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# SHREE CEMENT LTD.

An ISO 9001, 14001, 50001 & OHS 18001 Certified Company

Regd. Office:

BANGUR NAGAR, POST BOX NO.33, BEAWAR 305901, RAJASTHAN, INDIA

SCL/BWR/SE/2023-24/

1<sup>st</sup> August, 2023

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Bandra – Kurla Complex, Bandra (East)  
MUMBAI – 400 051

Bombay Stock Exchange Ltd.  
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SCRIP CODE: SHRECEM EQ

SCRIP CODE 500387

**Sub:- Transcript of the Conference call for the unaudited Financial Results for the Quarter ended 30<sup>th</sup> June, 2023**

Dear Sirs,

Pursuant to Regulation 30 read with Part A of Schedule III of SEBI (LODR) Regulations, 2015, the transcript of the Conference Call held on 27<sup>th</sup> July, 2023 relating to the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended June 30, 2023 is enclosed.

Kindly take the same on record.

Thanking you,

For **SHREE CEMENT LIMITED**

(**S.S. KHANDELWAL**)  
COMPANY SECRETARY

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## “Shree Cement Q1 FY2024 Earnings Conference Call”

**July 27, 2023**



**MANAGEMENT: MR. NEERAJ AKHOURY – MANAGING DIRECTOR,  
SHREE CEMENT LIMITED  
MR. SUBHASH JAJOO – CHIEF FINANCE OFFICER,  
SHREE CEMENT LIMITED**

**MODERATOR: MR. NAVIN SAHADEO – ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to the Shree Cement Q1 FY2024 Earnings Conference Call hosted by ICICI Securities.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Navin Sahadeo from ICICI Securities. Thank you and over to you, sir.

**Navin Sahadeo:** Good morning, everyone. On behalf of ICICI Securities, I welcome you all to the Q1 FY2024 Earnings Call of Shree Cement. From the management, we have with us Managing Director – Mr. Neeraj Akhoury and CFO – Mr. Subhash Jajoo on the call.

Without any further delay, I hand over the call to the Management for their opening comments, followed by interactive Q&A. Over to you Akhoury ji.

**Neeraj Akhoury:** Thank you, Navin, and good morning, everyone, and thank you for joining this call. I welcome all of you to the Earnings Call of Shree Cement for the Quarter Ending June 2023.

To begin with, I think Q1 was a challenging quarter for Shree not for the operational performance, but for some other reasons. The Income Tax Department conducted a survey operation at few of the Company's location from June 21<sup>st</sup> till June 26<sup>th</sup>. During the survey, the income tax officials were extremely cordial with all our employees and would also like to highlight that in this survey no mobile, laptop or computer were seized or scanned. The Company has extended its fullest cooperation to the Income Tax Department and we have supplied all the information that has been desired by them. We would like to reiterate on this platform that Shree is a tax compliant Company and has never been charged any penal interest or penalized by the Income Tax Department since its inception.

The Company has also received a notice from the Ministry of Corporate Affairs ordering inspection under Section 206(5) of the Companies Act. 2013. We will be complying with the directions given As the matters are still in enquiry stage, we would not be able to share further details and my request would be to respect this position of ours today.

We are happy to share that during the last quarter, we successfully commissioned the trial production of our clinker grinding unit at Purulia, West Bengal in line with the timeline committed by us. With commencement of this unit total cement capacity has reached almost like 50 million tons 49.9 to be precise.

The current macroeconomic environment in the country, combined with government focus is supporting growth for the cement sector. Accordingly, we are accelerating our growth plan to

ensure that we seize the opportunity to the maximum. The board meeting held yesterday has approved an additional capacity addition program involving total CAPEX of roughly Rs.7000 crores. In this phase, we will be adding about 3.65 million tons of clinker at Pali in Rajasthan along with cement capacity of about 6 million tons in Pali as well as in Etah, a district of Uttar Pradesh. In addition to that, we will be adding another 3.65 million tons at Kodla in Karnataka and cement capacity of 6 million tons in both Kodla and Bangalore. With this we should be very close to a 68 million tons capacity at an India level. Both these plants are extremely modern and designed on world class technologies. For example, both will have the Waste Heat Recovery based power plant attached to them.

Very happy to inform all of you that the Company is also planning to diversify into ready-mix concrete business and we have already constituted an organization for ready-mix business as well as plan to set up five units of ready-mix, in this year. Also, would like to inform that the work at the existing project location is going on very well. The Nawalgarh integrated unit is nearing completion now and we should be able to see its commissioning as per schedule in quarter 3 of this year. Guntur is also progressing strongly. The commissioning target of Q2 2024-2025 will be complied with. We are very much on track to reach our ambitious goals of taking our capacity beyond 80 million tons in the coming years and aggressively charting out action plans to implement the same. Many locations are being continuously surveyed.

