



THE INDIA CEMENTS LIMITED

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08.02.2023

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MUMBAI 400 051.

Scrip Code : 530005

Scrip Code : INDIACEM

Dear Sirs,

**Sub.: Transcript of Investors Call / Analysts' Meet - Disclosure under Regulation
30 of SEBI (Listing Obligations and Disclosure Requirements)
Regulations, 2015**

In continuation to our letter dated 03.02.2023, please find enclosed the transcript of the conference call (concall) held on 03.02.2023 with representatives of various Investors / Analysts on the unaudited Financial Results of the Company for the Quarter and Nine Months ended December 31, 2022.

Thanking you,

Yours faithfully,

for **THE INDIA CEMENTS LIMITED**

COMPANY SECRETARY

 Encl.: As above

Email: investor@indiacements.co.in



“The India Cements Limited Q3 Nine Months FY'23
Earnings Conference Call”

February 03, 2023



**MANAGEMENT: MR. N. SRINIVASAN – VICE CHAIRMAN & MANAGING
DIRECTOR, INDIA CEMENTS LIMITED.**

**MODERATOR MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA)
PRIVATE LIMITED.**

Moderator: Ladies and gentlemen, good day, and welcome to the India Cements 3Q and Nine Months, FY'23 Earnings Conference call hosted by PhillipCapital (India) 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 Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you, and over to you, sir.

Vaibhav Agarwal: Good afternoon everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q3 and Nine Months FY'23 Call of The India Cements Limited. On the call we have with us the entire Senior Management team of the India Cements.

I would like to mention on behalf of the India Cements Limited and its Management, that certain statements that may be made or discussed on this conference call may be forward-looking statements related to future developments and the current performance. These statements are subject to a number of risks, uncertainties and other important factors that may cause the actual developments and results to differ materially from the statements made. The India Cements Limited and the management of the company assumes no obligation to publicly alter or update these forward-looking statements whether as a result of new information or future events or otherwise.

I will now hand over the floor to Mr. N. Srinivasan – Vice Chairman & Managing Director of the Company for his opening remarks, which will be followed by interactive Q&A. Thank you and over to you, Srinivasan Sir.

Management: Good afternoon. This quarter is a quarter which signifies the changing position in the cement industry. After several years of steady growth, we ran into a situation where the fuel prices went --- Not able to hear you Sir.

Hear me now? Now is it okay?

Okay, the cement industry went through a very difficult time. I would call it not only difficult, a different time compared to what it had experienced in the past. The main fuel for cement industry is coal, and the price of coal shot up from \$100, delivered price of coal, it went to \$230. So, this increase could not be managed by the cement industry, many of the companies were in the red. And not only was the price of coal high, availability of coal also was difficult.

The only option left to the cement industry was to cut the variable cost. Several companies adopted different measures. India Cements decided that we would ask experts in the cement

industry to take a look at our main cost, to our energy cost, whether it was the coal or the power. And suggests ways by which we could improve the situation. We can improve the situation, because we have a multi-layer group of plants of different vintage, of different origin. And therefore, it is possible for us to reduce the variable cost of cement by attending to this.

We have asked Krupp Polysis and FLSmidth to submit reports on what can be done. Once we get the reports then we will implement what can be done in a reasonably quick time. The cost of this, it is difficult for us to predict it now, but it may be between Rs. 1,500 Crores and upwards. We are not intending to borrow anything. We have enough non-cement assets, which we can, if necessary dispose-off to raise the funds for such exercise. So, therefore, we won, the first step we had taken is we have taken a reasonably medium-term to long-term where we will refurbish all our plants and without any borrowing, which should augur well for the Company.

The second thing is that we are going to also make, increase the percentage of blended cement that we produce. We are quite confident that we can sell the blended cement that we produce. And therefore, this will reduce the cost of production.

The third item that we are looking at is we are producing different, newer varieties of cement which have got already market share in the cement industry. So, we will go into these areas also. So, sum and substance with all these, our aim is to reduce our variable cost, to increase the overall volume of cement, and have a lower production cost. With this we expect we will be able to get out of the difficulty that we have encountered.

We are quite confident of achieving this, because we are not going to, in a way we are not going to any rocket science ideas. These are plain and simple changes to the various Pyroprocessing processes. And therefore, we are quite confident that this will succeed. These are my preliminary remarks. I will be very happy to respond to any questions that you may have.

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

Rajesh Ravi: Can you share housekeeping numbers, what is the cement sales and clinker sales in this quarter, and cement production, clinker production?

