SAGAR CEMENTS LIMITED

SCL:SEC:NSE:BSE:2023-24

30th January, 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

Symbol	SAGCEM
Series	EQ
ISIN	INE229C01021

Symbol	SAGCEM
Series	DEBT
ISIN	INE433R07016

Script Code: 502090

Dear Sirs,

Sub: Submission of transcription of Conference Call under Regulation 30 read with Schedule III of SEBI (LODR) Regulations, 2015 on Q3 and nine months FY 24 financial results

Pursuant to the above said Regulation, we are forwarding herewith the transcription of the Conference Call held by us on 25th January, 2024 in connection with the recently announced un-audited stand-alone and consolidated financial results for the third quarter and nine months period ended 31st December, 2023.

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
Rajat Setiya
Keshav Lahoti
Parth Bhavsar
Hiten Boricha
Rajesh Kumar Ravi
Nitin Raheja
Sanjay Nandi

Presentation

Manish Valecha: Good afternoon, ladies and gentlemen, and welcome to Sagar Cements' Q3 and Nine Month FY24 Earnings Conference Call. Please note that this conference call is now being recorded.

So, we have with us today from the management, Mr. S. Sreekanth Reddy, Joint Managing Director; Mr. K. Prasad, Chief Financial Officer; Mr. Rajesh Singh, Chief Marketing Officer; and Mr. Raja Reddy, Company Secretary.

We will begin the conference call with opening remarks from the management following which we will open the floor for interactive Q&A session. Before we begin, I would like to point out that some statements made in today's discussion may be forward-looking in nature, and a note to that effect was stated in the con-call invite sent to you earlier. We trust you have had a chance to go through the result communication and documents.

I would now like to hand over the call to Mr. Reddy for his opening remarks. Over to you Sir.

Sreekanth Reddy: Yeah. Thank you, Manish. Good morning, everyone, and welcome to Sagar Cements' earnings call for the quarter and the nine months ending December 31, 2023. Let me begin the discussions with a brief overview of the market in terms of the demand and pricing, post which I will move on to Sagar specific developments.

Overall, we have observed easing of demand, primarily attributed to the state elections and also due to the festive season. Despite benign demand, realisations remained relatively stable for us. The overall demand trend, however, remains resilient owing to ongoing housing and infrastructure activities. Input prices are generally held steady with the advantage of lower power costs, being offset by a higher freight rate. The quarter saw increased profitability, thanks to a combination of lower raw material prices and consistent realisations.

Let me now move on to our quarterly performance. We have had a good quarterly performance, both operationally and financially. Pickup in volumes, coupled with steady realisations, resulted in healthy top line and profitability growth. Volumes during the quarter stood at 1.4 million ton, higher by 14% over Q3 FY'23.
We believe we can achieve overall volumes of around 5.6 million ton for FY '24.

Shifting focus to profitability. EBITDA per ton has seen a meaningful improvement largely on expected lines. As I have indicated in our previous call, we expect the trend to continue, supported in part by higher utilisation levels of recently acquired units and strategic initiatives aimed at promoting the use of green power, alternative fuels, as well as deployment of electric trucks and wheel loaders.

EBITDA for the quarter stood at ₹87 crore as against ₹48 crore generated during Q3 FY '23, higher by 83% and ₹60 crore garnered during the sequential previous quarter, higher by almost 45%. EBITDA margins for the current period stood at 13% as against around 8% reported during the corresponding period last year and around 10% generated during the sequential previous quarter.

After considering the interest outgo and the depreciation expenses, loss for the quarter stood at ₹10 crore for the quarter as against a loss of ₹24 crore during Q3 FY '23. In terms of key operational activities, as mentioned earlier, our efforts are directed towards more improving the overall efficiencies and ramping up the utilisation levels of our recently acquired units.

The average fuel cost stood at ₹1,700 per ton as against ₹1,858 per ton reported during Q3 FY '23. Freight cost for the quarter stood at ₹864 per ton as against ₹795 per ton during Q3 FY '23. From an operational point of view, Mattampally plant operated at 52% utilisation, while Gudipadu, Bayyavaram, Jeerabad, Jajpur, and Andhra Cements operated at 97%, 67%, 69%, 28% and 37%, respectively, during the quarter.

As far as the key balance sheet items are concerned, the gross debt as on 31st December 2023 stood at ₹1,557 crores, out of which ₹1,257 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 December 2023 stood at ₹1,618 crores, debt equity ratio stands at

0.78:1, cash and bank balances were at ₹157 crores as on 31st December 2023.

Another noteworthy development is that Board of Andhra Cements has approved proposal to implement a new 6-stage preheater for cost optimisation and to enhance the clinker and grinding facilities at its Dachepalli unit. The estimated project cost will be around ₹470 crores. The entire project is going to be commissioned by end of financial year FY '25-26.

In summary, we believe our diversified regional presence, improving product mix and consistent focus towards lowering costs and improved operational efficiencies position 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: The first question is from Shravan Shah. Please go ahead, Shravan.

Shravan Shah: Hi, thank you. First, coming on the volume front. So in the last con-call, we were confident that we can do a 6.2 million ton for this year. And now we have reduced the guidance for the volume for this year to 5.6 million ton. So just wanted to understand, despite we were in the middle of the last quarter when we did the call and we were confident and so what has exactly happened? And similarly, now how confident are we for this even 5.6 million ton? And also, for the next year FY '25, previously, we said 7.5-million-ton volume. So, if you can help me with the revised number? And also, if possible, how much will be from the Andhra Cements?

