





Ambuja Cements, ACC Ltd, Orient Cement and Sanghi Industries

Q3 FY '26 Earnings Call

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MANAGEMENT	
	
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MODERATOR	
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Moderator: Ladies and gentlemen, good day, and welcome to Ambuja Cements Limited Q3 FY '26 Earnings Conference Call hosted by Antique Stockbroking. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Krupal Maniar from Antique Stockbroking. Thank you, and over to you.

Krupal Maniar: Thank you, Iqra. Good evening, and a warm welcome to everyone. On behalf of Antique Stockbroking, we welcome you all to the third quarter FY '26 earnings call of Ambuja Cements Limited.

I will now hand over the call to Mr. Deepak Balwani, Head of Investor Relations. Thanks, and over to you, sir.

Deepak Balwani: Thank you. On behalf of Ambuja Cements, I'm pleased to welcome all the participants to our quarter 3 FY '26 earnings call. Ambuja Cements Limited is part of the diversified Adani portfolio and the world's ninth largest building material solutions company. Before we start, please note that this call may include forward-looking statements based on our current beliefs and expectations. These are not guarantees of future performance and may involve unforeseen risks and uncertainty.

We are pleased to have with us on the call Mr. Vinod Bahety, Chief Executive Officer; and Mr. Rohit Soni, Chief Financial Officer. Now I invite Mr. Vinod Bahety to provide his valuable insights on the quarterly performance.

Vinod Bahety: Thank you, Deepak. Good evening, and a warm welcome to everyone joining us for the third quarter results of FY '26. This has been our decisive and strategically important quarter for Ambuja Cements. We delivered industry-leading performance, growing our volumes at 2x the industry average. This was supported by stronger market execution, improved availability across both trade and non-trade channels and higher base capacity utilization.

Our actions on premiumization and mix improvement helped us capture significantly higher market share, better realization than the peers and thereby reinforcing our leadership position.

The operating environment remained favorable throughout the quarter. Cement demand growth was driven by infrastructure activity, sustained housing demand and a recovery in the rural construction after a favorable monsoon. Our defining development this quarter has been the proposed amalgamation of ACC and Orient Cement with Ambuja Cements. This marks the beginning of a unified One Cement Platform that will accelerate our growth trajectory, support EBITDA expansion, strengthen operational excellence leverage, improve logistics density and enhance capital efficiency.

We see this driving long-term value creation over the next 24 to 36 months. Regulatory approvals are progressing quite well. We are seeing an early operational success across the acquired assets, the capacity utilization for the quarter improved meaningfully for the acquired assets at 58%, improvement of 21% compared to the previous -- to the last year Y-on-Y, which was at 37%. Utilization had further improved -- the exit of December, by the way, is 65%, although my quarter average is 58% for the acquired assets, but the exit is at 65%. And we are confident and looking forward to achieve almost 80% on these acquired assets.

These outcomes reflect disciplined execution of our integration and optimization playbook. Pricing has entered January on firmer ground as we are seeing a similar uptick in price in January, along with double-digit volume growth. Southern markets are leading increases in the range of INR15 to INR20 for non-trade, while the Northern market has witnessed price increase in the range of INR5 to INR10 in non-trade range. Importantly, these hikes have helped making a departure from the rollback-prone patterns of the previous years. With a comprehensive focus on value and market share, realizations improved INR5 per bag as compared to last year.

Trade pricing continues to outperform non-trade with gaps widening up to INR31 per bag as non-trade remains more sensitive to the infra-led offtake and seasonal disruptions. On capacity, we commissioned 2.4 million tons of Marwar Grinding Unit ahead of the schedule. With this addition, our total capacity now stands at 109 million tons per annum. We were looking earlier at 120 million tons in FY '26. 2 million tons of Sindri and Jamul has also been included here in addition to our 118 million tons of target, but the Warisaliganj commissioning is now scheduled for first quarter of '27.

So there is a delay of 3 months in Warisaliganj such that now we will be exiting March at 115 million tons as compared to earlier 118 million tons. Alongside this, we are unlocking an additional 15 million tons of debottlenecking capacity at lower capex cost. These initiatives will provide a clear and capital-efficient pathway to reach our aim of hitting 155 million tons by March of '28, which will position us strongly for sustained growth.

Premiumization continues to be a powerful value driver for us. Premium cement volumes accounted for 35% of the trade sales. And in absolute terms, it increased 31% compared to last year, amongst the highest in the industry.

Ambuja Kawach and ACC Gold, they remain our blockbuster premium cement products under the super premium segment. And GST reduction only has helped in terms of shifting of the consumer preference towards the higher-quality performance-driven products.

Cost leadership remains a key strategic advantage, although I'm sure you have seen that in this quarter, my costs have gone up, and you would be keen to know about the reasons, but I can only give in more details when I come to the cost part. But we have delivered visible Y-o-Y reductions across the value chain. Kiln fuel cost declined by 6%, power cost reduced 15%, green power share increased by 15% to now 37% and logistics costs reduced by 1%. Our narrative on reaching INR3,650 per ton of cost by March '28 continues.

A little bit more on the cost so that while our December quarter comes at INR4,500 a ton as compared to our September quarter, it is almost INR250 hike. In the -- right in the beginning, I can highlight that these are like specific onetime expenses because my exit of December is below INR4,000 December month. So that this INR4,500, I would say, is an aberration of one of these initiatives. For example, the brand transition, the B2B and the B2C segment. As you know, that we have introduced and more larger amplification of Adani Cement brand.

We have also done a substantial overhauling of the assets of Sanghi, Penna, which has seen a significant capacity improvement. I must also tell you that Sanghi is now operating. The December month exit is almost at, for clinker, 80%; and for cement, 65%. Penna is also showing a very healthy improvement in the capacity utilization. There were 1 or 2 plants which had some unfortunate equipment failures and one of them was Tandur for the Penna and Jamul for ACC.

But these are like under now going to be operational very soon. So these are like expenditures which have come in terms of the quarter, but this will not be there for the March quarter. Therefore, exit of December already, as I said, we are below INR4,000 a ton.

Coming back to my commentary, our renewable energy footprint now stands at almost 900 megawatts, strengthening both sustainability and cost resilience. The real benefits of this 900-megawatt trends will come in coming quarters because many of this power as of now, I'm selling in the market because it will require certain approvals in terms of consumption at my site, but that will happen very soon. And therefore, the benefit will significantly come in the coming quarters. But the good thing is these assets are operational, and I'm able to sell this power in the market.

We expect to reach 1,122 megawatts by FY '27, providing this long-term insulation in terms of the energy price volatility. This green power, when I consume captively, as I said, it will significantly improve my overall power cost per unit. As of now, I can tell you it is almost closer to INR6.1 per unit (excluding green power sale). When I look at the competition, they have an advantage over there, but that advantage will sooner come to Adani Cement once this is fully operational and we are able to consume it.

Digital intelligence continues to be central to our operating model. We have launched CiNOC, Cement Intelligent Network Operations Center, which is AI-enabled central control system. Lots of applications, user interfaces, simplified apps and smart tabs have been given to our people. And I strongly believe that this will be a game changer and will bring substantial efficiency and productivity with power of analytics to the cement business. Both IT and OT will have a significant improvement.

Our ecosystem continues to deepen our execution advantage. We expanded engagement across the priority industry platforms. You are all aware of our engagement with CREDAI, BAI, NAREDCO, Institute of Town Planning, amongst many. These are like first of its kind institutional partnerships which we have initiated in the last 9 months, and they are giving us significant results. On-ground programs and brand activations continue to build trust in our product quality and services.

FutureX, which now engages almost 750-plus institutions. Some of you would know that we launched this program on 15th of September, which is turned out to be the largest industry academy initiative. Almost now it encompasses 1.3 million students, which will give us a significant advantage to bring the synergies of academia with the industry apart from getting the mind share and market share.

In terms of the consolidated financial performance, we delivered a strong performance this quarter, supported by higher volumes, improved realizations and discipline on the cost, although as I said, the December month has been a significant improvement and which will percolate down to March quarter as well.

