"Orient Cement Limited Q3 FY'24 Earnings Conference Call"

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MANAGEMENT: **SHRI DESH DEEPAK KHETRAPAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, ORIENT CEMENT LIMITED**

MODERATOR: **MR. HARSH MITTAL – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Orient Cement Limited Q3 FY'24 Result Earning Conference Call hosted by ICICI Securities.

As a reminder, all participant lines will be in 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 now hand the conference over to Mr. Harsh Mittal from ICICI Securities. Thank you and over to you, sir.

Harsh Mittal: Thank you, Riya. Good afternoon, everyone.

On behalf of ICICI Securities, I welcome you all to the Q3 FY'24 Earnings Call of Orient Cement Limited. From the management, we have with us MD and CEO, Shri Desh Deepak Khetrapal.

So without any further ado, I hand over the call to "Mr. Khetrapal for his Opening Comments." Over to you, sir.

Shri Desh D. Khetrapal: Thank you, Harsh, and a very warm welcome to all the participants in this Call.

And as usual, I'm grateful to all of you that you show interest in our Company and spare time for coming on this call. I know we are a few minutes behind, but we were waiting for more people to join the call. So, here we are. I know the participants on this call are all interested people and who do their homework pretty well. But still, I'll give you a little bit of summary.

As you would have seen, we are happy with I would say the profitability results that we've been able to put together Rs.117 crores EBITDA, touching about Rs.840 per ton and this is where we said we would want to be at the end of the year as well. I think some of the concerns that people may have had and I'm saying may have had because internally we at Orient Cement also are a little bit disappointed with the degrowth in volumes that we have recorded in Q3. But I'll just give you a perspective on what we think has happened in Q3.

Our disappointment aside, but the fact of the matter is that in Q3 there were several things that have happened in the industry, more importantly in our home states and home states means would be very important states, which is Telangana and Madhya Pradesh. We had elections that obviously created too much of a slowdown when the labor and people just disappeared, you know what happens when the state elections happen. So, that was one of the main reasons.

Besides that, obviously, the festivals in this quarter and also the Maratha agitation in some parts of Maharashtra. For the first time we saw construction activity being and multiple bans being placed on the cement and concrete activity in both Mumbai and Pune. So, multiple reasons are there. One of the most important I should point out is also that despite our degrowth, when I look at the YTD growth numbers that have come out from DPIIT they came just a few days ago, when we see in YTD we have a growth of about 9%, which seems to be completely in line with the growth of the rest of the industry Pan-India because that's the only reliable data available. So while we do believe we should have done better, but it doesn't seem that we've actually lost in terms of the growth that the industry is recording and we have a ready growth.

So, in fact, if you look at the data, the data also shows that up to November, the growth of the industry – I am talking YTD was about 10% and up to November we also had a growth which were in excess we were at 11%. In the month of December, if you see the numbers, the growth rate has come down very significantly and that's where I think we also have a little bit… at the end of November, we were looking at 11% growth YTD, YoY. So I just thought I'll bring that up to you.

The other matter of concern basically has been in our state of Telangana, which as you people know is very, very important. It's not the largest state for our sales, but it's still a very, very important state for us. So, that is smaller market, but our home market. And in that, the B2C sales have been extremely slow in this quarter. The trade sales as the jargon goes in the industry. And obviously, first, it was elections, then its the change of government, so a lot of uncertainty there were lots of changes are being made in the administration, the officials and things are not sort of getting to go as they would with the stable government. With low demand and too many players actually getting aggressive in Telangana. We are surprised as to how many players in Telangana are beginning to offer prices which quite frankly surprised us I don't want to name them, but if you people do your research, you'll find that some of the top most brands who've enjoyed premium for a long, long time in the markets because of the brand equity.

In Telangana markets, we have seen them selling not just quoting, selling at about Rs.20 less per bag than our price of Birla A1 cement. Now, that is something which obviously puts pressure on us also, but given our strategy of staying with the right pricing and also pushing more and more of a premium cement in the market, you would have seen that our realization per ton is very close to Rs.5,400, is in some way in contrast to what we are seeing as realization being reported by many other players which I think is carrying on and sustaining the strategy that we've had, but I just thought I'll point out to you that despite lower prices from very big brands, we are not succumbed to the pressure. As a result of that the pain has come our way. And just to give you one data point. The B2C volumes in Telangana in Q3 for us are actually lower by 29%. That's a huge, huge hit. Are we happy degrowing by 29% in our home state? Certainly, not. But the options are you compromise in price and start selling cheap which as a strategy as of now at least we've not thought that it's prudent for us to do that. So, I thought I'll just table that. Even in our largest market by volume, we sell 60% or thereabouts in Maharashtra market and as we know, that's our most important market. There again, I think the major growth in demand continues to come from what we call the B2B, the non-trade segment and they largely buy OPC cement. And in that market, again, because the growth is coming from infra, we have actually been growing well.

