"Ambuja Cements Limited Financial Results for the Quarter and Year ended December 31, 2020"

February 19, 2021

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Moderator: Ladies and gentlemen, good day, and welcome to Ambuja Cements Limited Full Year 2020 Earnings Call, hosted by ICICI Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. This is to remind you that the discussion on today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with the risks that the company faces. The company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent development, information or events or otherwise. 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 welcome address or 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. Krupal Maniar from ICICI Securities. Thank you, and over to you, Sir!

Krupal Maniar: Thank you, Mallika. Good morning and a warm welcome to everyone. On behalf of ICICI Securities, we welcome you to the earnings call of Ambuja Cements Limited. On the call, we have with us Mr. Neeraj Akhoury, CEO India, LafargeHolcim, and Managing Director and CEO, Ambuja Cements; and Ms. Rajani Kesari, CFO, LafargeHolcim India and CFO, Ambuja Cements Limited. At this point of time, I will hand over the floor to management of the company for their opening remarks, which will be followed by interactive Q&A. Thank you, and over to you, Sir.

Neeraj Akhoury: Thank you, Krupal. Good morning, everybody. My name is Neeraj Akhoury, and today, I am here to represent Ambuja Cements as well as CEO of India of LafargeHolcim India. I may also be able to address all those questions in LafargeHolcim India work. So welcome to Ambuja Cements' annual earnings call. We hope that you and your family are safe and healthy, and happy New Year, once more. In the next 20 minutes of our conversation, I will take you through the key highlights and achievements of the company for the quarter 4 as well as for full year 2020. We will share details of financial performance and then we will open up the floor for a Q&A session.

With me today is Rajani Kesari. Rajani is again CFO for Ambuja Cements, but also CFO India for LafargeHolcim, and both of us together will take you through the document that has been shared with you already. As you are aware, as far as the market is concerned, the demand dropped in the first quarter towards the middle of March, and then of course, followed it through the second quarter of 2020, as the construction and infrastructure development activities came to a halt in 2020 due to COVID-19 lockdown. It resulted in disruptions, including supply of labor as well as supply chain. With a well-planned gradual unlocking across the country, we believe that demand for cement witnessed a sharp revival.

In the housing sector, rural housing has outperformed urban and rural India continues to outperform, supported by government spends as well as better agriculture profitability.

To recap on Ambuja's overview, our vision is to be the most sustainable and competitive company in our industry. We are backed by a strong parentage of LafargeHolcim Group global, which provides us access to global expertise in areas of sustainability, digital, and research and development. We operate with a diverse portfolio of high-performance products, for strengths of the core as well as of the decor.

With our strong national presence through strategically located plants, which will be further supplemented by our expansion in Rajasthan coming up during quarter 2, June of 2021 as well as position to build on India's growth. On the industry front, I am happy to share, I am very proud to share that Ambuja has scored fifth place globally in the DJSI, Dow Jones Sustainability Indices Worldwide in Construction Materials category. We remain committed to our sustainability goal. Beginning of the financials, I take you to the Slide #12 of the quarter performance. Our sales volume has grown by about 7% for the quarter. We have also registered the highest ever cement production during this quarter. Supported by good prices, the top line has grown by roughly about 14%.

On Slide #13 if you look at the full year performance, our sharp focus on cost across manufacturing and logistics resulted in EBITDA growth of 23% despite the challenges on volumes that we faced in quarter 2 of the year, and based on all these levers, the EBIT grew by about 32% for the year. I now hand over to Rajani Kesari, our CFO, to take you through the further information.

Rajani Kesari: Thank you very much, Neeraj. Good morning to everyone, and I am pleased to take you through our results. As Neeraj already mentioned, Ambuja has delivered a robust performance for the quarter and for the full year 2020. It is noteworthy that our performance has been consistent throughout the year despite the challenges that have been presented by COVID.

Moving on to Slide 16, where you will find a bit more detailed analysis of the performance. You can see that the realizations have grown by 6% year-on-year for the quarter and 5% for the full year. This is supported by a combination of market price increase, higher share of our trade sales and growth in special and premium products. With focus on the premium products, the sales have increased by 16% during the year, and this has been led by Ambuja Plus, Ambuja Kawach and Compocem.

It is important to note that Kawach has been launched with a fixed price model, and we are very pleased with the results that have been delivered so far. On the volume front, the arrangement with ACC on the Master Supply Agreement has yielded good results for both the companies. While for Ambuja, it has helped in capacity utilization and spreading of our costs, for ACC, it has provided the much-needed volumes in the sold-out market. During the year, we accelerated our cost and efficiency improvement programs. Under our flagship I CAN program, we increased digitization and adoption levels of state-of-art applications and tools in manufacturing and logistics.