Sreekanth Reddy: Yeah. Thank you, Mr. Shravan. as indicated, there is a downward revision from 6.2 million ton to 5.6 million ton. The reason is obvious that the post-election scenario, both at Madhya Pradesh and Telangana, we expected some amount of ramp-up to happen, which looks to be challenging at this point of time. I think the national elections and three months post that scenario, in such time, we believe that the demand is more going to be on a flattish kind of a trend rather than on an aggressive kind of a thing. So that's one of the reasons why we had to do the downward revision.

Now looking at the confidence of doing those numbers, yeah, we believe that with the downward revision, we actually removed some of the government demand that was coming by. So, we have reduced it from 6.2 million ton to 5.6 million ton. This looks to be lot more realistic from our end to be reasonably close to the number what we are committing at this point of time, Mr. Shravan.

Now going to the next year, we believe 7 million ton is a possibility for the full-year next year. This having factored that Q1 the demand probably would be more on a sidelines owing to the general election and more specifically elections in Andhra. So, our past experience is that three months before and three months after election, the demand tends to be a lot slower than what it normally is.

Given that context, we've made the downward revision. Andhra specifically, the target for the next year is to grow anywhere between 0.9 to 1 million ton for the coming year. Hope I addressed all the questions, Mr. Shravan.

Shravan Shah: Yeah. Andhra, you said 0.9 million ton?

Sreekanth Reddy: Yeah, 0.9 million ton to 1 million ton, Mr. Shravan for the coming year.

Shravan Shah: Okay. Got it. Second, in terms on the profitability front. So there also, we were looking at ₹400-odd crore kind of EBITDA.

Sreekanth Reddy: Yeah, now I think we should, since there is a downward revision in the volume, yeah, I think the indicative potential EBITDA that we feel that we should be able to generate is around ₹310 crores, Mr. Shravan.

Shravan Shah: Okay. ₹310-odd crore. So, for the fourth quarter, we can look at ₹130 crore, ₹135 crore kind of EBITDA?

Sreekanth Reddy: Yes, Sir.

Shravan Shah: Okay. Got it. But there to achieve that, what kind of a price increase? So, I believe still the prices would be lower than...

Sreekanth Reddy: What we have factored is a flattish trend in our case for the realisation. We are expecting ₹150 kind of a saving both on account of fuel as well as increased volumes would give a better spread in terms of the overall contribution. So, ₹150 per ton is incremental cost savings that we hope to achieve. So, from the current ₹610-odd EBITDA per ton from the current quarter, we are expecting it to stabilise somewhere around ₹750 per ton for the coming quarter, Mr. Shravan.

Shravan Shah: Okay. And then the similar run rate can be maintained for the next year?

Sreekanth Reddy: Yeah, let us handle one at a time. So, we are reasonably sure of the volume. I think on the pricing, the outlook, we would be happy to come back to you as we cross the Q4 and enter into the next year scenario, Mr. Shravan.

Shravan Shah: Okay. And on the CapEx front, how much we have done and what's the number for this year and the next year considering the new expansion that now we have here?

Sreekanth Reddy: Yeah, we have done all the CapEx that is required for the current year, which was more on the operations side, which is the maintenance CapEx. For the coming year as far as Andhra is concerned, I think for the next full-year, our target is to do around ₹150 crore, Mr. Shravan. Bulk of it is back ended, as you know. The announcement is for constructing a new 6-stage preheater. So, bulk of the time that gets consumed is in the civil activity. So, for the next coming year, it's mostly to do with the construction of the civil and partly to do with some advances to the equipment. So, we don't expect it to cross more than ₹100 crore to ₹125 crore for the coming year as far as Andhra's new CapEx announcement is concerned.

The rest is more to do with the operational maintenance CapEx, which we have indicated, it is close to around ₹30-odd crore for the next full-year for at all the other plants. We are yet to start the other small brownfield additions that we have announced. We have time. As indicated by FY '25 end, yeah, we should do a 0.5-million-ton expansion at Jeerabad and a 0.25 million expansion in Gudipadu. Those are not large CapEx kind of a thing. Those are with very limited kind of a CapEx.

But they are time consuming because we are going to the clearance at Jeerabad for enhancing it from current 1 million ton, we need to enhance the EC clearance to 1.5 million ton. So till that happens, I don't think we will be doing any CapEx. We expect that to come anywhere between nine to 12 months. Post that only, our CapEx will start, and we will be happy to come back to you as and when the time lines get crystallised on the Jeerabad brownfield expansion.

Shravan Shah: And then broadly on the debt front, so currently ₹1,557-odd crore. So, will this further increase...

Sreekanth Reddy: No. I see, I think at ₹1,400 crore to ₹1,450 crore net debt position, I think our position is going to remain same, because we are committed to raise EBIT rate on that. And whatever is the payout at a group level, that is the balance that we are going to do. So, we would not exceed the net debt level of around ₹1,400 crore to ₹1,450 crore, Mr. Shravan.

Shravan Shah: And lastly, the Vizag land sale. So, anything is happening so now...

Sreekanth Reddy: I think we did announce. I think we have made a good progress. I think we have another 12 to 15 months. I think the timeline still remains the same. So, first phase is more or less completed. So, the mutation and the associated things are all done. So, we are entering to the next phase. So, we are hopeful that over next 12 to 15 months, we should be in a situation to liquidate the -- monetise the land at Vizag.