We are in the process of now finalizing our next phase of growth beyond 68 million tons that has already been announced. We shared with you, during the last call, that Shree has started a new journey of remaining the greenest and technology most advanced cement Company. Company is continuously investing in renewables in order to increase the share of green power.

The same increased from 46% last year to about 56% during Q1 2023-2024. I believe this was not only highest in the industry, but most probably even globally. We would be adding significant capacity of green power in the next 12 months, which would further increase this percentage. The Company's focus on decarbonization remains solid. We have been able to reduce our Scope 1 emission to 502 kg per of CO<sub>2</sub> per ton of cementitious material representing reduction of around 4% compared to last year. The Company is also steadily increasing the usage of alternate fuels with an aim to take our Company at an average of 15% of thermal substitution levels.

Work is also progressing strongly on the technology side with our CRM app Udaan already undergoing trials. The migration from Oracle to ERP business with SAP HANA is also as per schedule. We are deploying various advanced digital solutions for enhancing our manufacturing, logistics and sales capabilities.

On the operational front, Q1 is again a healthy quarter with sales growing by about 19% from 7.5 million tons to 8.9 million tons. Utilization levels, very happy to share, has also moved close to 80%, now 79% to be precise. Despite robust demand, industry was not able to increase the price realization. The same decreased by 4% on YoY basis. Fuel cost of course is a rainbow. We

had seen about 12% reduction of fuel cost in this quarter compared to last year. The softening of fuel prices coupled with increased volumes and higher use of alternate fuels led to EBITDA increasing by 14% from Rs.819 crores last year to Rs.933 crores in the quarter ending June 2023. EBITDA per ton is more or less stable is standing at about 1046 per ton as against 1092 last year.

On a sequential basis, sales were almost plateaued at 8.9 million tons in the last quarter against 8.8 million tons in the Quarter 4 of last year. The realizations were down 2% during this period, total EBITDA increased from Rs.892 cores to Rs.933 crores due to decline in fuel prices. With the current Petcoke prices at around 1.80 per CV, we expect the downward trend to continue unless some untoward incident happens globally.

Given the overall buoyancy in the economy and government strong focus on infrastructure and housing, cement demand is expected to remain very strong. Higher spending by central government ahead of the general elections in 2024, along with good rainfall leading to healthy price for farm production, is expected to boost cement demand, which we expect to be in double digits for the financial year.

With this I would now open the floor for Q&A. Thank you very much for supporting us in the last quarter.

**Moderator:** Thank you very much, ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Shyam Sundar Sriram from Franklin Templeton. Please go ahead.

**Shyam S Sriram:** Hi, good morning. Thanks for taking my question. Very strong volume performance. Congratulations on that for the entire team, sir. My first question is on the CAPEX announcement. Even in our annual report, we had spoken about reaching the target 80 million earlier than FY30 and the latest announcements are on those lines. What has changed in industry or the competitive landscape that we are accelerating our CAPEX plans and therefore do we now revise our FY30 aspirations upwards, how do we think of that?

**Neeraj Akhoury:** A large part of acceleration of our CAPEX is due to a very strong cement demand evolution that we see not only in this year but in the years to come. We see that India has not only started strongly investing in infrastructure but also in housing and also there is resurgence of CAPEX by different industries and commercial building. So, we are a little more optimistic now on the demand evolution in the next few years and that is giving us confidence that we should be able to accelerate and pre-poned some of the CAPEX programs that we have announced earlier.

**Shyam S Sriram:** Understood, sir. So therefore, does that also move up our FY30 aspirations?

**Neeraj Akhoury:** At this moment, as we have said we will go beyond 80 million tons and as I said, we continue to identify various locations, various places where we should be going. For example, there are

certain markets where, we would be going like Uttar Pradesh. So that's how we see it. Currently the aspiration will be to reach beyond 80 million tons in due course of time with the more visibility on how the demand has moved. We will of course revise our target but India is a growing country and cement demand is also growing. So, I think 80 million tons is only the first stop. We will, once we reach there, again review our situation and accordingly plan for growth.

**Shyam S Sriram:** So, the next phase of growth will be more in the central region, UP in that region and the west as well that we are seeing now from the Gulbarga side, that is how we should think about it, sir?

**Neeraj Akhoury:** No, we should be looking at west as well, which includes Gujarat market, for example. We should be also be looking at some of the locations in central zone including Madhya Pradesh. As we said, we are already going to be building a plant in Bangalore. So, Shree will continue to become a PAN India player with presence across regions and that is how we are charting our plans.

**Shyam S Sriram:** Sir, just one question on this, our latest announcement, the Pali and Etah are quite far off in that sense from a freight cost perspective. This would be because, Pali would be a Greenfield, I would presume and the reason for that is because of the deposits available in Pali for further expansion, sir?

