SAGAR CEMENTS LIMITED

SCL: SEC: NSE: BSE: 2024-25

20th May, 2024

The National Stock Exchange of India Ltd.,
"Exchange Plaza", 5th Floor
Bandra – Kurla Complex
Bandra (East)
Mumbai – 400 051

The Secretary
BSE Limited
P J Towers
Dalal Street
Mumbai -400 001

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Series **EQ**
ISIN **INE 229C01021**

Symbol **SAGCEM**
Series **DEBT**
ISIN **INE433R07016**

Dear Sir,

Sub: Submission of transcription of Conference Call under Regulation 30 read with Schedule Ill of SEBI (LODR) Regulations, 2015 on Q4 & FY24 financial results

Pursuant to the above said Regulation, we are forwarding herewith the transcription of the Conference Call held by on 15th May, 2024 in connection with the recently announced stand-alone and consolidated financial results for the Q4 & FY24 financial performance.

Thanking you

Yours faithfully
For Sagar Cements Limited

J.Raja Reddy
Company Secretary
M.No:A31113

Encl:a/a

MANAGEMENT: Sreekanth Reddy - Joint Managing Director

ANALYSTS: Shravan Shah
Amit Murarka
Vibha Jain
Sumangal Nevatia
Rajesh Ravi
Prateek Kumar
Siddhesh Raje

Presentation

Manish Valecha: Good morning, ladies and gentlemen. Welcome to Sagar Cements' Q4 and FY '24 Earnings Conference Call.

We have with us today Mr. Sreekanth Reddy, Joint Managing Director; Mr. K. Prasad, Chief Financial Officer; Mr. Rajesh Singh, Chief Marketing Officer; and Mr. J. Raja Reddy, the Company Secretary.

I now hand over the conference to Mr. Gavin Desa of CDR. Over to you, Gavin.

Gavin Desa: Thank you, Manish, and thank you for the introductions. I'd just like to add that some of the statements made in today's discussions may be forward-looking in nature and a note to this effect was stated in the con call invite sent to you. We trust you've had a chance to go through the presentation and the result communications.

I would now like to hand over to Mr. Sreekanth Reddy for his opening remarks. Over to you, Sreekanth.

Sreekanth Reddy: Thank you Gavin. Good morning everyone and welcome to Sagar Cements' earnings call for the quarter and year ended March 31, 2024.

Let me begin the discussion with a brief overview of the market – in terms of demand and pricing post which I will move on to Sagar specific developments.

Overall, we have seen a good buoyancy in volumes across our key markets during the quarter. Demand from Infrastructure projects and urban real estate remained steady, although we did witness some softening in rural demand during Q4. In addition to the volume growth, prices of key input material as well remained steady during the quarter. However, despite good volumes overall pricing trend remained relatively benign. A combination of higher volumes and steady input prices aided margins and profitability improvement despite muted realisations. However, we are hopeful that the pricing trend will improve over the coming quarters, which in turn will help us further sustain the profitability improvement.

Let me now move on to our quarterly performance, we have had a good end to the fiscal with good volume growth during the quarter. To quantify, we have registered volumes of 1.61 mn mt for the quarter which is 15% higher than Q3FY24, while for the full year we have generated volumes of ~ 5.51 mn mt, in line with our guidance of closing the year with volumes of 5.6 mn Mt. For FY25, as we mentioned in our previous call we are targeting overall volumes of 6.5 mn Mt.

Moving to the headline numbers, our revenues for the quarter stood at Rs. 709 crores as against Rs. 622 crores during Q4FY23, higher by 14%. EBITDA for the quarter stood at Rs. 68 crores as against Rs. 39 crores generated during Q4FY23 and Rs. 87 crores during Q3FY24. Margins for the quarter stood at 10% as against 6% in Q4FY23 and 13% in previous quarter. Margins for the quarter could have been even higher but for the muted realisations mentioned earlier. Margin improvement during the quarter, is in part owing to higher operating leverage and also on account of steady input prices. We expect the margin trajectory and EBITDA/ton improvement to sustain going forward as well on the back of our investment towards cost rationalization and commitment towards increasing the share of green energy in the overall mix.

Profit after tax stood at Rs. 12 crores for the quarter as against a profit of Rs. 88 crores generated during Q4FY23 and loss of Rs. 11 crores reported during Q3FY24.

In terms of key operational activities, as mentioned earlier, our efforts are directed towards improving the overall efficiencies and ramping up the utilization levels of our recently acquired units. Jeerabad and Jajpur units are performing as per our expectations.

