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Corporate Relationship Department
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Dalal Street,
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Scrip Code: 532538

The Manager
Listing Department
The National Stock Exchange of India Limited
“Exchange Plaza”, Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051.
Scrip Code: ULTRACEMCO

Sub.:

Transcript of Q2 FY-24 Earnings Conference Call of UltraTech Cement Limited (“the Company”)

Ref.:

- a. Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)
 - b. ISIN: INE481G01011
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In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, please find attached transcript of the Q2 FY-24 Earnings Conference Call conducted after the meeting of the Board of Directors of the Company held on 19th October, 2023, for your information and record.

The same is available on the website of the Company viz. www.ultratechcement.com

Thanking you,

Yours faithfully,
For UltraTech Cement Limited

Sanjeeb Kumar Chatterjee
Company Secretary and Compliance Officer

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UltraTech Cement Limited



“UltraTech Cement Limited
Q2 FY '24 Earnings Conference Call”
October 19, 2023



**MANAGEMENT: MR. ATUL DAGA – EXECUTIVE DIRECTOR AND CHIEF
FINANCIAL OFFICER
MR. K.C. JHANWAR – MANAGING DIRECTOR**



Moderator:

Ladies and gentlemen, good day, and welcome to the UltraTech Cement Limited Q2 FY '24 Earnings Conference Call. We must remind you that the discussion on today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with the risk that the company faces. The company assumes no responsibility to publicly amend, modify or revise any forward-looking statement on the basis of any subsequent development, information or events or otherwise.

As a reminder all participant lines will be in the listen mode. There will be an opportunity for you to ask questions after the presentation concludes. Should need assistance during the conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Atul Daga, Executive Director and CFO of the company. Thank you, and over to you, Mr. Daga.

Atul Daga:

Good afternoon, good evening, everybody. Welcome to the second quarter earnings call for UltraTech. With me, I have my Managing Director, Mr. K.C. Jhanwar and my colleagues from the finance team so that any questions that arise can be answered fully.

Let me start by saying -- talk a bigger picture about cement as an industry. I personally believe cement is not for the weak-kneed people. Go anywhere in the world, it's a long-term story, connected to the fundamentals of the economy. So if you're looking for a growth story, then emerging markets cannot be ignored.

And within emerging markets, I'm sure everybody agrees that India is the fastest-growing large sized economy. And then that's the place to invest in. If you're investing in India, then infrastructure sector is surely generating growth, which is likely to see investments. And for infrastructure, cement is one of the key pillars for growth.

Let me now jump on to the burning topic of costs and how it has been impacting the industry. When Russia war started, coal shot up to close to \$400, pet coke was close to \$260. We have seen ups and downs from there. And it is not prudent according to me to annualize the cost from a given date, input costs are never static, every day can be different.

Pet coke cost floated with about \$100 mark for a very brief period in the first week of June or somewhere around that time, June or July and now have climbed very rapidly, they climb back to \$140. Whoever was able to book shipments in that period will probably have a short honeymoon in Q3.

Besides coal or power and fuel is not the only cost driver. Second quarter is always a very high maintenance cost quarter for cement industry. At UltraTech, we had almost 24 kilns under maintenance shutdown, which is a routine operating parameter. Besides we are still celebrating our 100 million tons of production dispatch in sales in one financial year, which happened last year, for which a one-off special bonus was given to the employees amounting to almost INR40 crores. I thought of calling it out as a one-off. And we have to wait and watch how crude behaves given the global scenarios that are emerging.

Similarly, selling prices are also keep fluctuating. With the recent price hikes that have happened, it's definitely a good thing to have on the P&L, but I believe it should be a wait-and-

watch game. Given the pressure on costs, we expect that the prices should hold unless some companies are not able to sell at a higher price and they start behaving differently in the markets.

As of today, so beyond the quarter ended September, I would definitely want to highlight how the prices are shaping up with -- comparing to the exit of June, all India prices are up 7% to 8%, which was about 3% to 4% or thereabouts from June exit to September exit. But if you were to look at the quarter average prices, quarter average prices were marginally up 1% or 1.5% over the previous quarter. Each region has been experiencing good traction in prices.

And as we speak, currently, all the prices are holding steady. We have seen price increases now depending upon the comparative period, I am looking at comparison over June exit. The prices in East are almost up 7%, 8%. Similarly, Maharashtra is up 7%, 8%, South would be maybe 5%, 6%, North again, 6%, 7%, Central is perhaps flat at the moment.

Let me now quickly touch upon our expansion. The 22.6 million tons capacity expansion, which is in progress. Work is going on in full swing. We are confident of meeting our time lines. In addition to the 22.6 million tons of capacity that is ongoing, we are adding 3 more slag mills totaling to 1.8 million tons, which will get commissioned along with this 22.6 million tons.

So effectively, the second phase of growth will be 24.4 million tons. At the end of this second phase of growth, we should be reaching 159.65 million tons of capacity in India, the target is, let's say, June '25, plus/minus. But as we start commissioning projects there we will gradually keep commissioning projects one after the other and we will update you closer to the date of commissioning. As I already mentioned, most of the locations are tracking very well on execution.