The only problem that is there is that in that state also in B2C there has been degrowth. So B2C sales degrowing is a worrying sign for us because that means not just the segment change, it also means the product mix change and that keeps getting adverse and when you sell so much more OPC, what the pressure it creates on the companies. So that was a little bit qualitative feedback or inputs on the volumes that we have. But, overall volumes as you people would have seen, we ended up at 13.92 lakh tons, a degrowth of 3% over last year and 2% over the previous quarter. YTD, as I mentioned, the sales have been 44 lakh tons and up about 9% over last year YTD, again as I mentioned in line with the industry.

The pressure of, let's say, demand growth that we've seen coming from the B2B sales has resulted in our total B2B sales in this quarter actually going up to as high as 56% which is something that we would like to correct as Telangana consumer demand picks up and as Maharashtra consumer demand picks up. We hope even if it doesn't happen in this current quarter but sooner than later, I think this trend needs to reverse. But this is not a trend that we would like to pursue. But as of now, in Q3 we had 56% of our volumes coming from B2B.

As a product mix, our OPC that is unblended cement versus blended cement has reached a high of 50% in the quarter. Because all of you remain a little bit curious about how that breakup is. So non-trade 56%, OPC 50%, balance obviously is our trade sales.

In all this, I think the good news is the consistently growing share of our premium brands and we now comfortably crossing 20%, 21%-22% in that range, we are selling our premium cements including initially it covered only StrongCrete now, Orient Green is beginning to chip in and the Dolphin is still to, like I said, find volumes worth mentioning, but any consumer who's actually used our Dolphin brand, they are actually the people start with only the basement or only the roofings slowly gradually start coming back for the other uses also. So, that product again is being received exceedingly well by the user customers and as happened with StrongCrete and as happened with Orient Green, basically, we rely on word of mouth from our existing users to build our market share, exactly the same strategy that we've had from the day we introduced the first premium brand which is StrongCrete. So we will go slow, but go steady and keep charging the price that we believe our product actually deserves. As a result of that despite as I mentioned the degrowth in volumes, if we say our revenue, they actually improved; we are 3% higher year-on-year and 4% higher quarter-on-quarter which is as I said the higher blended realizations coming in because of premium cements helping us a lot.

As I mentioned earlier, realization was Rs. 5400 per ton in this quarter is 5% up year-on-year and 7% quarter-on-quarter which I think is a very strong evidence that the strategy that we're following is of premiumization and actually being in the league of the A-category brand, it's working and we're happy to be there, it's taken us many years of effort and commitment and some sacrifices, but we are glad it's working out for us. And I don't need to call it out, but still YTD net sales at 2,292 crores are 11% up year-on-year against as I mentioned, volume of 9%, balance is coming from price premium.

To certain extent. I must acknowledge while our premium products have helped, there also in the Q3 for about five-odd weeks, getting close to six weeks, there was a little bit of pickup in prices initially in this quarter which in the second half of the quarter just disappeared and we ended the quarter with prices going back to what they were at the end of September. But for a part of the quarter, there were somewhat higher prices. They definitely helped us. They look at better realization in the quarter. EBITDA as I mentioned is 28% higher than previous year and on YTD basis Rs.309 crores, is 33% up, which is good news given the scenario that we have in the industry. EBITDA per ton at about Rs.840, is up about Rs.200 over last year and about Rs.220 over the preceding quarter, which is again helping our bottom line. Besides the slightly improved prices in part of the quarter and also as I mentioned the increasing contribution from our premium brands, the other elements which have worked in our favor are the way we have benefited from the waste heat recovery plant that we had set up. It is still not 100% operational, but with the 80% which we had called phase-I with that itself which got commissioned during the quarter… it didn't work for the full quarter. We're actually beginning to see the benefit of over Rs.4 crores per month. And I think when we have the balance 20% power also coming, which is from pre-heater section, the work is in advanced stages and we should be commissioning that soon. But I believe that from at least next quarter, the benefit that we see from waste heat recovery itself should be around Rs.5 crores per month and a total volume that would typically end up doing between 5 lakh and 5.5 lakh tons, it would be close to Rs.100 a ton. But in this quarter itself, the waste recovery impact for the whole quarter has given us a benefit of Rs.56 a ton when the plant was neither in use for the full quarter nor like I said, worked at 100% capacity. And here again, if I look up for the good news is that with 80% completion, what the assumed generation was, we actually are having generation from our waste heat recovery which is higher than what the guaranteed generation from the vendors was. So, what has been completed is doing well. We are quite sure that, even the pre-heater section when it's completed and commissioned soon, we will keep getting this significant benefit that we have told the shareholders, but the benefit is proving to be a little higher than what we had perhaps conveyed to all the analysts and shareholders.