**Neeraj Akhoury:** Yes, absolutely. So, Rajasthan remain country's one of the major centers for limestone. So, for any clinker requirement we will need to look at those space where we have limestone. As we have the limestone in Rajasthan. Etah despite the distance is a very attractive market and sourcing clinker from Pali, it should be able to give a good realization for us.

**Shyam S Sriram:** Sir, the other point, our utilization levels have been nicely going up over the last few quarters. You have also spoken about it as one of the key strategic priorities for us. If you can share some regional flavor as in which regions, we have gained share, some perspective would greatly help understand the evolution of our business per se.

**Neeraj Akhoury:** So, the improvement has been seen across India. It would be wrong to say this is region-specific.. Having said, the utilization in east, we are almost nearing to full utilization level now. Right! we moved from 66% last year same quarter to 92% now. In north also we have moved closer to 80% and in south we have moved closer to 68% to 70%. So, as you see it is a kind of movement across India. The growth is across India.

**Shyam S Sriram:** Wonderful, sir. Thank you for that, sir. Just one housekeeping question. Our purchase of stock in trade has sharply increased sequentially. Did we resort to buying some finished cement to aid the demand, or is there something else? And if you can also help with the cement revenues alone for this quarter, thank you.

- Subhash Jajoo:** Sriram ji, the purchase stock in trade has increased because one coal shipment, which we have procured has been sold in normal course and that is why you are seeing that figure. The same amount is also included on the revenue side.
- Shyam S Sriram:** Thank you, sir. And the cement revenues alone for the quarter. Thank you.
- Subhash Jajoo:** Yes, the, cement revenue, I can give you a ballpark figure. It is 4771 for this quarter as against 4989 for last year.
- Shyam S Sriram:** Thank you, sir. Thank you very much. Best wishes, Sir. I will call back in the queue.
- Moderator:** Thank you. The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.
- Amit Murarka:** Hi, thanks for the opportunity. So, my question is on the expansion. So, while you have mentioned the units of 3.65 million tons each, is it like 10,000 TPD or could you Specify how much TPD is that?
- Neeraj Akhoury:** Yes, it is 10,000 TPD.
- Amit Murarka:** Okay 365 factor is taken for the 3.65.
- Neeraj Akhoury:** Yes.
- Amit Murarka:** Okay and also like, is there any incentive tied to any of these units, any of these four grinding units under clinker unit?
- Neeraj Akhoury:** So, we are approaching the government. At this moment, we are not able to confirm it, but I am sure once we have an agreement with the governments be in Rajasthan or be in UP or be in other states, we should be able to give the details.
- Amit Murarka:** And also, I was just wondering in South like? The Guntur expansion which you did like had only 1.5 million tons clinker for 3 million grinding. And here also in this unit you have like 6 million tons grinding for let's say 3.5 million in clinker usually south what we understand is like a lower blending market like 1.3x to maybe at best 1.4x. So how do you think you will manage this 1.75x blending based on this expansion? Or is there some further clinker, that is supposed to come on this.
- Neeraj Akhoury:** So, the South plants will get clinker of course from Guntur, but we also have plans to bring clinker from other units and be able to utilize the grinding capacity to the fullest.
- Amit Murarka:** So, is the understanding that the blending in these plants would be 1.3-1.4x in line with market?
- Neeraj Akhoury:** Yes, 1.4 looks to be reasonable. Yes, you can make that assumption, yes.

- Amit Murarka:** Ok and also like any of these units coming in subsidiaries like how the Purulia unit is?
- Neeraj Akhoury:** I beg your pardon, repeat your question again.
- Amit Murarka:** Like the Purulia grinding in West Bengal is in the subsidiary, any of these units will also come in subsidiary or are they all in standalone.
- Subhash Jajoo:** No, all the units we have just declared are all coming in the main Company except the grinding units that may come up in one of our subsidiaries. Grinding units at Bangalore and Etah that might come up in the subsidiary remaining all clinkerisation units are going to come up in the main Company.
- Amit Murarka:** Ok and just lastly on RMC, like you are getting into RMC after a long time now, so what is the strategy here like generally where we have seen Ultratech has been very aggressive in the RMC business. We anyways have established players like ACC, Novoco? So, would you be like fighting with these guys or would be getting more share from the unorganized market? What's the strategy here?
- Neeraj Akhoury:** I think, it would be more to go into for the high-performance concrete, but also in what we call the mass market concrete. It is not right for me to say whom I should be fighting with. There is enough market room for everybody to grow in ready-mix market, especially in the urban towns of India. But with the high-performance concrete, of course, there are not many suppliers and therefore the competition is somewhat limited in that segment.
- Amit Murarka:** Ok understood, sir, I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.
- Satyadeep Jain:** There is a couple of questions, First, on the strategy in the last few months, the strategy had been to raise market share, raise utilization levels, the Company is now adding almost 20 million tons capacity from FY23 to FY25. Given this large capacity increase, would the intent remain the same to increase utilization levels compared to historical levels, even if let's say the demand scenario was not to play out as we have seen in this year, would the Company continue to look at market share gain as a strategy or increase utilization?
- Neeraj Akhoury:** The market share is a resultant of the capacity shares of various players right and their ability to supply to those places where there is a demand acceleration, that's sort of. So, I think on supply chain and distribution Shree is quite strong. We have those muscles including the long relationships with many of these partners, be it transporters, or be it dealers and distributors. So, what we expect is more of a stable market share strategy but with somewhat increase due to new capacity additions that Shree has announced including Nawalgarh in north or Purulia in east or