During this quarter, which is very visible with the kind of cash spend that we have had. We have spent almost INR2,545 crores on capex. A large portion of that capex was towards our expansion programs. In addition to that, upwards of INR600 crores was spent on working capital. We consciously build inventories of fuel given the short window that was available where prices were low.

We expect to bring down our fuel stocks back to normal levels of 45 days of inventories by the end of March '24. We continue to remain negative in spite of bulking up our working capital. We continue to remain negative working capital company. Our net debt at the end of this quarter had risen to INR4,917 crores from the previous quarter. This is the consolidated number. But this is as per plan, and we are not really concerned about it.

We will be able to push our net debt down further as we progress into the season time for cement industry beginning this quarter. You would have seen that we have grown 15% in domestic volumes, along with international volumes, the effective growth is close to 16%. This is in spite erratic monsoons playing havoc in different parts of the country, disrupting smoother movements of material.

I want to again call out the cement lead that we have achieved, we have achieved about 403 kilometers of lead. And the secondary lead, which is from our warehouse or rail hedge to the customer is dropped to about 40 kilometers only. This clearly shows our capability and ability

to serve our customers, which is supported by -- at nearly 1,100 warehouses, 280 railway sidings as also 52% of our dispatches are directly to our customers without having any stoppage in between.

The commentary will be incomplete if we don't talk about environment issues. Some people do get concerned about cement sector because of its high emission norms. Well, India needs -- as I said in the beginning, Indian needs infrastructure, which needs cement and cement manufacturing as of now is still with limestone and fossil fuel and fossil fuel remain to be the main source of fuel in the country.

So there will be emissions. It is important to keep in mind how we are investing behind the reduction of carbon emission and continuously progressing on that part. But as we speak, our various investment programs that are in place will take us to 60% non-fossil fuel energy by the time we complete our current phase of growth.

You would have already heard India is bidding for 2036 Olympics. That sounds fabulous for the country and it's music for our years. With that, thank you, ladies and gentlemen, and I hand it over for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: So on the expansion program, I think earlier you had mentioned in the last call that the next phase of expansion is being worked on. So is there any progress or by when can we expect a formal announcement of the same?

Atul Daga: Yes. So it's almost stitched up. We will put up to our Board and come back to you within the end -- before the end of this calendar year.

Amit Murarka: Okay. And this is in line with that 185 million to 200 million ton capacity...

Atul Daga: Yes, absolutely, absolutely. In fact, our Chairman had already put down his vision, articulated the game plan of doing 200 million tons of cement in India, we are on -- very much on course for that.

Amit Murarka: Okay. And the first half, capex seems to be a bit high versus the guidance. I think guidance was INR6,000 crores to INR7,000 crores, but we seem to have spent about INR4.5 crores already. So...

Atul Daga: True. Now so again, don't annualize it. My guess is while there's a bulk of spending has happened now, we might not have a similar level of spending, but INR6,000 crores to INR7,000 crores for the year should be the capex spend. And in case the team is able to race ahead, we are more than happy because the faster we complete the projects the faster we'll be able to bring cement to the market.

Amit Murarka: Sure. Got it. And any guidance on fuel cost for subsequent quarters?

Atul Daga: As of now -- so if I look at it, this quarter, the consumption price was \$138.



- K C Jhanwar:** Pet coke.
- Atul Daga:** Pet coke. Pet coke was \$138, sorry. So -- but pet coke is only 39% for us. As of now, October, December quarter should also see southbound movement in prices of fuel.
- K C Jhanwar:** Yes. Just to add upon, I'm K.C. Jhanwar here. The fuel market is very volatile, in particular because of these geopolitical disturbances, etcetera. So let's see how it moves forward, if the geopolitical environment gets stabilized, then there won't be much of movement here and there. Otherwise, it's difficult to predict actually.
- Atul Daga:** So Amit, to be specific, I think we have put it down in the presentation itself, the effective consumption cost -- blended fuel consumption cost was \$162 against \$178 and pet coke was \$138.
- Moderator:** Thank you. The next question is from the line of Rashi Chopra from Citigroup. Please go ahead.
- Rashi Chopra:** Just on the pricing, you've given the change in trends versus the June exit, but where are you versus the average of the quarter that you just reported?
- Atul Daga:** Average of which quarter you're asking about?
- Rashi Chopra:** The July to September quarter, where are spot prices versus that?
- Atul Daga:** So from July to September average about 3% up. No, one second. Average, it was 5% up. So in fact, I have indicated that Rashi, in the presentation also slide 18, it's about 5% up. That's October '23.
- Rashi Chopra:** Correct. No just reasonably, is it possible to give that split the way...
- Atul Daga:** It's difficult, let me work it out and I can share it separately.
- Rashi Chopra:** Okay. Sure. Then what was the proportion of trade volume this quarter?
- Atul Daga:** 67% trade.
- Rashi Chopra:** All right. Just in the 2.5 million tons capacity that you've added in this quarter, 1.3 million was in West Bengal in July. Where is the remaining 1.2 annually?
- Atul Daga:** So that was part of the debottlenecking?
- K C Jhanwar:** Yes.
- Atul Daga:** Yes. So we had announced that 4 million tons debottlenecking out of that 1.2 million was the Magdalla grinding unit in Gujarat.
- Rashi Chopra:** Okay. So now you are less to 3 million tons of debottlenecking this year?
- Atul Daga:** Yes, 2.8 million to be precise.