Management: Clinker production during the quarter was 17.12 lakh tons and cement and clinker sales was 21.82 lakh tons.

Rajesh Ravi: And can you also share what is the segmental numbers of the shipping, wind and Trishul?

Management: Shipping was Rs. 15 crores turnover. And then windmill was Rs. 1.3 crores and RMC Rs. 28.36 crores.

Rajesh Ravi: And can you share the EBITDA for three segments?

Management: Shipping was around Rs. 8.6 crores, and the windmill was practically nil. And RMC was around Rs. 2.3 crores.

Rajesh Ravi: Yes and the trade notes at OPC and PPC, am I audible?

Management: 55-45, trade is 55%.

Rajesh Ravi: Trade is 55%, okay.

Management: And you can see the same....

Rajesh Ravi: Okay. And what was the fuel cost per kilo cal this quarter?

Management: It was around, one second, Rs.2.95.

Rajesh Ravi: And versus Q2?

Management: Rs.3.26.

Rajesh Ravi: Okay. And sir, how are you looking at this quarter? Q4, what is the current run rate, consumption basis?

Management: Around Rs. 2.75.

Rajesh Ravi: Okay, so 10% reduction is what you will see. And, just what you mentioned that you are engaging certain variable cost friction. So, what is your quantum of selling and by when do you see this can be realized?

Management: See we are about to get the report. And I mean, we are expecting about eight to nine months, early part of the changes, and then it can go up to 11 to 12 months also.

Rajesh Ravi: And quantum, prima facie, what is the number you are looking at, broad sense?

Management: See it depends on the report, and what we decide to do out of it. So, I cannot, I mean, we are supposed to get the report in the next three, four days. So, I will be guessing now.

- Rajesh Ravi:** Two more questions, if I look at employee cost run rate, it is around Rs.92 crore quarterly, which is almost 10% higher YoY. Is it all inflation led or is there any increase in, you know, can you explain that. And also, sequentially if I look at your other expenses while volumes are down, why would have other expenses gone up, because all costs would be trending lower, packaging cost etc.
- Management:** Can you kindly repeat the first part of the question, please?
- Rajesh Ravi:** Employee cost run rate is from Rs.92 crore, in this financial year versus at Rs.82 crores in the preceding year, Rs.83 crore preceding year so, any sense on what is driving this jump?
- Management:** I will just answer the question to the employee cost, employee cost in quarter includes, there was a gift that was given for 75 years of India Cements, celebrating our Platinum Jubilee, it includes that cost. So, that is the primary reason for the increase in employee costs in this quarter.
- Rajesh Ravi:** And how much is this increase? What is the quantum of that one-off increase in this quarter?
- Management:** In this quarter it is close to Rs.7 crores.
- Rajesh Ravi:** And second is other expenses sequentially, while volumes have come off by 3% to 4%, other expenses are still higher, Q-on-Q?
- Management:** It goes from Rs.26 crores to Rs.45 crores.
- Management:** It was an increase in consumption.
- Management:** Stores and repairs has gone up from nearly Rs.26 crores in the same quarter of last year, to around Rs.45 crores, because some refurbishment of the --
- Rajesh Ravi:** Quarter-on-Quarter, this quarter versus September.
- Management:** What was September? September was around Rs.34 crores.
- Rajesh Ravi:** And this quarter, how much it is there?
- Management:** Rs.44 crores.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

- Prateek Kumar:** My first question is, can you throw some light on the demand and pricing environments in South like over past 3 to 6 months. So, the pricing has failed to improve in the region even in the month of January and it probably has declined. So, can you throw some light on the pricing environment in your region?
- Management:** The demand has been slightly better than earlier which gives us hope that going forward the demand will pick up sufficiently for prices to move up. I agree with you that the prices did not increase in the past. But there is every expectation that it will go up in the near future.
- Prateek Kumar:** And your volume growth of 3% to 4% year-on-year, is it in line with regional growth, because there is some improvement, we have heard in South like to the tune of double digit growths in the region. So, I mean are we like slowing down our growth or market share in the region?
- Management:** So, for nine months the volume growth has been around 11% as compared to the region growth of 13%.
- Prateek Kumar:** And regarding, there was this recent settlement of employees on, I mean, I think Trade Union, can you throw some light, how will this impact employee cost from next quarter or is this, material impact on employee cost?
- Management:** What we have done is that there was an increase of-- Rs.5000 per person per month -- that this increase is to be split into two compartments, two deliverables. So, they will, first -- Rs.2500 and Rs.2500 in two installments.
- Prateek Kumar:** Okay. So, our annual employee cost of Rs.330 crores, I mean it is going to materially impact this numbers, Rs.330 to Rs.350 crores number?
- Management:** It will be only Rs.4 to Rs.5 crores will be the impact on account of this.
- Management:** This is only for the non-managers.
- Management:** Non-managers.
- Management:** This will apply to 500 people, who are the non-management workers. So, therefore, the effect will be minimal. It is around Rs.4 to Rs.5 crores for the year as a whole.
- Management:** See it is like this, the settlement covers April '22 to March '24, will be Rs.2500. And from April '24 to '26, it will be another Rs.2500. So, the impact is negligible when compared to, we you have a total in terms of approximately about 500 people, on that basis it will come to hardly Rs.1.5 to Rs.1.6 crores per annum.
- Prateek Kumar:** So, Rs.4 crore to Rs.5 crore including the two installments --