Guntur in south. So that's how I see it. It is not going to disturb the market, but at the same time the capacity share to market share ratio will be maintained.

**Satyadeep Jain:** Secondly, on the expansion in the regions we are looking at, starting with Bangalore, any thought from Gulbarga? Usually, the national market is maybe Maharashtra, but you are looking going 600 kilometers south to Bangalore. What is the strategy behind looking at some of these markets in Madhya Pradesh? Also, it had historically been a challenge for Shree Cement in Satna. So, what is the strategy now that you talking about in Madhya Pradesh also how do you plan to expand in that particular market?

**Neeraj Akhoury:** The strategy is based on our set of assumptions of which local market is positioned to grow at what pace. For example, we believe Bangalore as a market is still growing and it will continue to grow very fast in the in the coming years and coming decades. Due to the fact that many investments around Bangalore will be coming in the coming year, we also look at the historical trends of those markets. What we also see is our competitive advantage in terms of delivered cost and where and what is our position in terms of delivery cost given the specific location wherever such things are found favorable is what we select. As for our growth footprints, so be it Bangalore or be it Gujarat or be it MP tomorrow. It is all based on a well-structured strategy which takes us closer to the market, closer to the high consumption centers, but also those continuing centers which have reasonable rationale that they will also grow in the long term.

**Satyadeep Jain:** For Madhya Pradesh there is no asset position Shree has, I believe right now. Would that be through inorganic that you are looking at for Madhya Pradesh?

**Neeraj Akhoury:** No, not at all. Currently our scope of discussion is mostly around organic growth plans that we have and through our organic growth plan, we believe we can reach this beyond 80 million tons ambition.

**Moderator:** Thank you. The next question is from the line of Pinakin Parekh from JP Morgan. Please go ahead.

**Pinakin Parekh:** Thank you very much, Sir. Sir my first question is, can you give us a sense of the CAPEX that was announced? Where are we in terms of the particular modules, equipment ordering, power plant ordering has already everything been achieved? Or it will be done over the coming months?

**Neeraj Akhoury:** Just after this call, I will be signing orders for the equipment supply. So, we are well positioned. All the formalities, including evaluations and engineering has been done so by tomorrow you should be seeing that we are well on the way to start ordering of the equipment.

**Pinakin Parekh:** Sir, my second question is so far when the results seen in, we had seen very different volume growth trajectory from different companies. So, regarding Shree's volume growth of 19% seen in this quarter, can you give us some color of the regional volume, was it higher in one particular

region and within that can you also give us a sense of pricing, which markets have seen pricing corrections in the month of July and the outlook for the same over the coming months?

**Neeraj Akhoury:** So, as I said in that the first question also, Shree's growth has been more or less consistent across regions. When I look at north or east or South, we have grown in all these places in double digits, in higher double digits. North it is closer to 12%-14% growth, whereas in east with our growing footprints, we have been able to grow a little higher than 25%. South also is closer to 20%, so overall, 19 percent is equally distributed among the entire India and it is not focused on one specific location.

**Pinakin Parekh:** Sir, last question from my side, very strong volume growth. The industry demand is very good, but the pricing has been weak. Now all the large players are bringing on new capacity and ramping up new capacity and we had one of your peers last week comment, that they lost market share in eastern India and they want to focus on regaining volumes and market share. In this industry background, how does Shree look at the trade-off between prices and volumes? Would it feed market share in order to keep pricing or would does it want to gain market share or at least grow faster than the industry, even if it comes at the cost of pricing.

**Neeraj Akhoury:** No, I think Shree has so far followed a very rational and logical approach. Pricing and volumes both need to be balanced very well. It is wrong to say price over volume or volume over price, this is not the strategy. This is not what we are doing. What we are doing indeed is and as I said in the last call as well, is now really focusing on the special products of our Company. What we are doing is, is to make sure that Shree's presence is not only in one segment or one price segment, but also in other price segments and that is something that we are executing strongly. Our premium products as we said in this 19% growth, our much higher share has also come from premium products. The growth has been quite strong in the premium product segment of Shree. So that is the strategy that we are following. We fully respect this thought that for the sake of volumes, we should not sacrifice prices and that is what we will continue to follow.