- Moderator:** The next question is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.
- Navin Sahadeo:** Yes. Congratulations on the good set of numbers. Sir, first question was on the fuel cost. So you already gave numbers that blended as 162 and pet coke is around 138 and current spot rates, as you understand, pet coke could be more like 130, 135 and imported coal also around 140, 145 range. Could you share what was the average imported coal cost for Q2? If I'm not wrong, it could be more like \$180. I'm just trying to do some backward...
- Atul Daga:** Yes, yes, you're right. Hang on, about \$181.
- Navin Sahadeo:** Right. So versus that, if the current spot rate is still at 140, 145 it could still mean at least INR100 per ton saving in fuel cost in the coming quarter?
- Atul Daga:** No, no, which quarter would you estimate that?
- Navin Sahadeo:** December, because you would have inventory and 180...
- Atul Daga:** Navin, let me explain the concept of the spot prices. When the spot prices are being quoted, let's say, 19th of October, they are for 2 months ahead of -- loading is 2 months ahead. That's point number one. Those are spot prices. Then give or take 45 days to 60 days of shipping time, clearing time, reaching the plant. You have -- I didn't put the slide or I didn't mention it, but I'm carrying inventory of 60 days as at the end of this quarter. So the spot price that we talk about will not come into consumption before March '24.
- Navin Sahadeo:** Agreed, but sir, by that logic, I would actually want to pencil in a much higher savings because in mid-July or in month of July, the imported rates were well below \$120 also.
- Atul Daga:** Okay. I will tell you, typical of stock market, if you put a buy order for 10% of our company, what will happen to that stock price? It will go through the roof, all right. No, no, on a serious note. Pet coke market is a very, very small market. Today, if anybody steps out to buy bulk quantities, the prices will get shot up. So it is identical the way the market behaves, pure phenomena of demand and supply. So please don't annualize because that's the message which I tried to give in the beginning of the call, don't annualize the cost or any number.
- Navin Sahadeo:** No, appreciate it, then I'll -- let me just put it simply, how much more savings can we expect in the coming 1 or 2 quarters?
- Atul Daga:** Good question. Next question, please. So I know, I'm not able to reveal that on the call, Navin. So this is especially for -- the call is for this earnings performance. On a serious note, not to -- not to leave Navin unsatisfied, the cost curve is moving southwards. Yes, next question please.
- Moderator:** Thank you. The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.
- Indrajit Agarwal:** I'm just trying to bridge the net debt trajectory from June quarter. So we had about INR2,469 crores, last quarter and now we have about INR4,920 crores. I understand that capex and working capital is taken together with having INR3,100 crores kind of outflow and my back of the envelope calculation...

- Atul Daga:** Sorry, plus the dividend gets paid out 100% in this quarter. That is close to INR1,100 crores. Yes.
- Indrajit Agarwal:** All right. Sir that was missed. And just to remind us again, how much inventory we are carrying right now versus 45 days average?
- Atul Daga:** 60 days.
- Indrajit Agarwal:** And mix-wise, it is still the same, the inventory that we are carrying that to -- in the sense...
- Atul Daga:** Yes. So the consumption of pet coke from 40% could go up to 50%. It would be range bound like this.
- Indrajit Agarwal:** Okay. And on a landed basis, pet coke, how does it fare versus coal today?
- Atul Daga:** On a landed basis, effectively pet coke becomes cheaper. Certainly, the traded price is also economical.
- K C Jhanwar:** Yes, but the gap is not too big actually, because the pet coke prices they are now -- now pet coke is getting traded around \$140 or so actually. So now not a big gap actually. The coal is also at \$140, but yes, some weightage of calorific value. That's why the effect to price of pet coke is still marginally cheaper.
- Indrajit Agarwal:** Sure. And my last question is based on your experience, what moves pet coke more? Is it crude prices or on the demand side dynamic?
- Atul Daga:** Demand, supply.
- K C Jhanwar:** Demand, supply, by and large, it's nothing to do with the crude prices. It's purely, as Atul said..
- Atul Daga:** Demand supply.
- K C Jhanwar:** It's demand supply...
- Atul Daga:** Next question please.
- Moderator:** The next question is from Jashandeep Singh from Nomura. Please go ahead. Mr. Jashandeep Singh from Nomura, you may go ahead with your question.
- Atul Daga:** I think, he is dropped out. Take the next question.
- Moderator:** Yes we move to the next question. The next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.
- Satyadeep Jain:** First question on the capacity expansion. So Daga, you mentioned achieving 160 million tons, give or take by June '25. So beyond that, the next leg of expansion should we assume that the company will start committing to it after this expansion is complete, so the -- whatever, 25 million tons, 30 million tons capacity comes 24 months odd from there? Or is there a potential to maybe start working on it relatively soon so that it doesn't get so staggered. And tied to that

would be how much more debottlenecking capacity potential could be there in the existing capacity base?