We reported our highest ever quarterly sales volume at almost 18.9 million tons, up 17% and the market share improved to 16.6%. By the way, we have been giving a consistent double-digit volume growth for the last 9 months. So even if you look at my 9 months volume growth, it is in the range of almost 19%.

On a normalized basis, we achieved the highest quarterly revenue at INR10,277 crores in the third series of the year, Q3, up 20% supported by INR5 per bag improvement in realizations. I think you will find some of the industry players have seen a decline in the prices Y-on-Y, but our focus on market, our focus on premium cement, our focus on blended cement, and you will see more accelerated focus, it is now giving us a delta improvement in the realization, which in this case has improved by INR5 per bag Y-o-Y.

PAT for the quarter was INR378 crores, a jump of 258%. Again, for the sake of clarification, we have put the entire table on the one-off exceptional items so that PAT is apple-to-apple comparable. Unlike if you go with the reported numbers, you will find a steep fall, but that is incorrect because there are exceptional items sitting in terms of the income tax refunds and onetime of the items or the excise duty drawback for Himachal, which I have clarified in my IR deck also, in my reported numbers also in press release. So that is -- for apple-to-apple comparison, PAT is up 258%.

Operating EBITDA was INR1,353 crores, up 53%. And again, I've given a clarification that the Himachal excise drawback is a one-off item. Last time also, you all had suggested the same thing, INR826-odd crores. So when you remove that, my EBITDA is up 53% Y-o-Y and the per-metric-ton EBITDA is closer to INR718 per ton, up 31%.

I have given you some explanation of earlier when in second quarter, September, when my EBITDA was almost INR1,060 per ton, the delta of INR250 per ton ballpark, for example, is what I told you in the element of cost, which is slightly higher as compared to last quarter. But as I said, December exit is phenomenally below INR4,000.

The EBITDA performance was supported by Y-on-Y basis, 2% cost improvement. Kiln cost declined 6%. Of course, I can tell you that the kiln rate is better for me, but the kiln efficiency, I'm still -- when I look at some benchmarks, I'm still at 25 to 30 kilocalorie heat consumption higher, which is an area -- which is clearly earmarked for us to run down. Power cost reduced by 15% on back of the green power share, which is increased by almost 15% and my logistics

costs -- and there's a good scope for me to further reduce my logistics cost, but as of now, it is reduced by, say, 1%.

The diluted earnings per share for the quarter is INR0.82. Net worth is almost at INR70,000 crores; to be precise, INR69,854 crores, and it increased by the INR361 crores, which is equal to closer to the PAT, which we have made for the quarter. Company remains debt-free, CRISIL and CARE AAA stable and A1+ ratings, which are the highest in the country.

From the operational excellence trends, our operations have strengthened on back of disciplined execution, capacity expansion and network optimization. And in terms of the low capex logistics initiatives, which, for example, are on the track, some of them, for example, so we have already ordered the vessels, almost 7 of them, which will be delivered to us by somewhere like mid of '27. We also are working right now in terms of the EV for which we already have given some orders. So you will see more of this.

We also are putting the blenders at the plants. We are also debottlenecking on the logistics. We are also putting a sharp increase in terms of the production of the premium cement. So all of this, for example, will bring a substantial improvement in the overall, say, plant efficiency. By the way, we have substantially run down the SKUs, which used to be multiple SKUs from a plant, almost 30%, 40% of that efficiency has also been brought in.

On the digitalization, I have covered it, so I won't repeat more. But on the ESG and sustainability, this quarter marked another step forward in extending our climate and sustainability leadership, efficiency improvements from the modern assets, and by the way, more and more modern assets because this March quarter itself, we will have almost around 8 million tons of cement, which will be up and running and commissioned. So this efficient new assets will help to average out the overall efficiency factors. It will help me to bring down the lead distances.

As of now, I see that my lead is relatively higher compared to the -- some of the peers, but that is obviously in terms of the location advantage what others have since they have a number of GUs. But in my case, as we move up with new assets, it will come down. We accelerated our breakthrough on decarbonization pathways, while we have been the first in the universe in terms of the commercial scale installation of Coolbrooks RDH, which is RotoDynamic Heater technology for the kiln electrification. This will help me substantially to improve my AFR. As you know, that we are doing it in Boyareddypalli plant in Andhra.

Additionally, the Indo-Swedish carbon capture unit pilot project in partnership with IIT Bombay and the Government of Sweden is already in the process. And we have become the first Indian cement company to adopt the TNFD framework, bringing our nature-related disclosures in line with the global benchmark. So on the ESG front, friends, I can assure you that we are front runners, and we will not leave any stone unturned to achieve the ESG desired parameters.

On people, community and capability building, our organization is becoming younger. As I told you last time also, my plants are becoming younger. We are becoming more digital savvy, and we are more focusing on smart execution. Across the communities, we are expanding access to

future-ready skills through robotics, drone labs, rural KPOs, so on and so forth. I think so in terms of our community engagement, it is on a very strong footing.

And therefore, you will see more approvals coming on the -- at the various public hearings and all. Brand, customer and stakeholder engagement has been very strong. Our presence across the 29 high-impact industry platforms enabled us directly engage with more than 38,000 key stakeholders, including builders, developers, engineers, architects and policymakers, which I mentioned to, some of the CREDAI, BAI, NAREDCO so and so forth. It is giving us a direct interface.

Brand visibility remained widespread with outreach and activations touching over 300 million individuals across the cinema, OTT, digital so and so forth. I think so our team is very forward in terms of using the digital media. In terms of the technical services, which is the -- one of the key strengths of Adani Cement, and I have a very sizable team on technical services. We have strengthened considerably. What we call it as ACT, Adani Certified Technology site, which are like the houses which are built by our premium cement, this is growing every quarter.

And this quarter, we had almost 36,000 ACT sites. We have a network of 70,000-plus contractors, influencers. We have almost like taken 400 workshops and so on and so forth. So on the technical engagements also, we are on a very strong footing.

Now friends, on the last concluding for my opening speech in terms of industry, I'm very positive. I've been positive for last 4 quarters. When I -- at the beginning of this financial year, in the first quarter itself, I told I see a demand growth of almost 8%. And in between, there were headwinds of the war and monsoon and seasonal dynamics and so on and so forth, but you are seeing a strong revival coming back. And therefore, FY '26, I strongly believe the industry will close at almost 8% growth of demand, which resembles also like 1.1x of the GDP of almost 7.5%. So demand comes around 8%.

Exit of trend of December was robust and with demand strengthening from early December and carrying into January also, I mentioned to you that even in January, we have seen a good level of, say, price improvements, and we are also seeing a similar trend expected in February. So the overall revenue are going to improve. It is expected almost, as I said, 8% demand growth and almost 2% to 3% improvement -- another improvement in the quarter -- coming quarter, which will be a healthy finish for the year.

Against this backdrop, our R&D-backed customized cement solutions, you will hear it very soon that we are also doing some specific R&D-backed customized cements, and that is going to strengthen my value-added products of cement and thereby the weighted average realizations. Institutional demand is very healthy, but growing focus is on the blended cement which will consume lots of, say, fly ash or slag. So that is what, for example, will be a key driver for me.

Currently, my share of trade and non-trade is almost, 65% is trade and non-trade is 35%. Down the line, it will be moving towards 70%-30%. By the way, end of December, exit of December, we are seeing this trend of 67%-33%. And January already, we are at 70%-30%. So that is, for

example, what we are focusing more on the trade channels, which is going to give healthy kind of realizations.

Overall, strategies are working very well on the market-led leadership and the cost leadership is going to unfold in quarters to come as already started with December at almost below INR4,000. And I'm seeing the same trend, which will follow through in the March quarter. And needless to mention that all the benefits of AFR, WHRS, green power, new cement capacities gives me lots of confidence that our journey to achieve INR3,800 per ton of cost by March '27; INR3,650 by March '28, that conviction and confidence continues.