We have adopted tools for plants of tomorrow from our group, which have proved helpful in driving efficiency. EBITDA per tonne grew by 30% for the quarter and 31% for the full year. This is supported by all-around improvement in cost efficiency programs, which have flown into the P&L in 2020.

Moving on to Slide 13 a bit more color on detailed costs power and fuel cost per tonne has declined 3% for the quarter and 8% for the full year. There has been support coming here from renegotiation of contracts and also efficiency gains in our plants. Freight and forwarding have also declined 4% for the quarter and 2% for the full year. We have clocked good efficiencies. This has been through increase in direct dispatches, reduction in lead distance and also acceleration of supplies under MSA. This has helped us to mitigate the diesel price increase, which was approximately 11% last year. Raw material cost per tonne has also reduced 3% for the quarter and 7% for the full year, and this has been due to lower input costs managed by the excellent work done by our inbound materials team on sourcing low-cost material and also changing the mix to lower-cost raw materials.

On Slide 19, the other expenses have also shown an increasing trend in line with the cost optimization targets that we had for this year, which continued into the full year, and the total cost per tonne has reduced by 3% for the full year. Cash flow has been a highlight for us, and we will talk about it later when Neeraj talks about the priorities. I would now like to hand over to Neeraj to talk about the external environment and our response to that.

Neeraj Akhoury: Thank you, Rajani. Ambuja continues to have a very strong belief in the country and our potential to grow. I think both LafargeHolcim as well as Ambuja and ACC; we are long-term players in this country, ACC with about 100 years and Ambuja with about 40-odd years now. So we do believe, and we are committed that on this country and will continue to grow. We find that even in 2020 and going forward, the mega trends, which will impact our industry, are all strongly positive.

So when we talk about our population growth or our urbanization growth or income and affordability growth as well as government focus, all this bears very well with the demand evolution in the coming days. For 2020, due to the quarter 2 corona impact, we had a degrowth, but we believe 2021 will see a strong rebound of demand.

Going to Slide #22, if I look at the cement sector, last year, we were at about 300-odd million tonnes of demand, and this year, we expect the demand to be back at about 350 million tonnes. Having said that, the per capita consumption is still low, and this is something that gives us an enormous opportunity to grow this industry in terms of the capacity. We continue to be at about 200 to 250 kgs per capita in the country versus a world average of 500 to 550. So we do believe that our industry will continue to grow in the coming decades.

On Slide #23 some of the steps taken by government of India are mostly favorable for our industry. Well, I see this especially in affordable housing segment, which will continue to be a pre-growth lever. In addition to that, government-focused infrastructure and urban housing will also supplement the demand growth. So overall, we believe all the levers are in favor of signaling a strong demand growth in the coming years, especially in 2021.

In terms of our response, slide #24, we will continue to focus on the retail segment with increased penetration in the new markets. With commercial production starting at Marwar Mundwa in the middle of this year, we are confident of gaining market share through additional volumes. New green and high-performance premium products with low clinker factor will continue to be our priority. We plan to increase the share of green power in our power mix from currently about 5% to around 38% by calendar year 2022, and in addition, we are ramping up our Gare Palma Coal block in the current year to substitute the high cost of fuel.

On Slide #26 in terms of our near-term strategic priorities, which is very focused, razor-sharp focused on health, cost and cash, this has been a priority in 2020 and will continue in 2021 as well. Focus on health of our employees and communities are the main area of focus. Last year, we have touched lives of roughly about 34 lakh people by our efforts around COVID. On cost, the focus on cost has helped us in margin expansion by about 480 basis points, and I believe Ambuja continues with its priority on cash, and cash flow from operations is at about 2600 odd Crores.

On Slide #27 is our long-term strategic priorities. We believe that we will be able to maintain, if not improve, our market share by the Marwar Mundwa capacity addition. We are also evaluating further expansion opportunities in the country, both at our current sites through new lines as well as through other ways. The other area where we are going to work very strongly this year and the coming years is on the improvement of clinker factor, which will increase our cement capacity.

Our distribution reach, ladies and gentlemen, continues to expand with the addition of new dealers, and this will be something that will continue to even today, and more importantly, we are now strongly using digital means to more and more engage with our customers as well as with our consumers across markets. The other area to work on for us will be on special products, and we will drive a superior value proposition by leveraging our group R&D capacity. We have already launched Kawach, water repellent cement, across markets and very happy to say that Kawach recorded significant growth in 2020, and we will further push it in the coming years. Our R&D teams are working also on pipeline of new products that we will hope to test market as well as launch in the market, commercial launch in the coming months.