Atul Daga:

Okay. To your first question, we will not wait to complete so that -- the reason being that we should have a continuous supply of capacity available, given the high growth trajectory that we are seeing in the Indian market. So we will definitely start work on the second phase of -- third phase of growth very soon. The moment we get a nod from our Boards, which as I mentioned, we will be presenting before the end of this calendar.

As for debottlenecking, I think as we progress, if we unearth something which we'll be more than happy to pick-up on the side. As of now, on the existing projects, that are ongoing, nothing significant has been identified.

Satyadeep Jain:

Okay. Thank you. Secondly, on the Eastern market, you mentioned rains and different factors led to slow down, any ballpark estimate on in your estimate, what could have been the industry volume growth for India as a whole and maybe East could have been maybe low single digit and given that now the quarter has ended and going into October, have you seen maybe a recovery to more normal volumes in line with rest of year?

Atul Daga:

East continues to be slow and our expectation is maybe 4% to 5% growth is what we'll see for the industry in the Eastern corridor against which we have grown better than that. And all India, again, average expectation from the basis -- on the basis of whatever we have seen in the marketplace, industry should show a growth of close to 9% or 11%, maybe double-digit growth, yes.

Satyadeep Jain:

Okay. Just one housekeeping question on this slag contract is signed with sale. Any maybe pricing indication? Is it much below spot pricing or kind of pricing arrangement have you had for this slag contract?

Atul Daga:

Yes, why do you want to know so many details? If you look at the EBITDA performance next quarter.

Moderator:

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

Ritesh Shah:

I'll just pick up from Satya's question. Sir, what is the sort of cost inflation that you are looking for both fly ash as well as slag? And do we have any long-term contracts on a percentage basis, which are indexed to WPI, something like that sort which can ease up on fly ash and slag for us.

Atul Daga:

So I'll take the second question first. The contracts are normally not more than a year. Nobody does longer period contracts. And they are not linked to WPI. These are, again, negotiated contracts. If I were to deep dive, again, it's a demand and supply phenomena, depending upon the appetite in the market and availability, how the prices perform.

K C Jhanwar:

Generally, the price discovery is used through the tender process or e-bidding kind of thing. So that's the way generally it happens.

Ritesh Shah: Right. But sir, has the slag inflation been quite steep in recent times, basically, what we picked up is it is just more expenses than clinker costing.

Atul Daga: Ritesh, the reason we called out slag and fly ash because these are the two biggest raw material cost items.

Ritesh Shah: Okay, that's fine. Sir, secondly, Yes. Sir, then you indicated we have around 60 days of inventory. Is it possible for you to qualify how much of the average cost over that?

Atul Daga: Cost of holding?

Ritesh Shah: Yes, sir, inventory costs?

Atul Daga: Yes, so it's around \$162.

Ritesh Shah: That's the average cost of inventory. This is on a blended basis...

Atul Daga: Blended basis, yes.

Ritesh Shah: \$162. Hello?

Atul Daga: Yes.

Ritesh Shah: Yes, sir, that was for the quarter, I'm saying quarter end basis...

Atul Daga: Yes. It's almost the same, exit is almost the same.

Ritesh Shah: Okay. That gives a fair indication, this is useful. Sir, thirdly, how are you looking at other Birla Group assets I'm asking a question more from an inorganic GA standpoint, there has been a lot of news flow around a lot of assets. How does the group approach it? What's the thought process over here, sir? There are companies which have some problems on the balance sheet side as well. So is the company open to say something like a preferential or the idea is to go for an entire asset or we won't be even open to it. How should I understand this?

Atul Daga: Ritesh, I am so ground in UltraTech, so much things to do that I don't get time to see what is happening in other group companies. I really don't know -- I don't have any answer for your question.

Ritesh Shah: Fine. Sir, let me put it the other way around, sir, if there are any assets available, is there any particular region which will be of more interest, let's say something in Central India, Southern India, will we look at it, or it's a pass?

Atul Daga: We will, yes. So one thing very clear is that almost entire geography of the country from a regulatory perspective, I think we can still acquire capacities. That should not be a constraint barring perhaps east which -- because the size of assets themselves are significantly large. So then the next point is we keep on evaluating assets and it has to give us a profitable growth opportunities. Then only it would make sense for us.



