Ambuja Cement

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7th May, 2024

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Sub: Transcript of Earning Call pertaining to the Audited Financial Results of the Company for the Quarter and year ended 31stMarch, 2024.

Dear Sirs/Madam,

In continuation of our letter dated 20th April, 2024 regarding Analyst/Institutional call scheduled on 2nd May, 2024, the transcript of the earnings conference call on the Audited Financial Results (Standalone & Consolidated) for the quarter and year ended 31st March, 2024 is uploaded on the website of the Company at www.ambujacement.com.

The Web link to access above transcript is as under: Investor Presentations | Ambuja Cement

The said transcript is also attached.

Kindly take the above on your records.

Thanking you,

Yours faithfully,

For AMBUJA CEMENTS LIMITED

Manish Vinodchandra Mistry

Digitally signed by Manish Vinodchandra Mistry
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Ambuja Cements, ACC, and Sanghi Industries

Q4 FY 24 Earnings Conference Call'

May 02, 2024

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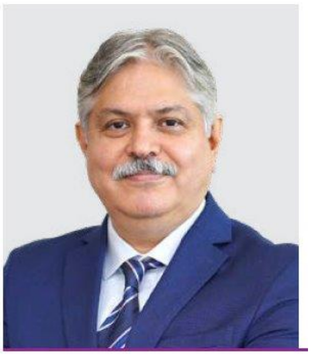
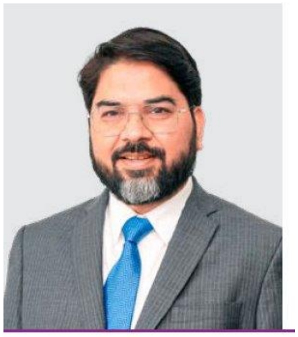
<tr><td></td><td></td></tr>
<tr><td>MR. AJAY KAPUR
CHIEF EXECUTIVE OFFICER</td><td>MR. VINOD BAHETY
CHIEF FINANCIAL OFFICER</td></tr>
<tr><td colspan="2">MR. DEEPAK BALWANI – HEAD INVESTOR RELATIONS</td></tr>
<tr><th colspan="2">MODERATOR</th></tr>
<tr><td colspan="2">MR. VAIBHAV AGARWAL – PHILLIPCAPITAL INDIA PRIVATE LIMITED</td></tr>
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Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call for the quarter and year ended 31st March 2024 of Ambuja Cements Limited, ACC Limited, and Sanghi Industries Limited. hosted by PhillipCapital India Private Limited. 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 touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital India Private Limited. Thank you and over to you sir.

Vaibhav Agarwal: Thank you Michelle, good afternoon everyone. On behalf of PhillipCapital India Private Limited. We welcome you to the earnings call for the quarter and full year ended 31st March 2024 for Ambuja Cement Limited and its listed subsidiaries ACC Limited and Sanghi Industries Limited. I would like to mention on behalf of Ambuja Cement and its subsidiaries that certain statements that may be made or discussed on this conference call may be forward looking statements related to future developments and which are based on current management expectations. These statements are subject to a number of risks, uncertainties and other important factors which may cause actual developments and results to differ materially from the statements made. Ambuja Cement and its subsidiaries assume no obligation to publicly update or alter these forward looking statements whether as a result of new information or future events or otherwise.

I will now hand over the call to Mr. Deepak Balwani, Head Investor Relations at Adani Group's Cement business. Thank you and over to you Deepak.

Deepak Balwani: Thank you Vaibhav. Good afternoon everyone. Thank you very much for taking out time to join Adani Cement quarter four FY24 Earnings Call. On behalf of Adani Cement, a very warm welcome to all of you. On this side we have Mr. Ajay Kapur, Chief Executive Officer and Mr. Vinod Bahety, Chief Financial Officer. Before I hand over the call to Mr. Ajay Kapur for his opening remarks, requesting you all to kindly limit your questions to a maximum of two and then re-enter the question queue. Over to you Ajayji.

Ajay Kapur: Thank you Deepak. Good afternoon to all of you. I extend a warm welcome to each of you for joining us in our quarter 4 and FY24 Earnings Call of Adani Group's Cement business for Ambuja, ACC and Sanghi. We continue to strengthen our position as a market leader in the cement industry. Our strong operational and financial performance are testament to our business model's flexibility and solid foundation. Adani Cement is becoming stronger over time with an intense commitment towards capacity expansion through both organic and inorganic routes along with efficiency improvement initiatives.

Adani Cement's current market share is about 14% plus with an internal target to hit 20% by FY28. To begin with, I would like to share some of the head level highlights before diving into the specifics. In April 24, Ambuja Cement successfully completed the acquisition of state-of-the-art 1.5 million ton grinding unit at Tuticorin in Tamil Nadu. This will help strengthening our market share in southern markets. We have increased our capacity by 17% since acquisition through organic and inorganic growth translating to 11.4 million tons. 142 million tons of new limestone reserves secured in Q4 FY24, total reserves reaching 7.8 billion tons. In FY24, Ambuja and ACC both achieved all time highest annualized PAT.

In Q4 FY24, Ambuja achieved the highest ever clinker and cement sales over the last 20 quarters. Capacity growth from the current 78.9 million tons to 140 million tons will be met through both internal accruals and opening cash flows. We will continue to remain debt free. 4 million tons of clinkering and 4.8 million tons of cement capacity is expected to commence by Q4 FY25. The promoters have fully subscribed to the warrants program in the company by further infusing INR8,339 crores in April 24, thereby infusing a total amount of INR20,000 crores. Promoters have further increased their stake in the company by 3.6% to 70.3%.

With strong balance sheet and cash position, this further strengthens and accelerates our growth journey. The consolidated quarterly Y-o-Y performance, we reported a revenue of INR8,894 crores, a jump of 12%. This is driven by a strong focus on our micro-market management strategy, expansion of dealer network, blended cement as a mix of total sales maintained at 86%, premium products as a percentage of trade sales increased to 24%.