**Pinakin Parekh:** Understood thank you very much for this color.

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

**Ritesh Shah:** Hi sir, thanks for the opportunity. Sir my first question is pertaining to how do we look water as a commodity specifically given the expansion announcement at Pali, what is the source of water and how do we take a call, say 25-30 years of plant life. So that is the first question, sir.

**Neeraj Akhoury:** We may not be able to give you full details and I am very happy to write to you separately, but Pali, has a confirmed useful source of water as well and that is what we have been using in our other units. So, water source but more specific answer to this is something that I would need some time to give it to you. My green colleagues are not with me. I am sure they should be able to respond to this very quickly.

- Ritesh Shah:** Sure sir. I will circle back on this variable. Sir, second is I missed out on the point on incentives. I think somebody did ask for the incremental announcements. Do we have incentives from the state government? Has it already been locked in?
- Neeraj Akhoury:** No, not as yet, this is what I said that we are under discussion with the different state governments and very soon we should be able to agree on the incentives if at all they are available in those states.
- Ritesh Shah:** Sir, third is last book keeping question, would it be possible for you to give the coal mix, coke and thermal coal for FY2023 and FY2022? I think these disclosures were there in the annual report before, but now at least we could not locate it.
- Subhash Jajoo:** Yes, the coal mix for the current quarter is around 81 percent pet coke and balance is alternative fuel. Whereas last year it was around 60% pet coke, 30% coal and balance alternative fuel.
- Moderator:** Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** Thanks for taking the questions. First question is, when you say the non-cement revenues, it seems we exclude the incentives and other operating income which we generally club along for comparison with other cement companies and as I see for last year, FY2023, your merchant power sales have more than doubled to Rs.800 crore and have grown considerably over the last 2-3 years. So how should we look at this, because in this quarter when you are saying 4771, this is just the cement revenues, should you not be clubbing the incentives and other operating income and just exclude the power revenues?
- Subhash Jajoo:** Yes, for looking at the cement revenue, obviously those things have to be excluded but right now we will not be in a position to give you the power revenues separately. However, more or less it is uniformly spread across all quarters for last year,
- Rajesh Ravi:** So last year the power sales number have doubled, so how do we look at it because we generally want to exclude only the power revenues when we are talking about cement, because others are part of your ongoing cement business, other operating income, incentives and all, so that is one. And second, could you talk on in terms of two questions, first is incentives for the current ongoing expansion, Purulia, Rajasthan and the Andhra plan, what sort of incentive structures are there in place for these three plants which are about to get commissioned?
- Subhash Jajoo:** No, we will not be able to share the incentive structure for the existing plants, which are still not yet being commissioned. But yes, because once the commissioning starts then only, we will be able to share the details, and for the power revenue, it will be difficult for us right now to give it separately, but yes, we are in discussion with our management and as we get a go ahead, we will give further guidance or maybe give you the revenue separately, so that it is better for you to understand the results.

- Neeraj Akhoury:** We fully understand this question gentleman and we are making somewhat changes in the way we present our figures. So, from next quarter you will see a little better levels of transparency, so that such questions are avoided.
- Rajesh Ravi:** Great, sir and also, we see that now your Purulia will be in a subsidiary and even two more grinding units will come up in a subsidiary structure and because they will all be sizable from the Company perspective, should we not talk of consolidated volume numbers to make a more rational analysis Q2 onwards?
- Subhash Jajoo:** Yes, we appreciate your point and we will definitely take it into consideration. Till now the consolidated numbers are not that materially different and that is why the focus was only on the standalone. But going forward more and more grinding units comes under the subsidiary. Then we should start talking on the basis of consolidated.
- Rajesh Ravi:** Okay and sir, you talked about the coal mix. Could you give us the per kilo coal costing in this quarter and how did they fare versus Q4 and what is the status in Q2?
- Subhash Jajoo:** Yes, in the current quarter, the coal cost per CV cost was around 2.37 as compared to 2.56 in the March quarter and last year it was 2.64. The current cost is around 1.80-1.85. So going forward, we will see the benefit of this lower cost in the coming quarters also.
- Rajesh Ravi:** So, this is your blended cost. 2.37 which you mentioned or it is just the thermal coal costing?
- Subhash Jajoo:** It is the fuel cost only, pet coke cost.
- Rajesh Ravi:** Okay pet coke which is 80%-81% in this quarter. Okay and sir you are 55%-56% on green power, so just wanted to understand what is the average cost of your green power?
- Neeraj Akhoury:** Around 45Paisa.
- Rajesh Ravi:** Okay so all is from WHR?
- Subhash Jajoo:** It is a mix of WHR, solar as well as wind.
- Rajesh Ravi:** Okay. No, I just wanted to understand, is it like on the total basis that you are incurring 40-50 paisa type of electricity cost on this?
- Subhash Jajoo:** On this total of green power, yes.
- Rajesh Ravi:** Okay great, Sir. Thank you. I will come back in queue.
- Moderator:** Thank you. The next question is from the line of Jasdeep Singh from Nomura. Please go ahead.