Thank you, although it was a little longer, but I thought I will go into more details, but now back to the moderator.

Moderator:

The first question is from the line of Navin Sahadeo from ICICI Securities.

Navin Sahadeo:

So 2 questions. One is on your volumes. So in the quarter, you have reported about 17% growth. But if I were to just exclude Orient from it, which you have reported -- I mean, first of all, congratulations for the transparent kind of entity-wise reporting, which helps us really understand and even pose this question in the first place. So congratulations on that.

My question was, if I exclude Orient, from the total volumes, then the volume growth comes to more like 6%. And even I'm assuming Penna would have ramped up. My question was that if the realization decline, as I see, is much less than peers. So is it that in Q3, we were focusing more on premiumization or on pricing or value versus volume and which is why we saw a slightly lesser growth in other regions, if I may think it that way? And how should one look at them incrementally going ahead about volumes ex of South from a market share and growth point of view?

Vinod Bahety:

Okay. So you had 2 questions. So Navin, you're through with your both the questions?

Navin Sahadeo:

Sorry. My second question then was on the renewable energy. So 898 out of 1,112 is already commissioned, which is nearly 80%. But in your opening comments, you also said that you're not able to utilize it fully pending approval. So you're selling it in the market.

So is it that this -- whatever you are selling in the market is -- how is that reported in the first place? And then what kind of savings -- by when can we expect and how much savings in the renewable space?

Vinod Bahety:

Okay, Navin. So let's come to the most important question is in terms of the volume growth. I think 17%, which includes all the entities Ambuja as a consol, right, Y-on-Y. So you're right that in the previous year quarter, Orient was not there. I can do the math. And Orient, if I exclude, that would come somewhere like 8%. And if I completely remove all the acquired assets and then if I go with the base capacities, Navin, that comes to -- in fact, that is a tad better than the industry, it comes to closer to around 6%, yes. Now -- which would mean the base capacities of Ambuja and ACC, right?

Now if you do a similar thing for other companies, you will find that those companies are at somewhere like 3% to 4%. I'm not naming anyone, but generally, like that is the trend, but we are actually better than that.

Second question -- so second point, you're right that in terms of the gear shift, of course, now the strong brand of Ambuja and ACC and now with the loaded power of Adani and therefore, now it's like Adani Ambuja, Adani ACC, our whole larger drive is to regain the market share on the trade side. So many companies will end up doing a larger share of volume because they will end up doing on the non-trade side and all. Our focus will be to regain the leadership position of Adani Cement on the trade side on back of the strong brand equity, what we have.

So therefore, forward-looking, I can say 70%-30%. I mentioned in my opening remarks, 65%-35% to now the exit of December 67%-33%. And then in March, already, although in the month of January, I'm seeing 70%-30% and gradually down the line, 75%-25%, for example. So that is like our wish list and are working to achieve. So that will definitely help me to improve my realization.

It will help me to penetrate more premiumization. And therefore, the NSP will be better than the industry peers. This is a clear earmarked strategy and which is played in the month of -- in the quarter of December.

And more so you will see it actively being played in the month of January as well as coming quarters, which also brings another point that the digital strength will help me more in direct engagement with the -- and simplified working with the dealers and therefore, the retailers and therefore, the end customer. Therefore, I'm very confident the whole logistics and the technology optimizers and the algorithms will help me on a speed of orders and all. So therefore, the blended cement and the trade will be a higher growth percentage.

Coming back to your question on the renewable energy. As of now, renewable energy, there are 2 factors. One is certain government approval. Second is also that my capacities when they come up and running. I told you like 8 million tons of the grinding units, then also the clinker in Bhatapara Line 3, the clinker in Maratha, which is expected in first quarter of the next year. Clinkering facilities obviously consumes more power.

So as things move forward and when my new capacities come fully operational, they will be able to draw more power. Pending that, therefore, you can say that I'm ahead in terms of power and therefore, I'm also able to sell those power in the market. And I have a combination of both wind power and solar power. As of now, this income of power, it resides under the other operating income in the P&L, yes. So that is how it is. If I net it off in my power cost, then it will be much lower. But from an accounting perspective, right now, third-party sale is residing under the other operating income.

Moderator:

The next question is from the line of Ritesh Shah from Investec.

Ritesh Shah:

A couple of questions. Sir, first is, how are we looking at the JP assets, which are now sitting at AEL? Would it make logical sense for Ambuja to digest it based on what the AEL decides upon? That's the first question, sir.

- Vinod Bahety:** Yes, you complete, Ritesh, and then I can -- in one time, I can...
- Ritesh Shah:** Yes, sir. And sir, second question is more on accounting. In ACC press release, we have written that plant maintenance from next fiscal will be amortized over 12 months. I just wanted to understand the rationale for it. And the other accounting-related question was in the notes to accounts, again, we have indicated that with respect to coal sales as other operating income, now basically, we net it off under power and fuel.
- In the earlier quarters, we have seen something similar for sales promotion expense. So just wanted to understand the thought process for the all 3 line items. One was maintenance, second is coal sales and third is promotion expense?
- Vinod Bahety:** Yes, Ritesh, thank you. Good observations. First, Ritesh, on the JP assets. Last time also, I think a similar question would have -- had come rather, and I said that AEL is a separately listed company, and it would be better that this question is asked to them. As of now, I will keep it on an arm's length basis. And therefore, I would say, no comment right now from Adani Cement from Ambuja on this.
- Second is in terms of the accounting of the plant maintenance -- this is very important, Ritesh, because otherwise, what happens is so far, as of now, the accounting has been done, for example, say, December quarter, the accounting results into distorted sometimes picture of a quarter because the cost gets booked on an actual basis when the maintenance happens. What now we want to bring it, which is more logically to all of you also that this amortization will happen over 12 months so that the quarters don't get distorted with the scheduled plant maintenances.
- Right now, the accounting policy has been to book it in the quarter when the maintenance activity actually happens, yes. So that is like a very proactive step so that all of you are able to then properly look at the quarter in a real sense.
- So far as your third question is in terms of the coal sales and the -- which is like whether it is netting off my other opex, I will just like want some details from my CFO.
- Rohit Soni:** Yes. So in ACC, because of the MSA, what we have between the One Cement Platform, so the coal sale which happens, earlier we were netting it off on the expenditure. Given the discussions which we had with our auditors, we have shown it as gross at both the ends. So that is going under the revenue from operations instead of netting it off on the power and fuel and the value was INR315 crores for the period.
- Ritesh Shah:** Sure. Sir, can I just squeeze in one more question?
- Vinod Bahety:** But again, Ritesh, I think the moot point here is I just want to again check that there is no impact...
- Rohit Soni:** Per se. It's only grossing up of...
- Vinod Bahety:** It is only the grossing up. No impact on the P&L item, right?
- Rohit Soni:** Absolutely.