- Ritesh Shah:** Sure. And sir, last question, if you could provide some color on the white cement and putty markets, that would be great. And there is something called Birla Pivot but I'm not very sure whether it falls under our umbrella or any other Birla Group entities? Last two questions.
- Atul Daga:** Birla Pivot is Grasim. They are doing something over there. So you'll have to ask them. White cement and putty market prices were subdued. We've seen volume growth happening the RAK, we have been getting volumes from RAK White also, it has been rebranded as Birla White and consolidated, we are seeing volume improvement.
- Moderator:** Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** Yes. My question pertains to, first, on the regional demand and utilization in Q2. So could you throw some color you mentioned the East growth would be to the tune of 4% to 5% and on a pan-India versus 9% to 11%. So which market grew more than 10%, 11% and also reasonable utilization?
- Atul Daga:** Very difficult to quantify individual regions. If we are growing 15% this quarter, UltraTech has grown 15% this quarter with 75% capacity utilization on 132 million tons. That gives you a fair perspective that it's fairly balanced. There would be sparks of high growth somewhere or mediocre growth elsewhere.
- Rajesh Ravi:** And this demand any flavor, which market or by regional basis, which market grew at what rate?
- Atul Daga:** I just said I think 15% is what we have grown, practically all markets are doing well.
- Rajesh Ravi:** Okay. And sir, on the fuel cost you -- on a per kilo cal the fuel costing was how much in Q2? Is it this...
- Atul Daga:** INR2,184.
- Rajesh Ravi:** INR2,184, okay. Okay. INR2,184 there is a slight cool-off. Sir, you mentioned this debottlenecking, you did 1.2 million tons at Magdalla.
- Atul Daga:** Yes, please.
- Rajesh Ravi:** Okay. So from 0.7-odd million tons it is now close to 2 million tons. And which are the other places where this debottlenecking would happen?
- Atul Daga:** There are a few opportunities which we are tracking. We will come back once everything is done.
- Moderator:** Thank you. The next question is from the line of Rahul Gupta from Morgan Stanley. Please go ahead.
- Rahul Gupta:** Very good numbers, Mr. Daga. There have been a lot of questions around fuel cost, but I don't want to bore you. I just want to understand one thing. The company has seen around 20% deflation on fuel cost over the last three quarters, right? I mean from \$200 to \$162. If I do just

back of the envelope math, is it fair to say that we would see another 7% to 8% decline and that would be the end of it given where current prices are. I know you can't comment on how prices would move on a daily basis, but given the inventory levels?

Atul Daga: So even if I took \$10 or \$11 reduction seems to be possible, but very difficult to forecast. As we saw, \$100 remained for a very brief period, shot up to \$140, \$135. But yes, if everything remains steady no more global upsets, then yes, you could see reduction of \$10.

Moderator: Thank you. The next question is from the line of Pratik Rathi from Macquarie. Please go ahead.

Atul Daga: Take a next question.

Moderator: So we'll move to the next question. The next question is from Raghav Maheshwari from Asian Market Securities. Please go ahead.

Raghav Maheshwari: Sir, congratulations on a good set of volume growth, firstly, Sir, my question is for the pet coke and the fuel side. You mentioned in your presentation, your blended consumption at \$162, where you have mentioned that pet coke is particularly \$138, is it right?

Atul Daga: Yes, sir.

Raghav Maheshwari: Sir, and the users of the pet coke is the 39% of the total mix -- fuel mix, this 39% is for the -- only for the kiln or the entire TPP level also?

Atul Daga: Let's talk about kiln only and pet coke goes was only in kiln.

Raghav Maheshwari: No. The 39% is only for the kiln, right?

Atul Daga: Yes, please.

K C Jhanwar: Sir, now pet coke is not allowed to be used in thermal power plant legally.

Raghav Maheshwari: Yes. Sir, my question is from that why -- what was the restriction for? We are just using 39%. Because is the availability side issue or it's the kiln specifications efficiency issue?

Atul Daga: No, it's more about availability.

Raghav Maheshwari: Okay, sir. And sir, what is the status for the pet coke, it's particularly available at a domestic side? Or is it mostly the imported only?

K C Jhanwar: Imported, mostly imported.

Atul Daga: Pet coke is imported.

Raghav Maheshwari: Okay, sir. Thank you.

Moderator: Thank you. The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.



- Sumangal Nevatia:** Yes. Good afternoon, sir. Just two quick clarifications. One is this 160 million to 200 million tons of aspiration, which we have. Over what period are we looking at? What would be the end year, if you could just clarify that.
- Atul Daga:** I'm sorry, I missed your question. Can you repeat, please?
- Sumangal Nevatia:** Sir, this capacity expansion in the next phase, Phase III, which you are talking or which you are evaluating from 160 million to 200 million tons, what is the end year for that, over which period are we kind of working on?
- Atul Daga:** Till '28. The next phase of growth will not take us to 200 million tons. Again, so we will do in blocks of 20 plus minus 20 million tons. So that from -- so like '20 -- mid-'25, mid-calendar '25, we will reach 160 million. I'm just using a rounded number, then again, a 20 million tons, which will get completed by '27 -- calendar '27. So that will take up to 180 million tons.
- And then again, before we complete, I'm sure we will be ready for the next phase of growth. So every year, we will keep on looking at balancing our capacity book in line with the growing market.
- Sumangal Nevatia:** Understood. And versus say few years back, given the growth and the market share gain which we are seeing, some front-loading of expansion plan is expected, right? Can we safely assume that?
- Atul Daga:** Yes, absolutely.
- Sumangal Nevatia:** Okay. Got it. And just one, sir, last clarification. The employee cost and other expense. Are there any one-off or is just purely seasonal? And then it should normalize?
- Atul Daga:** In fact, I mentioned about it close to INR70 crores would be one-off.
- K C Jhanwar:** Yes, INR40 crores plus some other bonus, yes.
- Atul Daga:** Close to INR70 crores is our one-off cost.
- Sumangal Nevatia:** So is it noncash or it's cash but not likely...
- Atul Daga:** Cash.
- Sumangal Nevatia:** Okay. Got it. All right. Thank you so much, sir and all the best.
- Moderator:** Thank you. The next question is from the line of Jashandeep Singh from Nomura. Please go ahead.
- Jashandeep Chadha:** Hello. Hi, sir. Thank you for the opportunity. Just wanted to understand from you, how you are seeing the rural demand. And also, if I'm not wrong, last quarter, we mentioned some market share -- marginal market share loss in South. So have we been able to recoup that? My first question.