Shravan Shah: So, by end of FY '25, we should be able to monetise and get the cash and that should support us to...

Sreekanth Reddy: Yes. I think those are the timelines, which we are hoping. It looks like there is a good possibility that we should stick to those timelines, Mr. Shravan.

Shravan Shah: Thank you and all the best.

Sreekanth Reddy: Thank you.

Manish Valecha: Thank you. The next question is from Rajat Setiya.

Rajat Setiya: Hi, thanks for the opportunity. Just wanted to check about the pledge shareholdings. On the BSE, it shows that 75% of our holding is pledged type promoters holding.

Sreekanth Reddy: No, Mr. Rajat, I think it is more to do with the nomenclature. Yes, if you had looked at it, there is SHA for us that is the shareholders' agreement with PI and all. So, it's -- non-disposal agreement also reflects as a pledge, but it's not a pledge. It's actually non-disposal of promoter shares. It's not pledge.

Rajat Setiya: And how much is really pledged or there is nil pledge?

Sreekanth Reddy: No, there is a very, very marginal the extended family of the promoter, but that's very, very negligible, Mr. Rajat.

Rajat Setiya: Okay, understood.

Sreekanth Reddy: Majorly, it is only the non-disposal undertaking, which is reflecting as pledge. Effectively on the core promoters, there is no pledge at all.

Rajat Setiya: Okay, understood. The second question is about the cost of debt. On ₹1,600 crores or so gross-debt level, we are incurring ₹50 crores in interest payment on a quarterly basis. So, what's our cost of debt?

Sreekanth Reddy: I think it is at 10%. So, there is some amount of realignment. The average cost of debt is at around 10%, slightly lower than 10%, but I would assume it is close to 10%, not more.

Rajat Setiya: So, what are the other components of the finance so that we are reporting in quarterly statements, which came at ₹49 crores this quarter?

Sreekanth Reddy: Yeah. This time, the debt itself swelled. So, your numbers looked higher, but cost of debt is at 10%.

Rajat Setiya: Okay. Because if you go by 10%, ideally it should be ₹40 crores on a quarterly basis?

Sreekanth Reddy: Yes. It will get aligned to that number. There is a working capital renewal and all. But it is effectively interest cost would not exceed the number what we discussed.

Rajat Setiya: Okay. So, are you saying there will be reported finance cost of ₹40 crores, ₹42 crore starting next quarter? Or...

Sreekanth Reddy: Yes. I think it should be close to around ₹45 crores on the higher end.

Rajat Setiya: Okay. Understood. And on the realisation side, I think we reported one of the highest realisations in the last many, many quarters. So, what really led to that? I mean, is this seasonal or...

Sreekanth Reddy: No, I think the October pricing in the market, there was a steep increase. And we have always been extremely cautious that we don't chase low-cost orders, be it trade or non-trade. We don't mind compromising on the utilisation, but we would never do it on the realisation front. So vis-à-vis some of the market players, our realisation trended at a lower pace downward rather than more.

In October, there was a steep increase. November, there was a little drop for us. And December, of course, we more or less aligned with the market. So that probably pitched our realisation slightly higher than most of the other market, yes.

Rajat Setiya: Okay. Some correction has already happened basically?

Sreekanth Reddy: No, correction was at constant, it's a marketplace. Down from October to November to December, the trending was downward. But in our case, the drop is not very significant. So, it is the case even in the current month. See, it's a mix of various things. It again depends on once some of the subsidiaries start operating, they are very close to the market. So, the realisations for us would also become higher. So, these are all the mix. But in all, our realisations have been reasonably healthy, purely because we did not chase some of the low-cost orders that were in the market. Realising that both things would not any way increase your volume substantially. So, idea was not to lose on whatever little margin that is available.

Rajat Setiya: Sure. Okay. I'll get back in the queue. Thank you so much.

Sreekanth Reddy: Thank you, Mr. Rajat.

Manish Valecha: Thank you. The next question is from Keshav Lahoti.

Keshav Lahoti: Hi, good afternoon. So just wanted to understand one thing on Andhra land monetisation side as it's a big land parcel. So, what are the initial trends you are getting? Will it be sold to a single buyer or you have to possibly divide the land? And secondly, when you will sell the land, do you need to do any ground levelling or some other sort of what to make it ready for sale? And lastly, there are the old grinding plant installed at Andhra. So, whether have you sold it off? Or how is the progress going on that side?

Sreekanth Reddy: Yeah. Mr. Keshav, our intention is to sell the land. So, the question of levelling and all doesn't arise. We are good six months away, because we are waiting for one more clearance. We put the overall process in three parts. The first part was to get the entire land parcel mutated, because there is digitalisation of land records in Andhra. So that part is more or less 95% done. So, we are entering into the next phase where we've already returned to Andhra government on two approach. One, there was a permission that was a requirement for us seeking for sale of land, because this land was assumed, alienated and transferred from Andhra government to Andhra Cements in mid to late '70s. So, there was an obligation that we have to get a government permission if we have to put in to use for any other purpose other than the industry there.

So, we have already initiated that process. We hope over the next five to six months, we should have got the permission for the sale. At the same time, it also needs the usage conversion. Currently, it is for industrial use. So, we did apply for a mixed usage. So, we believe if we do these two issues, there is a reasonably better value that we could attribute to the company. We are not into the real estate development. So obviously, we are looking at all the options that are available to maximise the realisation.