- Vinod Bahety:** No impact on the EBITDA, right? So yes -- so Ritesh, over to you again.
- Ritesh Shah:** Yes. And sir, last question was basically, how should we understand the change in inventory on a sequential basis at Ambuja consol level?
- Vinod Bahety:** Change in inventory, like what is your question specific?
- Ritesh Shah:** It's moved from minus 381 to minus 84. The swing is quite substantial.
- Vinod Bahety:** Yes. So okay, Rohit, do you want to address that?
- Rohit Soni:** So Ritesh, if I can answer here. I mean, if you take quarter 2, that's where we have a big swing, and that's predominantly on account of the stock buildup, which happens in the quarter. That's the seasonality of the business, which is a low quarter sale from that perspective. So you'll have buildup on the cement stocks. You also have a buildup on the clinker stocks, which gets pushed out in quarter 3, quarter 4 and quarter 1, but it gets smoother now.
- So you see in this current quarter, we don't have much of it reflecting it. It's predominantly on buildup of the quarter 2, which we have. Otherwise, it's a seasonality which impacts. So there is nothing more to add out.
- Moderator:** The next question is from the line of Rahul Gupta from Morgan Stanley.
- Rahul Gupta:** My first question is, in the September quarter, you had mentioned that a majority of consolidation of Orient and Sanghi-related costs were largely behind. In fact, there was around INR42 per ton of maintenance-related cost in September, which should have subsided in this quarter. Can you help us understand what exactly is driving opex higher Q-on-Q? Any quantification over here would be helpful. And my another question is, by when can we expect clarity on the expansion? You gave us the 15 million ton debottlenecking breakdown, but what about the rest on your road map to 155 million ton?
- Rohit Soni:** So Rahul, I think if you go back to Slide #38, so while it captures broadly the overall phasing of the expansion plan, so FY '26 exit is 115 million tons -- actually, it is 117 million tons, but then I'm also going to do mothballing of 2 unviable and -- economically unviable units basically.
- So therefore, I'm seeing 115 million tons on a net basis. And then on top of it, the overall phasing of FY '27 and '28, that will cover balance almost -- so it will have a combination of both the new GUs and the debottlenecking also. Ballpark around 130 million tons to 132 million tons will come by exit of March '27 and the balance will then come to me at exit of March '28.
- Rahul Gupta:** No. What I was looking for was breakdown asset-wise. When can we expect details around that?
- Vinod Bahety:** Breakdown of the capacity or breakdown -- what breakdown?
- Rahul Gupta:** Yes.
- Vinod Bahety:** Capacity?

Rahul Gupta: Yes.

Vinod Bahety: Okay. That we can -- so as things first, let's achieve the end of March so that we are happy at, say, 118 million tons -- 117 million tons, sorry, and minus 2 million tons of the mothballing, so 115 million tons, for example, let's achieve that. Then as things progress, we will keep giving you further details because the blueprint is ready. But as things progress, we also want to go progressively with the quarters.

Rahul Gupta: Got it. And my -- the earlier question on opex.

Vinod Bahety: Sorry, earlier question was on cost of what? Of Penna and Sanghi?

Rohit Soni: Debottlenecking.

Vinod Bahety: Debottlenecking. I think in the last previous analyst call also, I told the debottlenecking comes below \$50. So I was at, say, \$48 per ton.

Rahul Gupta: No, no, that's not what I was looking for. The last quarter, you had mentioned that Sanghi and Orient were largely fully transitioned and...

Vinod Bahety: Okay, the operating cost -- the operating cost, you are saying? The O&M cost.

Rahul Gupta: No, no.

Vinod Bahety: I think the O&M cost, for example, Rahul, of course, like that point of time, Sanghi and Penna are through. But now for you to have a substantially more capacity utilization, there were some items which were left. And then as I said that for Penna, there were a couple of these plants like more so like Tandur was down.

And in case of ACC, a couple of old assets were down on certain equipment. So that is where, for example, some of the scheduled maintenance, which was supposed to happen in, say, January, February got preponed in December itself, and that results into -- and which is precisely my point when Ritesh asked that how you want to schedule in terms of the overall maintenance cost.

And I told that from coming financial year, we will have a proper amortization of the O&M cost over the quarters in terms of spread over the month as part of the budget so that there is no per se distortion of the cost on the actual basis, yes, unless there is any other breakdown. Otherwise, it will be like scheduled over the 4 quarters.

Rahul Gupta: So let me ask this question differently. So how much of your opex was one-off during the quarter?

Vinod Bahety: No. So like a good level of, for example, almost like in terms of my branding and my repairs, for example, almost INR125 is sort of like one-off. In terms of my higher freight, because sometimes you then go with a larger lead, and it is almost like INR25 to INR35 higher per ton.

In terms of my -- some of the legal costs, onetime in terms of some of the legal cases, which we have won by the way, but then this adds to the cost. So ballpark around, say, INR150-odd is, say, onetime. And therefore, like when I look at now my December exit, my December exit is clearly below INR4,000, while compared to -- which was almost like INR4,500 a ton for the quarter, yes.

So with every passing month, with every better utilization of green power, with every better utilization of the WHRS capacities and the alternate fuels, these costs are going to come down. So therefore, in terms of giving you an estimate, I can only give you an estimate ballpark, but the actuals will be positively surprising to all of us.

Moderator: The next question is from the line of Siddharth Mehrotra from Kotak Securities.

Siddharth Mehrotra: Sir, just to sort of elaborate on the previous participant's questions. Could you perhaps give us some breakdown in terms of direction for each of the cost line items, say, for example, in terms of power and fuel costs, how much do you expect them to trend downwards, upwards, same for other costs, so on and so forth?

Vinod Bahety: Yes, Siddharth, good point. I can give you a ballpark. I think in the initial commentary also, I mentioned, let us say, for example, my overall, say, power consumption per ton of cement, which I find there's a scope for me to reduce by almost 10 to 12 units per ton. And in terms of rupees per unit, almost INR1.5 to INR2, which is like although end objective, but INR1 immediately. So ballpark, INR100 to INR125 a ton, I see improvement possible quickly on the power.

While my end target is by FY '28, INR4.5 per unit as compared to INR6.1(excluding green power sale) in terms of my power cost and my consumption almost -- which is from here, I can improve by almost minimum 15 units. But as of now, I'm saying the 10 units is quite possible in the coming quarters and this INR1 reduction. So like, let us say, around INR150 -- INR100 to INR125 reduction on the power cost.

On the fuel, almost like power -- the fuel is almost INR150 reduction is what, for example, we would like to peg ourselves. And back on the strength of -- on the strength of the new assets, which will come to us, which will reduce my overall, say, fuel -- the heat consumption. And with every passing quarter, my fuel cost is coming down and that you will see further trend.

Look at the raw material, like now fly ash and all with the group synergies, we will be benefiting on the fly ash. We are putting up the BCFC rates all across the major centers of consumption, which will bring me benefits of logistics. So on logistics part, for example, when I look at it, almost INR150 reduction is what we are targeting to. And on the raw material, almost INR100. So plus/minus around, say, INR300 to INR350 is what, for example, will come, and that should come to bring it down my cost to almost INR3,800, again, as I'm saying, exit of '27 of March and INR3,650.

But this is like, for example, as I said, positively will surprise with every passing quarter. But the blueprint is very clearly laid down.

Siddharth Mehrotra: So these are basically longer-term goals, not exactly visible, say, over 1 or 2 quarters, right?

- Vinod Bahety:** No, they will come down because, as I said, like the moment my line is ready for commissioning, Bhatapara, for example, line 3 is commissioned and it is ramping up. Maratha will come in Q1. This quarter, 8 million tons of cement will come. They will all be geared up to consume green power, which is right now, for example, which we are selling in the market.
- So like -- it's not like long -- mid- to long term. It will be possible to consume as they start to ramp up on an immediate basis also, number one. The moment they commission and get -- giving commercial production, this 8 million and all, the efficiency immediately improves because these are all efficient new kilns as compared to my almost -- the existing old assets. So like this, combination will give you quick returns on a quarterly basis. So every passing quarter will give you the improvements.
- Needless to say that, as I mentioned, the revenue pattern also will keep improving because all these new assets and all will be focused on premium and trade sales focus, blended cement focus. Many of my rakes, BCFC rakes are getting delivered. So like typically, once in -- almost 3 to 4 rakes gets delivered a quarter. The moment they get delivered a quarter, it straight away helps me to deploy for movement of fly ash on railway logistics and therefore, the blended cement portion will go up. So I think don't look it as a long term. Look it as a every passing quarter kind of action.
- Siddharth Mehrotra:** Got it, sir. Just one bookkeeping question, sir. What would be your guidance for capex, say, in the next couple of years?
- Vinod Bahety:** So capex, Siddharth, as I have also highlighted in the investor deck, around ballpark -- for the growth part, say, ballpark, INR8,000-odd crores and for the efficiencies and all, another, say, INR2,000-odd crores. So I would peg it -- but this is like a modular kind of say, capex because basis the various opportunities. My foremost focus remains and continues on capacity utilization of my existing assets. So that is like straightaway helps me to bring substantial KPIs improvement. And therefore, this capex, when I indicate to you, it also will be a factor of how the existing assets also spans out in terms of utilization of the capacity and all. But ballpark, yes, INR10,000-odd crores, you can consider.
- Siddharth Mehrotra:** Over 2 years, 3 years?
- Vinod Bahety:** No, no. This is like I'm saying yearly capex.
- Siddharth Mehrotra:** Annual capex. Okay, okay. Got it, got it.
- Moderator:** The next question is from the line of Amit Murarka from Axis Capital.
- Amit Murarka:** So just on your expansions, while you have put out the numbers, but specifically on the clinker unit, which is Maratha and the Rajasthan clinker unit and Penna, by when is that expected to commission now?
- Vinod Bahety:** Good. So Penna -- Amit, thank you. Penna is expected in this quarter itself. It is being targeted somewhere like third week of February, but hopefully, like mid of February, yes. So this quarter itself, the commissioning will happen.