- Atul Daga:** The rural market for us has been growing.
- K C Jhanwar:** Yes. The rural market is still robust. Actually, there is -- we have not seen the kind of probably -- FMCG companies are probably having the problem. But by and large, it is still robust because in rural also, there is a lot of infrastructure and local body work, etcetera. So still, I would say, rural market is not impacted, marginally here and there, there would be some pockets maybe.
- Atul Daga:** So to add further to what Mr. Jhanwar said, if you look at Slide seven, I have called it out. rural sales were at 63% of trade grew 15% for the quarter. So that's how rural markets are performing. And again, a bigger picture, the definition of rural markets is continuously evolving, rural is no longer the old rural which you are -- which is pure agri as Jhanwarji was mentioning, there's a lot of infrastructure growth happening in the so-called rural market as well.
- Jashandeep Chadha:** All right, sir. And on the South India market, sir, that you mentioned last quarter, that margin loss was there, this quarter, have we been able to regain that? Sir, in the last quarter, we mentioned we lost certain marginal market share in the South India. So whether we will be able to regain that?
- Atul Daga:** No, I don't think so.
- K C Jhanwar:** I think, we don't recollect having said...
- Atul Daga:** Nothing like that.
- Jashandeep Chadha:** Okay. No issue, sir. And sir, on the linkage coal, what will be the percentage of domestic coal, if you can share that?
- Atul Daga:** Domestic coal is about 6%.
- Jashandeep Chadha:** 6%. Okay...
- Atul Daga:** In kiln, I'm talking about in kiln.
- Jashandeep Chadha:** In kiln. Right, sir. And sir, if I can squeeze one more. Since we are now moving towards 200 million tons by FY '28-'30, just wanted to understand, if there is also enough cash balance and the company has become one of the biggest -- it is one of the biggest cement manufacturers. So is there any related sector also that the company is evaluating like we have some exposure to the chemical building. So I just wanted to understand, whether the management is thinking on that line as well?
- Atul Daga:** If you look at cement as a sector in India, what is the size of cement ? 385 million tons? In billion dollars, it's \$30 billion. So looking at the size of cement business in the country, there is no other adjacency, which looks meaningful. And we will not do any diversification.
- K C Jhanwar:** Unrelated activities.
- Atul Daga:** So cement is -- I was saying \$30 billion, it's actually \$35 billion worth of market. There's no other adjacent business. Now whether it is tiles, whether it is -- whatever else you will have in

mind paver blocks, tiles or sanitary ware, etcetera, nothing is so big. We are already present in White cement, RMC, we're doing pretty well, growing very rapidly. Grey cement remains our forte.

Moderator: Thank you. The next question is from the line of Raj Kiran Gandhi from SBI Mutual Fund. Please go ahead.

Raj Gandhi: Hi, thanks for the opportunity. Sir, just here, if I were to go by saying that you will reach 200 million tons by 2030, as you mentioned, it will translate to a CAGR FY '23 to then of about slightly over 7%, which seems to be a bit lower versus what your peers have guided in their strategy. So just any comments on that? And also in light of the bunch of capacities that we are seeing in the ordering and also, how do you see the pricing from a medium-term basis?

Atul Daga: So what is your question, whether our growth plans are inaccurate or not enough? Or I didn't get your more point of the question?

Raj Gandhi: In terms of your pure growth path, which they have guided being significantly higher versus the capacity growth guided by you. So in that sense, how do you read that? So that was one.

Atul Daga: No. So to answer that, you'll ask -- either have to ask them on what their plans are. I really -- I am not in a position to comment on their plans. When we give out our plans, it will be with nuts, screws and bolts, everything stitched together. You will know, where our capacity is coming, how much capacity is coming unlike some figment of imagination.

So when we are announcing our expansion plans, they are very rock solid with an underlying economic hypothesis basis, we understand the Indian market very well. We know how Indian market will grow, where it will grow. Accordingly, we will add capacity.

K C Jhanwar: And more so it's a revolving one.

Raj Gandhi: Sure. Okay.