Do we have to sell in bits and pieces or do we have to sell a large parcel? Yes, we did assign the consultancy advice to JLL. It's works in progress. So, we will be happy to come back to you as and when we got the advisory from JLL as to what would be the best route for us to maximise the value from the sale. That part, I think, we have good another five to six months away, so we'll be happy to revert back as soon as we reach to that milestone.

Now coming back to this existing clinker grinding station there, yeah, we did sell. So, the mills, there are two mills, and there is a dryer. All these things have been sold. In fact, 50% of the equipment have also been lifted by the purchasers. We are levelling it out the civil structures. That is the part which we have undertaken. I think over the next five months; the land should have been without any industrial asset sitting on top.

Keshav Lahoti: Understood. What sort of realisation we can expect from the sale of all those landing units and dryer?

Sreekanth Reddy: See, I think the attributed value is close to around ₹18.5 crores to ₹20 crores, Mr. Keshav.

Keshav Lahoti: Understood. Got it. And right now, how are the cement prices -- you feel like if the current cement prices stay as it is, so what sort of drop in realisation we should expect in Q4 Q-on-Q?

Sreekanth Reddy: See, the current trend though the market was talking of the price increase, we are yet to realise. So, in some pockets, it's more or less flat all the way from November to now. In some places, we have seen a ₹5 per bag kind of a dilution. But this is very, very specific to Southern pockets because middle of month, there is a Pongal and Sankranti festival. During those times, the demand is literally close to nil. So that typically tends to put some pressure on the pricing, because people try to squeeze whatever little that is available. But we hope that the prices are more or less very similar at starting of the month to end of the month. From the exit of December, we believe that it should more or less be flat.

Keshav Lahoti: Okay. Got it. What I've understood, like FY '25 would be a very more like a maintenance CapEx kind of a thing and the major Andhra CapEx and Satguru and other things will flow in FY '26, what sort of CapEx you're looking in FY '26?

Sreekanth Reddy: See, I think we did announce ₹470 crores CapEx at Andhra. Only 30% of that, we expect it to happen in the coming year. Rest everything will be spread. Around another 50% should happen in the coming year. The small residual portion probably would flow into the next year later. But whereas the small brownfield CapEx that is required both at Jeerabad as well as Gudipadu should come in FY '26, that should not be more than ₹50-odd crores. And another -- probably another ₹25 crores should flow through into the year later.

Keshav Lahoti: Okay. Understood last question from my side, the trade share for this quarter.

Sreekanth Reddy: We are at 55.5% kind of a number. For the quarter that went by, right?

Keshav Lahoti: Yeah, perfect.

Sreekanth Reddy: Yeah. We are at around 55%.

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

Sreekanth Reddy: Thank you.

Manish Valecha: The next question is from Parth Bhavsar.

Parth Bhavsar: Hi, thank you for the opportunity. Earlier, you mentioned that demand usually slows down near our national elections and even it slowed down during your state elections, even we've discovered like according to our research, three out of five elections, demand has usually slowed down post elections. So, considering that demand is expected to slow down a little in FY '25 and at least 30 MT is being added and in terms of capacity is being added. So what sort of EBITDA per ton you're building in? And how much like are you building price growth? So is there any EBITDA per ton improvement that you're building, like, which would be on the back of price growth because I feel there's lot of...

Sreekanth Reddy: I think for the coming year, we are reasonably sure of the volume, Mr. Parth, but we are yet to pencil-in potential kind of margin analysis, I think we should be doing it close to first week or second week of March. I think with the current financial year results, we will be in a much better shape to really talk on the margins for the coming year. Our belief is that, see, national elections is one part, but the state elections because state government typically tends to influence more cement demand in the regions that we operate.

Historically, it is three months before and three months post-election tends to be slower. So that has been factored in. So, we believe that the next year, our own numbers are primarily coming from the ramp-up that we expect from Jajpur as well as Andhra rather than existing assets. So there, we are not trying to factor any incremental volumes for the assets that have been operational purely because there are some new capacities that are likely to get installed in the same region, namely Shree at Guntur and My Home Mellacheruvu, and probably, to a certain extent, some additional ramp-ups from Ramco, Kalimkuntla.

So whatever little demand that is likely to grow, we are adjusting it to these ramp-ups. Internally, our only take is that we are likely to do 7 million for the coming year from around 5.6 million that majorly would come both from Andhra as well as Jajpur. That's what we have pencilled in. Margin, we would revert back to you probably during the full-year results somewhere around middle of Q1.

Parth Bhavsar: Fair enough. Just on the industry, do you think that the incremental capacity addition would be, the demand would able to equal it that would...

Sreekanth Reddy: It could. I mean, what we have seen, we are pencilling somewhere around 5% to 8% growth rate for the coming year. So, market should able to absorb whatever ramp-up that is going to happen with an assumption that the players would be rational in their flow of material into the market. I'm not expecting the material to rushing into market. So that rushing sometimes would disturb one or two quarters. But at the end of the year, I think market should comfortably absorb 30%, 40% capacity utilisations from any of those new commissioning's that are likely to happen over the next few quarters.

Parth Bhavsar: Okay. And on the cost front, just wanted to understand what sort of inflation have we seen on slag and fly ash year-on-year or quarter-on-quarter, like whatever you can...

Sreekanth Reddy: I think slag as well as fly ash, we have not seen. Availability has always been a challenge, especially on fly ash. But from a price perspective, fly ash is not very sensitive to the product price. It's very sensitive to the transportation cost. So again, our take is that since it's gearing into the election, we believe that fuel prices may not significantly jump up. So that should more or less be very flattish trend as far as fly ash is concerned.

