



SAGAR CEMENTS LIMITED

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25th July, 2024

The National Stock Exchange of India Ltd.,
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Mumbai – 400 051

The Secretary
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Dear Sir,

Sub: Submission of transcription of Conference Call under Regulation 30 read with Schedule III of SEBI (LODR) Regulations, 2015 on Q1 FY25 financial results

Pursuant to the above said Regulation, we are forwarding herewith the transcription of the Conference Call held by on 19th July, 2024 in connection with the recently announced Un-audited Stand-alone and Consolidated financial results of the company for the quarter ended 30th June, 2024.

Thanking you

Yours faithfully
For Sagar Cements Limited

J.Raja Reddy
Company Secretary
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Encl: a/a



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Sreekanth Reddy - Joint Managing Director

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Keshav Lahoti
Mangesh Bhadang
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Vibha Jain
Tushar Vasuja
Rajesh Ravi
Jayesh Gandhi

Presentation

Manish Valecha: Good morning, ladies and gentlemen. Welcome you all to 1Q FY '25 Results Conference Call of Sagar Cements Limited. We have with us from the management, Mr. Sreekanth Reddy, Joint Managing Director; Mr. K. Prasad, CFO; Mr. Raja Reddy, Company Secretary; and Mr. Rajesh Singh, the Chief Marketing Officer.

We will start today's session by opening remarks from the management and then will be followed by a Q&A. I would now request Gavin Desa of CDR to please give his opening remarks, and then we move on to the management remarks. Thanks, Gavin. Over to you, Gavin.

Gavin Desa: Thank you, Manish, for the introduction. In addition, I would just like to point out that some of the statements made in today's discussions may be forward-looking in nature, and a note of this effect has been shared in the con call invite sent to you earlier.

I would now request Mr. Sreekanth Reddy to make 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 ended June 30, 2024. Let me begin the discussions with a brief overview of the market in terms of demand and pricing, post which I will move on to Sagar specific developments. Overall, Q1 was expectedly a soft quarter, marked by muted demand and realisations. Volume offtake trended lower, amidst heat wave, labour unavailability, and a slowdown in construction activity because of the general elections.

While certain pockets did witness pickup in demand during the later part of the quarter on an overall basis, though it was largely subdued. Prices as well were largely benign across key markets in line with subdued demand and heightened competitive intensity, which in turn resulted in lower profit. However, we do expect situations to start improving second half onwards, both in terms of demand and pricing environment.

Let me now move on to our quarterly performance. As mentioned earlier, Q1 has been relatively muted amid slower demand and pricing environment. Our overall volumes for the quarter stood at 1.28 million. For the full-year, we have overall volume target of 6.5 million.

Moving on to the headline numbers. Our revenue for the quarter stood at ₹561 crore as against ₹540 crore during Q1 FY '24, higher by 4%. EBITDA for the quarter stood at ₹47 crore as against ₹31 crore generated during Q1 FY '24. Margins for the quarter stood at 8% as against 6% in Q1 FY '24. EBITDA per tonne stood at ₹356 during the quarter as against ₹259 during Q1 FY '24. We remain committed to lowering our costs and strengthening our position as one of the lowest cost cement producers in the country. With improvement in operational efficiencies across our units and higher share of renewable power in the mix, we expect our profitability and margins to improve in coming years.

Loss after tax stood at ₹32 crores for the quarter as against a loss of ₹42 crores generated during Q1 FY '24.

In terms of key operational activities, expansion plan at Dachepalli unit of Andhra Cements Limited is progressing as per schedule.

Power and fuel cost stood at ₹1,470 per tonne as against ₹1,732 per tonne reported during Q1 FY '24. Freight cost for the quarter stood at ₹844 per tonne as against ₹862 per tonne during Q1 FY '24.

From an operational point of view, Mattampally plant operated at 49% utilisation. while Gudipadu, Bayyavaram, Jeerabad, Jajpur, and Dachepalli plants operated at 78%, 62%, 75%, 26%, and 29%, respectively during the quarter. As far as the key balance sheet items are concerned, the gross debt as on 30th June, 2024 stood at ₹1,462 crore, out of which ₹1,203 crore as long-term debt and the remaining constitutes the working capital. The net worth of the company on a consolidated basis as on 30th of June 2024 stood at ₹1,987 crore. Debt equity ratio stands at 0.61:1. Cash and bank balances were at ₹164 crore as on 30th June, 2024.

Board has accorded its approval for setting up 6 Mwh Solar power plants each at Gudipadu and Dachehalli units, which is in line with our stated ESG roadmap and the objectives.

In summary, we believe our enhanced capacities position us well to capture the growing infrastructure and real estate demand over the coming years. Furthermore, our efforts towards diversifying revenue streams, increasing our regional footprint should help us in improving the overall profitability profile of the company.

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

Question-and-Answer Session

Manish Valecha: Thank you. The first question is from Shravan Shah.