Moderator: Thank you. The next question is from Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Yes, just to clarify, INR70 crores extra one-off, you said this is only for the staff cost?

Atul Daga: Staff cost and others, yes, which are one-offs.

Shravan Shah: For staff costs, how much one can think of one-off so from next quarter, how much one can think of too lower?

Atul Daga: INR40 crores, INR50 crores will be out of it.

Shravan Shah: Okay. And rest INR20 crores, INR30 crores would be the maintenance cost, extra...

Atul Daga: Yes, extra maintenance costs, yes.



- Shravan Shah:** Okay. Got it. Second, on the pricing, sir, you mentioned that 5% current prices are higher versus the 2Q average. In terms of the nontrade also, the similar trend one can look at?
- Atul Daga:** Yes, please.
- Shravan Shah:** Okay. That's great. Second, in terms of the fuel mix, you said 6% is the domestic coal. So broadly 39% was pet coke. So how much was entire coal imported, domestic, everything coal was evolved how much?
- Atul Daga:** 51% imported coal, pet coke 39%, alternate fuel 4%.
- Shravan Shah:** Okay. And sir, on the green share particularly, both WHRS and Solar. So last time we have talked about to reach a 1,250 megawatt by March '25 or maybe 1Q when we will complete this 22.6%. So -- not -- 22.4% will complete. So broadly, how one look at from current by March '24, by March '25, how much one can look at in terms of the increase in both capacity and the green share, so currently 22%, so how one can look at?
- So ultimately, what I'm trying to understand is by FY '26, my broad calculation says, we should see at least incrementally INR60, INR70 per tons kind of a savings from -- only from the incremental green capacity that we are adding?
- Atul Daga:** So I don't want to quantify that saving because the rates also not for renewable energy, but for other activities, rates could change. But yes, in terms of percentages, we have reached 22%. We should be reaching more than 50% or actually 60% by '25, '26.
- Shravan Shah:** Okay. So currently, broadly, is it fair that the grid cost would be a INR6.5 or INR7 and the solar cost for us would be INR2.5.
- K C Jhanwar:** Yes. The grid rate is varying from INR6 to INR8 yes, it is from...
- Atul Daga:** And renewable energy is not INR2. It's INR4.
- K C Jhanwar:** Yes. That -- differentially it is not more than INR2 actually because there are a lot of government levy and wheeling charges and some cross subsidy in certain.
- Atul Daga:** See the generation costs, you are right but that is at the generation point from there for transmission, wheeling charges, etcetera, loaded, it comes close to INR4. It goes to close to 7 bucks.
- Shravan Shah:** And then in terms of the lead distance, it's great that it is slowly reducing so 406 now. So by when we complete this 24.4 million tons, how much one can think of 30, 40-kilometer further reduction is possible? Structurally, I'm saying.
- Atul Daga:** It won't be so much, but yes, it should be downward only.
- Shravan Shah:** Okay. Okay. Okay. And then broadly, in terms of the -- this out of this -- the next phase, by 1H of FY'25, is it fair seven million to nine million ton come up by next September and rest maybe by March or June.

- Atul Daga:** Yes, possible.
- Shravan Shah:** Okay. And in terms of the clinker also, roughly 15 million tons would be the clinker to support this expansion?
- Atul Daga:** Yes, we are already clinker add.
- K C Jhanwar:** Yes.
- Shravan Shah:** Okay. Great and thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Pathanjali Srinivasan from Sundaram Mutual Fund. Please go ahead.
- Pathanjali Srinivasan:** Yes. So my first question is on what is our margin as being like for the RMC and white cement business because it looks like we've done much better there compared to the previous quarters. Correct me if I'm wrong.
- Atul Daga:** So margins for RMC are -- RMC is an incremental margin business, 3% to 4% is their margin that we can...
- K C Jhanwar:** 5% to 6% margin. 4%.
- Atul Daga:** 4% margin is what we have now, incremental margin. So we do a transfer pricing from cement to RMC.
- Pathanjali Srinivasan:** Okay, sir. And one more thing. The realization wise, have we taken any price hikes towards the end of the quarter and what has been the decision from our end for this because a lot of news about companies taking price hikes came in?
- Atul Daga:** I think you were not there in the beginning of the call. We have taken price -- I think September, mid-September onwards we started seeing price improvement happening across the country.
- Pathanjali Srinivasan:** So if you could just tell me what about closing price, sir even the last -- like the end of the month what price did you close at?
- Atul Daga:** There is nothing called as closing price, but each market and I don't know which city you are in and if in Mumbai, the price in Andheri and price in Thane will be different. So difficult to say a closing price but if you want to look at increase in prices, 5% to 7% increase has already happened since June.
- Pathanjali Srinivasan:** Okay. Okay, sir. Sure. Can I take it as maybe some realization from the previous quarter. It should be like 5%, 6% above that?
- Atul Daga:** In this quarter?
- Pathanjali Srinivasan:** Yes.



