1.70 to INR1.73 per million calories.

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

Saket Kapoor: Namaskar Sir and thank you for a very elaborate briefing in your opening remarks. Sir, please help me with the net debt number, absolute number, our blended cost of fund and our current year maturity?

Aditya Saraogi: Our net debt as I explained earlier is around INR3,600 crores. As of 30th June, our cost of fund is 8.02% which we expect to reduce gradually over the course of the year. And our total maturity is INR491 crores.

Saket Kapoor: And sir when is our rating review sir?

Aditya Saraogi: One of that is already happened, by CARE, CARE has already done its review.

Saket Kapoor: And I take the liberty of just a small submission here also that the message to be forward to our chairman that even other companies in the space also warrant attention the way Birla Corp has been attended by Saraogi sir and Ghose sir. So please do convey the message that the other listed companies are also wanting the same kind of attention in the form of investor interaction through con call and press releases. And a very elaborate press release, we hope for the continuity of the con call and the release going forward. And all the best to them.

Management: Thank you. The other, please talk to the other when you are talking to the other management.

Saket Kapoor: It's a cross holding, sir, we don't get an opportunity. But anyway, I thought a message to be conveyed. Maybe. Pardon me for my unawareness. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to Mr. Rajesh Kumar Ravi for closing comments. Over to you, sir.

Rajesh Ravi: Hi, sir. Do you want to make any closing comment before we close the call?

Sandip Ghose: I'll just thank everyone. Thank you very much, all of you for joining. I would obviously your focus on numbers is very natural and commendable but as far as Birla Corp is concerned I would request you to look a little beyond the numbers on a, there is a lot of qualitative efforts which have been happening and has happened over the last few years, which I don't think was really factored in by the market.

It was probably not visible. Now, because we are talking, because you're seeing there are more closer interactions, you're seeing those things, I think that is something I would like you to, you know, pay attention sometimes because a lot of things are actually, goes beyond the numbers and we are certainly not a company, I said, who are chasing capacity, because that cannot be our game.

When you have people at 100 million and somebody else at 70, 75 million, just by chasing capacity I can't compete with them. I have to do things qualitatively, consolidate where I am and that is what was going to generate value for my investors, we believe, rather than just simply chasing volume numbers.

So that's the strategy which we have been going so far. I think it's stood us in good stead and we would like to build upon it. So, when you are looking at us also, I would request you to pay some more attention to what is being done at the various qualitative level. Thank you. Thank you so much. I really appreciate your joining, taking the time off. All the best. Thank you.

Rajesh Ravi: Thank you. Thanks. Thanks everyone for joining this call. Moderator, you may now conclude the call. Thank you.

Moderator: On behalf of HDFC Securities, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.