We are working on what we call the cost optimization under our flagship I CAN program. We believe I CAN have delivered in 2020. There are more plans in 2021 and beyond to drive our cost efficiency agenda. The program covers both plants as well as logistics part of our performance, and digital, with our new tools through digital, we are well prepared, and it provides a very good opportunity for us to accelerate the savings program. Having said that, we are also equally concerned and equally active to achieve our sustainability goals, we remain committed on this part of our performance as a full team. We are tracking our sustainability goals with CO2 per tonne of cement now at 531 kg. 8.2 million tonnes of waste was reused in last year. Water savings were already about 8 times water positive, and through our CSR programs, we have been touching several lives.

Very proud to inform that in 2020, through our very strong efforts on health and safety, our performance has significantly improved, and we have now 0 fatality across our operations, both in ACC as well as Ambuja. This was from our side to give you a glimpse of what has been for us the year called 2020, year full of uncertainty but also opportunities and I believe team Ambuja has been able to take advantage of the opportunities and deliver performances which are better than our expectation. With this, I would now open the floor for questions from all of you. Thank you very much, ladies and gentlemen.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Vivek Maheshwari from Jefferies. Please go ahead.

Vivek Maheshwari: A couple of questions. First is on the capacity expansion. So the Marwar Mundwa plant is coming on still soon. What are the plans beyond that, if you can talk about it?

Neeraj Akhoury: At this point, Vivek, I would not like to really reveal the details of our capacity expansion plan. What is important is that after Marwar Mundwa, we do have plans. Evaluations are undergoing in all regions wherever we have a significant base for raw materials to expand those locations, and what we are now, as a first step, what we are doing is to evaluate our strategy for Bhatpara, where we have a particular unit and to use Bhatpara raw material base to expand our presence in the East part of India as well as we are looking at Maratha, which is located in Maharashtra, to look at expanding our base in the West part of India.

Vivek Maheshwari: I see, I see, and a follow-up to that. When you announced a special dividend of 17 in 2020, I mean, could you just elaborate on your decision to, let us say, it is a good decision, but I just wanted to know when you thought about that, how did you decide on that instead of capex? So how did you arrive at the decision to pay out instead of just to expand capacity? So what was the thought process, I was just curious.

Rajani Kesari: Vivek, Rajani here. We are still sitting on about 3000 Crores of cash. We are generating over 2500 Crores every year. So we will have enough money to fund the capex that we undertake.

Vivek Maheshwari: I see. Got it, and just one, another question. So on the cost savings side, ACC, let us say, has articulated and I think Project Parbat started a bit earlier over there. So there was more, let us say, tangible numbers given in terms of the cost saving that ACC is trying to achieve. Can you just talk about, so you have spoken about the I CAN project, but can you just talk about, if you can quantify the kind of savings that you are looking from the self-help measures?

Rajani Kesari: So Vivek, for both ACC and Ambuja, yes, you are right that Parbat started a little bit before and ACC has been a bit more forthright in saying that the savings per tonne that would clock for 2020 would be around 200, and I think Ambuja is also along the same lines. It is important to note that the savings are focused on the efficiency part. Some of the savings have got reversed with the movement that we saw in raw materials towards the end of the year, but both of us have similar targets and are tracking in line with them.

Vivek Maheshwari: Sure, and just a quick follow-up, Rajani. Rs.200, of that how much we have seen in 2020 and how much of this will come in 2021?

Rajani Kesari: 200 from efficiencies have already come into the P&L in 2020. Some of it negated by input cost prices. The rest of it will start to come in 2022 and 2023 as various capex projects come on board because a lot of savings will come through the wastage recovery and solar as well, and the prior projects that Neeraj has spoken about, there is some efficiency capex involved and that is going on now. We could not execute all of it due to COVID, so that is ongoing in 2021.

Vivek Maheshwari: Thank you and wish you all the very best.

Moderator: Thank you. The next question is from the line of Gunjan Prithyani from JPMorgan. Please go ahead.

Gunjan Prithyani: I had 2 questions. Firstly, just from the earlier question, sorry, I missed that bit, how much of the savings on I CAN have been realized in CY2020?

Rajani Kesari: 400 in the efficiencies.

Gunjan Prithyani: R.400 per...

Rajani Kesari: No, I wish it was 400.

Gunjan Prithyani: No, I was slightly confused what did the Rs.400 mean.

Rajani Kesari: A lot would, and then Rs.200.

Gunjan Prithyani: Okay. Got it. So the 2 questions. Firstly, on the MSA side, can you talk about the savings that have been realized so far? I mean we have already seen the contract renewal, which came in yesterday. So it will be great if we get some update on what was the realization in the last 2 years or maybe this year? And what does that renewal mean? I mean is it the continuity of the savings of 3% to 5% which we spoke about earlier? Or is there a scale-up to that target?