Power and Fuel Costs: They are down by Rs.157 per ton year-on-year and about Rs.87.00 from Q2 because prices have been softening in the meantime, so the costs here.

The important thing to remember here is at Rs.14 and Rs.20 per ton that we are quoting here, it certainly has the impact of much higher proportion of OPC than we are used to. Typically, we used to have 40% OPC, now, we come to 50%. So, every percentage point higher in OPC consumption does mean that we are using less of additives which means there is more clinker going per ton of cement, which means more fuel going into that. And that obviously impacts our total cost… even grinding of clinker is more because when you're adding between 30%, 35% of fly ash, obviously, the grinding power and that part is so much lower, but when you're using only about 4% which is as per the standards, then obviously the grinding cost along with the clinker making cost goes up. So, that's pushing the per ton fuel cost slightly on the higher side despite the fact that our fuel has actually benefited us, our waste heat recovery plant is benefiting us, but still we would like to see it more competitive. Anybody who has and thankfully when we see the results of competition, people who have the luxury of about 80% of PPC cement, obviously, the power and fuel costs tend to be lower. Let's say, if we actually did apple-to-apple comparison and looked at ours what is my cost of producing one ton of OPC or one ton of PPC, I think we are still very competitive. But the product mix right now doesn't make us look the lowest power and fuel cost which we have had in many quarters. So, this like I mentioned, currently is our compulsion. We are taking it. But as we move forward we're hoping that this trend will change when we come back to the PPC also having its fair share in our product mix as we move forward.

The other initiative which we've been talking about and which has helped our power and fuel costs is our thrust on the alternative fuels. And these AFRs as all of you are aware, they are nothing but the waste of other industries. So, with the effort that's been going on and I think quarter-after-quarter, we've been increasing the percentage of AFR in our fuel mix. As a result, I'm happy to announce that in Q3 actually on a volumetric basis, we consumed as well as 25% of our total fuel coming from AFR.

On TSR basis, it's a little bit more modest that… because AFR obviously doesn't have as many calories as the traditional fuel has. So, if you go by TSR, basically it's 17%, we've never been in this range before, and we will like to continue this trend and keep increasing the usage of AFR as we go forward. Not just AFR, even besides the waste heat recovery plant that I've already mentioned, currently about 50% of our power requirement at our Jalgaon grinding unit is actually coming from solar, which is the renewable power. And the further investments that we have, which should be available to us in the next maybe a quarter and a half both at Jalgaon and also at our Chittapur, Karnataka plants, that will further give us more renewable power giving us more savings. But currently we have reached in Q3 25% of our total power consumption coming from renewables, including waste heat recovery and solar at Jalgaon, which should go up significantly once we commission the solar capacity which is under construction at the two locations as I mentioned.

In terms of state mix, I mean all of you do know that West is about 64% for us now, South is at 27%, which used to be closer to 29%, 30%, it's dropped a little, and the balance is being made up by the central India, Madhya Pradesh and some markets around that.

Always I think it's interesting to share when we talk about on a blended basis, there's so much high OPC in our system. Despite that in Q3, our power consumption per unit is I think at a low of 63 units, which most of the industry players will confirm is a very, very good place to have especially when you are selling 50% OPC.

Heat consumption similarly per ton of clinker is 687. Again, it continues to be one of the best… I'm giving you blended for the whole Company. Obviously, the near Karnataka plant works significantly better than that. So it's a blended number I'm sharing with you.

Power cost is one element in the whole thing which is coming down because of waste heat recovery. Although the CPP coal continues to be expensive… CPP is our captive power coal, despite that, we've been able to sort of lower our power cost, but on fuel cost, again, it's down from last year on a complete per ton cement basis which I've already given the total power and fuel.

In terms of coal or fuel prices, the domestic coal that we source from Singareni Collieries as you know it's a public sector body, I think there the coal prices thankfully in this quarter have been flattish year-over-year, there's no further increase and also sequentially. They've been little stable now for a change. And I think that's pressure coming with the pet coke prices have come down significantly. And therefore, I think coal in India has to somewhere remain competitive.