Shravan Shah: Thank you. Just in terms of the guidance, what we have previously talked about. So obviously, we have mentioned in the presentation, 6.5 million tonnes of volume. So, despite this quarter, maybe slightly on the lower side, what's the number we said in terms of the pure cement sales. So, I'm talking not including the clinker, so which is significantly higher in this quarter, 89,000 odd tonnes. So there, we are confident that it will be there in terms of the 6.5 million tonnes? So that is first. I just wanted the confidence on that part.

Second, coming on the pricing and the profitability. So, if you can help us how the current prices are versus the Q1 averages and if possible, in terms of the state-wise, how the prices have moved in this Q1 versus the fourth quarter?

Sreekanth Reddy: Yeah. Thank you, Mr. Shravan. I'm assuming that you wanted reconfirmation on the volume guidance, right? I think we are reasonably sure that we should be very close to 6.5 million. This includes the lower volumes that have been moved, and this definitely excludes the clinker sale. So, 6.5 million is our volume guidance.

From a confidence perspective, I think as the quarters go by, we should have a lot more clarity on the volume guidance. But at this point of time, in spite of Q1 and we are assuming Q2 also to be as challenging, we believe we should be very close to 6.5 million is what we think.

From a profitability guidance perspective, we believe that the overall EBITDA should be in the range of around ₹350 crores to ₹375 crores, which should roughly translate to ₹550 to ₹575 EBITDA per tonne. I think on that count, we also believe that overall kind of a cost, there should be some amount of improvement because of the operating leverage, we are not factoring any further cost pressures going up. At the same time, most of the savings which are likely to happen have been realised. So, barring the operating leverage, we are not expecting a major change in the cost side and we think that should be on a positive growth.

So, on the realisation front, internally, our estimation is that until middle of Q3, we don't expect a major change in the realisation. So that's what we have pencilled in. So, we believe that the EBITDA guidance should be in the range of around ₹350 crore to ₹375 crore for the full-year. Now going to the pricing trends from Q4 to the current Q1. We believe, or at least what we have noticed in most of our operating markets, there has been a drop of ₹5 per bag from the exit of Q4 till middle of this month. That has been the case across the markets.

Shravan Shah: So from Q4 or from Q1, from June till now, there is a further ₹5 drop?

Sreekanth Reddy: Yes. That's what I mentioned. It is exit of Q4 to the middle of this month, there is a drop of almost ₹5. It's from end of June to, so it's almost ₹15 drop from Q4 exit to the current months.

Shravan Shah: Okay. And then in Q1, broadly, how the state-wise or broadly south, how much price decline that we have seen versus Q4? So June quarter versus for March quarter, how much the decline in the...?

Sreekanth Reddy: See, I think the drop from Q4 to the Q1, the overall, we have seen almost ₹10 per bag across the market. Yeah, there has been a significant slightly higher in Tamil Nadu, but for us, but the average is around ₹10 drop from Q4 to the end of Q1. From exit of Q1 to so far in the month, we see another ₹5 drop.

Shravan Shah: Okay. But given that despite whatever the M&A is happening, do we think that this year, as you have mentioned that middle of third quarter, we expect a price hike? Because for us, that is the major in terms of increasing the profitability for us because as you mentioned, there's not so much scope in terms of the cost reduction?

Sreekanth Reddy: No, again it is also to do with the product mix. See, we are not pencilling in a major kind of cost increase. What we are assuming is whatever is the drop from an off season to the season, around ₹10 to ₹15 is what we have pencilled in starting from middle of Q3. We are not trying to be euphoric about the potential kind of a price increase that is possible in the marketplace, what we have pencilled is ₹10 to ₹15 per bag potentially to go up from middle of Q3 is what we are factoring, which is normal seasonal kind of thing.

Shravan Shah: Okay. And lastly, in terms of the incentive that ₹30 odd crore for MP, so will it now come in Q2?

Sreekanth Reddy: Yeah, we are expecting in the current month itself.

Shravan Shah: Okay, that's great. All the best.

Sreekanth Reddy: Thank you.

Moderator: Thank you. The next question is from Keshav Lahoti.

Keshav Lahoti: Thank you for the opportunity. I want to understand one thing on the realisation. We do understand the normal trend realisation to pick up from Q3. But will this time be different because what we are seeing, Penna is acquired by Ambuja, India Cement also some stake acquired by UltraTech. Some sort of consolidation is happening and these assets are already operating at low utilisation. So the bigger hands will try to ramp up the utilisation. So this can lead to muted realisation this time in H2 also?

Sreekanth Reddy: Yeah. Mr. Keshav, I have very limited comments on how they are going to manage. So our experience is that definitely, some of the assets which were utilised lesser probably would potentially move up, but that also is in line with the expected demand ramping up in due course of time. So will it lead to price erosion? I think we are already hitting the bottom. So I would never say that we have hit the last, last kind of a number. But the ability for price to move down further from here is very, very limited, because the players are, I think it is going to be a bigger loss. I would put it from here on.

So given that scenario, I'm sure they acquired these assets from a business perspective. So that may not lead to something which is very unusual. But internally, we did factor that prices only would pick up in line with the demand ramp-up rather than any of the market players' action.