Power & fuel cost stood at Rs. 1,556 per ton as against Rs. 1,817 per ton reported during Q4 FY23. Freight cost for the quarter stood at Rs. 849 per ton as against Rs. 834 per ton during Q4FY23. On a sequential basis though as mentioned earlier, we have seen moderation in fuel and freight cost.

From an operational point of view, Mattampally plant operated at 55% utilization while Gudipadu, Bayyavaram, Jeerabad, Jajpur and Dachepalli plants operated at 100%, 77%, 82% ,35%and 40%, respectively, during the quarter.

As far as the key balance sheet items are concerned the gross debt as on 31st March 2024 stood at Rs. 1,439 crores out of which Rs. 1,248 crores as a long-term debt and the remaining constitutes the working capital. The net worth of the company on a consolidated basis as on 31st March 2024 stood at Rs. 2,020 crores. Debt equity ratio stands at 0.62:1. Cash and bank balances were at Rs. 262 crores as on 31st March 2024.

In summary, we believe our diversified regional presence, improving product mix and consistent focus towards lowering costs and improving operational efficiencies positions us well to create value for our stakeholders.

That concludes my opening remarks. We would now be glad to take any questions that you may have. Thank you.

Question-and-Answer Session

Manish Valecha: Thank you. We will now begin with the question-and-answer session. We have the first question from Shravan Shah. Please go ahead.

Shravan Shah: Hi, just coming to first on the volume front. So, for this year, we are looking at 6.5 million tons versus previously we have guided 7 million tons. So just if you can help me in terms of -- are we confident that this number can be achieved and how much likely to be from the Andhra Cement? And even if you can help me, how much are we looking at from the Jajpur?

Sreekanth Reddy: Good morning, Shravan. You're right. Our guidance was for 7 million tons. But looking at the ground impact on the elections that we have had and the ramp-up post-election has pushed us down from 7 million tons to 6.5 million tons. Now how confident are we to achieve these numbers? These are on the basis that second half is going to be much, much better compared to the Q1. So that is the basis for our outlook of achieving 6.5 million tons, Mr. Shravan.

Now bulk of these numbers are actually coming from ramp-up of Jajpur as well as Andhra. Of course, we are also expecting some amount of -- around 5% increment of volumes from Mattampally also, Specific numbers, we would be very happy to revert back to you on each unit wise, Mr. Shravan.

Shravan Shah: Okay. Second, in terms of the EBITDA or the profitability, so which we are significantly low for what we have guided previously. So, for EBITDA absolute level also, we were looking at ₹130-odd crores in this quarter and full-year also close to ₹310-odd crores, which versus for FY '24, we have reported ₹246 crores. So, for FY '25, how are we now looking at in terms of the absolute EBITDA? And maybe if you can help us in terms of the EBITDA per ton. So there also need to understand your thought in terms of the -- how are we now looking at in terms of the pricing. So, with the current prices, how much are they down versus the Q4 FY '24 average? And when we are looking at the prices to improve?

Sreekanth Reddy: Yes. Shravan, the first thing for the last question that you have asked about the current prices. Current prices are ₹5 to ₹10 lower than the Q4 prices. March exit to now, the prices in the markets that we operate are anywhere between ₹5 to ₹10 per bag lower. Going forward for the EBITDA guidance for the coming year, it is too soon for us. So, the only thing that we believe, which is in our control is, we believe costs are likely to come down by ₹100 for us per ton from Q4 to current quarter.

We would be happy to come back to you about the specific margin guidance probably by during the Q1 results. By then, we believe most of the electioneering and the government settling in post-election and everything is likely to happen. So, post that, we would be in a much comfortable situation to give the guidance for the entire year on the margin, Mr. Shravan.

Shravan Shah: Yes. So, when we say ₹5 to ₹10 lower versus March exit, does that mean that if we look at the March or Q4 average, then this number could be ₹10 to ₹15 lower?

Sreekanth Reddy: Yes. That's what I mentioned, Shravan. From exit of March, March more or less was very stable. March was lower to February, and February again was lower by Jan. From there, again, further ₹5 to ₹10 lower in most of the markets that we operate. We believe that this is due to the severe drop in terms of the volumes at the marketplace, purely because of the electioneering and the weather-related issues, Mr. Shravan.

Shravan Shah: Okay. Why I was trying to understand in terms of our profitability is that when we are saying in terms of the debt profile that we have set, so will that further...