Operational cost for the quarter is at INR4,345 per ton, shows a decline of 9%. This is driven by 13% decline in energy cost, owing to better fuel management, which resulted in reduction of kill-in-fuel cost by 17% to INR1.84 from INR2.21 per 1000 kcal. The transportation cost declined by 8% at INR1,280 per ton on account of footprint optimization, secondary lead distance reduced by 4 km to 48, the direct dispatch to customers has been maintained at 54%. Other expenses were marginally reduced at INR699 per ton.

With the improvements mentioned on the revenue and cost front, the EBITDA grew by 37% at INR1,699 crores. EBITDA per ton grew by 17% at INR1,026 and the margin expanded by 3.5% to 19.1%. The Master Supply Agreement volume stood at 3.4 million tons against 2.4 million tons, an increase of 42%. You have to further look at the Master Supply Agreements which the companies have entered with Sanghi and for the quarter, Sanghi to Ambuja was 4.2 lakh tons and Sanghi to ACC was 2.5 and that itself is additional volume gain which has come in from these MSAs.

As on 31st March 2014, the consolidated cash and cash equivalent stood at INR15,999 crores. With the warrants money of INR8,339 received in April, our total cash and cash equivalent currently is at INR24,338 crores. Now looking at the full year FY24 Y-o-Y performance, revenue up 7% at INR33,160 crores. EBITDA up 73% at INR6,400 crores. EBITDA per ton grew by 60% at INR1,081. EBITDA margin expanded by 7.4% to 19.3%. Tax expenses in FY24 is higher mainly for reversal of tax provision of INR150 crores in FY23 for 80IC benefit.

In the best interest of time, I will not discuss the standalone financial performance of the listed companies separately as they are available on the stock exchanges. I will share with you the progress we have made on our announced long term strategic plan. For doubling the capacity of grinding facilities to 140 million tons by FY28, we are targeting 35 new grinding units.

With acquisition of 1.5 million of Tuticorin in Tamil Nadu, our grinding capacity now stands at 78.9 million tons. Another 3 units are mapped to the upcoming clinker facility at Bhattapara in

Chhattisgarh of 4 million tons. These include 1 unit each in Sankarel and Farakka in Bengal and Warisaliganj in Bihar.

Another 2 grinding units are mapped to Chandrapur clinker unit of Maratha Cement of 4 million tons. These include 1 unit at Jalgaon and 1 unit at Amravati in Maharashtra. Both of them would be 2 million each. Other grinding units which are being set up are at Salai Banwa in Uttar Pradesh, Sindhari, Marwar in Rajasthan and Mundra in Gujarat. All these units are expected to get commissioned by the end of FY26. Additionally, we would also be setting up grinding units at Hoshiarpur in Punjab and Pune in Maharashtra to be commissioned by FY27.

For the new facilities of 4 million ton clinker at Bhattapara, 67% of the civil work is now complete and receipt of major equipment has also commenced. Expected completion is by Q4 FY25. For its corresponding grinding units at Sankarel and Farakka in Bengal, 52% civil work and 40% respective for both the units have been respectively done.

Expected completion of these units is by Q3 FY25. For the new facility of 4 million ton clinker line at Maratha in Chandrapur, contract has been awarded on EPC vendor, project execution work started. Expected completion is by Q2 FY26. These kiln lines will have 42 MW of waste heat recovery and provision for utilizing 30% alternate fuels in the kilns. We have placed orders on EPC basis for 2.4 million ton grinding units at Salai Banwa and 1.6 million ton grinding unit at Sindhri. Project execution work at both the sites has started.

Out of the total capex, all our kilns will be brownfield and the grinding units will be a mix of greenfield 53% and brownfield 47%. Now, I will share with you some of the key initiatives being taken for becoming a cost leader in the cement business. Securing major raw materials at cost competitive prices and efficiency and productivity improvement capex will further help in cost optimization by 8% to 10%.

First, let me discuss the steps we have taken to lower our energy cost. Our waste heat recovery capacity at the time of takeover was 40 MW in September '22, which we are now targeting to increase to 186 MW by March '25. Currently, the WHRS capacity is at 134 MW. We have earlier announced our investments of 1000 MW in RE, which is expected to get commissioned by FY '26 and would ensure that 60% of our power requirement would be met through green power. This would help in reducing the power cost by INR90 per ton by FY '28.

First phase of 200 MW is getting commissioned at Khavda in Q1 FY '25. As previously explained, to meet our requirements, we aim to have captive coal supplies. As a result, we are bidding for coal mines in the auctions being conducted by the government. Besides the 1.2-million-ton captive mine at Gare Palma in Ambuja, we have won and bid for 2-million-ton coal mine in Dahegaon Gowari in Maharashtra and another mine of 2 million ton at Lama Tola in Madhya Pradesh. These three mines together would cater to about 50% of our current requirement. A high share of coal from captive mines and opportunity to buy imported pet coke will further lower our fuel cost.

Besides this, within the group, we are also working on other options and I believe with that, in the next 12 months' time, we should be able to secure 80% to 90% of our coal through our own captive sources. Driven by better fuel management and structural initiatives undertaken, our power and fuel costs have decreased by 13% to INR1,219 per ton in Q4 FY '24 from INR1,404 per ton in Q4 last year. These initiatives include an increase in share of AFR and WHRS.

The share of AFR in fuel mix has improved to 10.6% from 8.7%. Share of WHRS in power mix has increased to 13.5% from 9%. The second cost item is the freight and forwarding costs. There are three focus areas for cost reduction here. Reduction in lead distance, warehouse footprint optimization and railroad mix optimization. We are targeting to reduce the average primary road lead distance to about 100 km. Primary lead distance in the current quarter was 276 km versus 271 and secondary lead 48 versus 52.