And so far as Maratha is concerned, I mentioned earlier, it is expected somewhere like in Q1 to Q2. I would just keep a buffer of 1 quarter. So Q1 to -- let us say Q2. But -- so Bhatapara and Penna-Marwar, Bhatapara is commissioned, Penna-Marwar in February, then Maratha somewhere like in Q2 kind of scenario.

Amit Murarka: Sure. Understood. And beyond these then, which are the other clinker units that you plan to take up in order to reach that 155 million ton of grinding?

Vinod Bahety: Again, good question, Amit. Thank. See, primarily for me, the engines of growth in terms of clinkering, Bhatapara remains my engine of growth so far as East is concerned. Sanghi is my engine of growth so far as West is concerned. And in terms of South, we have Wadi and Chittapur basically.

But primarily, Sanghi is where we will grow. Mundra, we are already expanding in terms of the calcium sludge-based cement basically. You are aware of that. And Bhatapara, which I mentioned.

So -- and another important thing is for North, Marwar. Marwar remains my major, for example, mother unit in terms of the expansion. So the clinkering lines will be more primarily as a brownfield expansion. And therefore, the benefits of brownfield capex and therefore, the economies of scale and all will come. That's how, for example, our whole blueprint will emerge and all the GUs are therefore -- and BCTs and all.

Good thing is railways have also come out with the bulk movement discount policies, our tie-up with CONCOR. So in fact, my capex actually will be a tad lower because now instead of GU, you can also very well plan BCT and the advantage of fly ash which the group has. So this will get -- the model is getting now reemerging because of these various dynamics, which are positive for the industry. Yes, but as I said, Bhatapara, then Marwar, then Sanghi are our mother units for these 3 locations. And in South, I have Chittapur and Wadi, which are like primarily our growth engines in South.

Amit Murarka: That's very helpful. And also on grinding, when will you be coming out with more details from that 24 million tons, which you have mentioned for '27 and '28?

Vinod Bahety: I will go back to what I think Rahul had asked this question or Siddharth would have asked this question, Amit. I think give me time that with every passing quarter, I'm going to keep you posted. Because as I said, the industry is in a very interesting, very supportive of policies by government. And therefore, instead of saying you that grinding units, I will rather put a blend of BCTs and grindings and container movement and so on and so forth. Therefore -- the models are reemerging. And therefore, I will keep updating you all in terms of the footprints with every passing quarter.

Amit Murarka: Just a last question, if I may. So you were earlier also contemplating giving out the operations on a contracting basis. So has there been any progress on that attempt that you're making?

Vinod Bahety: I must appreciate, Amit, you have been keeping so close track. Of course, yes, whatever we are discussing with you on every investor call, we are moving our journey on that. So in terms of

the outsourcing also, I must compliment my team and the efforts which has been coming out that we are in a good momentum on that, and you will hear positive things on that part as well.

Moderator: The next question is from the line of Raashi from Citibank.

Raashi: My first question is on cost. Sorry to -- and you had several questions on costs. But just to understand this, you mentioned that in the second quarter, the costs were INR4,250 and that's gone to about INR4,500. And as of the close of the quarter, you are at INR4,000. Are these numbers correct?

Vinod Bahety: That is true, Raashi.

Raashi: Okay. So then -- and you also mentioned that the one-off expenses in the quarter were about INR150 or so. So from INR4,500, if I remove INR150, I come to INR4,350. But that INR350 is such a fast decline. Like how did that quick decline come from like the quarter to current?

Vinod Bahety: No. So Raashi, I gave you some quick headlines when it was asked, like what are the items which are like one-off and I explained. But I explained in terms of broadly the branding, the O&M, the logistics costs, for example, which came in and some of the legal costs, which additionally came in and also.

In terms of this delta, INR250, which was there as compared to September quarter, ballpark INR250 resides in some of these items. But primarily, the first 2 months have seen it's more on the maintenance and all. December was lean and clean, and therefore, December is almost like below INR4,000. And as I progress in January also, it is actually below INR4,000. Therefore, my confidence to circle back to you on March exit at below INR4,000 is very high.

I can share further to you details more if you require, but this is like ballpark what I have been explaining right from my initial commentary to now. And as I said, with every passing month, the benefits of green power, the benefits -- and all of that, I won't repeat, are actually coming in. So therefore, like some of these items get stayed off also, yes. So these are like ballpark, my answers to that.

Raashi: Okay. And on pricing, you mentioned that in the South, non-trade prices are up INR15 to INR20 a bag; in the North, INR5 to INR10 a bag. Are there any incremental trade as well or it's just only in the non-trade segment?

Vinod Bahety: So there is an improvement on trade also, but the level of speed of growth is more on non-trade as compared to trade because the downfall also was much accelerated for non-trade and therefore, the corrective action happened. But of course, yes, even in the trade segment, it has improved, yes.

And good thing is now, again, for South also, for example, our focus on the blended cement, and I'm happy to share that the -- some of the first kind of initiatives in terms of Penna assets where the blended cements are now moving out from the factories, just like 2 days back, that started. I'm also happy to share with you that in Bombay, the blended cement in form of premium

cement. Otherwise, Bombay is more of an OPC market. But Bombay also, for example, we have launched our premium cement and it has got a huge response for the tube.

So -- yes, so I think coming back to South has seen trade also improvement and South will see more of our blended share of cement improvement in an accelerated manner.

Raashi: Would you be able to quantify on average where your realizations today are versus the last quarter?

Vinod Bahety: Raashi, that would be too much of details, but basically -- but I can ballpark tell you that, yes, things are improving, I think, all clusters, all zones. And good thing is like the brand equity is now pulling a good level of demand from the customers and the Adani added advantage of brand actually is bringing lots of positive euphoria in the supply chain partners. So you will find the benefits coming in every passing quarter in terms of market realizations.

Raashi: Got it. And just one last question for me. Your balance sheet is suggesting there's a slight decline in the cash quarter-on-quarter. Could you explain that, please?

Vinod Bahety: No, Raashi, when you operate -- when you are looking at commissioning 8 million tons of cement, obviously, it will have a capex outgo. All your clinkering of 8 million tons, which will be coming right now from Penna to Bhatapara, for example, to the commissioning of Maratha, all of this is a plant scheduled capex.

And therefore primarily -- but if you look at -- obviously, you know that from March to June and from June to September, there has been this acquisition of Orient and all. So Orient, if you keep it aside, which was almost like outgo of INR6,000-odd crores. But if you keep that aside, huge capex, which is there in terms of the capacities which are getting added and the volumes growth will come in coming quarters.

Raashi: Understood. So capex in 9 months is how much total, growth and efficiency?

Vinod Bahety: So in terms of capex for the 9 months, it is ballpark around INR6,000-odd crores. And I would put the run rate -- therefore, I've given it initially that almost INR10,000 crores is what we are expecting between growth and efficiency. And for the next 3 months also, for example, another INR3,000-odd crores. So this will be ballpark INR9,000-odd crores for this year and the same plus/minus, say 10% run rate, we will follow passing quarter -- passing years also.