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Management: Yes.

Prateek Kumar: And just one more thing, so how are we looking at like sort of volume growth for our industry, like our next year, and I mean, you said some improvement in pricing expected, but how is the industry looking at volume versus pricing over next year?

Management: You are talking about our current year, January/March or you are talking about next year?

Prateek Kumar: FY'24.

Management: Our expectation that the growth will be good in South, because it's a pre-election year. We think the growth will remain at around double-digit numbers in the South.

Prateek Kumar: And last question, are you mentioned about refurbishing all the plants while you are awaiting more details on that. And you said that you are not looking to raise debt, so is it part of like your normal routine capital expenditure you do every year like Rs. 100 crore or is this like part of another, some major expenditure which you are looking to incur?

Management: This will be a major exercise --

Management: This will be, this is not the normal CAPEX. It is to refurbish those parts of the equipment that need it, but at the same time it is not a colossal expenditure, it maybe -- the amount to be will not be that excessive.

Prateek Kumar: So, you would not be knowing that amount as of now, we would like talk more about it, maybe next quarter results?

Management: Yes.

Prateek Kumar: And when we say that we are looking to increase blended cement mix from currently 55% so what is the target mix there?

Management: The target is 65%.

Prateek Kumar: That will also include the trade segment going up from 55% to 65% or that like the non-trade segments contributing to incremental blended cements?

Management: It has to be a combination of two, but mostly trade segment, you are right.

Prateek Kumar: So, increase in trade mix you are targeting over next, as part of new strategy that will also reflect --?

- Management:** Yes.
- Moderator:** Thank you. The next question is from the line of Vishal from IDBI Capital. Please go ahead.
- Vishal:** Thanks a lot for the opportunity, this side, Vishal from IDBI Capital. Continuing on this salary negotiation from industry point of view, I think media reports highlight like earlier, India Cement was doing it in a collective way for the full cement industry, and now it has been done at your level and only for your company. So, does this indicate like some differences between the hike which wages, I mean like the people should get it or probably an employee should get it, and that is earlier used to be like in one sync, now it is not. How one can read more into it?
- Management:** The only way to read is that trying to get an arrangement for the entire cement industry was taking time. India Cements felt that they could come to a settlement quite quickly. So, in half a day, actually, this settlement was signed. And almost one year had passed. So, India Cement management felt it was taking too much time that we should not make the employees wait that long, that's all nothing more.
- Vishal:** Now, will this mean that it will be done separately by each company at their own level?
- Management:** No, I think the rest of the industry is planning to meet with the labor.
- Moderator:** Thank you. The next question is from the line of Abhimanyu Kasliwal from Choice Equities. Please go ahead.
- Abhimanyu Kasliwal:** I actually had, I was going to ask you about volumes which were generated this quarter, because I joined up a little bit late, and the reason for that is this number was not on the con-call invite, which was given to the exchanges. So, if you could just look into that.
- My next question besides the volume is, if you may answer this, I am a bit, my question is your property, your land portfolio if you could provide us a little bit of idea as to whether the company has any plans for that. I know that is not an operating activity, but our land portfolio is so large 28,000 acres or so. So, we would love to get some kind of clarity on that.
- Management:** Your question is, what is the value of the land we want to sell is it?
- Abhimanyu Kasliwal:** Whatever you could tell me about the land portfolio, whether you hope to sell it --
- Management:** We are selling only surplus land. This land will not be used for cement or byproducts at all. We will raise as much money as we needed for the refurbishing, for which we will get the cost in the next few days, and within a week we will get it. And it is possible for us, we have lands bunched up together. We have lands which are separate also. So, depending on what we want, we are in a position to sell that aspect of land.