- Keshav Lahoti:** Understood. Got it. At Jeerabad, in the centre you will start recording from July month, so will ₹30 crore will be recorded this year or it will be more like for three quarter only?
- Sreekanth Reddy:** No, I think as we would receive, we will be confirming it. We are expecting the current month; most likely we should receive. Because as we speak, I think moreover there is an Investor Summit that is happening in Madhya Pradesh at Jabalpur. So, the communication that we have received is that we would be receiving immediately after that. Because most of the official machinery was missing from Bhopal. So, they did commit that, we should expect it any time soon. So, we believe that we should receive these incentives in the coming month itself.
- Keshav Lahoti:** Okay. So, it's a possibility like the entire ₹30 crore might be recorded this year around ₹30 crore?
- Sreekanth Reddy:** We think so. Though we need to look at the breakup, but we are confident that we should receive, if not in the current quarter, at least before the end of the current financial year, we should have received the entire amount.
- Keshav Lahoti:** Understood. Got it. What was the clinker sale in this quarter? And what was the realisation for the clinker sale?
- Sreekanth Reddy:** Yeah, I think it's around 84,000 has been the sale of clinker for the last quarter. The average realisation is close to around ₹3,050 kind of a number per tonne. I'm talking about ex-work.
- Keshav Lahoti:** ₹3,050, right?
- Sreekanth Reddy:** Yes.
- Keshav Lahoti:** Understood. One last question from my side. Fuel costs are expected to remain stable from Q1 average?
- Sreekanth Reddy:** Yes, that's what we have pencilled in, though there is a dollar here or there, but we have covered more than two-third of our volumes is already as inventories. So our hedge is only open for probably one-third of the year for the full-year. So given the scenario, we believe that it might remain flat. In our case, see general market trend, what we started seeing from the earlier months to now, I think it has gone

up by a dollar. I'm talking about pet coke. It went up by a dollar per tonne.

Keshav Lahoti: Understood. Got it. That is quite helpful. Thank you.

Sreekanth Reddy: Thank you.

Moderator: Thank you. The next question is from Mangesh Bhadang.

Mangesh Bhadang: So first question is on the volumes. So the PPT mentions volumes of cement only, right? So that 84,000 is extra which we need to add to that value?

Sreekanth Reddy: Yes. Our disclosure when it comes to volumes, it's only on cement. We have never included clinker in the past.

Mangesh Bhadang: That's open to the revenue and costs do include the...?

Sreekanth Reddy: When you look at the absolute numbers, I think it includes. But when it comes to specific numbers for a per tonne basis, I think what we have done is we have normalised it only for the cement sale. So that is where I think there is some amount of confusion. If you have to do a straight arithmetic, it could be a challenge. So what we have disclosed is for a pure cement number. That is per tonne is purely on per tonne cement only. So we made relevant correction in terms of revenue and the related associated costs.

Mangesh Bhadang: Okay. Yeah. Second one is on the capacities in South. So I think Shree Cements would have started, and even Dalmia has commissioned the grinding units along with some other companies. So is the supply situation in your markets is what I wanted to understand. Is that the pressure because of this, because it is anyway is going to increase post Penna, My Home?

Sreekanth Reddy: No, I think there are two aspects. One, it's a demand and there is a supply. See at the end of the day, demand is almost close to 20% lower compared to last year same time to now. Year-on-year number is 20% down for obvious reasons that which we discussed even in the earlier call, that elections and the weather-related issues definitely took a toll. Now coupled with that, there are some ramping up of Ramco's Kolimigundla plant along with Shree's Dachehalli plant. And I believe the grinding plant of Dalmia also got commissioned itself. And same is the case with the ramp-up of My Home's Line 4 at Mellacheruvu.

So what we are expecting from here on is ramp-up of UltraTech Tadipatri, Line 3. We are also expecting Deccan also to get commissioned anytime soon and the ramp-up also is likely to happen. So yeah the Chettinad Kallur plant also, I believe got commissioned. But that is more Westbound rather than Southbound. But these are the three major supplies that are likely to get ramped up from the coming few months, two quarters.

Along with some amount of realignment of restarts of plants of Penna, with Adani Group taking over those assets. But these are likely to happen in a phased manner. I'm not talking of Adani's ramp-up. But the entire supply into the region is likely to happen in a phased manner, not that everything is going to abruptly fall on it. But this might also get aligned with the potential kind of a demand that is, we strongly believe that from middle of Q3, the demand is likely to sharp up more sharply. So net-net, it may not be significantly altering the overall kind of demand/supply equation.

Mangesh Bhadang:

That was the next question. So basically, after the political outcomes in both these states, especially Andhra, so what kind of demand expectation do you have? And on the ground, whatever we've been hearing regarding Amaravati capital project, have any work started? Or do you see...

Sreekanth Reddy:

I think the good news is that government is very keen to develop Amaravati in a big way. But we should be very pragmatic about what is likely to come. The government just came. So I think by the time they settle in, most of the demand from Amaravati starts picking up. We believe that it may be latter half of this year as a best-case scenario. But most of it, we believe that it should happen in the next year from next year onwards. But in general, most of the deferral during these election times and the off-season, we expect them to come back because as you know, demand was at its peak when we started getting into the electioneering.