The pet coke cost, which we largely use at Chittapur, actually the cost, is down by about 10% over last year and about 6% sequentially over the previous quarter. I know these questions have been coming so I am including that in my briefing right at the start.

Blended cost of fuel, I'm talking about in rupees million kilocalories. Blended includes my coal pet coke, AFRs, whatever we're burning in our kilns. At our Devapur, Telangana plant, it's flat at about 1,800 sequentially, but it's down, including the AFR when I'm saying that including the AFR blended cost is down about 12% over last year for our Devapur plant. And at our Chittapur plant, where the main fuel is pet coke, there also sequentially it's down about 7% and about 12% lower year-on-year. So, there is obviously the benefit of AFR and somewhat benign pricing on pet coke is being translated into better margins for us.

In terms of total fuel mix, the indigenous coal is about 42%, pet coke is at 41% and balance as I did mentioned to you about 17%. All these are on Thermal Substitution Rate, (TSR) basis, 17% AFR.

One pressure point for us definitely has been our freight costs, which I think on a per ton basis when they look higher by about 4.5% and also 8% quarter-on-quarter. Two factors:

- One, as I already mentioned, because of the loss of momentum in Telangana, which is our closest market basically. When we are still sort of in a way making up for volumes elsewhere which are lost in Telangana over the previous periods, it means we are having to reach out to market they are slightly farther away, more volumes in markets which are somewhat farther than what the Telangana markets are. So that is one factor.
- Secondly, is that when I'm saying B2B projects. Whether in Mumbai or in Pune area, most of that is going in bulkers, and as we know the per ton, per kilometer cost of transportation of bulker is higher, and bulk cement in Q3 for us has been as high as 40%. So, that's the second pressure point in terms of freight cost being higher.
- And the third obviously is the typical lean season discount that was available from railways, that has not been available in Q3. So, that is the third factor which has impacted our freight cost. Given I would say the withdrawal of the lean season discount and also the bulker demand, the rail dispatches in this particular quarter have actually fallen from about 15% to 14%.

So those are, I would say, some highlights of what the numbers for the quarter are. Like I said, we keep drawing satisfactions from the fact that our strategies of premiumization is working well, consumers love our products and they're willing to pay the price that we're charging for it. And also in terms of I would say the ability to sell OPC so much higher have higher costs, but still being able to improve our bottom line is something which again is the part of our operating model which is working well for us. So that's on the operations.

A quick word I will also have on where our expansion plans are. I'm very conscious of the fact and the number of times we talked about, when the capacities we put up, how they'll come down and every time we have not been able to keep up with the date that we have announced. And largely I have been reporting that it's been due to delays in our being able to get the necessary regulatory approvals. In this quarter, there have been significant progress on almost all the four projects I would say that we've been telling you about. As we speak, one of the things that we have is our Chittapur plant expansion, which I have been mentioning, that will be our first project to take up on for expansion.

The public hearing, which is a precursor to the environment clearance has been scheduled, the public notice has been issued for 17th of February. So, on 17th February we'll have both the public hearings for the production capacity and also for mining. So that happens on 17th February. Post that, obviously, the environment clearance process really picks up speed because the process before the public hearing is a lot more cumbersome that we've been through.

On the Telangana Devapur plant expansion line-IV, I had been making again a very clear let's say communication that we would want our grinding unit to be parallely available before we add more capacity at Devapur. The good news there is that you might have seen part of our release to the stock exchanges yesterday. Earlier, we were not disclosing the name of the location. So, today it's official; it's the Madhya Pradesh state electricity generating company. They have a power plant in Satpura range and the name of the village if you want to call it is Sarni. So at that place, they have approved our let's say proposal to put up a grinding unit on their premises, it will have, they will provide us land, they are giving us use of railway siding and they will also be providing us fly ash at a fairly competitive cost. So, all those things they have approved. Only one or two I would say there are minor additions or modifications they have made in our condition in terms of landed cost of fly ash. They stipulated an amount which is higher than what we had stated. And something to do with space for people to live there, colonies or things like that. While they have made those changes, we've not accepted what they stipulated as a conditional approval, we are in touch with them to basically negotiate to the extent the room is available for us, which we should be able to tie up very, very soon. So, I'm for the first time letting you know that the new grinding unit, which will support line-IV at Devapur is now very close to being signed up. If I accept their conditions, it's ready now. Yesterday at the board level, we discussed the whole thing and we believe there's some room for negotiation. We're going to try our best, and post that negotiation, we'll close it and get on with the activities there. So, that gives me the encouragement to now come back to track for line-IV at Devapur also. Again, for which the public hearing for mines has been scheduled for… actually, that's before, on 15th of February. But this Sarni site means that very quickly we'll go through certain formalities that close the deal with the Madhya Pradesh electric generating Company and thereafter start the process for environment clearance for Sarni also. So that sort of ties up multiple loose ends which have been hanging there for quite a while.