Neeraj Akhoury: So Gunjan, thank you for asking this question. Master Supply Agreement was pushed in a very strong way in 2020. I think the increase in the volumes that were shared between both the companies was significantly higher than what we saw in the other years. Between both companies, we see a figure of roughly about 250-odd Crores, Gunjan, yes that is resultant of direct EBITDA addition because of our MSA. Ambuja benefits higher than 5% of PBT and ACC benefits is close to 5% of PBT. That is on MSA, Gunjan.

Gunjan Prithyani: Okay, and in the renewal, the target should be pretty much similar. We stand with that 5% will continue. Or do you see that this number can be higher because you have clearly seen decent progress in CY2020 on that?

Neeraj Akhoury: Too early to say that, Gunjan. Of course, the attempt will be, and effort would be to increase it, but at this point, I would say, very similar to what we did in 2020, about 5% of PBT should be coming from the MSA agreement.

Gunjan Prithyani: Okay, and the second question I had been on the green power capex that we talk about going from 5% to 38%, if I got those numbers right. Can you talk about it a bit where, I mean, what is it? It is WHR where, and what kind of capex it entails and along with that, if you can give us some sense of the guidance on the capex for this year and next year.

Rajani Kesari: Gunjan, this is Rajani here. On wastage recovery, I think the major share of the green power is wastage recovery. We expect it to grow from 2% to roughly around 20% or slightly higher than 20%. We are already commissioning in Darla, Bhatpara and Marwar Mundwa. That is on plan and will come up in Q1 2022, and we have in the wings Ambujanagar and

Maratha, which should also come up. So this will take the share of wastage recovery in the power mix to 21%, and then we have some initiatives around solar as well in some of the plants and solar is expected to go to higher than 15%. So together, they make up about 38% in an end state. Now in terms of capex, I will roughly say that the capex per megawatt is about 9 Crores, so we can calculate the figures as we start to spend. I would not like to give you any guidance on the capex figures for 2021 yet.

Gunjan Prithyani: Got it, I will join back the queue. Thank you.

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

Raj Gandhi: Just on, when you say you were evaluating expansion in Bhatpara and Maharashtra, so there, Bhatpara will be a Greenfield line or just that you have surplus clinker, and you will be putting up additional grinding units?

Neeraj Akhoury: As I said, Sir that this is too preliminary stage. At this moment, we are evaluating, and we will look at all the kind of options available. It could be from a Brownfield to a Greenfield option. This is at evaluation stage, hopefully, by this, in months to come; we will be able to clarify this once we firm up our program.

Raj Gandhi: Okay. Okay, and before, let us say in north itself, our grinding unit capacity, which is coming up, is much lower than the clinker, and we were to do some debottlenecking and all of that, partly use surplus grinding. So anything there under consideration before we take this...

Neeraj Akhoury: So we have grinding capacity in the north, which we will be, between both the companies and especially with Ambuja, and I think we will be able to fully utilize Marwar Mundwa clinker when it comes.

Raj Gandhi: Okay, and as you mentioned, mid-2021 commissioning of the north expansion, will that be grinding unit or clinker coming in first?

Neeraj Akhoury: So Marwar Mundwa has both cement, I mean, clinker capacity as well as cement capacity.

Raj Gandhi: Right. So clinker also should commission by mid-2021?

Neeraj Akhoury: Yes, absolutely.

Raj Gandhi: Okay. Okay and just last question from my side. We have seen, as a group, at a parent entity, $2.5 billion sell-off of Philippines not going through, and recently, group has undertaken a $3.4 billion acquisition in U.S.A. So how should we see capital allocation for India in light of these development at a group level?

Rajani Kesari: Yes. Rajani here. So I think India remains the key market for...

Neeraj Akhoury: Growth plus market.

Rajani Kesari: Growth plus market for LafargeHolcim, and we have said this earlier as well. Now in terms of group strategy and capital allocation, maybe you should join the group call end of this month. It is too close to their results. So I would not want to comment on it.

Raj Gandhi: Thank you.

Moderator: Thank you. The next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: Sir, firstly, you mentioned industry likely to grow at 15% to 17%, and you also talked about gaining market share because of new capacity expansion. So fair to say that what we look forward to 2021 in terms of volume numbers will be better than the industry for Ambuja?

Neeraj Akhoury: So we have to wait and watch on this, yes. Again, I would like to sort of stay away from giving you any forward-looking statement. The effort is that once Marwar Mundwa is commissioned, we are able to use our distribution network to very sharply accelerate our volumes in the zones impacted by Marwar Mundwa projects, but we have to really, really watch on how the volumes come out, and I am sure with every quarter, we will give you some encouraging results, but let us wait and watch for the accurate number.

Gaurav Rateria: Yes. Sir let me ask this differently. So what is the utilization rate you would look for the new plant in a matter of 6 months, 1 year? How should the ramp-up happen? How should one think about the ramp-up schedule?

