Ref. No.: Sec/70/2023-24

August 18, 2023

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001 Scrip Code: **543334** Scrip ID: **NUVOCO**	**National Stock Exchange of India Limited** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Trading Symbol: **NUVOCO**

Dear Sir/Madam,

Sub: Transcript of Investor and Analyst Conference Call on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended June 30, 2023

Further to our letter no. Sec/55/2023-24 dated August 4, 2023, letter no. Sec/60/2023-24 dated August 10, 2023 and letter no. Sec/64/2023-24 dated August 11, 2023, please find enclosed the transcript of the Investor and Analyst Conference Call held on Friday, August 11, 2023 on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended June 30, 2023.

The same is also being made available on the Company's website at www.nuvoco.com.

This is for your information and records, please.

Thanking you,

Yours faithfully,
For **Nuvoco Vistas Corporation Limited**

SHRUTA JATIN SANGHAVI
Digitally signed by SHRUTA JATIN SANGHAVI
Date: 2023.08.18 10:47:14 +05'30'

Nuvoco Vistas Corp. Ltd. MUMBAI 70

Shruta Sanghavi
SVP and Company Secretary

"Nuvoco Vistas Corporation Limited's Q1-FY24 Earnings Conference Call"

August 11, 2023

MANAGEMENT: MR. JAYAKUMAR KRISHNASWAMY – MANAGING DIRECTOR, NUVOCO VISTAS CORPORATION LIMITED
MR. MANEESH AGRAWAL – CHIEF FINANCIAL OFFICER, NUVOCO VISTAS CORPORATION LIMITED
MS. MADHUMITA BASU – CHIEF STRATEGY & MARKETING OFFICER, NUVOCO VISTAS CORPORATION LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Q1 FY24 Earnings Conference Call of Nuvoco Vistas Corporation Limited.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risk that the Company faces. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent development, information or events or otherwise. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Madhumita Basu – Chief Marketing, Innovation, North Sales and Business Development of the Company. Thank you and over to you, Ms. Basu.

Madhumita Basu: Good afternoon, and welcome to the Q1 FY24 Earnings Call of Nuvoco Vistas Corporation Limited.

The Indian economy continues to show signs of stability and resilience, supported by encouraging macro fundamentals despite global macroeconomic volatility and lingering geopolitical conflicts. The purchasing managers indices for manufacturing and services indicated sustained expansion with the manufacturing PMI at 57.9 and services PMI at 60.6 respectively in Q1 FY24. Consumer price inflation fell sharply to 4.6% in Q1 FY24 from 6.2% in the previous quarter. In its recent Monetary Policy Committee meeting, RBI states that the Indian economy presents a story of resilience and sustainability with an expected real GDP growth of 6.5% in 2023-24.

On the cement side, we believe that key government initiatives in housing and infrastructure is expected to drive growth well in the medium-term. These include government programs such as PMAY scheme, where the outlay has been increased by 66% to Rs. 66,000 crores for FY24 Bharat Mala Phase-I and Phase-II and the Smart Cities program. We also foresee strong pre-election infra spending before the Union Assembly Elections in 2024.

Additionally, despite El Nino, the Indian agricultural performance and its overall growth prospects may emerge with limited adverse impact owing to the expected countervailing effects of the Indian Ocean dipole. All these augurs well for the cement demand. However, as we have entered a seasonally weak period, cement demand might be impacted in the near-term before gaining momentum with improvement in construction activities post-monsoon.

For our call today, I would like to start with our financial performance for the quarter. Our revenue from operations improved by 6% YoY to Rs. 2,805 crores. As reiterated, we continue to maintain price discipline as we have prioritized value over volume growth. During the quarter, we have broadly maintained our realization per ton quarter-upon-quarter and managed a 7% YoY volume growth. It would be relevant to mention here that we have also increased our premium product share to 37% on trade volumes. Our trade share also increased by YoY by 73%. As a result of all these factors, we delivered the EBITDA of Rs. 402 crores for Q1 FY24, which is up 7% YoY, thus registering a better performance in the current competitive landscape. Here, we would like to remind you all that we have stopped accruing incentives from Panagarh facility from April 2023, which has around the Rs. 40 per ton impact in the quarter. The result demonstrates our commitment towards managing our costs well.