And as luck would have it, even the last fourth I said the expansion of capacity, Rajasthan mines for which the government orders have been passed, but the required deed was not being executed for some technical reasons, that finally that deed also has, so, we have now valid signed lease deed for our Rajasthan mines also which will now allow us to start making acquisitions of the land that we do.

So all four expansion plans have gained momentum in one quarter which is good for us because so many times we've said we'll do it and we have not be able to deliver on the dates.

Exact schedule now, based on how the public hearing goes in the next two weeks as I mentioned and how the files move from there, I'm not announcing the exact part of the activity once again and once again going wrong. In a few weeks maybe the moment we have clarity, we'll come back to all of you through whatever forum when exactly we will complete the expansion plans, but all four of them are on. It's just sequencing of them when to start one, when you taper off one and start the second one, those kind of things will perhaps take a few weeks internally and our long term plan for that perspective is under process. So, let me firm it up a little bit and only then communicate that to you. So that's good news on the on the expansion plans.

I personally don't think there's much left for me to add more to the initial briefing. So I'll stop here and open the floor for the questions. Thank you very much for your patience.

Moderator: We will now begin the question-and-answer session. First question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: So want to get a sense about how big is Telangana B2C market for you overall?

Shri Desh D. Khetrapal: Typically, we've been giving number for South India as a whole. State-wise, normally we refrain from giving. But South India as a whole for us does 30%, bulk of it come from Telangana.

Keshav Lahoti: And as you highlighted, the September to December prices are similar, how are the pricing trend in January?

Shri Desh D. Khetrapal: January, I'm sure you're talking to many other companies also. It's a difficult time for the industry because typically in the last quarter the momentum we should have seen in January which sets up the entire quarter very, very well, that momentum frankly has been missing not just in January, from December itself. That's why I told you the YTD figures of DPIIT also tell you that till November end, the growth was around 10% and by the time the quarter ended, it came down to 9%. So obviously, December was slow, January again has been a little slow, and pricing as we speak have actually stayed at the exit levels of December I would say.

Keshav Lahoti: Is it possible to give fuel cost in terms of INR per kCal?

Shri Desh D. Khetrapal: I'm just giving you the movement. At Devapur, on blended basis -

Keshav Lahoti: Company blended level will also do.

Shri Desh D. Khetrapal: At Devapur we have about 1,800 and at Chittapur it's around it's little under 2,000. So blended perhaps will come to more around a little under 1,900. I don't have the straight number with me, but I'm just being a mental calculation weighted average. So ballpark is about 1,900… a little less maybe.

Keshav Lahoti: In the last call, you have highlighted that you will reach premium share to 25% by FY'24 end. So do you think is it achievable or it might be with a lag of a quarter or two?

Shri Desh D. Khetrapal: Like 25%, FY' 25 was always going to be difficult, but yes, we are working on that, we're already around 22% or thereabouts. So, for all you know, I mean, one of the things that needs to happen is that, see, the premium cement is all at the B2C market and momentum in B2C market, if Telangana consumer market picks up and goes, I think we'll be able to hit 25%, but without Telangana B2C market supporting us it is bit of a challenge.

Keshav Lahoti: Lead distance for the quarter?

Shri Desh D. Khetrapal: Maybe they've gone up by about 10, 11 kilometers more than what we had on an average, perhaps a little over 300 that we keep saying, so that 305 may have become 315 thereabouts.

Moderator: Next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: My question is if you could share what is the net cash level? I believe it could be net cash at this point as on 31st December.

Shri Desh D. Khetrapal: Honestly, we are not keeping much in cash form. I think I need to give you the debt numbers which have actually come down. Sorry, somewhere got left out in my briefing. The total loan that we've had against the Chittapur construction when we started that, that entire loan by now as we speak is almost liquidated completely. We had the return period up to 2030. As we speak today, there were about 37 crores left at the end of 31st December, that's been repaid in January itself… by now it's already repaid. Total borrowings as of now would be perhaps more around 150 crores and that's about it, which includes my working capital. So rather than keeping cash in hand, we've actually reduced our borrowing so that when we are going to banks with the new expansion plans we have a debt-free balance sheet.