Rajani Kesari: So the ramp-up, the full utilization of Mundwa is expected to be in 2022. The greatest advantage we have is the MSA with both companies. So it will help us to distribute the volumes faster. So 2022 is when we are expecting the full ramp-up to happen. At the moment, the capacity utilization of Ambuja is higher than 80% and that too in this COVID year. So we expect to be utilizing more capacity next year. Does that answer your question?

Gaurav Rateria: Sure. Second question on, great work on profitability in 2020, actually, despite a loss of incentives during the year. So from a clinker factor, what will really drive the better clinker factor? Because we are already at blended cement of 90%, and secondly, within freight cost, why Ambuja has a higher clinker transportation cost on a per-tonne basis compared to peers? Are there any strategic initiatives to reduce it?

Rajani Kesari: So in terms of clinker factor improvement, there is still an opportunity in the northern plant as we will absorb more fly ash. We had some issues in fly ash availability. Now like I said, we have a good sourcing now. We are switching to using a higher mix of wet fly ash. So that will help us to manage the clinker factor better for this year as we go along. The second question was in terms of clinker freight for Ambuja being higher. This is basically due to the Darlaghat belt, and as the grinding capacity settles in this region, we should be able to find a reduction in this.

Gaurav Rateria: Thank you.

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

Ashish G. Jain: Rajani, my first question was on the cost comment that you made that in calendar 2020, the cost per tonne has gone down by roughly 200. Now if I look at the breakup of the cost, a large part of it is actually coming power and fuel, which I thought was partly also because the input prices itself have gone down. So is that number right? I heard 200, and if yes, then can you just help understand what the key items are where we have seen this reduction? Because again, my question is also because calendar 2020 would have a lot of reduction in onetime costs, like, advertising, travel and some of which is expected to come back at some point of time.

Rajani Kesari: Yes. So it is true there is a mix of reduction of input costs, efficiency costs as well as cost avoidance, which has happened due to COVID. Some of the cost avoidance, which has happened due to COVID will come back in this year, and we have built that, and we will also expect slightly higher expenses this year as we put more volumes out in the market, right, the new volumes that will get into the market, but we think that the 200 that I spoke about is sustainable going forward.

Ashish G. Jain: Okay, and does that include the reduction in power and fuel that you have seen this year? Or you would see that as one-off given it is more commodity linked for at least the large part of...

Rajani Kesari: It does include. Now the target going forward is to negate that because we are seeing what everyone sees, which is an inflation in the power and fuel cost, and the target, as we go forward, we hope that they will negate part of the input cost increase as well.

Ashish G. Jain: Understood. Understood. My second question is also on expansion and royalty. Now I understand that you cannot give forward guidance on capacity expansion and all, but I am more coming from the backdrop that over the last 10 years, Holcim-Lafarge have actually lost market share in India quite meaningfully. So if I, let us say, take a 3-year, 5-year big picture view, where do we see that? Is market share something we have a number in mind or if you are looking to gain a certain number? And also in terms of our readiness, independent of the timing, how much Brownfield potential do we have between ACC and Ambuja based upon the limestone mines and all that we have today? If you can give some color on that.

Rajani Kesari: Yes. It is very, very forward-looking to estimate a market share for 5 years. I hope you appreciate that, Ashish. So Neeraj has already mentioned in as much detail as he could in terms of the expansions that we are looking at Brownfield and Greenfield. Yes, it is true that past 10 years, the investments have been on the lower side, but if you look now, in ACC, we have already commissioned Sindri regrinding. Ametha is going on in full steam. Mundwa will come now. We talked about debottlenecking of grinding capacity, which also means that there is going to be an expansion in capacity. So I think, directionally, we are moving towards gaining more market share, but I would not like to give you any guidance on this.

Ashish G. Jain: Okay, and if I can just extend that, even on the royalty front, if I see, Rajani, both you and Neeraj, between Holcim's global management and the local management, how do you see the royalty number at 2%? Because a lot of investors kind of talk about it, given it is only for 2 years. So is it, any kind of comment on that in terms of where we see that going directionally?

Rajani Kesari: It is a dynamic topic. We have just revised it for 1% for 2 years based on an evaluation, and when it comes up for evaluation later on, we will relook at the support that is coming from the Board. It is a fairly independent process of assessment of support and valuation, etc. So it is not an ad hoc number as you would appreciate. So we will look at it again in 2 years, and for now, it is there to stay at 1% for 2 years.

Ashish G. Jain: Thank you so much and best of luck.

Moderator: Thank you. The next question is from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.

Swagato Ghosh: I have 2 questions. Firstly, whenever Marwar Mundwa starts operation and ramps up, considering today's price and today's variable cost, what would be the profitability or the contribution margins from that asset? Any guidance would be helpful.