- Atul Daga:** Yes, in this quarter, obviously, if the prices hold, then you could see an improvement -- proportionate improvement.
- Pathanjali Srinivasan:** Okay. No, I'm just trying to get the number quantified from you.
- Atul Daga:** And I'm not wanting to quantify it.
- Pathanjali Srinivasan:** Yes. Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.
- Navin Sahadeo:** Yes. Thank you for the follow-up. Sir, you mentioned that Phase three is about to be announced by end of this calendar year, but you said that it will largely get completed in '27. So I'm just trying to understand because typically, any capex takes about two years or 2.5 years. So by that logic calendar year '24, '25. So maybe around '26 shouldn't that be a reasonable expectation? Or do you think there could be some greenfield sites, which could take much longer period?
- Atul Daga:** Yes, it's a mix. Now it will always be a greenfield brownfield mix and you were saying two to 2.5 years, we have done a record of shooting greenfield further than 15 months also. So again, it depends on the site, there were advantages that we had on that site. There was a huge effort from the team, no doubt about that. So you cannot straightjacket us in any shape and form.
- Navin Sahadeo:** Fair point. And just one thing to confirm. In the previous call, Q1 results you have talked about debottlenecking of a total of four million tons that was to come in FY'24.
- Atul Daga:** Yes, correct.
- Navin Sahadeo:** So is that -- so when you give these numbers as that the end capacity, I don't think you are including that in the numbers.
- Atul Daga:** Now I'm including that when I said 159.65 million tons to end by -- at the end of this phase we have included that four million tons as also another 1.8 million tons of slag capacity that we -- I just mentioned in this call, we are going ahead.
- Navin Sahadeo:** Understood. That's really important. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.
- Prateek Kumar:** Yes, sir, my first question is on your pricing. So like we have -- let's say has taken a pricing action. Is there any impact on demand? Like we understand in September, there was -- demand was very soft, but has the increased pricing has the same impact on demand during Q3 as well?
- Atul Daga:** Too early to say anything at this point in time with just 19 days. The biggest thing is prices are holding. There might be some markets somewhere, some slowdowns, some resistance, but I think that will pass over.

- Prateek Kumar:** Okay. And in relation to like several states have announced election dates. So in relation to state elections or coming up of national election. Is there any moderation in working capital release from the state government or central government...
- Atul Daga:** According to me, the governments want to maximize execution of projects. So they should not -- that's a logical analysis that they should not hold back payments for all the contracts. Otherwise, it will impact progress of work. Hence, the working capital of all the infra company should remain strong as far as their receivables are concerned on government projects.
- Prateek Kumar:** And the last question on your other operating income that on a quarter-on-quarter basis seems to be slightly higher from around [INR225] crores this quarter. Again, a specific component one-off there.
- Atul Daga:** Incentive. Then what was there extra. No, this -- how much is other operating income is INR281 crores versus INR271 crores. Is that a significant difference.
- Prateek Kumar:** No. So we were looking at INR277 crores for this quarter versus for Q1. So we...
- Atul Daga:** So consolidated INR277 crores last year was INR297 crores. It has fallen.
- Prateek Kumar:** Okay. So I was just seeing quarter-on-quarter. Okay. Maybe we should see year-on-year.
- Atul Daga:** So quarter-on-quarter, yes, one or two incentives would have kicked in. Quarter-on-quarter, yes. Quarter-on-quarter, yes, but some additional incentives kicked in. Hello, Prateek.
- Prateek Kumar:** Sure. So these are my questions. Okay, thank you.
- Atul Daga:** All right.
- Moderator:** Thank you. The next question is from the line of Vaibhav from PhillipCapital. Please go ahead.
- Vaibhav:** Thank you. Good evening, sir. Sir I had only one question. You mentioned in earlier remarks that pricing can be very different in different parts of the cites itself or maybe different parts of the country. So like UltraTech was earlier contemplating and what we gather is that you were talking of one India price or one district pricing or one regional pricing. Can this be a reality for the industry in the long term that we have one city or one district or one region...
- Atul Daga:** We never said that.
- K C Jhanwar:** Vaibhav I think to best of our knowledge, we have never said that one price -- one country, one price because...
- Atul Daga:** It's not possible Vaibhav.
- K C Jhanwar:** It's not possible because you know the logistics issue, cost structure is different in different parts of the country. So to me, it looks difficult, some -- long back, somebody must have.
- Atul Daga:** No, no. No, no



- K C Jhanwar:** But Atul is reconfirming that we have never talked about that.
- Atul Daga:** It cannot be, not logical Vaibhav. It's not possible.
- Vaibhav Agarwal:** Yes, sir, I know that sir, I understand, I understand I was just asking from a perspective, can we have one district or one city or one state, something like that uniform -- more uniformity in pricing rather than what is current, what I was asking actually so that was my question.
- Atul Daga:** So I will explain to you separately, that's a very small experiment, not all India pricing is one small geography.
- Vaibhav Agarwal:** Okay, sir. Understood, sir.
- Moderator:** We'll have to take that as the last question. On behalf of UltraTech Cement Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.
- Atul Daga:** Thank you so much.
- K C Jhanwar:** Thank you. Thank you.