Moderator: The next question is from the line of Jyoti Gupta from Nirmal Equity.

Jyoti Gupta: My question is on your Slide #10, where you have said that the cost reduction would be INR4,000 per metric ton March '26 exit. 9 months, we are averaging around INR4,000 -- roughly INR4,300. So do you -- can I assume that last year fourth quarter, I did INR900-odd EBITDA per ton. And with the improved conditions in the first 2 months of this quarter, can I see that improvement reflecting in the EBITDA per ton, so maybe INR900 plus INR300 or maybe anywhere close to it could be the EBITDA per ton for fourth quarter? And can we end the full year with something like INR1,000 plus EBITDA per ton?

Vinod Bahety: So Jyoti, I can give you commentary on cost. So far as EBITDA has 2 elements. Therefore, like -- of course, I've hinted that and informed basically that January price momentum is very positive. And therefore, you will see that upside in terms of price also. And of course, on the cost, which I mentioned that exit of March, it will be below INR4,000.

So you will -- definitely, you can expect improvement overall. But what would be, 4 digits or 3 digits, I would not give a forward-looking EBITDA number.

Jyoti Gupta: But are we sure we'll be around INR4,000? Will we average INR4,000 full year?

Vinod Bahety: I'm giving exit of March, Jyoti.

Jyoti Gupta: Yes. So that's a full year, if quarter 4 is also INR4000 then too...

Vinod Bahety: For the month of...

Jyoti Gupta: That is number of March '26, so in March '26 if we are going to be INR4000 and you're already 9-month average of roughly around INR4,300, so that INR300 per ton improvement should reflect in the fourth quarter alone, which means overall -- there should something seen, sir?

Vinod Bahety: No, no. It will be definitely, but just like put the numbers properly. When I say March exit, in this case, I'm meaning of March month exit, yes. So therefore, you do your math on that basis. And in terms of price and EBITDA, the cost, definitely, the performance improvement will come on EBITDA.

Moderator: Next question is from the line of Jashandeep Singh Chadha from Nomura.

Jashandeep Singh Chadha: Sir, my first question is regarding the acquired assets. It feels like for a year or so, these acquired assets have been a drag on the performance of Ambuja consol. In your presentation also, you mentioned that from the organic assets, you delivered INR1,045 per ton EBITDA. I just wanted to understand from the management point of view, from the strategy point of view, by FY '27 end, what are the utilizations that you are targeting from these assets? What is the internal EBITDA per ton target?

And what will be the key levers in generating those numbers? I just wanted to get a sense of how you are planning to ramp up the acquired assets?

Vinod Bahety: Jashandeep, now that we have acquired and we have integrated, so therefore, I would say that it's now under Adani Cement. All these assets, including my existing assets, the target is to hit 80% utilization. And the target is to hit EBITDA, which is almost closer to INR1,250 to INR1,300 a ton and then gradually move towards INR1,500 per ton.

So the acquired assets are doing very well. I told you Sanghi, which is now a good turnaround, and we are hitting almost 80% on clinker for December month. And I told you 65% on cement and which will move up further. Some debottlenecking, which I have to do in Sanghi so that I get almost as of now, say, 25% of the clinker, which is like 20,000 tons per day, I have to do a small capex part, which is already in the process. So by June or July, I should have 2,500 tons utilization.

As of now, I'm handicapped to 17,500 tons per day kind of utilization. So that will happen, yes. So when you acquire assets like this and most of the assets which are financially challenged when they were acquired and when the erstwhile company promoters could not do overhauling and all, it takes time because these are like strategically important assets.

You get 1,000 million tons, you have a huge play. You have a mother plant now, which will set up more clinkering units over there. Therefore, I would give enough opportunity for the asset. And by the way, I'm planning for a site visit also for all of you in the month of February. Team will come back to you shortly on this so that seeing is believing and therefore, like you will get a larger comfort of the turnaround of Sanghi. That was on the acquired assets.

So like for me now, acquired and existing, it gets all as an Adani Cement platform, One Cement Platform. And now I would be confidently discussing with you in terms of the capacity in line with the Adani norms and Adani standards for all of these assets.

Jashandeep Singh Chadha: Understood, sir. Sir, my next question is more from a strategy point of view, from an industry point of view. Adani Cement is one of the largest player we have. Just wanted to understand your view on consolidation.

Do you think -- I mean, you have already told us that organic capacity expansion, you will be discussing in a later call. But do you think that, is the consolidation phase over? Or there is more scope? I mean, just a structural view, if you can give us how are you looking at the industry right now?

Vinod Bahety: No, consolidation phase, of course, like till 1 to 1.5 years back has seen a good run-up on that and now taken a pause because the companies which have deeper pockets when they have acquired and therefore, they are just taking a pause to basically ramp up the existing assets, and that trend will continue. And therefore, the focus on ramping up the acquired assets and then capacity utilization of the assets remains a focus area.

But as things turn around, obviously, then companies become more bullish. And this is like a cycle which will continue. So it takes a pause. It again comes back to the circle and there are companies which will be available for consolidation right from small size to midsized companies. But the pace will be not that what we have seen 1.5 years back. The pace will be a little lesser. The size and scale will be relatively lesser.

And -- but I would say that, yes, there will still be opportunities. And I'm sure those opportunities, I've been always saying that we are always open to at the right price and right value. So therefore, no one, for example -- because I have a very strong balance sheet, INR70,000 crores of net worth and 0 debt as of now. So therefore, opportunities will come. At a right price, we will be very open to that.

But the current deeper focus is right now on the ramp-up of the existing facilities and the organic growth, which is already -- we have put a blueprint to work on.

Moderator: The next question is from the line of Prateek Kumar from Jefferies.

- Prateek Kumar:** Please allow a couple of questions. Can you tell how the EBITDA per ton would look in different regions in 3Q or particularly maybe which region underperformed versus your INR715 per ton blended average due to specific plant performances?
- Vinod Bahety:** Well, generally, it's like you all know the answer. It's like South will generally be modest compared to the other markets. West, for example, is generally better. And in this case, markets like Bombay are always far, far better. In terms of East was also subdued, although it picked up in the last month of the December. Center has been completely subdued. So the pricing was very -- the aggression of competition was very high in center.
- North, you will generally find -- so North and West clusters are generally mitigated from this kind of, say, immense pressure on competition, but Center and East and South remains vulnerable and -- South generally is vulnerable and East and Center can surprise on either side. That's how it spans out.
- Prateek Kumar:** Sure. One other question, and this was asked earlier. So you had like INR4,500 per ton average for this quarter, exit at INR4,000. Simplistically for modeling purpose, next quarter, you will have like a swing of INR500 per ton on cost and likely will flow completely to EBITDA per ton. So you can like report INR1,200 plus pricing increase. Is that the expectation for next quarter?
- Vinod Bahety:** I would be very happy to give you some forward-looking statements on this, Prateek, but I would resist on that because I can give you with comfort that what I can target on cost. But on the EBITDA, I think this question came with Raashi also -- Raashi or with Jyoti, I think. So I would resist on any commentary on the EBITDA. But you can do your math and I think you are smart enough.
- Moderator:** The next question is from the line of Ashish Jain from Macquarie Capital India.
- Ashish Jain:** Sir, my first question is on power consumption, like the point you made earlier that power consumption can come down by 10 units. And one of the drivers you listed was commissioning of the new clinker plants. But like our understanding under the erstwhile management was that one of the reasons power consumption here was the limestone and the aging of the plant. So are you saying that the 11 million tons will really help you to bring down portfolio level consumption by 10 units? Or are you also working on efficiencies of the existing clinker plants as well?
- Vinod Bahety:** Both, Ashish. I mentioned to you in terms of the stability, reliability and therefore, the utilization factor of the existing plant, and that will be a key for every kind of KPIs. And on top of it, the blend of the new assets. So it will be a benefit of both coming together. On an overall basis, the reduction of 10 units.
- Ashish Jain:** And this is high visibility, do you think based upon whatever technical assessment you may have done?
- Vinod Bahety:** Yes, yes. I think I'm already seeing that visibility. As I said, with capacity utilization improving for the acquired assets. With the efficiency, capex is done for the existing assets. And you're right, some of the assets which are old from ACC and all.