Sometimes fly ash may have to go very far to source if the neighbourhood power plant is under shutdown because there is a lot of lack of power that we have seen, we did struggle for some fly ash availability in some of the units that we operate. So, we had to source fly ash from a slightly far of locations, but that's not inflationary going far to get the material. But we have not genuinely seen inflationary kind of a price increase on any of this cost of material. It's more aligned with the transportation cost because the landed cost, the majority of it is only transportation cost, not the material cost.

Parth Bhavsar: Okay. And we've been listening a lot about busy season surcharge being like higher year-on-year. So, is that the reason why your fly ash and slag cost should be higher?

Sreekanth Reddy: No, we don't use railways for any of these incoming material as far as fly ash and slag is concerned. So, I don't think that can be attributed for that in our case. I don't know it could be specific to some units or some of the peers. But in our case, we don't use rail at all for either of these materials.

Parth Bhavsar: Okay, got it. Thank you so much.

Sreekanth Reddy: Thank you.

Manish Valecha: Thank you. The next question is from Hiten Boricha. Please go ahead.

Hiten Boricha: Hello.

Sreekanth Reddy: Hello, good afternoon Mr. Hiten.

Hiten Boricha: Good afternoon. You mentioned something about $150 kind of savings from Q4.

Sreekanth Reddy: Not dollar. It is rupee. Yes, it is ₹150 per ton. From the current quarter to the next quarter is what we have indicated from a potential saving that is likely to happen.

Hiten Boricha: I just wanted a breakup of the savings from where this saving is going to come?

Sreekanth Reddy: ₹100 would come from power and fuel, because it's not just the fuel because the last quarter, our power and fuel cost impact was primarily on account of Andhra Cements because there are frequent starts and stops, and we did consume very high-cost imported coal that itself is exhausted. So that potentially would save going forward for us. And another ₹50 from an operational kind of a leverage because from 1.4 million once we touched to 1.7 million, yes, we believe that, that should also help us add ₹50 saving.

We went through last three quarters on an aggressive maintenance at most of our units, that is behind. So that should also help us save this ₹50 incremental saving on the repairs and maintenance and consumer's part. So that is what we have indicated that it should help us save incrementally ₹150 per ton going forward for the coming Q4.

Hiten Boricha: Understood. Understood. What's the cost in kcal basis this quarter and last quarter?

Sreekanth Reddy: On a per kcal at a group level, you're looking at it? I think we did include in our presentation.

Hiten Boricha: And my next question is on the CapEx. I just missed the CapEx number you have given for '25 and '26. If you can, please repeat it.

Sreekanth Reddy: Yes. We just announced ₹470 crore CapEx at Andhra Cements, which is to build a new six stage pre-heater with a pre-grinder for cement. But for the first year, that is the coming financial year, the only CapEx that we are going to spend is on the civil side. That's going to take almost 12 to 15 months for us to come up with the civil structure. Around ₹125 crore is the CapEx for the current year and the balance will be spend over year and majorly into the next year and to a certain portion, we'll be spending to a year later.

So, ₹125 crore would be for the coming year. And maintenance CapEx of another ₹30 crore would be spent for the coming year for all the other units other than Andhra.

Hiten Boricha: Understood. Thank you so much.

Sreekanth Reddy: Thank you, Mr. Hiten.

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

Sreekanth Reddy: Good afternoon, Mr. Rajesh.

Rajesh Kumar Ravi: Good afternoon. This year, you are purchasing clinker also from outside?

Sreekanth Reddy: No, this quarter, we did not. So there is an inter com, group company transfers, Mr. Rajesh. Even that also is more or less completed because when we were under maintenance in Mattampally, so we had to source some amount of clinker from Andhra. That part is done. So I don't think we will be buying any external clinkers, Mr. Rajesh.

Rajesh Kumar Ravi: No. Because in the presentation, the plant-wise numbers that you share, there is a shortfall in the clinker and cement production numbers from versus total. So I thought, is there some external purchase?

Sreekanth Reddy: No, no. I don't think we have done except for some group level transfers, that too minor vis-à-vis to the previous, I mean the quarter before in Q2, of course, there was a lot of clinker purchase from Andhra.

Rajesh Kumar Ravi: That is okay.

Sreekanth Reddy: At the group level, yes. And going forward, I don't think there is a requirement.

Rajesh Kumar Ravi: Okay. I'll get this sorted separately. And you mentioned that this quarter, you're looking ₹100 savings on the fuel cost primarily because of the frequent starts and stop which happened at Andhra. So on a fuel cost...

Sreekanth Reddy: And also, we consumed expensive imported coal during that quarter because it was in our inventory so that got booked, Mr. Rajesh. So that is behind.

Rajesh Kumar Ravi: In per kilo cal, what sort of savings you're looking versus Q3? And from a group level...

Sreekanth Reddy: I think on a kcal basis. On a kcal basis we are not significantly expecting any savings for Q4, Mr. Rajesh. It's mostly to do with the optimisation and high-cost inventory is consumed.

Rajesh Kumar Ravi: Okay. So you're on a fuel mix optimisation, the change is what will drive.

Sreekanth Reddy: Yes, and it starts/stops typically consume quite a bit of, the coal starts typically consume more. So that also is behind us.

Rajesh Kumar Ravi: Okay. And total CapEx, you said for FY '25 would be ₹150-odd crores.?