So, you can see though marginal but improvements. To further optimize our costs in logistics, we have ordered 11 GPWIS rakes of which 8 have been delivered and the rest are expected to be delivered by the end of Q1 FY '25. These rakes will enable cost efficient clinker movement from the mother plants. In addition to these, we have also ordered 26 DCFC rakes for safe and cost-effective transportation of fly ash from thermal power plants to our facilities. We expect 10 rakes to be delivered in the current financial year.

Because of these initiatives, our logistics cost has been reduced by 8% to INR1,280 per ton in Q4 FY '24 from INR1,389 in the same quarter last year. To secure our limestone supplies, we have won bids for 15 new mines with total reserves reaching 7.8 billion tons. On ESG, we are committed to net zero by 2050 for Ambuja and ACC. With near-term targets validated by SBTi, 60% of power sourced will be from green power by FY '28 which will help us to reduce carbon footprint.

Ambuja is 11 times water positive, establishing leadership in water governance. Reached an impressive 8x plastic negativity for Ambuja through co-processing of plastic waste in cement kilns. Ambuja and ACC put together used more than 21 million tons of waste derived resources in FY '24, embracing circular economy.

We have pledged to plant 8.3 million trees by 2030. Ambuja and ACC created societal values for more than 4.6 million people by contributing to fields like healthcare, education, employment and sustainable livelihood. We are optimising the infrastructure at Sanghi that would enable efficient transportation of cement and clinker from the plant to the jetty through mechanised conveyor belts.

Now looking at the industry outlook, the government's push for affordable housing, increased budgetary allocation to infrastructure and construction, the shift to green energy, demand supply dynamics and greater consolidation all indicate a positive outlook for the Indian cement industry. We expect higher utilisation over the next five years since demand is expected to grow at a rate of 8% to 9% faster than the capacity expansion rate. In conclusion, as I mentioned this earlier at multiple occasions, Adani cement will benefit from accelerated growth, lower cost and group synergies, all of which will contribute to lead the market and achieve sustainable performance in the near future.

So with this, before going for Q&A, I will request Vinod to also give some opening insights.

Vinod Bahety: Thank you Ajayji. Good afternoon friends, wonderful to again connect with all of you on another fulfilling quarter with lots of good actions on the business as well as the balance sheet which Ajayji has well highlighted. Most importantly, the completion of the warrant programme wherein we also received INR 8400 crores in April. This year, we have reported the highest ever PAT in the history of Ambuja at INR4738 crores. We have also touched net worth of closer to INR 51,000 crores and if I add the money of warrants in April, it is closer to INR60,000-odd crores. We have also achieved the highest cash position so far and as of now say almost INR24,000-odd crores.

In terms of fixed assets, my balance sheet is again very strong and including CWIP, I am almost at say INR 27,000 crores. Now with this healthy balance sheet supported by all the improvement in the KPIs, we have already targeted to achieve almost INR530 a ton further reduction for which we are investing and target to achieve by FY'28. So we are fully geared up well on growth and supported by all the enablers which I have highlighted in my investor deck as well. FY '25, I will be exiting with capacity of almost 86 million tons. In '26, we should achieve 100, 120 in FY27 and finally 140 million tons in FY '28. So that is how the overall narration on the growth as well as the cost factors which we want to achieve relentlessly. We look forward to the Q&A. Thank you.

Moderator: Thank you very much sir. The first question is from the line of Navin Sahdev from ICICI Securities. Please go ahead.

Navin Sahdev: Thank you for the opportunity. Two questions. First, of course, is on the capacity expansion plan and it is very reassuring every single time that the company has maintained the target of 140 million tons in terms of cement grinding. But honestly, sir as an analyst my fear is about on the clinker expansion front because except for about 8 million tons of clinker that we are already pursuing there is not much announcement on the clinker front.

Even the Mundra unit, I'm saying is not yet given a specific date or a milestone or if it has been received or not. So if you could just throw some light as to how the clinker capacities will stack up as you gave the cement capacities that will be far more reassuring and will help us take that into account?

Ajay Kapur: So, Navin, what I have refrained from saying is till I have the EC in my hand, I generally don't speak about kiln lines. But let me make it very clear. Three locations, one in West, one in North and one in South, 4 million, 3 kilns we are ready to place orders as soon as we have the EC. And this is not so far in distant future. I'm talking of only a quarter or two at the most. And interestingly, at all the locations the entire land is in our possession, the leases are in our possession. I'm just waiting for the EC.

Navin Sahdev: Understood. This is great. Sir, my second question then was…

Ajay Kapur: Basically, what I have told you is 12 million clinker which technically can produce 20 million plus cement.

Vinod Bahety: So, just to add to that, Navin our target is to reach almost 76 million tons of clinker by end of FY28 sorry 82 million tons of clinker when I look at 140 million tons. And a good part of this is almost 80% will be brownfield expansions which again is very assuring. And only 20% will be Greenfield, for which also a substantial part of limestone and land is already in possession. So, we have a complete clear outline over this clinker expansion. So, when we say cement it is imbibed that clinker is also parallelly expanding. It's not like we are going to purchase clinker and produce the cement. It is inherently inbuilt over there.

Navin Sahdev: Yes. My second question, sir, then was on the Sanghi. And I'll just have like because there has been a fundraise announcement recently with a commitment of INR2,200 crores. So, in terms of basically what is the overall game plan for Sanghi here? Is it growth capex? Also, quickly just want to mention here that we came across recently an environment clearance related document where a company has applied for a 10 million ton clinker and a similar 10 million ton cement at Sanghi. So, just wanted to understand what is the overall game plan for Sanghi?

Ajay Kapur: So, Navin, let me first handle the game plan for Sanghi. Sanghi has a great location. That's the reason we invested in that asset. It has a fantastic fitment of footprint within our ecosystem, especially our West-South corridor. Currently, we have two kilns which can produce 6.6 million as per the rated capacity. As I speak to you as you know the kiln needed refurbishment. So, we are doing that. This whole process will be over by H1 of this year. Our plan is to run both the kilns flat out in H2 literally at 100% and I think that is the first game plan at Sanghi.