And therefore, when you debottleneck, you will actually be able to get a higher volume of cement from the same assets and straight away your efficiency improves. So there's a high degree of visibility on that. And that's how, I think we have done our math on that and then come up with this weighted average reduction of minimum 10 units.

Ashish Jain: Right, right. Sir, secondly -- again, I understand that JP assets are with AEL and you don't want to comment on it. But in case, let's say, those assets come to us, then will it be like incremental above 155 million ton or you will have flexibility in the existing potential pipeline and you will still stick to 155 million ton by FY '28?

Vinod Bahety: No, I think my larger point is 155 million ton has an element of both organic and inorganic. So that continues. Although I'm not commenting anything on AEL transaction, but whether it is JP or whether it is XYZ, 155 million ton will subsume as an overall both organic and inorganic.

Moderator: The next question is from the line of Pinakin from HSBC.

Pinakin: I have 2 questions. My first question is, again, going back to the costs, which were very disappointing this quarter. So over the last 2 years, the costs have been volatile. And going forward, while you maintain the guidance of cost coming down, there will also be a lot many new capacities which will ramp up, which will have lower utilizations to start with. So shouldn't that cost also be a drag?

So I'm just trying to understand the cost picture. Will the overall cost for the company come down? Or will the new plants cost be higher in the ramp-up phase and the existing plants costs will come down?

Vinod Bahety: No, good -- I think good, Pinakin. First, your question is in terms of volatility, I think I wanted to address that part when I said that the accounting of this O&M cost, which should actually ideally get amortized logically over, say, 12 months, so that volatility comes down, point number 1. Point number 2, the new capacity, right, ramp-up. So in terms of GU, the ramp-up happens very fast. Unlike in clinkering, the ramp-up happens in a phased manner.

The ramp-up doesn't really increase the cost because they already are sitting at efficiencies. So ramp-up will not increase, but it incrementally will improve the cost. And any cost which is required at the time of commissioning, anyways that gets capitalized. So these 3 answers, for example, will help you to -- so volatility answer is right. In cement, if you do it on an actual basis, it becomes volatile.

And therefore, like I will take those corrective steps in terms of -- equalizing in terms of the quarter so that it is not on an actual basis, but it is properly amortized. Number two, in terms of capacity I mentioned to you. And therefore, the new capacities don't tend to increase the costs.

Pinakin: Sure. My second question is on the capacity number, 155 million tons. So the pipeline of 24 million tons, which includes both organic and inorganic. While there will be an inorganic element, which you cannot detail right now, but given that you have given a target for capacity as of 2 years down the line, when can we expect the organic capacity road map to be detailed

out? Because I'm just trying to wonder where the capacities are not detailed, then how confident we are of that March '28 number?

Vinod Bahety:

No, I told. I think in terms of the end target for FY '27, we are at around 135 million tons, and then it moves to 155 million tons, right? So I think end target for the year is there. Now in terms of the question was specific GUs and all, that I said that we will come back with every quarter so that whether it is GU, whether it is bulk cement terminal, whether it is container terminal, I think lots of options have now come out.

And we have the synergies and advantage of the power plants and of course, on arms and all, but we have the advantages wherever, for example, we can very easily now put up some of the BCTs and all. So this whole model requires a detailed review to bring more efficiency on the capex and still get the benefit of the capacity. I think that is what we are going to come back and circle back to you. But the larger numbers very much remain intact.

Second, as I said, that focus will be to sweat the existing assets much better, smarter and efficient. And therefore, at any stage, when we are able to meet the same demand and market share with sweating of the existing assets, I think 5%, 10% here and there cannot be basically ruled out because that is where, for example, the whole opportunity will be to bring more efficiency in the existing assets.

So 155 million tons, 135 million tons, 115 million tons, these are like 3 ladders to the next, say, 3 fiscal years and plus/minus 5%, 10% when you are able to achieve your capacity utilization, that's all like part of the whole strategy.

Moderator:

The next question is from the line of Ashish Jain from Macquarie Capital India.

Vinod Bahety:

Iqra, already we are at 6:20. So I would say like maybe last 1 or 2 questions. Yes, Ashish.

Ashish Jain:

Sir, I just had one bookkeeping question. Sir, earlier on the call, did we comment that INR315 crores of coal sales is booked differently this time, which is both in revenues and cost, which was earlier being netted off in the power cost? And is that the reason why our realizations are flat sequentially and the cost is also significantly higher? Is that one of the reasons? Or help me...

Vinod Bahety:

So Rohit will answer you on this. Rohit?

Rohit Soni:

No, no. So that's not the reason. It's just a gross up and gross down from accounting perspective. So all the numbers, what we report, they don't consider that. We report it from the management this thing. That is just a gross up, gross down. Nothing to do with any of the numbers what we report.

Vinod Bahety:

But affirmation that prices -- affirmation that NSP is not influenced on that.

Rohit Soni:

No.

Vinod Bahety:

Affirmation number two, that EBITDA is not influenced on that. These are 2 points. Now Rohit, if you want to still clarify.

- Ashish Jain:** Sorry, if I can. But is that accounting change effective this quarter on coal booking, if you can just clarify that?
- Rohit Soni:** Yes, it is there in last quarter also. The value was less. Might be in this quarter, it's a value bit larger. That's the only thing. It has been there in the past also.
- Ashish Jain:** Sir, can you give the value for the previous quarter, please, if possible?
- Rohit Soni:** I have for the current quarter. For the past quarter, I'll pull it up, and I'll ask Deepak to share it with you.
- Vinod Bahety:** How much is the current quarter?
- Rohit Soni:** INR315 crores.
- Vinod Bahety:** INR315 crores. So for the current quarter, it's INR315 crores. And previous quarter, while you -- while the next question comes, if you are able to dig out, then we will tell you. Otherwise, Deepak can separately inform you.
- Rohit Soni:** Yes. And I'll again clarify, Ashish, this is only at ACC level. Otherwise, at consol level, everything is eliminated because all these things are within the One Cement Platform, what Mr. Bahety ji was trying to explain. At consol level, 0, 0, 0.
- Vinod Bahety:** So again, I think this is coming -- there is a question again. My point is, Rohit, and we can just confirm it again. Two things. EBITDA is not influenced. Price is not influenced, right?
- And it's purely, purely accounting and it nullifies -- absolutely nullify at the consol level. So friends, this is like very, very clear so that -- and then any specific further details, circle back with Deepak.
- Moderator:** The next question is from the line of Rajesh Ravi from HDFC Securities.
- Rajesh Ravi:** Congrats on very detailed presentation and the discussion. Sir, my few questions. You have talked about the 3 clinker units, which will get commissioned over next 3 to 4 months. For FY '27, are there specific targets beyond these 3 clinker, which would get commissioned? And also, could you share demand outlook for Q4 overall, how is the industry growing?
- And my third question, what we have seen, and I remember a few quarters back, you had alluded to this that there's a lot of value unlocking you're doing in ACC Ambuja, which is below the EBITDA, the tax refunds which you're securing or getting it cleared for prior periods. So some discussions around that, please?
- Vinod Bahety:** So your first question is in terms of the new kilns beyond -- so there are 4 of them right now in the discussions. One is -- so of course your 3-one, which you said and the fourth one, which I mentioned was the Mundra, right? So this together, for example, right now, 16 million tons because each one of them is say, 4 million tons. So 4 million tons x 4 million tons, 16 million tons x ballpark 1.5 million tons. So you have 24 million tons GU.

Right now, I'm sitting at, say, 109 million tons. So 109 million tons plus 24 million tons, we are at, say, 133 million tons, 135 million tons, which I mentioned. So this is how, for example, this -- so basically, these 4 kilns are very much there in terms of process. And then I mentioned that Bhatapara, Sanghi and Marwar-Mundra are our centers of growth from clinkering perspective.