So it's likely that those works are likely to start fully implementing from end of Q2. So the demand is likely to start pick up from middle of Q3 is what we strongly believe Mr. Mangesh.

Mangesh Bhadang:

Thank you. That's it.

Sreekanth Reddy:

Thank you.

- Manish Valecha:** Thank you. The next question is from Amit Murarka.
- Amit Murarka:** Thanks for the opportunity, so again, following up on the earlier discussion around the new clinker capacities as well as Penna ramp-up. So firstly, like in Andhra, AP, Telangana, so what would be the current utilisation of the industry level? Is it like 70%, 75% now?
- Sreekanth Reddy:** You should know that it's close to 110-odd million tonne kind of installed capacity both the states combined, okay. So you should pencil in quite a few things, because 50% of Andhra's capacity typically ends up servicing the outside states. So the average capacity utilisation in our view is somewhere around 45% to 50% in general. There could be one or two units, which could be exceptionally higher or lower than this, but in general, the capacity utilisation is somewhere around in the range of around 45% to 50%.
- Amit Murarka:** I thought last two years, the demand has been very strong. I mean I believe it is up like 20% or so, right? I mean...
- Sreekanth Reddy:** Yeah, you should understand that you are talking of 110 million itself. So you're not talking of a smaller number. In future level for sure, I think the utilisation was fairly strong because there is some amount of clinker outflow from both the states into the other grinding locations which are outside the region in the state. It's likely that we might go back to those numbers reasonably quickly or maybe in the current fiscal year itself. It's likely that we will go back to the numbers where we were before the start of the electioneering. So that is a possibility. That is the reason why we believe that the current Q1, the overall degrowth is at 20%. So we might end up kind of flat to slightly positive kind of a bias at the end of the year. That's what we are factoring in. But the entire south as a market.
- Amit Murarka:** Understood. And also, as far as these plants are concerned, you mentioned My Home line has ramped up. I think end of December of Q3 FY '24 and then Shree commissioned in April. So would you be aware like particularly for My Home line, is it already ramped up or it is still facing issues?
- Sreekanth Reddy:** I think the typical ramp-up, I think is happening. I don't know specific numbers for each of the unit wise, but I think ramping up is happening. Same would be the case with Shree Cements. I don't know the specific numbers unit-wise. But I think it looks like they are also ramping up in line with the market.

Amit Murarka: Okay. So I mean, if you are already at 45%, 50%, and there's a few more units don't matter then.

Sreekanth Reddy: No, we are at 45% at Mattampally. We are only at 26% at Andhra. So there is some catch-up that is required from our end, but we are waiting for the demand. As always, we have been in market there. So we believe that likely that we should increase numbers before the end of this fiscal year itself.

Amit Murarka: Got it. And just one more question. So generally, if I have to see the pricing movement in the last, I would say two years or so. While AP, Telangana pricing has been, I think actually up, Tamil Nadu, Kerala have actually come off a lot to a point that Tamil Nadu probably is now in line with AP, Telangana. So do you think that with this Penna acquisition and also these new units which are coming, we could again get into a situation where in the AP, Telangana pricing goes into a discount to Tamil Nadu?

Sreekanth Reddy: No, I go with what is -- see, Penna's supply from the location of the plant is more southbound, not north. I am talking about south, southbound. They only have 1 million to 1.2 million tonnes installed capacity in the Nalgonda cluster. Rest everything is either in Maharashtra or towards Maharashtra or deep south. So from that perspective, would it influence? I cannot comment. But rationally speaking, it should not. And as such, we believe that Andhra, Telangana prices did not move up. They remained flat. It's unfortunate that deep south prices have corrected quite steeply.

For the first time in my career, I've seen Chennai prices, either at par or lower than par, this we have never noticed. So would Hyderabad prices get corrected way below Chennai prices just because Chennai prices have come down? Only time will tell. But I think Hyderabad prices are not at its best either. So from here, is there a scope for Hyderabad prices to come down? It's only negligibly, it could go down, if it is going down is below that. I think the whole industry is already bleeding. So it means it's going to be a blood bath.

Amit Murarka: Okay. Sure. Thanks a lot.

Sreekanth Reddy: Thank you.

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

Shravan Shah: This Vizag land sale, so any update?

Sreekanth Reddy: I think we would be in a much better situation. The status remains same as the last call, because we could not go to any of the government departments, as you know, it's in transition. So we have been indicated that it would probably take another couple of months for us to reapproach them, because out of these three critical milestones, we only achieved one, there is two more.

So from a time perspective, what we have indicated before end of this December or to the middle of Q4. I think that timeline at this point of time, we would like to keep it status quo because nothing much has moved. We will be in a much better situation to take a call probably in the next quarter call. So we believe that we should have a lot more information about the focus on that by the time we address the Q2 results, we'll be in a much better situation.

Shravan Shah: So most likely by March end, we should be able to monetise. So that was about...