Rajani Kesari: No, I do not have a guidance on EBITDA per tonne for Mundwa. I do not have that, but it is a capex. It is very high return. No, I do not have it. I do not have a guidance for the profitability, but it is going to be higher than where we are today, which is all I can say, but I do not have the number for you. Sorry.

Swagato Ghosh: Okay, madam, but can we benchmark it against, say, some of the best-in-class and how there some of the similar comparable assets' contribution margins would be?

Rajani Kesari: If you are asking me to give you an indication, then I will say I cannot give you a number. So we will get back to you with this. Thank you for that.

Swagato Ghosh: Okay, and second question is, madam, how many months of petcoke or imported coal inventory do we hold?

Rajani Kesari: Yes. We are very strict on inventory. It is true that last year, it has caused us some impact, but we are at not more than 2 to 3 months.

Neeraj Akhoury: So as a firm, we do not believe in buying or speculation. To our mind, this is not the right strategy to have for fuels, and therefore, we maintain inventory which is in line with our required expectation of our clinker targets and so on. So that is how we are doing it.

Swagato Ghosh: Okay. Because in, I guess, a year or so back when prices were coming down, we were late to realize the benefits versus peers and the general reason assumed was that the higher inventory we had. So I was curious...

Rajani Kesari: That was in 2018. It has been 3 years since. That was in 2018 when we landed up with higher inventory in one of the plants, and it was due to some shipment sizing, but as a company, the strategy is to procure what we need.

Swagato Ghosh: Great. Thank you. Thanks a lot.

Moderator: Thank you. The next question is from the line of Girish Choudhary from Spark Capital. Please go ahead.

Girish Choudhary: Firstly, on the Marwar Mundwa, just a follow-up to the earlier participant that there is a mismatch in terms of the clinker and grinding for the new capacity, 3 million tonne clinker and 1.8 million tonne grinding. So if you can sort of give a sense on what is the current clinker capacity in that region in north for Ambuja, both clinker and grinding and also for ACC, so that will be really helpful.

Rajani Kesari: So like we said, combined with ACC, we will be able to evaluate the clinker that is at Marwar Mundwa. We have some underutilized capacities in the region, and we will be able to make the right movements to utilize this underutilized capacities of grinding. Between ACC and Ambuja, there is still some grinding capacity in the north that we can use either our own or through our partners.

Girish Choudhary: Okay. Any number will be really useful.

Rajani Kesari: I cannot give it to you now. I do not have it now, but I will probably call you again for it, yes.

Girish Choudhary: Sure and second question is on the premium product sales. You mentioned that, in the earlier opening remarks that you had a 16% growth. If you can share how much is this as a percentage of total volumes? And specifically on Kawach, you also interestingly mentioned that you launched at a fixed price. So if you can share some more on this in terms of how much is the price and premium to base case products and then the outlook on this product going ahead?

Neeraj Akhoury: So on premium, we are reaching close to 12% now of the trade sales that we do, and our efforts are on to, I would rather not use the word premium, I would use the word special cement because they are Ambuja and ACC. Both, we have products which are very sharp value proposition. For example, Kawach is a water repellant cement. We are also working with the group R&D now to come up with more such special products which have a very sharp value proposition for our consumers in the market. 12% is what we have recorded last quarter in December, and we would like to further strengthen it in the coming months. Efforts are on to improve our special cement sales.

Girish Choudhary: Okay. On the fixed price on Kawach, any number you can share in terms of, what you say, pricing...

Neeraj Akhoury: Kawach is a very expensive product with its special properties around water repellant and where we also work with some of the world's largest chemical manufacturer. So it is an expensive product. So we believe that a product like Kawach requires a statement to the consumer so that, on the price so that they can plan themselves well for the construction period, which typically for an IHB will be, let us say, 12 months to 16 months going up to 24 months for full construction. So currently, the fixed price model of Kawach gives us roughly about 50-plus over the base products per bag improved prices, and that, as we said that it is a fixed price for the full year.

Girish Choudhary: Okay. Sir, I have one more question, if I may. On the coal block at Gare Palma, you mentioned that this will help substitute high-cost fuel. So if you can throw some light on this in terms of how much of the requirement can be taken care of on the related cost savings? And also when will this ramp up?

Rajani Kesari: Just give us 1 minute and let us move to the next question while I get the answer for this one.

Neeraj Akhoury: So Gare Palma, at a stable rate, we will be doing about 1 million tonnes of coal, and that should be, with that 1 million tonne, we should be able to substitute it with the more expensive procured coal as well as petcoke. This much information we can give now, but of course, the efforts will be to what else we can do in Gare Palma to further reduce our dependence on procured coal for certain plants.