Sumangal Nevatia: Any sort of volume guidance you would like to give for overall FY'24, which now is just left for the fourth quarter and '25 as well?

Shri Desh D. Khetrapal: As far as Q4 and rather FY'24 is concerned, as you know, we've done just about 4.4 mt till end of December. We comfortably do about 1.8 mt in Q4, although January has not supported that, but we're still not giving up our expectations, our hope, and our efforts. We try to do more than 1.8 mt, in which case we'll end up at about 6.2 mt or thereabouts for FY'24. I think the lack of momentum it is difficult, but my own guess is that as the elections get over, in Q1, when the election is happening at that time, demand does slow down. And from all indications that we are seeing that there may not be any kind of de-stability at the political level, national level. We believe that if not earlier post-election, the momentum should pick up and typically what we talk about, I think everybody in the industry would assume that if strong government is at the center without any dislocation, a growth of 10%, 11% is a given. And sort of rather promising anything more than the rest of the industry, if you ask me, so honestly we should get something more because Telangana should pick up at some point in time. In which case we might do somewhat better than the national average, but largely would like to stay with the, not behind the national average.

Sumangal Nevatia: So just last set of questions on the expansion. So, we should start the land acquisition at Rajasthan in a couple of months once this -?

Shri Desh D. Khetrapal: Yes, yes, we will start because as I told you, till you get the mining lease, you're never sure, with the government, you never take anything for granted. So that activity of land acquisition would start soon and obviously we will go in phases trying to acquire first the land which is needed for putting up the plant because that's an 18 to 21 months kind of activity to put on the plant itself, so we need to have that. And the last one I was saying that from the time we start acquiring land till we get into some kind of a position to start the activity, the investment there would be ballpark of about 100 crores for acquisition of land there and then we'll keep coming back. But yes, you're right. For Rajasthan, we will start acquiring land. That's a time consuming process and we are conscious of that.

Sumangal Nevatia: Are we looking to parallelly expand Chittapur and Devapur or is it one will kind of happen first and then the second?

Shri Desh D. Khetrapal: Honestly. I personally think that picking up two clinker line at the same time may test our bandwidth. That's a very honest acknowledgment of our size of the Company. Don't take this as this is a final guidance, but as I think about it, I think Chittapur should happen now. As I mentioned to you, there the demand is a lot more than what we can meet. My own guess is I think we should be able to start Sarni somewhere in parallel, the grinding unit, for which we have clinker available at Devapur, right. And as we sort of in a way complete the putting up the expansion project in Chittapur and Sarni, in the meantime Devapur sometime in the middle can start. It will be a little bit of overlap, but not parallel.

Moderator: Next question is from the line of Krisha Kansara from Molecule Ventures. Please go ahead.

Krisha Kansara: Sir, I just have two questions. You said that volumes were down in this quarter. So, can you please guide us on the percentage loss that is on the volume side sequentially as well as on YoY basis?

Shri Desh D. Khetrapal: We were down 3% over last year and 2% sequentially.

Krisha Kansara: Sir, second is not a question, I just want to confirm the EBITDA per ton figure that you mentioned in your opening remarks. It was 840, correct?

Shri Desh D. Khetrapal: Yes, that's right.

Moderator: Next question is from the line of Uttam Kumar Srimal from Axis Securities Limited. Please go ahead.

Uttam Kumar Srimal: Sir, my question pertains to CAPEX guidance for FY'24 and FY'25. Since mostly in FY25, we will be doing the expansion plan as mentioned by you. So what would be our CAPEX guidance? And how much debt we are going to take for this coming expansion?

Shri Desh D. Khetrapal: As I did mention in my briefing, I have sought some time from all of you, maybe just a few weeks. We are actually preparing our own plan. Now, that the clarity is emerging about the public hearing. Just give us a short while. Let me not again throw some number at you. I want to have a little better… the public hearing getting completed, the files moving and then when it's all a function of when can I start the activity. Total as you know at Chittapur our expansion costs are going to be in the ballpark in the region of 1,500 crores. That's known to us, right? What I mentioned just now was also maybe Sarni can start coming somewhere in parallel if we can get environment clearance quickly inside the power plant. So hopefully it should be easier. That cost will be a ballpark again, about Rs.500 crores and our grinding unit will cost that much. So out of that 1,500 crores at Chittapur how much will get spent in FY'24 and FY'25, that split is not there… but in FY'24, nothing is going to happen there, I'm talking more about FY'25 and '26, right, in which we would like to complete Chittapur for sure and also bulk of the Sarni split grinding unit. Total cost of 2,000 crores between FY'25 and '26, the split is something I would know only when I start the actual processing. I am ready to start construction now. The ballpark is for these two projects. I think my current estimate is we will spend about 2,000 crores between the two years FY'25 and FY'26.