The second game plan at Sanghi is we will be putting up in time to come two more kilns of 4 million each and that will then make it one of the largest single location, lowest cost plants. And of course it will have its own adjoining grinding stations and cement linked bulk grinding units, oblique terminals which Ambuja already has. So, that is in short the game plan. The issue you are talking of 2200 is basically to get the ICD which Ambuja has earlier given to Sanghi, to give it back to us. It is more cost efficient and financially a much better structure. That's the reason we are doing it, in short.

Vinod Bahety: And just to add, Navin, and good to share with all of you that Sanghi already has been rated now AA. The rating has been upgraded from D to AA. And the journey is to become AAA for Sanghi as well like Ambuja and ACC. And therefore, what Ajayji has highlighted that this ICD when I repay from my preference shares that will help us to move into the league of AAA for Sanghi as well. And that was our commitment to the investors of Sanghi in terms of improving the overall balance sheet and financials. We are in this journey.

Moderator: Thank you, sir. The next question is from the line of Rahul Gupta from Morgan Stanley. Please go ahead.

Rahul Gupta: Hi, thank you for taking my question. I have two questions. So first question, taking the Sanghi game plan forward, based on your comment is it fair to say that you target something like 5 million ton from Sanghi in fiscal 25 and secondly, how should one look at Sanghi profitability from here?

Ajay Kapur: So to answer one question is a simple answer. Yes, 5 million is something minimum we will do, number one. As you know, we have done an MSA with Sanghi in the current format and that MSA is in the public domain.

For the current year nothing changes there. I think as and when we make a change to that MSA, we will come back to you. The MSA basically you can look at the website.

Vinod Bahety: It is approximate 9% EBITDA margin for Sanghi.

Ajay Kapur: It leaves 9% margin for them and rest, since we are selling in our brands of Ambuja and ACC that margin is then retained in Ambuja and ACC.

Rahul Gupta: Great, this is very helpful. So my second question is more from the industry perspective. We saw industry prioritized volumes at the expense of prices during the fourth quarter. And given you and another large player have talked about cost-saving initiatives over the medium term.

Is it fair to say that margins expansion will be led by cost control and cement prices may remain sluggish for longer despite a strong demand outlook? Any color on this will be helpful?

Ajay Kapur: It's a very interesting question, Rahul, and you know why I'm saying it because end of the day there are two separate streams. One is the stream on cost and productivity. As you know many of our initiatives post taking over by Adani have been accelerated at 10x the speed. I think the companies were lagging behind in versus worthy competition on waste heat, on some of the other initiatives which needed to be invested. And then growth, of course. So we are clearly focused on being the lowest cost.

That's also the Adani DNA. You look at any of our Adani companies in each of the sector we are the lowest cost and highest productivity. And thereby it also renders us highest EBITDA. So that having said, cement industry also is an industry where brand and price and the segments you choose to play have a sizable role. I think Ambuja and ACC are both iconic brands. Both of them are placed at the highest end, as we call it A or A plus pricing. On top, we have within the trade segment in ACC even higher than 30% premium product, but on an average level between both the companies, we are still more than 25% premium products and we are targeting much higher volumes coming from there. That is an area which keeps us a little away from day to day commodity wars.

But yes as more capacity comes in and if the sentiment is a little down it can have an impact on pricing. I believe this is going to get improved because I think post elections we'll see a much more robust program. And I believe GDP should be 7% and cement should play 1.2 to 1.3 times. We did an asset check in the last five years and we again proved that cement has again started behaving 1.2 to 1.3 times. So if cement demand is about 8%to 9% irrespective of cost, I don't think cost is something we're going to pass on. It's meant also to help us grow the business. So pricing I think should be stable. It should not go down and it should only improve from here.

Moderator: Thank you. The next question is from the line of Rashi Chopra from Citigroup. Please go ahead.

Rashi Chopra: Just on the cost side, you've made a mention in the presentation and today that you're expecting the cost to come down by about INR500 by FY28. So is it coming off like this current base? And if yes, how is that broken up amongst the various heads?

Ajay Kapur: So Rashi, this is a very interesting question. What I will do is rather than deep diving into there may be at least 100 line items to get to that number. I will not go there. It's also not right for me to go there. What we are basically looking at, I'll give you the heads up. One heads up is coal mines which I just mentioned in the opening. I think that's going to be a game changer for us. Number one.

Number two, I mentioned about long term procurement of critical raw materials. We are also targeting a sizable percentage coming through long term agreements. We are also investing in railway wagons which help us to streamline day to day vagaries of increasing raw material prices.

Once I have secured the source and I also secured the transportation, the cost is more or less stabilised and in raw materials, a large part of transportation cost is the transportation cost. So we are getting a fix over there. The third and a very important area is the power cost. We already mentioned in the beginning about INR100 per ton or I believe it will be plus 100 coming out of our massive programme of investing 10,000 crores in green and waste heat. So today the power cost is about INR6.75 paisa. Over the next 5 years this will come down to about INR4.50 or so.

And that itself you can work out is about INR150 a ton purely on cement. When you then bring it back on per ton it might get adjusted, but purely in production it will be about INR150. Logistics is another area as we improve our footprint in the country and also put up more grinding units 35 of them and constantly focus on going direct.

We are using digital in a big way. I think today our company is perhaps the highest GPS enabled in the ecosystem, in the large sector, not just cement. So we have absolute visibility of where our fleet is going. And with that we are able to see 10% to 15% logistics cost optimisation. I believe logistics would be a big number out of this 500 plus. Let's say 40% will come from logistics and other services and about 55 to 60% will come from manufacturing and associated adjacencies which I mentioned.