Sreekanth Reddy: As I mentioned, the status quo, there was not much at the moment. And it is in line with our internal timelines what we have indicated. So it looks like that we should be ready by then.

Shravan Shah: Okay, that's great. Second, just trying to understand. So you mentioned in terms of the cost reduction from now onwards, not much scope. So whatever the cost that we are having in this quarter. So from here on, what max cost reduction can possible or?

Sreekanth Reddy: See, in our plan, the road map we have clearly indicated even in our presentation about the CapEx plan. So we are sticking to our CapEx plan. So each of those implementation, we do expect some potential savings. Like, for example, in the current year, the commissioning of 2x6 megawatt solar branch one at Gudipadu and one at Dachepalli. When it gets implemented, we expect annual savings of around ₹5 crore once we have commissioned both of them.

Then the other, where we have already completed the technical kind of a specification and inquiries and more or less, we are ready with the order placement it is for 4 megawatt waste heat recovery system at Gudipadu. But it's an 18-month effect from the day we place the order. So we are waiting for some amount of clarity from a financing perspective. The current cash flows are exactly enough for us to fulfil the current obligations on the CapEx what we have narrated. So we

still would want to wait for the market to improve before we would like to place order on the waste heat recovery.

So the only orders that we are doing on the CapEx is on solar and the ongoing CapEx at Dachepalli and as well as at the two other locations where we are doing small investments to ramp up the brownfield capacities at both Gudipadu as well as in Jeerabad.

So from that perspective, we don't expect any major cost levers to kick in, in the current year, except for the operating cost, which are likely to contribute to a certain extent.

Shravan Shah: Okay. And in Q1, how much CapEx we have done?

Sreekanth Reddy: ₹33 crore.

Shravan Shah: Okay. And just wanted to understand why we have sold such a significant clinker of 89,000-odd this. So why can't we sold the cement?

Sreekanth Reddy: I think you should understand that this is an off-market. So market, when it is down, that was an opportunity that came, right? So it's not that you would get it every time. So we had this opportunity. We ended up selling because we had too much of inventory. So either we had to shut the plant and increase the cost structure because obviously, overheads would always remain higher? So when this opportunity came and the transaction happen, it is a reasonably good realisation. So it's a decent margin that was available.

Shravan Shah: Okay. Thank you.

Sreekanth Reddy: Thank you.

Manish Valecha: Thank you. We have the next follow-up from Keshav Lahoti.

Keshav Lahoti: Is it possible to bifurcate the Andhra CapEx for this year and next year?

Sreekanth Reddy: We would be happy. If you can bear with us, we would be happy to share in detail. There is some amount of small changes that might happen. Yeah, we would revert Mr. Keshav. I think you would see, in the current year, we indicated that it should be close to around ₹300 crore. Out of that, we have already done a Capex of ₹30 crore. So the

breakup is part of the presentation, Mr. Keshav, but we would be very happy to again share it once again. So around ₹150-odd crore.

Keshav Lahoti: Understood.

Sreekanth Reddy: Yeah. If you look at the Slide 12, we did indicate the overall kind of a CapEx plan for Andhra, it is ₹255 for the current financial year, balance in FY '26, but we would be very happy to share just in case you want that breakup.

Keshav Lahoti: No, got it. And lastly, on the clinker sales, so how should we see the clinker sale more like ₹100 EBITDA per tonne, it was more like you want to operate the plant so maybe your minimum EBITDA transaction...

Sreekanth Reddy: I think you should understand that it was a season when there was a requirement from one of our neighbouring companies. So it's usually nobody denies. They had some maintenance issues, so we ended up servicing it. It's a one-off opportunity that we have had. It's not like we always would like to sell clinker. So there was too much of inventory. So we thought it would be helpful instead of trying to shut the plant and have a higher operating costs. So we thought it's an opportunity that we ended up encashing.

Keshav Lahoti: Understood. Thank you. That's it.

Manish Valecha: Thank you. The next question is from Vibha Jain.

Vibha Jain: Hi, my question is regarding the renewable energy capacity targets. So like we are targeting 50% in FY '30. So are there any interim targets like we have announced 6 megawatt reaching Dachepalli and other regions? So any interim target for FY '25, '26 for the renewable energy?

Sreekanth Reddy: See, I think we stated that we would want renewable power to be 60% of our total electrical energy portfolio. We are committed to that. Now part of that, we did indicate the CapEx plan in our presentation. If you can look at the same Slide 12, yeah, we did indicate just solar Gudipadu is 6 MW by FY '25, waste heat recovery for Gudipadu by FY '27. Solar 4 megawatt at Mattampally by FY '27. Waste heat recovery for Line 1 at Mattampally, which is 2 MW by FY '28. Solar at Jeerabad 4 megawatt by FY '27.

The only thing we preponed is 6 MW Solar power plant at Dachepalli that we are doing in the current year itself, which was slated for FY '29. Waste heat recovery at Dachepalli, which is 9 MW for FY '29. So, I think these are the interim targets, which we have clearly indicated in our Slide 12 part of our investor presentation.