Sreekanth Reddy: Yes, Mr. Shravan, in our general internal calculation, we did not factor any pricing domain. The only advantage that we are going to get is from the ramp-up of the existing plants, because as mentioned even in the previous quarter, bulk of our costs actually were higher during the whole of last year, because we upgraded the plant at Mattampally. So Mattampally plant was shut for almost close to three, three and a half months. At the same time, Andhra and Jajpur plants were operating at a very, very low operating rates.

So, what we have pencilled in is the usual performance, but not an optimistic kind of a scenario. But we would be in a much, much better situation to look at these numbers as we go forward. I think we are hopeful that by when we discussed during the Q1 results of the current year, yeah, we should have a lot more clarity about how the margin is going to shape up. But we are very, very confident that our debt profile may not be significantly different from what we have indicated in our presentation.

Shravan Shah: Okay. And lastly, in terms of the incentive, so MP ₹30 crore incentive...

Sreekanth Reddy: We did not receive yet. Though it is sanctioned, but we do not receive. We are hoping to receive that.

Shravan Shah: So, in Q1, will it come or it will be in Q2?

Sreekanth Reddy: I think Q1, we are almost halfway through. Highly unlikely because I think with the elections happening and the results coming only by the first week of June, by the time the government machinery would start focusing on the governance, general governance, we believe that Q1 should be done. I think we hope to receive during the first half, Mr. Shravan.

Shravan Shah: Okay. And this ₹30 crore incentive will be there every year as an when we will keep on...

Sreekanth Reddy: Yes. It is every year for the next seven years.

Shravan Shah: And is there any other incentive that we will be getting apart this?

Sreekanth Reddy: There are quite a few outstanding realisations, but those outstanding realisations of -- I mean, incentives have been there. Around ₹150-odd crore of it got accumulated. But we did not receive for last 10 years. So, I don't know when we will receive. These have been due across few states, that is both Telangana, Andhra and Odisha, but we don't know when we are likely to receive them. They have been outstanding for quite some time.

Shravan Shah: And lastly, on the Vizag land sale. Previously, we're looking at by end of this year, FY '25, we will be...

Sreekanth Reddy: I think that's what remain. I think though for last quarter and we believe even in the current quarter, there not be any moment because there is a notification that is happening. As you know, that in Andhra, both state and central elections are happening. So last quarter and as well as in this quarter, we could not make any progress. And it's exactly what we have planned in. So we are more than hopeful by end of this financial year, I think we should conclude at the Vizag land sale.

Shravan Shah: Okay. Thank you and all the best.

Sreekanth Reddy: Thank you.

Manish Valecha: Thank you. The next question is from Amit Murarka. Amit, please go ahead.

Amit Murarka: Hi, good morning Sreekanth.

Sreekanth Reddy: Good morning.

Amit Murarka: Just a question on the demand environment. So like we have seen in the past also, like during like a year before elections, generally, the demand is really strong and then post elections, it kind of tends to stay weak for some time, maybe actually a couple of years also at times. Like particularly in AP, Telangana, I think it's been more pronounced at least in the past. So just wanted to get your sense like will this time around in your view, we see a similar drawdown as we have seen, let's say, during the 2019 cycle or because there is a bigger infrastructure focus and our real estate pickup that has been there. So this time the drawdown in volumes would be lower?

Sreekanth Reddy: Yes. Mr. Amit, our experience, as you rightly said, that it tends to be extremely strong two years before the election and tends to be slow at least two years post-election. This year, especially in Telangana, it has not been strong even pre-election. For whatever reason, the government probably did not focus much on those projects, which actually are cement demanding. But with the new government announcements, especially in Telangana where they clearly indicated that low-cost housing is their focus area.

We strongly believe that this time around, especially in Telangana, it could be slightly different than what it has been in the past. Even in Andhra, we have seen it has been extremely strong because there was a continuity. We have to see how the government formation would happen, post that we would be in a much better situation to take a call on Andhra. But if you look at the markets that we are in, most of the elections are staggered. So that might give some amount of clarity in terms of demand rather than it being very volatile.

Yes, we believe this time it is going to be a lot same from a perspective of it may not come down very low post this election, and it may not be very high going into the next election, because Karnataka and Tamil Nadu elections are not exactly in line with some of the states. Madhya Pradesh and Telangana are exactly at the same time. So most of these elections are staggered. So, believe even demand is going to be relatively better across the next five years is what we think.

For the current two quarters, we think that it is going to be very subdued. And it is going to strongly pick up for the next half. Our internal working suggests us that probably this year it is going to be very similar to how it has been last year.