Vinod Bahety: So Rashi, also if you look at it, like when we took over in somewhere September 2022, our cost metrics somewhere like on an overall total cost basis per ton we were at almost INR 5,300 a ton which this quarter, for example, you will see on cement it is INR 4,170 a ton. So we have almost brought it down by 20%.

And this journey from INR 4170 to 3,640, INR 530 is a 12.5%. Whatever the idea which Ajayji has given 12.5% is strongly believed we will be able to reach another reduction. So from 20% in the last 15 months, 18 months to another 12.5%. There is a complete clearly outlined roadmap for this. And hence my balance sheet is strong enough to make all those strategic investments which will bring these savings.

Ajay Kapur: So you can calculate I mean this is an answer also for other potential questions. We are at an EBITDA per ton of upwards of INR1050 or closer to INR1100. These cost initiatives that we are seeing these are on account of structural changes. So you are straight away looking at a 1500 plus number with the end state.

Rashi Chopra: Got it. Thank you. So just continuing on this, for example, in this quarter as well your fuel cost is on a sequential basis, not year-on-year. On a sequential basis, the fuel cost is flattish, but you have seen a decline in the power and fuel cost per ton of cement. So have we seen the benefits of green energy etcetera kind of efficiencies also come in on a sequential basis quarter-on-quarter?

Ajay Kapur: Yes. In fact, I mentioned that in the opening also if you see, our percentage of green energy has improved, number one. Our AFR percentage is also shot up by a couple of percentage points. And then efficiencies at the plant have also increased. We had also launched a new kiln in Ametha of ACC. I think it's already running at 100% plus capacity utilization. It's an efficient new plant. All these initiatives are also helping us. And plus we had after taking over we had also introduced many initiatives including putting new coolers, new clinker coolers and equipment. Those are also now showing results in improved efficiency parameters.

Vinod Bahety: But, Rashi, perhaps I just want to clarify to you that when you say flattish, in fact, we have reduced our power and fuel on a per-ton basis almost by 10% efficiency. I hope I answered Rashi.

Moderator; Thank you. The next question is from the line of Prateek Kumar from Jeffries. Please go ahead.

Prateek Kumar: Yes, good afternoon, sir. Thanks for the opportunity. My first question is on your detail like on cost and capex timelines on a five-year basis. Capex you have talked about also on, like, I think yearly basis. Is it possible to also give out like cost decline estimate on a yearly basis, maybe broad-based, but not very specific?

Ajay Kapur: That played much forward-looking Prateek, but I can only tell you, you can see sequentially every quarter we have been. What I gave you, heads-up numbers, wasted capacity, I spelled out in my opening. It is going up this year. So straightaway, you know, wasted is at INR1, INR1.10 paisa. That's going to bring down the cost. I also spelled out in this quarter we are commissioning 200 megawatts solar. So it will be available for the nine months or maybe 10 months for this year.

You can calculate. That's another cost item. I also mentioned about bringing in additional 10 rakes for fly ash transportation. That will be additional source for saving our cost. And I think by the end of the year we will also be commissioning state-of-the-art new kiln and also three new grinding stations. In addition to the ongoing program of capex, which was launched earlier, I think some of that will also bring in the savings.

I think we will still do a very tight management of fuel cost. We won a lot of good auctions in the domestic auctions that were, you know, done, both for kiln fuel and CPP fuel. So a large part of our coal cost is already secured in those auctions. So that gives us a fairly good assessment of our costs going forward. I hope I've answered your question, Prateek.

Prateek Kumar: Yes. And one last question on your capex. So annual capex expectation. So this year we did INR4500 crores on organic. I think 2500 on organic. So total 70,000 was in 7,000 in line with your guidance. Does the number remain the same for annual capex guidance?

Ajay Kapur: We are actually having a very big plan for capex for this year. But that includes everything because of buying new railway wagons, also ongoing programs for efficiency. So I would say our total capex would be for growth alone, if you're asking, would be in the range of about INR5,000 crores to INR6,000 crores. Purely growth.

Vinod Bahety: Purely growth, around INR7,500 crores, which we have planned for the current year. And it is all on from our operating cash flows is what we are targeting. So the work is of INR20,000 crores of the funds received from the warrant, we keep it for strategic initiatives. But as an important underlying statement that whatever the yearly capex is, we intend to largely use the internal accruals and the operating cash flows.

Ajay Kapur: And some part of it will also be spent for completing our ongoing green initiative. As you know, by FY '25 mid, sorry FY '26 mid, we are targeting completing the remaining 800 megawatts of wind and solar. So that also will need some investments besides the clinker line and the grinding units I mentioned and the railway wagons, which we are in the process of procuring and efficiency improvement projects, including opening new coal mines.

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

Ashish Jain: Hi, sir. Good afternoon. So my first question is in the clinker capacity. Vinod sir spoke about 82 million ton clinker by 2028. So today we are 54 and, you know, shall we think that 8 million ton that is announced and 8 million ton that we will do in Sanghi. So that takes us to around 70 million tons. Apart from that, there's 12 more million ton that we would be doing, which is what you spoke about 4 million ton into three. Is that the broad number?

Ajay Kapur: Yes. So basically, no, no. What I will tell you is what we have announced. We have announced already two new kilns of 4 million each. Plus, I said I'm ready to go with three new kilns, one in west, which you can take Sanghi, one in north, one in south. That is 12 million. That is immediately where the ECs are being awaited. In addition to that, the ECs applications have been filed parallelly. I may get a few more ECs by this year or beginning of next year. We have, interestingly, the land and requisite limestone secured at all the locations for this 140 million. If you ask me, I'm ready for 175 million. So it should not be a worry.

Ashish Jain: Okay. Got it, sir. And so secondly, I may have missed this number. Did we kind of highlight that the INR500 cost reduction that we are talking about is benchmarked to a Q4 number, which was at INR4185 per ton cost?