Vibha Jain: Yeah. And again, on the demand and pricing environment, you talked about the South Asian, like the demand has declined by 20% and prices are also declining. So can you please share what is the pricing and demand scenario in the Central region, mostly in MP?

Sreekanth Reddy: See, again, Central is a big area for us. We are very specific to the Western part of MP has bigger market for us and to a certain extent, certain pockets of Gujarat. Our assessment is that Madhya Pradesh market has come down by 15% year-on-year. Whereas Gujarat actually is trending upward, but it is 5% lower at the current quarter year-on-year kind of thing. Odisha is flat to slightly with a positive bias. So these are some of the state trends other than the South that we follow regularly.

Vibha Jain: Okay. And lastly, on Andhra Cements, like earlier we have guided to be breakeven by Q1 FY '26. So is that stance still maintained?

Sreekanth Reddy: Yeah, I think we should be very close to that time line. It's just a question of ramping up. The internal capacity as well as optimisation is progressing. It's a question of doing volumes. I think we should be breakevening by Q1 is what we strongly think.

Vibha Jain: Okay. Thank you so much.

Sreekanth Reddy: Thank you.

Manish Valecha: Thank you. The next question is from Tushar.

Tushar Vasuja: So my first question is regarding that you are doing a substantial CapEx for power generation. So I just want to know that what sort of EBITDA per tonne could one get if all your power requirement was sourced through like solar power generation. I know that's not what you're aiming for. But let's say, hypothetically, if one would source all their power through solar generation. How would that affect their EBITDA per tonne levels?

Sreekanth Reddy: Yeah, Mr. Tushar, solar cannot service 100% of our electrical power, because as you know that we do not have battery, since, so when Sun

is around, we generate, but plant runs 24/7. So in our outlay, we are looking at all the entire green sources. So if my understanding is correct, your question is if it turn green and the entire thing is from green power, what potentially it could contribute from an EBITDA perspective, right, EBITDA per tonne perspective?

Tushar Vasuja:

Yes.

Sreekanth Reddy:

So now see, at this point of time, we are close to around 30% of our entire electrical requirement is coming from green power. This is both the renewable as well as the waste heat recovery. Now the minute we go up to 50%. That is incrementally. We believe that it should contribute close to around another ₹50 to ₹75 per tonne because it also has its cost, right? It's not that it is coming free. So that CapEx also needs to be factored in.

Right now, the overall average blended cost for us per unit per kilowatt is around ₹6 per unit. So we believe that once we get into the from current 32, if we move to 50, therefore it potentially could come down to around ₹5 to ₹4.75, so that delta is what it would be saved, roughly around ₹50 to ₹75 is what we should pencil.

Tushar Vasuja:

Okay. And my next question is regarding that, what's the usual frequency for maintenance of things like you have to get some frequent intervals, you have to maintain your things, you have to do some debottlenecking or some remodelling. What is that frequency?

Sreekanth Reddy:

Yes, there are two things. One is a long-term one, rather three things medium and a short term, okay? Now let us look at the long-term. Long-term typically, lead the game. We need to overhaul not only the kiln, but the associated equipment's as well, some amount of shell and everything needs a replacement. But in a medium term, of course, there are some amount of shell replacement and again, I'm not limiting myself to kiln, but I'm talking about the entire pyro system itself. That includes the pre-heater kiln and the cooler.

Medium term, it demands some amount of replacement to some of the consumables, especially the refractory and the castables. And the spare parts that are long-term, medium term for a cooler. Short term, it is limited only to burning zone. So most of the decline in the burning zone and slightly higher temperature zone needs replacement of once six to nine months' time. Same would be the case with some moving parts in the cooler, that needs quick maintenance in a short term.

But all in all, what we generally do not only for the kiln, but the entire equipment, anywhere between ₹150 to ₹200 per tonne as we replace the maintenance kind of a cost for the overall kind of maintenance. In a longer-term kind of a replacement is typically capitalised, because these are meant for sometimes 10 years, sometimes seven years so they get capitalised.

Tushar Vasuja: Okay. The ₹150 to ₹200 per tonne that you've given for maintenance cost is for a year, right, on average?

Sreekanth Reddy: Yes, per tonne. For a year, that would be the usual. That includes the replace and maintenance and some consumables that get added up. I'm only talking of this pyro and all, but there are other consumables like lubricants and all, which are just slightly factored slightly differently. That should be another ₹100 extra.

Tushar Vasuja: That's fair enough. And so the last question is regarding your plant in Dachepalli. Right now, it's a utilisation of around 29%. And you have planned an expansion, so what are your plans for ramping up utilisation?

Sreekanth Reddy: Yes, see, this is not an expansion alone. Expansion is incidental. The idea is to increase the efficiency of the plant. So the investment was more directed towards increasing the efficiency rather than an expansion kind of a mode. Since we are adding a new generation preheater, so it also is helping us have an additional output but the primary purpose for this investment is to increase the efficiencies, plus the old pyro system is a 4-stage preheater with a separate line, 5-stage calciner line. It's almost a 15-year-old kind of a setup. What we are doing is we are going up with a 6-stage in line twin string calciner from earlier 800 Kcal it used to consume for clinker, we are targeting at less than 700 kind of a Kcal with this investment.