Amit Murarka: Okay. Thanks for the elaborate reply. And also, on the pricing, if I understood you right, you said ₹5 to ₹10 lower versus March exit is what you said, is it?

Sreekanth Reddy: Yes.

Amit Murarka: Okay. So, on an average Q4 basis, basically will be even much lower than actually?

Sreekanth Reddy: Yeah. We are only half way through, Mr. Amit. So, so far it has been lower. So, let us see how it would shape up. Even Q4, entry was stronger, but the exit became very weak. So, it could be other way around for this quarter. We are hoping for that, for it to be like it had a weak entry and probably exit could be strong. And so, we are keeping our fingers crossed. So, let's hope for that.

Amit Murarka: Sure. Thank you. And just a last question on Andhra Cement. So, could you just update as to where you are on that whole expansion, debottlenecking process?

Sreekanth Reddy: Yes. Regarding Andhra, though it is more known for expansion, but in true sense it is not just expansion. It's actually modernisation is what we did, our overall cost optimisation. We actually placed the orders for the preheater, and we've placed orders for all the critical equipment. Civil works are on.

We are very happy that by Q1, I think we should have completed most critical aspects in civil, that is the first floor -- civil works up to first floor should have been completed. It's critical because this floor is actually coming on top of the operating kiln. So once this is done, I think we should be in a very, very comfortable situation to -- for the overall implementation of the project.

The main outcomes that we expect from this is, we expect the overall thermal efficiency to be significantly lower than what it is and to get aligned with the overall group kind of level, we should save quite a bit of costs coming from a thermal efficiency perspective.

Amit Murarka: Could you quantify that? What is the thermal efficiency now? And where can it get to?

Sreekanth Reddy: Yes, it is around close to 800 Kcal per kg of clinker. The target is to be close to 700, Mr. Amit.

Amit Murarka: Sure. And what is the cost saving number that can come out of it...

Sreekanth Reddy: I think it's a tricky question. Yeah, let us wait, because the coal price, as you know, is a moving target. So we are saving 100 Kcal. So, whatever is the rupees per Kcal, would be the purchasing cost that would be delta...

Amit Murarka: Sure. Beyond energy, will there be other savings as well in this upgradation?

Sreekanth Reddy: Yes, there is going to be because your downtimes and everything is going to be significantly lower. Your electrical energy also is going to be significantly lower. The overall kind of product quality and everything because it has been good. So, I would not say that it can be significantly higher, but it is going to be consistent. So, all these things will definitely lead to significant cost savings, especially on the spares and consumables. Quantifying them at this point of time is too soon. But we will be very happy to revert sooner to commissioning of that plant.

Amit Murarka: And just the last question on the surplus land sale. Is there any progress or any...?

Sreekanth Reddy: End of this year, end of this current fiscal year is what we have committed. I think, we remain committed to that that we would be exiting at the earliest starting...

Amit Murarka: Entire surplus land, is it?

Sreekanth Reddy: Yes, entire Vizag land.

Amit Murarka: Yeah, Vizag land. Yeah. Okay. Thanks a lot.

Manish Valecha: We will take the next question from Vibha Jain, please go ahead.

Vibha Jain: Yeah. Hi, my question is regarding the Capex. So what type of Capex we are incurring for upgradation of Gudipadu unit and Jeerabad plant upgradation, and also the total Capex we are expecting for FY '25 and '26?

Sreekanth Reddy: See, for FY '25, the overall Capex is around ₹350-odd crore. Out of ₹350 crore, I think ₹270-odd crore or ₹250-odd crore is towards Andhra. And there is a ₹20 crore, ₹25 crore of Capex per 6-megawatt solar plant at Gudipadu. The overall Capex at Jeerabad as well as at Gudipadu approximately is ₹20 crores each. So, but that is spread over next 18 months. FY '26 numbers, we would be happy to revert back. Yes, the overall FY '25 numbers are roughly around ₹330 crore.

Vibha Jain: Okay. Also, currently, we have around 11% shares in our renewable energy power. So, what are our targets, let's say, in next four to five years as we have given a detailed presentation also on the company presentation?

Sreekanth Reddy: I think, we did indicate in our investor presentation. Our target is to have 50% green power in our portfolio by 2030. We are very much in line to achieve those numbers, Vibha. Though last year was very strange. We actually reduced from the year before as Andhra ramp up because Andhra, that we just acquired and it is one year, since we have acquired. So that actually negatively contributed to the overall percentages. We expect a lot of alignment to happen even from there. We are working towards the green energy portfolio to be around 50% by FY '30, and we are very much in line with that.