Uttam Kumar Srimal: This Rajasthan grinding capacity will be around 3 mt or 2 mt?

Shri Desh D. Khetrapal: Grinding at Chittapur is going to be 3 mt, which is integrated clinker and grinding, and Sarni will be split grinding unit where we will be putting a 2 mt grinding unit.

Uttam Kumar Srimal: No Sir. I am asking for Rajasthan, where you were trying for like -

Shri Desh D. Khetrapal: In Rajasthan, our current calculation tells us based on the reserves and based on life that we want as the plant of around 40 years plus, which we are currently working on with the assumption of about 3.2 mt at Rajasthan.

Moderator: Next question is from the line of Parth Bhavsar from Investec. Please go ahead.

Parth Bhavsar: I have like two questions. So right now we can see that your share of B2B sales is quite high. So can we say that this is because of the election time in Telangana? And do we see this improving going ahead?

Shri Desh D. Khetrapal: B2C demand in Telangana or any other places, it's basically how is the consumer demand across industries. Because I do handle another consumer Company and anybody I'm talking to any business today, consumer demand, especially in the rural, semi-urban sector has been very soft. The moment the rest of the economy picks up in Telangana or elsewhere, we will start seeing more B2C demand coming. That's always been the norm, right. Currently, because the B2C demand is not there, it's largely B2B spending or B2B spending which is carrying the demand forward. As a result, the percentages are looking a little distorted from normal. But, as the consumer demand starts picking up, our B2B business also will pick up.

Parth Bhavsar: So, this is not an election phenomena, right?

Shri Desh D. Khetrapal: Election partly. One quarter can be election, right? But overall, if you look at it across India, if you've been noticing consumables, whether durables or otherwise, everybody is telling you that the consumer demand is soft. I think that's the known fact to everyone. That is on top of Telangana going to election.

Parth Bhavsar: So what would we target like we would bring this B2B sales back to like, the target would be 45%?

Shri Desh D. Khetrapal: Our ideal mix that we worked in the past is about 60% B2C and 40% or under B2B. We are not able to go to 20%, 25% like some other players for whose markets are different. In the markets that we operate where Maharashtra, Mumbai and Pune will remain large market. I think our sweet spot will be B2C sales being less than 40%.

Parth Bhavsar: So Sir, like once this improves like we do expect we can see like some good improvement on power and fuel cost and freight cost, right, on the back of this?

Shri Desh D. Khetrapal: Yes, obviously the more blended cement that you can sell, the less the power and fuel cost, which is a simple process of manufacturing.

Moderator: Next question is from the line of Raghav Maheshwari from AMSEC. Please go ahead.

Raghav Maheshwari: My question is particularly on the demand side. Last quarter, we have reported almost 3% demand degrowth. So, how has the industry grown and degrown particularly in area of our operation, particularly Karnataka, Telangana and the part of Maharashtra where we are operating?

Shri Desh D. Khetrapal: Look, unfortunately no official confirmed data available with anyone on statewise basis, nobody collates data like that. So it's very difficult for me to hazard a guess and tell you. Overall, we know that it's been low and I've also mentioned this, besides the demand being low, people have come under volume pressure and they've been pushing more volume at lower prices. So, maybe some of them at much lower prices have sold a little more than what the market would have needed for sure. But there is no reliable data available with anyone on demand on months-to-months or quarter-to-quarter basis in every state unfortunately.

Raghav Maheshwari: Second is for the proposed MP grinding unit. Is our current limestone availability facility available at Telangana particularly, is it sufficient to serve this grinding unit or we need particularly a new line to serve clinker line for this grinding unit?

Shri Desh D. Khetrapal: For the time being, we'll have some spare clinker at Devapur, but line-IV at Telangana, Devapur plant, I've always maintained would actually need a split grinding unit. That's why I did not start line-IV earlier. So, the Sarni grinding unit in Madhya Pradesh would need finally to add capacity at Devapur also in Telangana. But if it's a question of few quarters, can Devapur spare some clinker, yes it can. That's why I said that maybe I start doing Sarni before I put up line-IV in Telangana. It's just to manage our bandwidth and manage our resources, because ultimately we have a certain size of balance sheet, we have certain size of the cash flows that come in. So taking up our two clinkerization units simultaneously, I think we have just going to overstretch ourselves and I don't think we would like to do it.