- Jasdeep Singh:** Sir, I want you to understand that this quarter Shree Cement has reported strong realization growth 3% up sequentially whereas other peers are reporting 4% decline. I wanted to understand whether this is just because you have a better product mix and a higher trade sale or there has something structurally changed with the realization policy and can we expect such strong growth in the year going ahead?
- Subhash Jajoo:** I think you have joined late because at the beginning of the call only we have clarified that the realizations are down by 4% as compared to last year and 2% as compared to last quarter.
- Jasdeep Singh:** Okay sir, I might have mistaken and secondly on the capacity, sir. What sort of internal IRR we building for the brownfield Kodla and greenfield Pali project and how much WHRs will be in these plants.
- Subhash Jajoo:** WHR capacities are yet to be worked out, but both the units will be coming up with WHR and but more or less it will be around 40 to 50 megawatts, something like that.
- Neeraj Akhoury:** About 45 megawatts combined is what we see on this. On the project financials, we will come back to you. We are not carrying that paper now. Yes, you asked a question on the IRR, right.
- Jasdeep Singh:** Yes, sir and I will get back to you on offline later. And lastly, sir, I wanted to understand Mr. Ashok Bhandari has joined as senior advisor. So, what sort of role will he be playing in the management? Just wanted to get clarity on that, sir.
- Neeraj Akhoury:** Mr. Bhandari has been a very old associate, a very old colleague in Shree. Why we had bought him is as we now go from a Company with very modern technologies, including SAP HANA, there are topics on which his expertise will be of help, including the topics around CAPEX funding, on topics around developing with our existing CFO and account heads on the accounting norms and principles. So, there are many topics on which we are working together, as I said just now that we will come up with a better format for your presentation from next quarter when we will be able to give you different segments growth analysis from power or from cement. So, all this is where Mr. Bhandari's expertise will be important to us and that's why we have bought him as a senior advisor.
- Jasdeep Singh:** Thank you, sir. Thank you so much. If I have other questions will join the queue.
- Moderator:** Thank you. The next question is from the line of Hrishikesh Chandrakant Bhagat from Kotak AMC. Please go ahead.
- Hrishikesh B:** Good morning. Thank you for the opportunity. So last few calls, we spoke about the journey on brand consolidation. So, if you can help us understand where are we on that? And second question is how we think on the movement to trade side, the journey, what kind of investments do we envisage say probably when I meant investment, did not be CAPEX front but broadly on

probably ANP or to some extent technical staff to a ground staff on that front. How much do we envisage over the next 2-3 years? Thank you.

**Neeraj Akhoury:**

As I said in my last call as well, Shree's future journey is how to become a multi-segment player in India. This when I say multi-segment it is to make sure that you are able to bring sharper value proposition products for each requirement and each needs in the markets. That is where I said about special products and that our focus on special products continues. In fact, last quarter, we have seen healthy growth of special products in our Company. This is not being done without any effort. Our strong force of about little more than 500 people have been put in the field now, which will be working on how can we help our consumers in construction which we call technical services. This force going across markets, meeting influencers, meeting end-users, the consumers and other actors in our markets to make sure that Shree equity and product quality is well recognized and accepted and if there are any room for improvement that is where we also improve. So, all in all, a lot of efforts are going on to create a stronger brand equity for the Company and for the products. We have engaged with some of the world-renowned groups including McCann to work on our communication strategy and you should be able to see some campaign getting launched sometimes in the third quarter. We are very clear on the new brands and new product extensions that we will be launching in the market. So, in all the market front, significant work is being done both for supply chain as well as for improving our brand equity scores and thank you for your support. You will see that we should be able to become from a single segment player to a multiple segment player in times to come.

**Moderator:**

Thank you. The next question is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

**Navin Sahadeo:**

Thank you for the opportunity. So, sir, in response to the endeavor, like you know, overall brand, improving the brand premiumization and in general the brand equity. Are we also looking at reducing the blending because I believe we also launched OPC 53 grade sometime back in the north market and as you said, if you are focusing more on premium or high strength products, is there a possibility that the fly ash or the blending ratio will tend to go down here a little bit because of overall premiumization aspect as such?