Vibha Jain: Okay. And lastly, one clarification. You said in terms of cost, we are expecting ₹100 per ton savings in Q1 from Q4. Is that correct?

Sreekanth Reddy: Yes, Ma'am.

Vibha Jain: So, ₹100 per ton major contribution will be from power and fuel or...

Sreekanth Reddy: Power and fuel, yeah, because it's trending down. We have coal stocked up all the way up to end of August to early part of September. So, we are reasonably sure of the weighted average cost, so that itself should contribute around ₹100 per ton saving. It could have been higher, but for the operational leverage, I think it has been very low. As you know, the election actually has taken a serious toll on most of our assets for this Q1, and we are not surprised about it. As you know, even in the earlier call, we did indicate that Q1 is going to be weak. So, first half is expected to be relatively weak for us. So, it exactly is panning out the way we assumed it would pass for. So that operating leverage cost reduction, we are not expecting anything for the current quarter. So, the only saving is from this year.

Vibha Jain: Okay. And lastly, on the Andhra Cements unit utilisation and profitability. Can you give some light on that? Like currently, we are 40% utilisation?

Sreekanth Reddy: I think in the current year, we are expecting to achieve close to 50%, 55% capacity utilisation. Margin, we would want to wait till Q1 so that we would have a lot more clarity about the marketplace so that we can take a call on that.

Vibha Jain: Okay. Thank you so much.

Manish Valecha: Thank you. The next question is from Sumangal Nevatia.

Sumangal Nevatia: Good morning, thank you for the opportunity and thanks for the very detailed and elaborate presentation. Just one question. One, I mean you shared the FY '30 target of green mix. Is it possible to share what could be the mix in 26-27, some medium-term target as well?

Sreekanth Reddy: Yeah, we will be happy sharing that Mr. Sumangal. Yeah, there is a vision document which has been placed out. So, I think we are following the same trend, but we would be very happy to give the breakup. Yeah, we'll be happy sharing that number, Mr. Sumangal.

Sumangal Nevatia: Okay. That's fine. In this net debt forecast until FY '28, for FY '26, we are not seeing any reduction. So just for the calculation purpose, what sort of CapEx and margin or say growth estimate have you built in for FY '26 projections?

Sreekanth Reddy: Yeah. We are handling '25, Sumangal. What we are expecting is a 10% to 15% growth for volumes for the next three years from our internal calculation, Mr. Sumangal, from a volume perspective. From a Capex perspective, we believe that similar trend line is likely to continue into the coming year, because we are committed to build up the green portfolio, the green energy portfolio where we are looking at a waste heat recovery and the solar projects. So, likely that we might continue a similar kind of ₹300 crore, ₹330 crore, that kind of a Capex. That's one of the reasons why our net debt position may not significantly ideal for the coming year, but it would drop from a year after that.

Sumangal Nevatia: Understood. And in this calculation, have we put in some recovery from the land sale or that is additional?

Sreekanth Reddy: See, I think that is something which we have kept it as a cushion, because we don't know the exact contour. So that has not been pencilled in the overall kind of debt reduction plan, Mr. Sumangal.

Sumangal Nevatia: Okay. So, you've not put in any value for that?

Sreekanth Reddy: Pencilled in, in this plan, where we have indicated that's a cushion that we have kept for ourselves. We also did not factor the incentives that are likely to come.

Sumangal Nevatia: Got it. All right. Thank you and all the best.

Manish Valecha: Thank you. The next question is from Shravan Shah. Please go ahead.

Shravan Shah: Hi, this ₹100 cost reduction that we are looking at in Q1 FY '25?

Sreekanth Reddy: Yes, from Q4. Yeah.

Shravan Shah: Yeah. And for overall FY '25, if one has to see, so apart from the power and fuel, what other cost savings one can look at?

Sreekanth Reddy: I think during the Q1 call, we'll be very happy narrating it because there is one 6-megawatt solar plant just about to start. A couple of initiatives are about to start. So, we'll have a lot more clarity when we would reach out to you during the Q1. You would be very happy sharing the potential kind of savings from cost perspective for the current year.

Shravan Shah: Okay. And our trade share right now is at 52%, and we were looking at 60%. So, this 60% first of all, whether the number remains the same or not? And by FY '25 and '26, how much increase are we looking at?

Sreekanth Reddy: I think 60% is what our target is for the trade. But more than the target given the markets, we are happy doing the numbers, but we did not compromise on those non-trade volumes which actually were contributing lower. So typically, in our case, the realisation difference between trade and non-trade is negligible. It's not that the non-trade would be contributing to a lesser realisation.