So this also is helping us increase the output of the pyro system. So that is where most of the investment is directed. Same is the case with the grinding circuit. So there were two standalone ball mills earlier. So of course, they had installed pre-grinder before for one ball mill. So what we're also doing is, we are also adding one more pre-grinder as a roll press for one more ball mill. I mean, these measures are primarily from a perspective of increasing the overall kind of an efficiency, and reduce the cost, which incidentally also is helping us increase the output. So that is where our state and objective is.

But if you look at our operating outlook, what we have indicated for Andhra, we don't expect it to cross more than 60% over next five years' time, either way because that is more in line with what we believe are the markets that it service the overall kind of a demand/supply equation in those areas. Probably would not be any different than what we have pencilled in. So the idea is not to expand. Idea is to optimise the overall cost.

Tushar Vasuja: Okay, that answers all of my questions. Thank you very much.

Sreekanth Reddy: Thank you.

Manish Valecha: Thank you, the next question is how much in terms of the overall cost would come down for Andhra Cements after the entire CapEx is done?

Sreekanth Reddy: As I mentioned earlier, let me break down into two parts. One is to up to clinker and the other is for the cement. Now what I'm talking is only up to clinker. It is for anybody to make a calculation, which is relatively easier. So we are expecting close to around 100 Kcal reduction. So on per Kcal, whatever is the likely price. At this point of time, it is ₹1.50 odd per Kcal, because here we are also using imported coal plus it's a blend of imported coal with pet coke. So the average is around ₹1.60 to ₹1.70 per Kcal in specific this instance. So you multiply that into whatever 100 Kcal so it comes to around 160 to 170 is the straight savings there. But we are also incurring quite a bit of on the maintenance side, because these are relatively old. The kiln is almost close to 40-year-old kind of a kiln setup. So bulk of the investment also is going into that.

So breakdown cost and all, we expect another ₹50 odd from the mechanical maintenance related issues. We are expecting around seven electrical units to come down from the current 60-odd units, we expect it to be close to ₹50-odd, but I'm assuming it should be seven electrical units, that should be close to ₹40-odd should come down. So all in all, we are looking at close to ₹250 per tonne, up to clinker to come down. And from a perspective of cement grinding, we expect the number of units to come down by five units. So that should be another ₹25-odd at the cement level. But cement is a bit complex because it's again to do with OPC and PPC, so factoring that would be a challenge.

So from a clinker to that conversion factor, if we have to look at it and do that, I think we should definitely save ₹250 on an average at a

cement level once the entire project is done. This I'm talking only on the CapEx related, then of course, there are other costs related, this thing with renewable power investment and all that should be topping the overall kind of cost reductions that are likely to happen. I have not factored waste heat recovery, nor I have factored the solar unit at Andhra in these numbers.

- Manish Valecha:** Got it. So this is the existing CapEx plan that will reduce...
- Sreekanth Reddy:** Yes.
- Manish Valecha:** Got it. Thank you so much. The next question is from Rajesh Ravi.
- Rajesh Ravi:** Yeah, hi, good afternoon. Given the target that your ₹370 to ₹380 EBITDA per tonne, ₹200 to ₹250-odd crore at max EBITDA you're looking for this financial year?
- Sreekanth Reddy:** We are looking at anywhere between ₹350 crore to ₹375 crore as an absolute EBITDA. So, I just want to clarify that we are looking at the current Q1 and Q2, we expect trends to be very similar. But we do expect H2 to be slightly better. So, we are factoring from current ₹360 odd we assume it should move to ₹350 on an average for the full-year.
- Rajesh Ravi:** Okay. So full-year around, ₹530, ₹540 per tonne, you're looking at.
- Sreekanth Reddy:** Yes.
- Rajesh Ravi:** Okay. What is your net debt targets for end of this financial year?
- Sreekanth Reddy:** I think we should be at a similar level. I think around ₹1,300 odd, ₹1,250 to ₹1,300 is what we are limiting ourselves. So I think we would be capping our net debt position there. Gross, we would not exceed the current position itself.
- Rajesh Ravi:** And this land sale, which you were targeting, but you're seeing no progress so far. So fair to...
- Sreekanth Reddy:** I would not say no progress. The last quarter, we did not get any update because most of the government establishment was more directed towards electioneering. Right now, it is in transition. So out of three critical milestones, we did make a progress, so we covered one. So, there are two more critical milestones to be covered. So even when we indicated that it should be done by before the current

financial year itself, we are maintaining that at this point of time, but we would have a lot more clarity probably in coming few quarters.

Rajesh Ravi: Okay. And how much you are targeting if this financial year, you'd be closing this? How much cash inflow this can bring in?

Sreekanth Reddy: We have not factored any cash flows from the monetisation of this land, in the current year.

Rajesh Ravi: I understood. You are not factored in your current estimates. I'm just asking in case you are able to monetise this, how much cash this may bring in?