Ajay Kapur: For the FY, FY is a better number to take. FY '24 is a full year number that reflects the 12 month averaging out. You take FY '24 number and then say the end state number is what we have given. We have given an end state number. You look at that end state number rather than, you know, 500. And I highlighted the pillars of that journey. And I'm 110 percent confident that that journey will be made before time.

Ashish Jain: And sir, the end state is 3650, right?

Ajay Kapur: Yes, please.

Moderator: Thank you. The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Hi. Good afternoon. On Sanghi, I wanted to check what is the volume for Sanghi? Like you mentioned, 0.67 MT was done as MFA between Ambuja and ICC. But what is the total volume?

Vinod Bahety: So far, March quarter, Sanghi, in terms of clinker, we have produced 0.7 million tons. And in terms of cement, we have 0.8 million tons. But just to also add to this, wherein in March quarter, the line, the kiln number two was non-operational. But now from this quarter, both the kilns are going to be operational. And sooner we are going to achieve 17,500 TPD per day. And as Ajayji mentioned, we are looking forward to achieve 5 million tons of clinker for this fiscal. So Sanghi, I hope numbers are now very clear and we have repeated again. This is how the numbers will stack up for this year.

Ajay Kapur: Around 5 million benchmark you can take for the current year because we are stabilizing the kilns in the first half. Second half, both the kilns will be running flat out.

Amit Murarka: Also, under the MSA, there is a 9% EBITDA margin. But I see in Q4, Sanghi's EBITDA margin is 20.5%. So I just wanted to understand where is this disconnect coming from, given that the incremental volume by Sanghi was only 0.1 million tons?

Ajay Kapur: So it's basically Sanghi had a write-back of discount provision. There was a fuel cost lower. Then there was also a lower fixed cost. And there was some provision write-backs. All this was about INR33 crores. That is why you saw a little bit of an upbeat. And this is done on a quarterly basis, the MFA formula. The price was much lower, the cost of production, versus the next quarter. So I think you are seeing that. But largely, these are some one-offs, which is good for them.

Amit Murarka: Of course, of course. Also, there was some debottlenecking as well in Sanghi, besides the clinker line. So that debottlenecking, I believe, was expected to get completed faster. So is there any update on that?

Ajay Kapur: So basically, we believe versus 6.6 million clinker. These are still our numbers. We'll know after the current refurbishment program is over. I think the kilns should be able to produce 7 million plus clinker. I think that is what will really help us. We really don't need so much of cement grinding, debottlenecking there, because we will be using this clinker for some of our grinding stations.

We have recently acquired a Tuticorin 1.5 million unit, as you know. So this clinker will be used for that. We also have a group within the group, an asset in the Dahej. We will be using for that, plus, of course, our other facilities.

Vinod Bahety: And just like also to add to this, in terms of debottlenecking, all of you would know that the evacuation in Sanghi, in terms of the jetty, you will be happy. Now we have reached already a draft of 4.5 meters, which is improved from 2 meters earlier. Now we are able to handle larger vessels compared to in the past. So this important opportunity of evacuation will help us in overall debottling of Sanghi. And this draft will further improve as things go forward. So we will be able to handle. We are targeting almost more than 10,000 DWT of vessels down the line.

Amit Murarka: Got it. Also, just a last question on the strategy around the Gujarat market. So this incremental volume that is coming from Sangi to you, and which will only grow in FY '25, like which regions will it go to, like the 5 million ton that you're talking about?

Ajay Kapur: We will use, as I mentioned, Sangi clinker and cement, both would be used. Clinker would also be used in the second half more towards the Tuticorin new grinding unit. We are also using Sangi clinker for our Dahej grinding unit, which is in Gujarat. Plus we are using the volumes right up to Baroda part and also in Saurashtra and Kutch.

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

Ritesh Shah: Hi, sir. Thanks for the opportunity. So my question is pertaining to ELT and cost drivers. Sir, can you indicate what is the sort of clinker factor that we are looking at, two, three years out? I think it's around 0.6 right now. Just a related question, how do we look at composite cement as well as calcined clay over here? That's the first question.

Ajay Kapur: So, Ritesh, you're right. Our clinker factor is hovering around 0.6. ACC is slightly lower because they use slag in east. Ambuja is slightly higher, but an average of 0.55 to 0.6 is what we would target. As you know, as we move larger volumes and also cover more parts of the country, we will have to also service the large infra-markets, whereas you know the requirement is of OPC cement. That's also the reason in this quarter also we had a little shift in Ambuja on OPC. In time to come, we will have to also cater for that segment.

Having said that, on the other hand, we'll have to continue to find ways and means to improve our clinker factor on the regular products. So I think that's a journey we'll have to traverse as we go. Composite cement is a very good quality. I think it has a mix of both slag and fly ash. Wherever we are able to secure good slag at the right price, because as you know, slag grinding also has a higher cost element to it. At the same time, if you are able to get a mix which is a cost-effective mix, that is what generally determines our product strategy on composite cement.

Vinod Bahety: So that's also a very interesting point you have highlighted and gives me an opportunity to cover more here on the ESG part. So first, our slides have given to you that we are ahead of 2030 in terms of achieving our plans of SDP. But importantly, for all our incremental projects, these capacities which we are discussing on increasing the volume, all our new capacities are in-built with WHRS. They are in-built with AFR. They have proper railway infrastructure facilities. Let us say typically a kilo of 4 million will have 21 megawatts of WHRS. It will have 30 percent of AFR. That is our desired number. The overall efficiency on heat value is also going to be sizable. We will have a green power which we have set at 60%. So this will add up to the ESG drive what Ambuja and HSE and Sanghi are working on. And I am very confident that we will be having a very high score of ESG down the line.

Ritesh Shah: Sir, if you could just comment on culture and trade, does it feature anywhere on the plans or is it more a storyline at this point?