So, given that perspective for us, the breakup is more from a market since market keeps asking that number, we narrated that number, but it should not make a big difference internally for us from a margin perspective.

Shravan Shah: Okay. Got it. And in terms of the CC ratio, so what is the CC ratio for Q4 and FY '24?

Sreekanth Reddy: Our target is from current 52-odd percent, we want to reach to 60% by end of FY '26. I think we should be in a position. See, in this, we actually have what we call as the CC ratio and also the conversion factor. So, we -- if you look at our road map towards ESG, we did indicate the clinker, I think we are sticking to that. We would be very happy to share these ratios crystal clear for the next five years, we are happy sharing that with you offline, okay?

Shravan Shah: Yeah, true. No, I was just trying to understand, in third quarter, our CC ratio was 1.32. So, in Q4, what was the number?

Sreekanth Reddy: I think it was a very similar number. There has not been a significant shift, except for increased volumes, I think the proportion has been very same.

Manish Valecha: Thank you. The next question is from Rajesh Ravi. Please go ahead.

Rajesh Ravi: Hi, good morning. And congrats, a very detailed presentation. My question pertains to the industry. We are looking at prices, exit. March prices was already lower versus the quarter average. And there, we have further seen pricing pressure, ₹5 to ₹10. Now given that the industry and most of the players including Sagar, from top to bottom, everyone is working on various cost initiatives. So, are we -- and there are multiple capacity additions by the top players and even some of the -- on the sub 10 million-ton companies also adding capacity?

My question is, how are you looking at the industry? Are we entering into a zone where for next three, four years, we may not see any price improvement on a CAGR basis? Earlier, we used to see a 1%, 2% sort of price improvement...

Sreekanth Reddy: Mr. Rajesh, I'm sorry to stop with there. But I think are we looking at something very different from past? I think we are not looking at anything different from the past. I think past trends to the current trends look very, very similar. So, we have seen when there is a substantial volume that are coming to the market with new supply. There was never a time where prices were subdued or vice versa. So, I would not like to take a call assuming that since the new suppliers are coming into the market that price would be under pressure or price would move up. I think it's a function of time.

I think the current situation, what I would like to narrate, what has happened during last year to what is likely to happen till middle of this current financial year is that volumes are under pressure. When supply is coming in, the demand was slightly tapering down. The new supplies did settle in well. If you have seen across most of the players who have come in, everybody has had a volume growth. This happened at a time when demand was not growing at the same pace.

So it was true that we did put pressure on the pricing. Will the same trends continue? I cannot address that question. I can only go back in the past where we have seen similar things where price did move up. But since it is an election year, the availability of manpower and everything during these times is always a challenge. So that actually put a double whammy. We are more than hopeful that the second half of this year and probably the entire trend should come back to normalcy is what we think.

Rajesh Ravi: Right. So, where I was coming in from that with so much cost savings being brought in the system through green power, renewable power, AFR usage industry is looking at. So, will that let people only focus on cost and not focus on pricing, because of the costs and pricing continue to drift?

Sreekanth Reddy: I think industry focusing on cost is more an inflationary issue. By virtue of it, it's not that margin would go up. I think it's a function of servicing the market at remunerative prices is also as key as focusing on the cost reduction. See at the best, how much you would reduce the cost per ton on a longer run is very, very limited. For you to save ₹100, ₹150, you have to really stretch yourself. But for input prices, by consumption and all, is Capex and effort-driven thing. But you losing ₹100 in a market is a blink of eye. Rather you gaining also is very similar.

So, I think it has to be a mixed focus. We cannot focus only on cost and be happy about sustaining the margin. But these are the things which we are seeing right through last two decades that I started my career for. It has been the trend, so this is no exception. And I don't think it will be very different going forward.

So, it has -- focus has to be on everything. Focus cannot be only on cost, and we let go the market, that has been a disaster in the past, and I don't think our industry can afford to remain complacent by just focusing on cost and not focusing on the...

Manish Valecha: Thank you. The next question is from Prateek Kumar. Please go ahead.

Prateek Kumar: Good morning, couple of questions - firstly, on new capacities in your market, which are the new capacities which are commissioned recently and you're looking at like next year?

Sreekanth Reddy: Yes, Prateek, when you talk of recent, you're talking about quarter or you were talking about last two months?

Prateek Kumar: Past six months.