**Neeraj Akhoury:**

No, I do not think so. The word I use is not premium. The word we always use is sharper value proposition or special products, right! And each special product has its own market, has its own set of consumers and that is what we want to cater. That those products, because of the sharper value proposition are more expensive is because of the nature of those products. So that's part number one. Part number 2, will it impact the clinker ratio? I do not think so, because we are also growing and the percentage of lower cementation products including OPC as a percentage will remain positive, going forward as well. So, at a Company level, it should not adversely impact our clinker ratio. What it will do is to make some of these products highly specialized, OPC 53 is an example. Incidentally, we have not yet launched OPC 53. It will be launched in the coming months. We are still formulating the mix. We are still working on how do we create a much better product which meets not only the minimum standards of OPC 53 but goes beyond

it. And that is something that we are working on with our R&D and the quality department. And that's how I see it. So no, it will not adversely impact our clinker factor. Having said this is the current situation. Please note that the Indian market is expanding rapidly and most of the new projects are large projects, vast projects and they have a specific requirement of the product type. So, we will talk about dams or roads or bridges or this kind of large construction. They are very specific requirement of the product characteristics which is what we are trying to meet. And therefore, as the market evolves in the future, it becomes much more in, in terms of infrastructure and all as a percentage of total cement demand. Then most likely there will be an impact on the clinker factor as such.

**Navin Sahadeo:** Sir, second question was on the specific heat consumption which you report in the annual report in terms of kcals/kg of clinker. So, I see there is a very steady increasing trend. So, in FY2019, if we consume let's say 719 kcals/kg. Last latest annual report suggested is going to 751. So, I believe in general our energy requirement at Clinkerization while conversion ratio of course has been improving. Great on that as in the clinker factor has been going down, but the specific heat consumption at clinker is rising steadily. Is there any specific reason for it? The deteriorating quality of limestone or how should one look at it. Thanks.

**Subhash Jajoo:** We will just check on this. For the current quarter, I do not think it is around 750 for this quarter, the number is around 740 kcal.

**Navin Sahadeo:** No, I was talking about only annual basis not quarterly basis, in the annual report FY 2023 it says 751, whereas in FY2019 annual report it was 719, I am saying it has been increasing steadily. So, is there any specific reason or it is a general.

**Subhash Jajoo:** We will just check what was the reasons for this increase and get back to you.

**Neeraj Akhoury:** One of the very likely causes for such increase is also higher usage of alternate fuels. So currently we have not come to those levels at which alternate fuels should show so much impact. But over the years we have also added new capacities be it in Raipur, be it Kodla and so on. But assuring all of you there is very high focus on heat consumption and how do we manage it? How do we control it. We had launched a campaign called "We Lead". "We Lead" one of the specific topics for us to improve on is the heat consumption. But if there will be a deterioration it is largely because we will also be simultaneously increasing the alternate fuel consumption.

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

**Prateek Kumar:** Thanks for the opportunity. Couple of book keeping questions there is this drop in depreciation during Q1? What was specific reason for this and what is the annual number we are looking at for depreciation?

**Subhash Jajoo:** The annual depreciation for this year should be close to 2000 crores. Because of accelerated depreciation that will follow due to the WDV method, whenever there is a capitalization in the

quarter, the depreciation is higher and then correspondingly for next year onwards, it gradually reduces and that is why for the depreciation number for this quarter is down. But as and when the new unit comes up during the year like Nawalgarh is going to come up maybe in Q3, then the depreciation figure will increase. But for full year it should be close to 2000 crores.

**Prateek Kumar:** And on second question on incentives, your last year incentive number was 120 crores as the annual report versus 160-170 in previous year and 50 crores remains years prior to that. So, is it that you book incentive based on receipts. So, is there a general decrease in expectation of annual incentives now or for some reason we did not receive it and we should receive it later that is why we are not booking?

**Subhash Jajoo:** Incentive numbers will remain around these levels only Rs.130-140 crores because as we go ahead then incentive for some of the older plants gets over. But again, because of new commissioning, some of the states have an incentive policy and we get it. But overall, for current year, we believe the numbers should be around Rs.140 crores.

**Prateek Kumar:** And for the ongoing set of expansion, we should expect that number to remain in the same for 25-26 also.

**Subhash Jajoo:** For the next set of incentives, as Neeraj ji has said that we are still in negotiation with the government. So, what the final incentive will be, it is difficult for us to commit right now.

**Prateek Kumar:** And the last question on premium segment which moved to like 9% of your trade mix this quarter. So firstly, what was the trade mix for the quarter and what is the target for this number of 9% by end of financial year 2024?

**Neeraj Akhoury:** So, as we said, we are working to bring it closer to 15%. So far, we have reached somewhere around 9%. So, we have reached there. Last year, were at about 6%. We have travelled from 6% to 9% and this will continue in the coming months also. I expect in the coming year, which is FY 2024-25, we should be somewhere around 15% on the special products.