Rajani Kesari: It will also help the plants also.

Girish Choudhary: Thanks and all the very best.

Moderator: Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Funds. Please go ahead.

Rakesh Vyas: First of all, let me complement the management for distributing the surplus cash on balance sheet through interim dividend. Sir, 3 quick questions, if I may. One, I think everyone has been trying to understand with the 3 million tonne clinker that is coming up at Marwar Mundwa potential to produce close to 5 million tonne of volumes and Rajani talk about achieving optimal utilization in CY2022, so broadly, we should be in a position to see more than 4 million tonne kind of numbers through our various grinding capacities in that time frame. Is that the correct understanding? Because that is something that everyone is trying to understand.

Neeraj Akhoury: Yes, yes, yes. You are right. You are right, Mr. Vyas.

Rakesh Vyas: Sir, related question to Marwar Mundwa is, has there been any incentive structure that has been finalized with the state government? Can you throw some light? Because now we do not have any incremental incentives across our portfolio broadly.

Rajani Kesari: We are working on it, so not yet locked in, but we are working with the Rajasthan government for the incentive.

Rakesh Vyas: Sure. Second question is also around volumes. I mean, we did a fairly good job of 7 million tonne kind of volume run rate in this quarter, essentially with the kind of volume or demand traction that we are expecting in CY2021. Is this a run rate that is fairly sustainable given all our constraints, etc., broadly factored in? And with the kind of new capacity that is coming up, CY2021 should see at least this or a higher run rate on an average basis? Is that the correct understanding?

Neeraj Akhoury: No. I mean once Marwar Mundwa comes in, Mr. Vyas, the volume run rate will increase and has to increase, but as Rajani said in the previous question that Marwar Mundwa, to my mind, will fully stabilize sometimes early quarter, early 2022. So then we should really be able to see the complete or full potentials of Marwar Mundwa in the market, but I am very certain that with Marwar Mundwa, even in 2021, we should be able to positively impact our volume gains.

Rakesh Vyas: Fair enough, and one last question around solar. Can you just throw some light on the strategy around our solar expansion broadly? Is it going to be on group captive or buy/purchase kind of agreement? Or are we likely to put up capex on our own? Any thoughts around that would be very helpful.

Rajani Kesari: It depends on state-by-state in terms of what is available. We are open to all models. The on-site capex model with the third-party seems to be the most favored one, but it depends on a case-to-case basis. So we are open to all.

Rakesh Vyas: And any timeline that you can highlight, Rajani? This 15% kind of contribution from solar you are expecting by CY2022 end?

Rajani Kesari: Yes, also looking towards 2022 end, yes.

Rakesh Vyas: Thank you so much and best of luck.

Moderator: Thank you. The next question is from the line of Abhinav from Nippon India Mutual Fund. Please go ahead.

Abhinav Bhandari: Just a couple of questions from the, understanding the perspective from the industry side. So one is, obviously, from a demand perspective, everyone has been surprised with the way that the revival has happened. Even adjusting for that base of quarter 1 and next year, the demand expectation is fairly strong. So just trying to understand, apart from the rural and the infra piece, which we understand, and it is there in the public domain in terms of government expenditure, are there any other bigger triggers on urban housing or the industrial capex revival which you are seeing to be bullish on the demand for next year or a couple of years? And a related question is basically the average borrowing cost for larger corporates is down to 4% to 5%; for midsize corporates, it is 7%, 8%, which has resulted in a slew of announcements on the supply side in the next 2, 3 years. Just trying to understand, in your view, the utilization from a cement and clinker perspective for the industry that you are seeing. That is it from my side.

Neeraj Akhoury: So I am trying to understand your first question...

Rajani Kesari: Demand of 2021.

Neeraj Akhoury: It is on the Demand of 2021. We have these 3 important segments in the cement consumption space: one which is we call housing, which includes the individual house builders; second is infrastructure; and third is industrial and commercial segment. So for the last few years, we were more doing much better in housing and infrastructure. Last year in infrastructure, there was a slowdown, but housing, especially IHB area did quite well. Where we are seeing a revival now in 2021 is on the industrial and commercial, where we are seeing some more industrial capex being planned, and already, some of them are, the construction companies are asking for quotations and so on. So we are seeing that part of the segment now opening up. So I would say, in 2021, all the 3 segments, housing, infrastructure, industrial and commercial, will see an improved demand trend. This is what my take would be, and that is why, in my opinion, compared to 2019, we should grow at least 5% to 7% in 2021. Compared to last year, 2020, but that is special, you should see a growth of plus at least in double digits in 2021.

Abhinav Bhandari: Sure, Sir. On the second question on the upcoming supply and the number of announcements which have happened from the corporate side, so in that light, how is the utilization per capita would be, at least for next couple of years?