Sreekanth Reddy: Yeah, past six months, I think, Ramco, Kolimigundla, I think, they are good close to a year now, but I think ramping up is almost complete for them. Shree commissioned, I think they are in a stage to ramp up. We are expecting Deccan to commission any time soon, probably in this month or maybe by end of this month to early part of next month ramp-up probably should be spent over the next six months. These are something which is happening in the Nalgonda cluster, and as well as in Yerraguntla cluster.

Gulbarga, I think the only plant which is due for commissioning is Chettinad Kallur plant, which is probably commissioned or about to be commissioned. That looks to be around 2.5 million to 3 million. These are something which we have seen. Yeah, what are likely to get commissioned over the next one year? Not many things are at a stage where this incremental supply, anything new is likely to happen in the regions that we are at. Probably a year later, we do expect a few more, but we would be very happy to revert once we have clarity on them.

The one thing that I missed is the My Home, Mella chervu Line 4 that also got commissioned in the last three to five months back. They are also in a ramp-up. Yeah, UltraTech, Tadipatri, yeah, I missed one other thing. UltraTech, Tadipatri Line 3, that also is due in the current quarter or probably early part of next quarter. The one which is in the visibility, which they are about to start work is, again, Tadipatri or rather Petnikota, the UltraTech Petnikota, which they have announced, but that's probably 18 months away from now.

Prateek Kumar: Okay. So, we are like sort of also included like Tamil Nadu capacities of Dalmia and UltraTech...

Sreekanth Reddy: Yeah, those are grinding plants, so...

Prateek Kumar: And is there any change in operating rates or something for Kesoram plants post-acquisition, which is still not completed, but is there a change in operating rate, which you see?

Sreekanth Reddy: No, we have not seen any reduction in their volumes that are coming into the market. Is there a change from past? I don't know. I mean I think they have sustained their volumes coming into the market. There was a very brief period when their volumes we did not see, but that was for a very brief period, but I think now they are more or less aligned with the market.

Prateek Kumar: Right. And on demand for Q1, which we have talked about, like...

Sreekanth Reddy: No, I think Q1 definitely is going to be 15% to 20% lower, probably Q2 is the time when we believe that it should start ramping up. But yeah, I think the real Q1 numbers, we would be in a position to tell post June, because we started slowly seeing immediately after the election day, the rail dispatches slowly started picking up. If they get sustained, I think we should have lost anywhere between 10% to 15% volumes for Q1.

But our overall year numbers for the markets that we operate, we believe that it's going to be a single-digit growth across the markets that we operate or very similar numbers like how it has been last year. Last year, we have seen anywhere between 5% to 7.5% kind of growth rates in the market. So, we believe that it would happen even in the current year similar numbers, in spite of very low first half.

Prateek Kumar: Last time for the industry, we saw probably around 3% to 5% decline in first quarter like during election year-on-year for pan-India.

Sreekanth Reddy: Yeah, this time, probably we are expecting a lot more because there are not many more states that went into election, the current round. So, the drop is going to be at least a small double-digit is what we think for sure. And we believe the market pickup also is going to be reasonably strong.

Prateek Kumar: And generally, you said labour availability is an issue, but in terms of who is driving the demand, but is this the government demand which is slow like housing demand...

Sreekanth Reddy: Government demand got vaporised for last Q4 all the way up to Q1, and I think that would be the situation even till the end of Q2 for the current year. The restart for the government demand would only happen in the second half of this year. I'm talking very specific to AP and Telangana. I cannot comment much on the other states in this regard, Prateek.

Manish Valecha: Thank you. The next question is from Siddhesh Raje.

Siddhesh Raje: Yeah, thanks for taking my question. I wanted to just understand on the balance sheet front. So, you've indicated that there are around ₹330 crores of annual cash payments required for debt repayment interest and given the EBITDA situation and overall benign price, which industry will go through. Do you anticipate any adverse impact on credit rating or need for any further equity capital raise, which the company needs?

Sreekanth Reddy: No, Mr. Siddhesh, I think we are very clear in our approach to the overall growth plans. We don't over leverage nor we will put in a situation where we would regret ourselves in terms of default. What we have exactly factored is from the cash flows and the cash that we already have on our book. I think situation would not be very different from how it has been even for the last year in spite of our Capex planning, Mr. Siddhesh.

I would also like to clarify that our Capex planning across the Group is more for cost optimisation rather than looking at growth numbers from hereon, because after taking over Andhra, we did indicate that it definitely needs some Capex to modernise with an intention not for incremental volume alone, but it's more from a perspective of reducing the cost. See these are more long-term initiatives.