And sooner that you will find our additional announcements and narratives coming on the capex program for the -- by the way, Assam also, we have signed up -- we have entered into agreement with the government in terms of setting up another 1 line of 4 million tons in Assam, which is the fifth one, by the way. So which is like brings to you 20 million tons of clinker, yes.

So Assam, Mundra are -- let us say, Mundra is still a brownfield because we have a great ecosystem there. Assam is greenfield and Maratha is brownfield and Penna anyways is in a fairly advanced stage, which will be up and running in February.

Rajesh Ravi: Great. Great. And on the demand outlook and value unlocking through tax refund for prior period?

Vinod Bahety: Tax refunds of the prior period, I think we have done a major efforts on that and unlocked the working capital. I think we have also -- if I give you a ballpark, we have resolved a substantial of the legal cases also. So we are strengthening our balance sheet from that perspective. I hope you're not asking me about the past year refunds and all. I'm more like forward-looking, which you are -- I think your question is more about the forward-looking?

Rajesh Ravi: No, no. The tax refunds which you have secured for both ACC and Ambuja in the past few quarters, quite sizable relating to prior periods. So are there more which is available to be realized on that...

Vinod Bahety: So in the future, not that this magnitude. I think there will be, but this magnitude may not come, I think. But a few points on the GST and a few points on some of the specific taxes and all from a couple of states. And then some incentives which has to come in form of long pending. So I think those are the ones which will be adding up to the overall cash flows. But on the income tax, I think we have sizably resolved majority of the cases.

Rajesh Ravi: Okay. And on the demand, sir, Q4, what is the industry outlook you're looking at Q4, how is January? And what is the outlook for next 2 months in your assessment?

Vinod Bahety: I remain bullish on demand for the cement industry. And industry as a whole, I would say that Q4 should also see around 8 kind of percentage. And therefore, the leading players will find double-digit growth again in the quarter of March.

Rajesh Ravi: Great. Great, sir. Just last question on the capacity, which you mentioned, Assam, when do you target this line to be operational?

Vinod Bahety: Which line?

Rajesh Ravi: Assam capacity, which you are planning, you mentioned that you will be setting up a greenfield in Assam...

- Vinod Bahety:** Yes. I would say that since Assam is Assam and therefore, like it could take around, I would say, ballpark, say, 24-odd months -- 18 to 24 months is what, for example, we should be looking at.
- Rajesh Ravi:** Okay. So somewhere closer to FY '28 exit, we would be looking at this?
- Vinod Bahety:** Yes, yes. I think the work on the ground has already started. Land has been secured. And the incentive program and all, for example, is well -- moving very well. So Assam will see a good level of work at the site.
- Rajesh Ravi:** Sir, you talked about 2 capacities getting mothballed, 2 million ton odd. Could you elaborate if it is already done and at which location?
- Vinod Bahety:** These are like very old assets. One of them is in, say, Sindri and second is basically at Jamul. So on Slide #38 of the IR deck -- see, again, I'm sure like you would appreciate, our IR decks are very transparent and very full of information. So on 38 page number, you will see the mothballing of these 2 capacities, Jamul and Sindri very old mills.
- Rajesh Ravi:** So these are already done, right, in the current capacities?
- Vinod Bahety:** They have already -- they are nonoperational practically. And therefore, like I'm not -- therefore, I'm removing them from my operative capacity. I can still use it on an opportunistic basis. But as of now, they are economically unviable. Therefore, I've kept them nonoperative.
- Moderator:** We'll take the last question from Kunal Shah from DAM Capital.
- Kunal Shah:** Firstly, on Sanghi, now it continues to operate around 50% odd, sub-50% on an average level in terms of grinding. Now this is despite this asset being acquired for more than 2 years, remains and this -- the ramp-up remains much lower versus our initial guidance. And the geography is Gujarat where we already have a very strong presence. So what is going wrong here structurally? Or what was the negative surprise here that we realized post the acquisition, if any?
- Vinod Bahety:** Good observation again. Nothing per se wrong. I think we have to understand the topography of Sanghi. It's like a classic island plant. And you have seen some of the harsh seasons.
- So last year, for example, you have seen flooding and all and huge storms. Some of the plants were affected and Sanghi was also -- some equipments were damaged.
- Second is in terms of some improvements, for example, the transmission line was a little low-voltage transmission line and which is -- if you would just track it, therefore, already now the transmission line from government is getting revamped and strengthened to take a higher load factor, which will straight away help me to bring at least 20, 25 megawatts of green power in Sanghi. Therefore, it will benefit me in a sustained power and at a reduced cost.
- Sometimes otherwise, when this kind of storms and winds and bad seasons, the power tripping happens very often. So nothing wrong with the asset per se, except some of the debottlenecking and investment which you had to do, including some dredging activity, which had to be done, which has been done now. So now, I think with 80% in December exit -- when I say December

exit is December month, 80% of clinker capacity being used and almost 65% for cement. I think from here, things are now only improving.

Earlier, you would see that the colony was also, the plant life was very badly managed. But it takes time for us to also revamp the whole quality of life over there, the infrastructure, the facilities. And therefore, I'm very eager to take you all now to Sanghi. And therefore, like the right contractors, the right talent will also now move in. Earlier it becomes a very mufasil area.

So those were the issues. But we know that when you acquire an asset of this scale and which gives you sizable potential and which has 1,000 million tons opportunity so that you can set up multiple lines, I think it's a game of doing it -- setting it right gradually so that it performs overall in due course.

Kunal Shah:

Understood. This is helpful. And one last one. If we look at the current status, we have underutilized acquired assets, a capacity expansion target of maybe 15% to 20% over the next 2 years, this in the backdrop of industry demand at roughly 8% odd, right? So how are we thinking on volume growth targets over the next 2 to 3 years?

Or is there like any guidance that you can give on volume growth or capacity utilization or market share, that would be helpful.

Vinod Bahety:

See, volume will be growing double digit. While my base will keep increasing, but double digit is what we are expecting. But it is very important for me to highlight that we are balancing it between volume and value. And therefore, you will see more accelerated improvement on my realization, on my blended cement, on my premium cement. And therefore, even at the risk of losing some low EBITDA volume, which we will do, but we will play a balance game of volume and value.

Kunal Shah:

Understood. And one last bookkeeping. Can you just give Penna's utilization levels, both on clinker and grinding, if possible?

Vinod Bahety:

Penna ballpark is -- for the month of December is ballpark 52% to 55%. And as I mentioned, like this asset of Tandur of Penna was down, but now it is going to be up and running in the next week or 10 days. And therefore, like you will see a good level of utilization, sharp improvement in Penna assets.

So some of the assets we have done a substantial overhauling. That also, for example, results into -- whenever I do an overhauling, it sharply improves my O&M cost and which gets booked when the actual cost is incurred. Penna is a classic case on that. So lots of this work has gone to bring these assets back to their desired asset reliability factor. And therefore, like -- and I mentioned to you that Penna asset now will start sending blended cement also, and therefore, it will help me to improve substantially the capacity utilization.

The Krishnapatnam grinding unit of Penna, for example, which was there, which now say 2 million tons becoming 4 million tons. And once I start substantially using this 4 million tons, because right now, the ramp-up of the additional 2 million tons has not happened. But the moment that happens is 55%, we'll see a sharp jump in terms of capacity utilization.

- Kunal Shah:** Understood sir. This is very helpful. Thanks and all the best. And thank you for extending the call as well.
- Vinod Bahety:** Thank you very much. We are almost at 1 hour 45 minutes. So I'm sure now Iqra will take a judicious call.
- Moderator:** Yes, sir. Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to Mr. Deepak Balwani, Head, Investor Relations at Ambuja Cements Limited for closing comments.
- Deepak Balwani:** Thank you. I trust most questions have been addressed. You have my contact number, please free to call me. Thank you.
- Moderator:** On behalf of Antique Stockbroking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: This transcript has been edited to improve readability

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