Neeraj Akhoury: Demand grows at this rate, then I think the utilization levels will also remain high in this industry for the coming few years. This will be my take. I mean except for some reasons, and I do not want to go into those details, largely, in the country, we will see higher utilization levels.

Abhinav Bhandari: Thanks Sir.

Moderator: Thank you. The next question is from the line of Sumedha Srinivasan from ICICI Prudential Asset Management Company. Please go ahead.

Sumedha Srinivasan: So I had 2 questions. One was on the premium segment. You said that it is about 12% of trade sales. Could you give us some guidance on how this has moved over the quarters? Or how much is the premium in the same quarter last year versus now and also the trade/nontrade mix?

Rajani Kesari: It has moved from 8% to 10% to 12% in the last quarter.

Sumedha Srinivasan: So previous quarter, it was 10%, is it, in Q3?

Rajani Kesari: I will have to get, but I know in quarter 1, it was 8% and then it is 12% as we exited the year. I do not have the interim quarters now. We can get back to you, but it has been consistently growing. It has been pretty resilient during COVID period as well. It was one segment which held its sales during the COVID period as well.

Sumedha Srinivasan: Right and what is the current trade/nontrade mix?

Rajani Kesari: Current trade/nontrade...

Neeraj Akhoury: It normally goes around 80-20, with 80% on trade and 20% on B2B. That is how we do it.

Sumedha Srinivasan: And just one last question from my end. Could you give us a guidance on what is the capacity of WHRS in terms of megawatt and solar that would be coming up?

Rajani Kesari: So I can give you WHRS now. We have 6.5 megawatt now. The capex that is approved and ongoing is about 53.4 megawatt, and then we have another 30 coming up for the other 2 plants.

Sumedha Srinivasan: Sorry, so the 30 is exclusive of, I mean, outside of the 53, is it?

Rajani Kesari: Yes, yes. Absolutely.

Sumedha Srinivasan: And how much is the current CPP capacity? And is there any new CPP capacity that is coming up?

Rajani Kesari: CPP capacity, just a moment. CPP is 276, and there is nothing at the moment that is in the pipeline for new CPP, but we are looking at, but we have not finalized it.

Sumedha Srinivasan: Okay, and what is the current clinker availability with us in terms of tonnes?

Rajani Kesari: 18 million metric tonnes.

Sumedha Srinivasan: Thank you.

Moderator: Thank you. The next question is from the line of Madhav Marda from FIL. Please go ahead.

Madhav Marda: My question was, on the cost side, you mentioned that we have achieved 200 per tonne savings this year. So is that on a run rate basis for quarter 4 of CY2020? Or is it something that you are expecting for CY2021? I was not very clear.

Rajani Kesari: Run rate for 2020.

Madhav Marda: Okay. So you think on a full year basis, we have saved from efficiency 200 per tonne in CY2020, right?

Rajani Kesari: Yes. Yes, but take it, I see a lot of interest in this one. Take it with a pinch of salt because we do also have the COVID-related cost savings, though we strongly believe that these will continue on to 2021. We have done a lot of work on the efficiency platforms under the I CAN program. You can consider for 2020, 200.

Madhav Marda: Okay. Understood, and my second question was, I think on the expansion, slightly different question that I had was whenever you announce a Greenfield or Brownfield expansion, what would be the timeline to sort of commission it from the date that it is announced?

Neeraj Akhoury: So there are 2 parts of it: one part is the time taken to overcome the regulatory issues, for example, environment clearance; and then the second part is the technical, how much time you would take. Technically, Greenfield plant, once the land is secured, should not take more than 15 to 16 months. There are, of course, examples of people who have done it better. There are examples of people who have taken longer time, but once all other factors remaining constant, Greenfield plant should not take more than 15 to 16 months' time.

Madhav Marda: And similarly for the Brownfield would be like 12 months or something like that?

Neeraj Akhoury: Something likes that, 12 months to 13 months. Yes.

Madhav Marda: Okay. Okay, and do we have like, for a Greenfield expansion, if you decide to take that up as the next round of expansion, do we already have land secured at any particular site or that...

Neeraj Akhoury: It is too early to answer this. We are currently evaluating it, the nature of expansion, size of expansion and so on. So once we are there, then we will, of course, be coming back to our investors, and we will be announcing it.

Madhav Marda: Thank you so much.

Rajani Kesari: That is the last question?

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Krupal Maniar from ICICI Securities for closing comments.

Krupal Maniar: Thank you, Malika. On behalf of ICICI Securities, we would like to thank the management of Ambuja Cements for providing us this opportunity to host the call, and thanks, all the participants, for joining the call. Thank you very much, Malika, and you may now conclude the call.

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