**Subhash Jajoo:** And the trade mix is 79% for this quarter.

**Moderator:** Thank you. Before we take the next question, I would like to remind participants to please limit your question to one per participant only. You may come back in the question queue if you have a follow up. The next question is from the line of Rahul Gupta from Morgan Stanley. Please go ahead.

**Rahul Gupta:** Thank you. All my questions have been answered. Thank you.

**Moderator:** Thank you. The next question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.



- Devesh Agarwal:** Thank you, sir for the opportunity. Just in terms of your capacity addition and expansions, I wanted to understand in last five years a significant capacity addition happened in the east and you are talking about a very high utilization level as well. While over the next 2-3 years you are not looking to add anything on the east side. So, what would be our strategy for the east and would that be taking priority over the other region like west and central?
- Neeraj Akhoury:** So Purulia has just been commissioned, as I said, it will take some months or several months before we are able to fully utilize our Purulia capacity but east is one of the priority markets for us as you see even in last quarter, our growth in east has been little over 30%. So, this will remain a priority market for us once as I speak, we are also looking at some more size now in east. We have capacities in Chhattisgarh, in Orissa, in Jharkhand in Bihar and in now in Bengal as well. More or less, we have covered the entire east market, but depending on how Purulia stabilizes, we are also looking at few more options for east markets.
- Devesh Agarwal:** And sir, any trends on the July pricing, how the prices have been in different regions?
- Neeraj Akhoury:** So, prices in cement are always under pressure, so that is how I see it. But we have been able to implement some price improvements in certain regions in India including North. By month end, we will be able to see how much we are able to successfully pass through the market. This is a little too early to comment on it, but yes, there will be always be focus on seizing opportunities wherever there is possible to increase prices.
- Moderator:** Thank you. We will move on to the next question that is from the line of Shравan Shah from Dolat Capital. Please go ahead.
- Shравan Shah:** Thank you. Before the question, just a request, previous participant has also requested in terms of the consol numbers and which we mentioned that we were referring. Also requesting, if possible, to share at least last couple of quarters, consol volume and maybe couple of years consol volume to understand this and it will help us to do historical trend. So that was the one request..
- Subhash Jajoo:** Shравan you can send us a mail and we will send you the consol volumes.
- Shравan Shah:** Sure. Thank you very much for that, Sir, the first question is if you can help us in terms of the overall CAPEX for this year FY 2024&FY-2025 including this Rs.7000 crores that additionally we need to spend so and how much that will come in the standalone and consol if possible. So that is one and also the break-up of this 6 - 6 million tons grinding, so, will it be a 3 - 3 million tons across the four locations?
- Neeraj Akhoury:** Yes, so the intention is to have grinding capacities of 3 million tons in most of our markets. Yes, as a standard size. Of course, there are some markets where we will be going a little bigger in future and some will go a little smaller, but standard for us would be around 3 million tons of new grinding capacities. The second question, I understand is what is the CAPEX plan for 2023-

2024, we should look at 2023-2024, we should look at about to have a cash outflow of about Rs.3500 crores.

**Shravan Shah:** And for FY 2025 sir?

**Subhash Jajoo:** Almost similar amount.

**Shravan Shah:** Okay same amount that is great. Second, in terms of the previously we mentioned that 36 million tons kind of a volume we are looking at for 2024, definitely this quarter we have done much better. So, will this number one can look at 37-38 million tons for this year? So that is one and some data points on the lead distance for this for blended cement sale for this quarter.

**Neeraj Akhoury:** So, on the targets. Thank you very much. But we still continue to remain at 36 million tons target. We are hoping, we should do slightly better, but for our guidance, I would still believe 36 million tons is the right volumes for the year. On lead distance, there has been a reduction compared last year, though very minor, just about 7-8 kilometers kind of reduction. This is one topic on which we as a Company has to work a little more, both through internal work, but also by putting up just for example Bangalore unit will of course reduce our lead distance to that extent, because we will be closer to the market, so, we will continue to do that. For the last quarter, we have gone down precisely by 14 kilometers.

**Moderator:** Yes, thank you so much that was the last question. I would now like to hand the conference back to the management for any closing remarks.

**Neeraj Akhoury:** So, thank you very much everybody. As always, it was a great pleasure to interact with you. Hopefully, we have been able to answer and give clarity to most of the questions that were asked today. Do not hesitate to contact us in case you need any further clarification. As I said in my opening remarks and I continue with it that we just assured that we as a Company are managed very professionally and we are following the highest standards of corporate governance. So, we will continue to do that, we will continue to respect the fact that Shree has a long journey ahead and therefore every step will be taken to improve our image, our reputation and our brand equity and our leadership in cost as well as the leadership on sustainability criteria. So, thanks a lot everyone and look forward to see you at the end of the next quarter, bye-bye.

**Moderator:** Thank you very much. On behalf of ICICI Securities, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

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