Ajay Kapur: At this moment, to be very honest, one or two industrial trials have been done by some people. We are studying it. We are also partnering with a few institutions. We will have to do more work on it to be honest. It has not been done on a commercial scale yet.

Ritesh Shah: Okay, fine. And sir, my second question is on cost. Sir, you have indicated on the logistic cost. But could you comment on the mix on road, rail and sea? I think Vinod ji did touch upon a higher draft. So what is the percentage of volumes that we moved via sea last year at a consult basis and how it could change over the next two to three years? And the second question was on fuel cost. I think we have given a number of INR1.75 for full year. Is that how one should grade it given we have already logged in the volumes?

Ajay Kapur: So we should be looking at another INR4 paisa to INR5 paisa improvement over there on the fuel side. On the logistics, basically if you see, we are currently hovering at about 27% rail. I think the rail coefficient would more or less remain where it is because our volumes are going up.

And some plants are better served through road logistics. So more or less this is what it will remain. And sea will change once the Sanghi sea infrastructure changes in time to come. I think that needs a little bit of a different game plan. And we are working on it. I think I will come back and talk to all of you about it once we are fully ready with that. Because that needs a very different game. That will take about 18 months to play out. There I think there will be a very different logistics model on the west coast. And I think that will have a sizable impact on our freight cost.

Moderator: Thank you, sir.

Vinod Bahety: We have a ballpark. I think sea freight we can expect around say 10% by next after 24 months. 24 months, yes, please go with the next question.

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

Sumangal Nevatia: Hi, good afternoon, sir. Thank you for the chance. My first question is on the broad corporate structure. We are now having three separate listed cement companies. So what's our long-term strategy here? Do we intend to keep running three separate companies? And in the light of MSA, I mean, are large part of the benefits already captured? Or a potential some bit of consolidation could have further benefits on the cost side or some synergy side?

Ajay Kapur: So, Sumangal, I can handle first the second question and then I'll come to the first one, which is MSA. MSA, I think from the time when we started to where we are, I would say we almost reached a level where it is operating by default. Right. We have complete logarithms and computer systems and programs. The lowest cost plant serves the market and the highest EBITDA yielding route is what works. So I think that's what we are trying to achieve.

Number one. I think the Sanghi is a new entrant. And so that will take one year to stabilize, which I believe should happen already. It's already working very beautifully well. So other than that, I don't think there is any further comment on MSA side. I'll make one comment for everybody. You know, you will find going forward, I would encourage all of you to look at Ambuja results as a console only because my job as a CEO for the entire outfit is to get the best out of all. And when I squeeze the juice of each of the entities and get the maximum benefit for my shareholders is when you see the console results of Ambuja and not necessarily individual entities. So I think that's where you're seeing the play of MSA really playing out in full potential.

I'm now answering your first question on the corporate structure. I think as a management team, we are one team which is running the show. So therefore, in terms of sharpness, focus, timelines from the time we make a decision to execution, I think there is no bureaucracy. We work pretty sharp as one entity, even though we have three legal entities. For the reasons known to all of you, I cannot comment any further on next steps. But I can only tell you, whenever we are ready for any further next steps, we will come out transparently as per law.

Sumangal Nevatia: Understood. That's very useful. My second question is on our market share target. This 20% I believe is basically from our organic capacities in organic expansion. So if I just do some rough math, from currently around 14% to 20% in a 6%-10% kind of a growing market also, we will require a high team kind of growth on the sales volume over the next 4-5 years. So practically, I just want to understand how is the bottom-up plan or strategy here? Can we practically achieve this kind of high growth from existing capacities without really distorting or deflating the prices in the market? Some thought process here would be helpful.

Ajay Kapur: So two things. Number one, we have a program to put 140 million. So I am very confident we would be ahead of the curve on that program. Our utilization levels for both the companies have never gone below mid-80s. And actually, large part of our plants are operating at 90%, 95%. So as soon as we have a plant, it takes about a year. Like I just mentioned, Amitabh plant came in central region, ACC Amitabh. We have produced 300,000 tons in the month of April clinker, which annualizes 3.3 million, which is its peak capacity, so more than the peak capacity. So typically, it takes 8 months to a year to have full stabilization.

Both the companies have a very strong dealer-distributor network. We have over 1 lakh channel partners. We are investing more in the brands, and you would see that the renewed focus and thrust. We are increasing our technical and field force. And we are making sure that our product quality remains top. So I think these are the three fundamentals when you want to increase market share. And also in many markets, we are under-supplied. Now recently, we have taken a grinding station in Tamil Nadu. So we are under-supplied there.

I believe it should not be very difficult for us to ramp up very fast. Likewise, in South, we have been actually losing market share because we don't have capacity. As soon as we put up new capacity there, ACC has a tremendous brand name in many parts of South. And we should be able to ramp up. Same is the case in Uttar Pradesh, parts of central India, where we have very strong brand image. Gujarat has been our core market.

Maharashtra has been our core market. I believe we should be able to increase our market share. Last quarter numbers is a good reflection because this is a question asked to me every quarter. I think we have grown at about 17%, which is much more than the industry growth. And we have not really disturbed the markets because we still play within our premium segments. So I believe India will grow, number one.

And number two, with that, with the capacity coming in every year in one or two regions, not across all the country, we should be able to spread the risk and also capture market share. But the good part is India is growing and we are growing along with that.

Moderator: Thank you, sir. The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal: Hi, sir. Thank you for the opportunity. A couple of questions. First, again, on the industry, right? So you have been growing much ahead of most of the peers. But if you look at some of the larger guys, they have also had double digit growth. So who do you think is losing market share? And what happens to them going ahead? Do you think the smaller players become less and less relevant in the next three years, five years?

Ajay Kapur: I think it's very difficult for me to comment on, relevance of smaller players. But I can only comment that eventually in the long term, you will find if you have a right cost structure, if you have the right architecture of distribution points, if you have a well laid out strategy of how you want to service your various segments. IHB is one segment which is we call largely trade in the cement trade and non-IHB generally we call it non-trade.