Sreekanth Reddy: Yes, around ₹150 crores ₹155 crore. ₹125 crore from Andhra and the balance, ₹30-odd crore for the operational CapEx across the other companies.

Rajesh Kumar Ravi: And this year, total would be how much? I missed that point. FY '24, including maintenance, what is the CapEx outgo you're looking at?

Sreekanth Reddy: Yeah, we did close to around ₹30-odd crores for the current year, Mr. Rajesh. Plus Andhra...

Rajesh Kumar Ravi: No, inclusive of everything inclusive.

Sreekanth Reddy: Yes, in the current quarter, we are expecting ₹50 crore.

Rajesh Kumar Ravi: Okay. Okay, that's all from my end. I will come back in queue. Thank you.

Manish Valecha: Thank you. The next question is from Keshav Lahoti. Please go ahead.

Keshav Lahoti: Just a follow-up on trade share. What we have seen earlier, trade share was more like 60 or upwards of that. That is now down to something like 55. So how you see the trend going forward? Will it be back to 60 kind of a number?

Sreekanth Reddy: Yeah, I think it's more to do with the seasonality and also the government demand related, Mr. Keshav. Our usual listing is somewhere around trading around 60. I think we will realign to 60 kind of number.

Keshav Lahoti: Like my understanding was Q4, the government demand might have been weak, so ideally the trade should be higher like?

Sreekanth Reddy: You asked for Q3, right? Not for Q4.

Keshav Lahoti: Sorry, Q3. So I mean, Q3, the demand from government might have been weak. Is it a fair understanding?

Sreekanth Reddy: So Q3 was relatively okay. Relatively okay because Andhra still consumes some portion of cement, but we believe that in Q4 and going into Q1, most of it would go missing. So then naturally, then trade will start looking more. And the other issue also was during the election in Telangana, not that government demand was very substantial, but the private activity was continuing. So we did take some additional exposure into the non-trade segment, especially the RMC business. So that also made these numbers slightly go more towards the non-trade. But I think on an average, we should trend close to 60%, Mr. Keshav.

Keshav Lahoti: Okay. Got it. On the 7 million volume guidance what you have given for FY '25, is it possible to give a breakup of Jajpur, Andhra and Satguru what you're building in?

Sreekanth Reddy: Yeah, we'll revert. We will revert. We would keep this in mind, and we will be happy to share those numbers in the coming quarter, because it has to be cleared by the Board for us the annual plan. So we have the general guidance. We'll be happy to share that in the coming quarter, Mr. Keshav.

Keshav Lahoti: Understood. One last question from my side. Like at Andhra, unit EBITDA was ₹270 for this quarter. So what sort of gain you can get leaving operating leverage and other things aside just by the normalisation of plant?

Sreekanth Reddy: See, I think the normalisation itself should kick in extra ₹600. So it should get aligned with Sagar. Though cost is slightly higher, but the footprint area for Andhra sale is in the neighbourhood. So that should more or less taper off, the freight should be lower, costs are higher, the other costs are higher. So on net-net, I think it should get aligned with the Mattampally kind of a number, Mr. Keshav.

Keshav Lahoti: Got it. And it should start from FY '25 start, right?

Sreekanth Reddy: Yes, I think it should start from Q4. But I think it's fair to assume that from Q1 onwards for FY '25, more or less, we see the gap narrowing down or more or less having a parity with Mattampally.

Keshav Lahoti: Okay, thank you. That's it.

Sreekanth Reddy: Thank you, Mr. Keshav.

Manish Valecha: Thank you. I have a couple of questions. So how is the ramp-up which is happening at Satguru, both in terms of profitability and utilisation levels?

Sreekanth Reddy: Yeah, at Jeerabad, the capacity utilisation for the last quarter was around 69%. The ramp-up is reasonably there. But for the elections and the season -- difficult rainy season that we have had, or else we should be trending close to around 85% to 90%. The profit margin for the quarter was close to around ₹969. We believe that we should be slightly higher because we had a lot of inventory on clinker also. So that did not help the margin. But I think the utilisation levels at Jeerabad and the margin at Jeerabad is very, very healthy.

Manish Valecha: Perfect. Thank you.

Sreekanth Reddy: And coupled with that, the incentives of around ₹30 crore is due from Madhya Pradesh government. We expect to receive them in the coming quarter itself. So the first instalment of ₹30 crore is likely to be received in the coming quarter or in the current quarter.

Manish Valecha: Okay, got it. Thank you. The next question is from Rajat Setiya. Please go ahead.

Rajat Setiya: Hi, thanks for the opportunity once again. One historical number related question. So, in FY '23, our depreciation went up a lot. And compared to FY '22, our current rate of depreciation is almost doubled. What is the reason for that?

Sreekanth Reddy: Assets have gone up. I mean, commissioning of new assets. And Andhra also -- Andhra acquisition also added up to the depreciation, Mr. Rajat.

Rajat Setiya: FY '23 was largely known Andhra, but more assets you are saying?

Sreekanth Reddy: Yes, because the full commissioning of both Jajpur and Jeerabad happened during that time, right?

Rajat Setiya: If we want to understand the kind of EBITDA that we can generate on a per-ton basis without any regard, without considering any realisation increase, so what are the levers? And what kind of EBITDA per ton?