Raghav Maheshwari: And sir, what is the status of the EC and FC for the Telangana and EC for Chittapur, it's in our hand or we had applied.

Shri Desh D. Khetrapal: If you heard me earlier what I was saying, the public hearing being scheduled are at both places in February. Without public hearing, you do not get the EC, it's simple. EC can't be in hand, if we still to do public hearing.

Raghav Maheshwari: And same case with the FC also?

Shri Desh D. Khetrapal: No, forest clearance is happening in parallel, which is a separate process which again is going at a good pace, only anxiety right now is that earlier it got delayed by a couple of months because there were state government election in Telangana, because the file has to move from Telangana. Now, in Telangana state, after the election, the file has started moving. My fear is by the time it reaches center, center may announce election, they will go under model code of conduct. These are the hazards when you have to move from state government to central government. So by now if Telangana elections were not there, a file should have been through in Telangana government. But unfortunately, not only the election happened, the government changed. So, obviously things are slower right now, they are resetting the administration, the officials are being shunted, all ministers have not been appointed. But despite that, the file has moved well in the forest departments in Telangana. And my own guess is that fairly soon it should be ready to move to center because it has to move from state government to central government. If it happens, let's say, all of us today, mentally, we need to be prepared that in about a month's time, the central government elections may be announced, right? And now that is my anxiety the biggest anxiety about forest clearance is will it cost me another two or three months because our file has not reached center before the election announcement, so that's a bit of a worry right now, yes. But like I said, there is no immediate crisis in terms of either availability of limestone or carrying on our manufacturing in Telangana. Two, three months delay I would have wanted not to have it, but not that it's going to impact our operations.

Moderator: We take the last question from the line of Vaibhav Jain, an individual investor. Please go ahead.

Vaibhav Jain: I just wanted to know for this Rajasthan 3.2 mt. What would be our CAPEX estimate?

Shri Desh D. Khetrapal: Quite honestly, I personally don't see that construction activity happening for at least three years in Rajasthan. We just acquired land and get ready with it. But when it's ready for us, it's a Greenfield site, 3 mt capacity to my mind will cost us about rs.2,500, 2,600 crore based on today's information. In three years' time, things might change a little bit. But if you ask me today, today, we know the equivalent prices and everything. Ballpark is about 2,500, 2,600 crores that much.

Vaibhav Jain: Regarding the realization per ton and EBITDA per ton, can you give us the split between what is the realization and EBITDA per ton for OPC and PPC?

Shri Desh D. Khetrapal: No, no, I will not share that. It's a blended data that we're sharing with you. Nobody shares separately for OPC and PPC. Because then I have to give every detail that is not in public domain.

Moderator: The last question is from the line of Surya Narayan from Sunidhi Securities. Please go ahead.

Surya Narayan: So, what is the CAPEX for FY'25 with Chittapur and forest clearance, everything put together, and for FY'26?

Shri Desh D. Khetrapal: As I mentioned just five minutes ago to another question, currently I'm indicating to you our CAPEX between now and FY'26 which will be close to 2,000 crores. Exact split between FY'25 and '26 will depend on when I get my environment clearance in hand because only then I can start contemplating with the erection, right? So, in the absence of that, it will move based on when the environment clearance to become available. Total CAPEX in these two for expansion in FY'25 and '26 total I can indicate Rs.2,000 crores.

Surya Narayan: How much debt could be planned to come in?

Shri Desh D. Khetrapal: Look, largely what we would want to keep using is all the cash flows that we generate. We do not keep, historically, we've never kept cash in hand. We'll keep using our cash flows to fund these projects. To my mind, I think debt in the next two years if we are doing a Rs.2,000 crore CAPEX, perhaps about Rs.1,200 crores, thereabouts. It will keep getting fine-tuned as we go, but ballpark you can assume about Rs.1,200 crores.

Moderator: As there are no further questions, I would now like to hand the conference over to management for closing comments.

Shri Desh D. Khetrapal: Thank you. Closing comments are nothing more than my usual, just my appreciation and thanks to all of you who come and attend our conference and ask some very good, interesting questions and make us think harder about the way we run our business. Thank you for your patience. Thank you for all the support that you keep giving us. Grateful to you. Thank you very much.

Moderator: Thank you, On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.