We do have recent cash flows, I would not say very strong cash flows, but we also sit on the cash, which gives comfort that we would never default, that would not put pressure on our credit rating. So, we are very sure that it would not stress us out in terms of the cash flow related issues.

We did pencil the current market scenario of having the stressed pricing and reduced demand at least for two quarters that we did factor in our kind of a narration. Yeah, we did give a similar kind of net debt position a few years back without Andhra. I think that situation is not significantly different from what we have given. Now two years back, we did share the business plan, where we did indicate our debt positions. I think this is not very significantly different from that in spite of acquiring Andhra Cement.

So, regarding the equity raise, the requirement for equity raise is more from a compliance perspective, but not from the necessity perspective. I don't think we have any plans to raise equity at the parent company even.

Siddhesh Raje: Got it. Thank you.

Manish Valecha: Thank you. Sir, there are a couple of questions from the chat window. The first question is related to cash flow. Sagar has released about ₹150 crore of working capital this year. Do you expect working capital to remain same this year or improve from here?

Sreekanth Reddy: No, I think working capital is a function of volumes that we do. The second issue also is it's more to do with the non-fund, because, as you know, with the new mining regulations, there is something called MDP – you have 100% of it you need to give us bank guarantees. So it's more a function of fulfilling certain statutory obligations in terms of giving bank guarantees and related issues.

And at the same time, with the ramp-up of Andhra and all, it is obvious that we would definitely need increased working capital as a policy in the past, we used to keep six months of fuel inventory, so we would want to go back to that. But for those issues, we don't expect any other working capital requirements to come up.

Manish Valecha: Okay. Second question is when do we expect Andhra Cement to breakeven at EBITDA level?

Sreekanth Reddy: We are hopeful that it should have been in the current financial year. We should do the same thing by Q1, same time next year end of Q1 next year, we believe that we should reach to that point.

Manish Valecha: Okay. The third one is if you can guide on how much was demand growth in your markets in FY '24? And what are the expectations for '25?

Sreekanth Reddy: No, I think as indicated in the earlier comments, the average market growth in the regions that we operate ranged anywhere between 5% to 10%. On an average, it is anywhere between 6% to 7.5%. It's the same guidance for FY '25 is what we are giving. As we had a very symmetric kind of, we believe it is going to be very symmetrical even in the current year.

If you remember, last year, we had elections, so we had similar kind of an impact for some of the key states that we operate in. And that is the case even now. So, we believe this year is going to be very symmetric like last year.

Manish Valecha: Thank you. The next question is from Rajesh Ravi.

Rajesh Ravi: Hi, the FY '24, we see your trade payables have increased significantly. So, will that continue to stay at the elevated level and...

Sreekanth Reddy: No, I think it's all to do with the imported fuel, and the cost with which I think with the imported fuel prices trending the way they are, likely that it will come down significantly, Mr. Rajesh.

Rajesh Ravi: Okay. This is more regarding to your fuel inventories...

Sreekanth Reddy: Yeah, that is quite a significant portion of our overall cost.

Rajesh Ravi: Okay. So, this may normalise in subsequent years?

Sreekanth Reddy: It is. It has actually -- the current trends itself were coming down, and I think it is likely that the trend were lower than what it has been last year.

Rajesh Ravi: So, this year, you mentioned, I think, ₹250 crores of Capex FY '25?

Sreekanth Reddy: ₹330 crore Capex Mr. Rajesh.

Rajesh Ravi: And how are you looking at your debt numbers? Even if you're able to monetise some of the assets...

Sreekanth Reddy: No, I think monetisation, as I mentioned even earlier, we did not pencil in even the incentives that are likely to come. We believe that we should end up at a net debt position of somewhere around ₹1,275 crores to ₹1,300 crore with increased working capital requirement.

Rajesh Ravi: How much you're saying, sorry, net debt what it is?

Sreekanth Reddy: ₹1,275 crores to ₹1,300 crores. This includes increased working capital levels.

Rajesh Ravi: Right. Okay. Great. That's all from my end. Thank you.

Sreekanth Reddy: Thank you.

Manish Valecha: Thank you. In case, if there are any further questions, please indicate by raise of hand. As there are no further questions, request you to please give your closing comments.

Sreekanth Reddy: Yes. Thank you, Manish. Thank you, Gavin. Thank you each one of you for joining on the call. We would once again like to thank you for joining us on the call. I hope you got all the answers you are looking for. Please feel free to contact our team at Sagar or CDR India should you need any further information or have any further queries. We will be more than happy to discuss them with you. Thank you again. Have a good day. Thank you.