Sreekanth Reddy: See I think it's operational leverage. I think its only operational leverage because we are operating at close to 55%. I think another 20% increase in realisation will automatically add up ₹100 because if you look at salary spread or more or less the repairs and maintenance and everything, if you have to spread it, that itself should add up ₹100 to ₹150 incrementally, Mr. Rajat.

Rajat Setiya: So that ₹740, ₹750 number that you mentioned, is that...

Sreekanth Reddy: This is without any increase in realisation. We did not pencil any incremental realisation. Yeah, we are only assuming the stable operations to come in, that should add up ₹150 for us.

Rajat Setiya: Okay. So post ₹750, it's the realisation that will...

Sreekanth Reddy: See post ₹750, Andhra ramp-up should add up another ₹100 on a straight forward because if you look at year-to-date utilisation at Dachepalli is 22%. Last quarter, it's 37%. I think even if it aligns itself and touches 60%, that should significantly contribute to the margin, Mr. Rajat.

Manish Valecha: Thank you. The next question is from Nitin Raheja. Please go ahead.

Nitin Raheja: Yeah, hi. Thank you for the opportunity. So I just want to know what is the current CK ratio? And how do you see it going forward?

Sreekanth Reddy: Yeah, I think we are close to around 1.3. On a higher side, I mean, we have a long-term plan. We did commit that it will go up to 1.55. But I think it should take over in a phased manner. For a short term, I think it should touch around 1.35 within the next two years. For eventually to reach close to around 1.55 by FY '30. It's again to do with the ramp-up in the other regions because most of the other regions, the blended cement ratio is much higher related to the current regions that we operate.

Nitin Raheja: Okay. And for slag and fly ash, do you all have any supply arrangements for the same?

Sreekanth Reddy: Yeah, for Bayyavaram, we have an arrangement with RINL, Vizag. For Jajpur, we have it with Tata Steel and Jindal. So we do have arrangement for that for the slag. Yeah, fly ash also, we have arrangement for most of the thermal power plants in the neighbourhood of each of the unit, Mr. Nitin.

Nitin Raheja: All right. And one last question is, how do you see the energy mix going ahead like for the next two years? So what kind of energy mix you've factored in?

Sreekanth Reddy: See when you look at energy, you're asking for pet coke and coal kind of a combination, right, Mr. Nitin?

Nitin Raheja: Yes.

Sreekanth Reddy: Yeah, we are very sensitive to the price. Our all units can consume pet coke. So, it's a very -- we can use 100% pet coke to 100% domestic coal to 100% imported coal. We typically make the mix based on the cost of each of those particular things. So, we try to trend more on ash fired coal to be very, very optimally kind of a cost tag. So, I cannot give that number unless I know what kind of fuel is available at what price. But all our assets are capable of firing 100% pet coke to 100% imported to 100% domestic coal. So, we make the mix based on the most optimal and most financially viable kind of an option. So that subject has been very, very volatile.

So it's not that we have fixed the fuel mix forever. We are blessed reasonably with a very good mix of limestone. So we have low-grade, high-grade, all type of limestones available. And dynamically, we can make the adjustments. We historically have also made similar kind of an adjustment. When pet coke was very, very low cost, we ended up using it. When pet coke prices moved up, we switched to domestic coal. So we have always been making dynamically those adjustments to ensure that what we fire is the best from a cost point of view and also technical point of view.

Nitin Raheja: All right. Sorry, one last question from my end is, are you thinking additions in solar and WHRS currently?

Sreekanth Reddy: Yeah, we do have close to around 1.5-megawatt of solar. Yeah, we have Waste Heat Recovery System to almost tune of around 14.5 megawatt. By 2030, we hope to have green power almost a mix of 50% in our electrical energy mix. From current 25% to 30%, we intend to scale it up to 50% by FY '30.

Nitin Raheja: All right. Thank you. That's it from my end. Thank you.

Sreekanth Reddy: Thank you, Mr. Nitin.

Manish Valecha: Thank you. The next question is from Sanjay Nandi. Please go ahead.

Sanjay Nandi: Thank you for the opportunity. Hello.

Sreekanth Reddy: Yeah, good afternoon, Mr. Sanjay.

Sanjay Nandi: Yeah, thank you for the opportunity. Just a clarification thing. Like there has been some significant flood in the deep South India, like in Tamil Nadu, in Chennai in this last quarter. So what kind of volume loss did happen for us in that time frame?

Sreekanth Reddy: I think that is one of the reasons why we did mention that the demand overall tapered off quite significantly because we do know that there is a monsoon in Tamil Nadu, but we have never seen such a heavy flooding in some of deep south pockets. I mean, I think these are historically, probably more than a century, people have never seen such kind of flood impact. So that actually took off close to around quarter million of volumes out of the current quarter. That's the reason why we scaled down one because of election as well as recovery of those markets probably is likely to take more than three to six months' time.

Sanjay Nandi: Got it. So that's all from my side. Wish you all the very best.

Sreekanth Reddy: Thank you.

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

Shravan Shah: First, just wanted to understand in terms of the -- when we say ₹30 crore incentive that we are going to receive. So, if I just look at and divide by the volume that, so correct me if I'm wrong. So, this when we will be receiving in the fourth quarter, we will be booking in the revenue. So just if I divide by the volume that we will be having close to 1.7-odd million, it results to a kind of a significant ₹175-odd kind of increase in the realisation at the consol level. So, is it a fair understanding?