Abhimanyu Kasliwal: But again, like I said, if you could give some idea as to what is the value of the land portfolio that we have, I mean 5000 crores, 10,000 crores, 28000 acres, we don't know where the land is we don't know anything at all. So, it will give us a whole new dimension to valuation.

Management: For your information, we never thought that we have to sell the land, but because of the cost of coal going up, we have to sell small parts of the land. It is difficult for us as we have not made valuation, for me to be in a position to satisfy your curiosity.

Abhimanyu Kasliwal: But if you could do it, sometime if the company to do it, sometime in the future that would help us provide even better valuation to India Cement, I am sure, sir.

Management: Thank you.

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

Rajesh Ravi: I just have two questions, first on Springway what was the amount you had invested in this against the income that you have received, sales proceed you have received?

Management: The total investment was Rs. 308.72 crores. Out of which there was a loan of Rs.126 crores.

Rajesh Ravi: Sorry.

Management: Rs. 308 crores of the investment.

Rajesh Ravi: And against which if you have sold it for Rs. 294 crores.

Management: No, the profit on sale is Rs. 294 crores.

Rajesh Ravi: And what is the income booked on same sir?

Management: So, you have to take it as the total sales value Rs.476 crores. So, investment value is Rs.308 crores minus Rs.126 crores which was the advance that was given, so the investment value is about Rs.182 crores.

Rajesh Ravi: Okay.

Management: Profit on sale of investment is Rs. 294.28 crores.

Rajesh Ravi: Okay.

Management: I mean, it's given as a note that in the Financial Results.

- Rajesh Ravi:** What is the tax on the same?
- Management:** Specifically for the sales there will not be tax.
- Management:** There will be a capital, long term capital gain on this sale, so there is a provision under IT Act which enables us to set-off business loss against long term capital gains. So, we make use of that and there won't be any tax outflow during the year on account of a long-term capital gain.
- Rajesh Ravi:** No, why I am asking is these losses before this deal, there is a Rs.22 crores of deferred tax which is booked. So, this should be on account of the profit that you have booked for the Springway. So, just wanting to know if I exclude the Springway sale, what would be the deferred tax number for the quarter --?
- Management:** The PBT excluding the capital gain is Rs.180 crores minus negative that is loss. It will be net off with the entire Rs. 294 crores against the nine months loss of Rs. 450 crores. So, net-net there is, I mean the entire capital gain if we set-off, so considering that Rs. 114 crores is the profit for the quarter, on which about 25% is applicable as deferred tax. We have reckoned the index cost. So, there will be a marginal reduction if you consider 25%. So, we have arrived at the figure of Rs.23 crores deferred tax provision for the quarter.
- Rajesh Ravi:** Rs. 29 crore approximately is the deferred tax, tax which you have booked for the same.
- Management:** Rs. 23 crores for the quarter.
- Rajesh Ravi:** Okay. And coming to the land value which we have been earlier also alluding to, is it on the India Cements books you know the land that we have?
- Management:** Yes it is in India Cements books only.
- Rajesh Ravi:** And when you say that you know unrealizable with the, you know when we were talking about unlocking value these would be from factories into city limits and all, where are these land parcels placed?
- Management:** We have plants in 10 locations, these lands are in the, near the plant as well as in a couple of cities.
- Rajesh Ravi:** And we have been talking about that these lands monetization for the past 3, 4 years, but we haven't heard anything meaningful on them given that real estate market has improved. What is holding back the company from unlocking some of these lands values?
- Management:** I will tell you, what is holding is not the company's intention. But there are a lot of little regulations and formalities to be followed. So, that is taking a little time.

- Rajesh Ravi:** But you would have some understanding which can share with us that what is the value if maybe next 2 to 3 years are conservative numbers that would be realizable, if those formalities get steered off?
- Management:** It is difficult where land is concerned. For example, we have a lot of land in Vizag yesterday Mr.Jagan Mohan Reddy has declared that as the next capital. So, values shoot up. It is difficult where land is concerned to predict, and these lands were bought at the time of the formation of the Company. They are in different parts, it's difficult, let's see if we can put a number to it.
- Rajesh Ravi:** And lastly how much is the gross borrowings in this end of December?
- Management:** Yes, this is total borrowing is Rs.2980.6 crores.
- Moderator:** Thank you. As there are no further questions I now hand the conference over to Mr. Vaibhav Agarwal for closing comments.
- Management:** Thank you on behalf of PhillipCapital, would like to thank the management and investors on the call and also many thanks to all the participants joining the call. Thank you very much, sir.
- Moderator:** Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.