But it's not that simplistic. It's further, micro marketing at each and every level. So you have largely housing, which has mass housing, small housing, individual housing. And then you have infra where you have government and you have within government, you have railways, roads, bridges, highways, metros, so on and irrigation. And then you have ICI, the buildings and commercial. I think for each of the segment you will have to have a strategy.

The companies which will have a good strategy here, the companies which will have the right product mix, the companies which also will be the lowest cost, I believe are the companies which will be able to take full advantage of cement sector, which interestingly today is 104 and 20 million tons per head per capita is still 270. World average is 500. I think in time to come, just to meet the 8% growth every year, we need about 40 million tons of new capacity to be added. So I think it's very difficult for me to say who will be relevant or not, but the one who will be relevant will be able to do all these things.

Vinod Bahety: So Inderjit, just to also add, I think this is like now industry in terms of consolidation, the scale, size and efficiency are very important factors and those with stronger balance sheets have the ability to invest on the efficiency capex's and the growth. I think that those definitely will have good plans of cost-led leadership and improving the, expanding the margins. When I look at like my numbers, September 22, when we took it over, again, my volume was at 12.5 million tons for the quarter. And then this time when we hit 16.6, but when I look at my margins, they've only expanded. And that is precisely the journey which is going to be down the line in a much more amplified manner. Hence, you can figure it out who will be able to better catch on this opportunity and who will be perishing on it.

But definitely Ambuja and ACC and Sanghi as a group are sitting on a huge, stronger balance sheets to make those investments and opportunities.

Indrajit Agarwal: Thank you. My second question is on the coal blocks that we have won. Historically, what we have seen is Indian coal cannot cater to the kilns given that they are generally low calorific value. So the coal mines that we have won, are they sufficient or adequate for kilns or these are just for blending purpose? How do you see that?

Ajay Kapur: No, they are 100% for the kilns. The good advantage is we have Gare Palma IV, which is the mine Ambuja won in 2018. One of the reasons why Ambuja has also been able to show a good reduction in coal cost is because we are using coal from this mine. Most of our mines are underground mines. In fact, when we are planning our future, we are looking at G5, G6, G7 quality of coal for the kiln and about lower quality for captive power plants. Some mines are very interesting where I can do both.

In one seam I am able to get coal which is very good for captive power and at other seam I can get coal for the kiln. This is where I believe we are very lucky, very fortunate. We are part of an ecosystem, a platform called Adani, where we have some of the smartest guys who are running coal mines, who understand coal.

And my coal team and the group and the coal team in the cement, the fuel management team, when they interact with each other, I think the learnings and lessons of running multiple coal mines as MDOs, trading, I think this is where it really helps us having a very sharp-shooted strategy. Every coal mine that we win or we plan, it goes to the asset test of what quality, what grade. And generally by rule we don't like to wash because we believe lot of wastage happens there. We try straight away work on good quality coal.

Moderator: Thank you, sir. This will be the last question for today, which is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: Hi, thank you. Couple of questions. One on the entire strategy for south. You can understand part of growth this is Sanghi cement directed to south. When you look at Sanghi itself at a floating terminal of the cost of Kochi, and now Tuticorin strategies. I just wanted to understand some strategic point was comparing Kochi floating terminal.

In Tuticorin you don't, Adani port doesn't have its own port. So how do you plan to get cement in south strategically and what cost can you get, especially if you use somebody other, some other company's ports? That's the first question.

Ajay Kapur: So Satyadeep, thanks for the question. If you recall, even before we became part of Adani Parivar, Ambuja cement was a pioneer in spearheading the entire coastal sea transportation. Way back in 90s, we had set up our own port in Mulduarka in Gujarat, Ambuja Nagar.

Deep sea with a multiple which could also take Handymax vessels. We have a jetty in Mumbai. We have a jetty in Cochin. We have a jetty and terminal in Bangalore, all deep sea. So we have good knowledge both in Ambuja and we have a solid knowledge within the group. First ship of clinker being loaded from Sanghi is already getting ready to come to Tuticorin, carrying 50,000 plus tons of clinker.

It will land at the Tuticorin port. All arrangements have been made. The costs are perfect. And from the unit is about a couple of kilometers. I think about 20 kilometers, 30 kilometers away. And it works pretty efficient because the ship size is 55,000 tons. But it becomes pretty efficient when we move that. Number one. Number two, we also have a power plant close by where our group has already in advanced stages of acquisition.

And that assures us a fly ash, which is one of the biggest costs, as when you make cement, 35% coming at a very low cost fly ash, an assured cost. That makes Tuticorin already a very, very viable proposition. Cochin, you've forgotten, Ambuja already has a bulk cement terminal already.

In Bangalore, Ambuja already has a bulk cement terminal. And I think our strategy of Sanghi, as I mentioned, in time to come, I'll come out and make a full disclosure as it pans out. But it will have multiple, grinding stations. The Hage is already one, which I mentioned. Tuticorin is the second one I mentioned. In addition, we are in the process of finalizing and getting ready with a few more. So I think that will play out pretty efficiently.

Moderator: Thank you, sir. Ladies and gentlemen, due to time constraint, that was the last question for today. I would now like to hand the conference over to Mr. Vaibhav Agarwal for closing comments. Over to you, sir.

Vaibhav Agarwal: Yes, thank you. On behalf of Philip Capital India Private Limited, we would like to thank the management of Ambuja Cements, ACC Limited and Sanghi Industries for their time on the call. And we also thank all the participants for joining the call.

Michelle, we will now conclude the call. Thank you very much, sir.

Moderator: Thank you, members of the management.

Vaibhav Agarwal: Thank you all.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Philip Capital India Private Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.

Note: This transcript has been edited to improve readability

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