Sreekanth Reddy: Yeah, Mr. Shravan, see, we did not pencil for EBITDA per ton calculation. It's again a state government issue, right? So that would be an incremental kind of add up. We have not factored that inflow in any of the statements that I've made so far. That is excluding that we expect ₹150 per ton kind of a margin increase purely on account of ramp-up at Andhra and the other units, that is something which is like a bonus for us, Mr. Shravan.

Shravan Shah: Okay, and then this ₹30 crore that we will be getting in this fourth quarter and so going forward in FY '25, how much we are looking at in terms of the incentive?

Sreekanth Reddy: I think it is ₹30 crore instalments spread over the next six to seven years, Mr. Shravan. It's an equal instalment. We did indicate about this even in the earlier quarters. Yeah, it's a state incentive. It has nothing to do with the volumes. But of course, it is subject to you utilising a minimum of 70%. You should be getting close to ₹150-odd crore spread over six and half years.

Shravan Shah: Okay. got it. Got understood. Second, I just wanted to understand what's the green share for this quarter, Q3?

Sreekanth Reddy: Yes, it is roughly around 27%.

Shravan Shah: Okay. Similar to last quarter, also 27%.

Sreekanth Reddy: Yeah, because there's not significant change. We have not added anything new, so it's very stable. So even for the next quarter, we do expect things to be very similar, Mr. Shravan.

Shravan Shah: Okay. And if you can help us in terms of the price increase, what has already happened in the third quarter? So, in terms of the state level, if you can help us?

Sreekanth Reddy: Nothing, I mean it is flat. As I mentioned, Mr. Shravan, there is a small downward revision, but it's more or less flat with a negative bias.

Shravan Shah: No, sorry. So, for us, the realisation increased 6.4% Q-o-Q. So, in terms of the state level, how much it has come in the third quarter, what has that?

Sreekanth Reddy: See October month, it has been across South, Mr. Shravan. So, it is not one state. Across the state, we actually got a huge increase. That's more or less we sustained barring small dilutions that we have seen in November and sequentially followed in December. But we'll be happy to share that if you could articulate the exact question. If you could send across message, we will be more than happy to share that, Mr. Shravan.

Shravan Shah: Okay, and you mentioned that for the fourth quarter, we will be doing a ₹50 crore CapEx or ₹15 crore CapEx?

Sreekanth Reddy: ₹15 crores.

Shravan Shah: 15. Okay. And till nine months, we have done close to ₹145-odd crores?

Sreekanth Reddy: Yeah, because that includes Andhra's ramp-up, Mr. Shravan, so we'll be happy to share the breakup of that.

Shravan Shah: No, no, I'm asking for the nine-month FY '24, how much...

Sreekanth Reddy: Yeah, it is close to that number, but that majorly includes the ramp up that happened at Andhra also, Mr. Shravan.

Shravan Shah: Okay, got it. Thank you.

Sreekanth Reddy: Thank you, Mr. Shravan.

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

Rajesh Kumar Ravi: Yeah, thanks Manish. Two questions. First, on the clinker CC ratio. If I look at nine months, your cement to clinker number which you shared, the CC ratio works out to be 1.24, 1.25, which is lower...

Sreekanth Reddy: No, yeah, you should be very careful with the numbers because we have GGBS and all, Mr. Rajesh. I think we'll be very happy to share those numbers at a unit level. We'll be happy to share those numbers. But with numbers, you should be...

Rajesh Kumar Ravi: Okay. So, I was just plainly looking at your clinker production group level and cement production group level.

Sreekanth Reddy: No, but you will have inventory, you will have various things, so we'll happy to share the numbers.

Rajesh Kumar Ravi: Okay.

Sreekanth Reddy: It is 1.32.

Rajesh Kumar Ravi: And in Andhra, when you're doing your major expansion, there also this CC ratio can be competitive...

Sreekanth Reddy: It's all the same market. The alignment is across at a group level, Mr. Rajesh.

Rajesh Kumar Ravi: Right.

Sreekanth Reddy: Brand is same. So, alignment is at a group level.

Rajesh Kumar Ravi: Okay. And second question pertains to when you mentioned this incentive, which you will be receiving ₹30 crores. I think you also mentioned that you need to achieve 70% utilisation. Is that...

Sreekanth Reddy: Yeah, we already are above that. So, we are already eligible. We already have it sanctioned. We are just waiting for the disbursement.

Rajesh Kumar Ravi: No. Because if I look at your production number for Andhra Cements, which you shared...

Sreekanth Reddy: No, no you are mixing up. It is not for Andhra. It is Jeerabad.

Rajesh Kumar Ravi: Okay, for Jeerabad, where you are already. Okay. This Jeerabad, this is ₹30 crore annual per annum, which will be accruing. And the thing is...

Sreekanth Reddy: Yeah, we don't have anything in Andhra.

Rajesh Kumar Ravi: Understood. Okay, and this, you will be retaining quite a different type of see, you're looking at if this number comes through ₹150-odd incremental realisation, so would you not be looking this as using this to push more volumes?

Sreekanth Reddy: We have never used incentive as...

Rajesh Kumar Ravi: At a group level.

Sreekanth Reddy: For us to put more numbers, we've always been margin conscious. We are also market-wise. So, we don't -- yeah, we don't compromise on the margin for incremental volume. That's a stated policy, Mr. Rajesh.

Rajesh Kumar Ravi: Great, all the best. Thank you.

Sreekanth Reddy: Thank you, Mr. Rajesh.

Manish Valecha: Thank you. As there are no further questions, we will now hand over the call to Mr. Reddy for his closing comments. Over to you.

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