Sreekanth Reddy: I think we would start interacting with potential buyers who are interested in this only after due course. One more typical milestone which we believe that it should happen in the coming few quarters. So far, we did not approach as indicated earlier, the current government indicated rate is at ₹4 crore an acre.

Rajesh Ravi: Okay. Understood. And lastly, given that now Penna is acquired and they would be ramping up 10 million tonne capacity, struggling with working capital would go full throttle. And even Kesoram will see some uptick in volumes. This year, this may get consummated in UltraTech. And a few more assets are under talks as per market chatter. So how should we look at the South landscape and for places like your utilisation is already low. Will that impact will keep the margin subdued for more time? I mean the pricing may not see meaningful uptick for next one, two years. Is that a better understanding?

Sreekanth Reddy: Yeah, I'm sure you look at this market much closer than what we would. So the top 10 players, market shares have not moved significantly even with some of the M&A that has happened. So the number of factors more or less remain very close to the past numbers. So should we expect any differently? Internally, we believe that it may not significantly alter.

I think it's a collective player market, so it may not change that significantly in either direction. I'm not for a minute, telling that market would be much better or much worse, for some, I think internally for what we are factoring is from an offseason to a season, there could be a price increase. Nothing beyond is expected in the current year.

And we'll take one step at a time as these players ramp up, because I think there could be a realignment in brands and all which currently we are only hearing, we are yet to see, so how the position of it and all would alter, those things could be significant. How we look at our own market position. See with M&A that we have seen with Adani, our significant market is still not yet impacted because the Penna's footprint in our own bigger markets is very, very limited. So with the ramp-up and all, it may not significantly alter the major markets that we are in. So that is what we believe because even if that one asset that has to operate at 100%, it may not significantly alter the market landscape itself.

Rajesh Ravi: Okay, great. That's all from my end, will come back in queue. Thank you.

Sreekanth Reddy: Thank you.

Manish Valecha: Thank you. The next question is from Mr. Jayesh Gandhi. What can be the capacity utilisation of the entire AP post the Amaravati development goes to full swing? That's the first part of the question.

Sreekanth Reddy: Okay. So should I address this first Manish or do you want to?

Manish Valecha: Yes.

Sreekanth Reddy: Yeah, I think our assessment is that since supply also has matched up, I mean we exactly are not in a position to really calculate the exact demand of Amaravati. But in the past five to seven years back when Amaravati was being implemented or it was in the pipeline. If I have to assume that same thing more or less remains with slightly increased outlay, supply more or less caught up with that area. But internally for some of the players, which are in close proximity, which most of the people are, I think it should impact around 250 to 500 bps, not more, in terms of an utilisation because the demand drivers in our view could have changed from earlier regimes to this, so that is what is also another factor that one has to be mindful of when you are arriving at a potential demand with Amaravati history.

But what is very important is the robust effect of Amaravati on the surrounding districts is something which we have to pencil in. We are still trying to accumulate the data of likely kind of an impact in that neighbourhood. That is something which also gives confidence that it should improve 250 to 500 bps at an overall industry level. But at each individual player level, I don't know how much it would have

impacted because some players more or less are on a similar line, Shree has added capacity. Chettinad has come up vis-à-vis to the earlier five years back. Andhra was not very active. Andhra Cements was not at its best at that point of time. So all these ramp ups should negate the overall kind of operating rates for the players in general.

Manish Valecha: Thank you. The next part of the question is what is the lead distance of our plants at Mattampally, Gudipadu, and Bayyavaram? And do we have an edge in terms of the lead distance?

Sreekanth Reddy: Yeah, edge towards Amaravati or edge towards market in general. See, I think our average lead distance is somewhere around 244 what we have indicated. For each plant, I think we'd be very happy separately sharing it. The average is at 244. So for some units like Jeerabad and all, it is less than 200. For Jaipur also, it is less than 200. Somewhere around 150 for Jajpur, for Mattampally, and Gudipadu, it has come down. It has come down, but it may not remain so. But what we have indicated to the market is that we should be below 300 or below 280.

we are part of the Nalgonda cluster. I think, really some people might be very close to Amaravati, but I think the average lead distance from each of our assets should be less than 150 kilometres, less than 100 kilometres for few assets of us. On an average, it should not be more than 150, because Amaravati is not just one location. It's actually, a big, I think it's a 50 square kilometre kind of an area. So for each of our assets in different direction, it is close by. But that is the case with the cluster players. I think the entire Nalgonda cluster may not be very far off or may not be very close. They are equal distance to Amaravati is what we strongly believe in.

Manish Valecha: Got it. Thank you so much. Anyone who has a question, may please indicate by raise of hands. As there are no further questions, I would like to hand over to you for your closing comments.

Sreekanth Reddy: Yes. Thank you everyone for taking your time out and joining and showing interest in listening to us and having to get more information about us. We would like to thank once again for all of you for joining on this call. I hope you got all the answers you are looking for. Please feel free to connect with our team, be it Sagar or CDR, should you need any further information or have any further queries. We will be more than happy to address them and discuss them with you. Thank you again. Have a good day. Thank you.