I now quickly share comments on the three major cost elements. Cement raw material cost increased by 13% YoY due to increase in key commodity costs primarily slag with inflationary pressure. This has been partially mitigated mainly due to our long-term contracts for slag. On power and fuel cost, we effectively contained our costs by optimizing the fuel mix between pet coke, linkage coal and AFR, supported of course by the reduction in pet coke and coal prices. Overall power and fuel cost decreased 10% YoY. Distribution cost, however, increased 4% YoY, primarily with the reimposition of busy season surcharge on railway freight.

Nuvoco is focusing on internal levers to improve the margins, mainly, one, getting maximum linkage coal available; two, increasing the rate of alternate fuel; three, premiumization; and fourth, focusing on completion of projects like railway siding.

Net debt during the quarter increased to Rs. 4,506 crores due to working capital requirement and seasonality of the business. The interest rate on the other hand, has reduced by 9 bps in the quarter against the repo rate remaining stable since March '23.

I briefly touch now upon our ready-mix and building materials businesses. Both the businesses are performing well. Revenues from ready-mix business grew by 11% YoY. We have opened three new ready-mix concrete plants in the last quarter in Pune, Vizag and Coimbatore, taking our total tally to 54 ready-mix plants. Our value-added mix in the total sales also improved to 34% during the quarter. In modern building materials, construction chemicals, style adhesives and cover blocks continue to witness its improvement.

On the sustainability front, we remain committed to our sustainability agenda, “Protect Our Planet.” I'm happy to mention that our carbon emission at 462 Kg Co2 per ton cementitious materials for FY23 validated by KPMG is amongst the best in the industry. This has been primarily driven by our continuous focus on blended cement, WHRS, AFR and improving thermal efficiencies.

During the quarter, we have successfully commissioned an alternate fuel feeding system at Nimbol Cement plant, which will enable handling of wide range of fuels while increasing waste recycling tonnage. We achieved a 5.2% YoY improvement in alternate fuel rate, 11.2% in Q1 FY24, which is amongst the best in the industry. We have maintained one of the highest cement-to-clinker ratios in the industry at 1.83 during the quarter, thus emphasizing blended cement and furthering decarbonization initiatives.

I would now like to quickly run you through the update on our ongoing growth projects. Cement capacity expansion through 1.2 million tons per annum, a grinding unit at a Haryana cement plant is under progress. Civil and fabrication work is complete and equipment installation is on track for commissioning the cement mill by September 2023. This will take our overall cement capacity to 25 million tons per annum. Clinker capacity enhancement at Risda has been completed, while at Nimbol will be on stream by September 2023. As you are aware, the Nimbol facility post capacity enhancement will also support our grinding unit expansion at Haryana. On railway sidings projects at Odisha and Sonadih track laying activities are underway.

Continuing our focus on innovation and new product launches during the year, the Company launched Duraguard Foundation to finish a premium composite cement in the market of West Bengal.

The Company also launched InstaMix Superior Column Concrete and 'Artiste Flooring Solution' solution, both specialized products thereby extending the ready-mix concrete range.

Now, let me briefly provide you some perspective on the demand and volume scenario. We achieved a volume growth of 7% YoY in Q1 FY24. In the North, we have achieved volume growth of 12% on a YoY basis and we are operating at near full capacity utilization. In order to cater to the demand going forward, as we have mentioned earlier, 1.2 million tons of incremental capacity is coming on stream at a Haryana cement plant by September 2023.

In the East, demand was a mixed bag during the quarter. Amongst our core markets in East, Bihar and Jharkhand witnessed strong growth while demand in West Bengal continues to remain depressed. However, we believe that the demand in West Bengal is definitely about to revive and expect to benefit out of it due to the strong brand equity we command in the region. Notwithstanding the demand dynamics, in the East, we shall continue to focus on value over volume growth. Looking at our overall cement availability in the region, we are not looking at immediate capacity expansion in the East as the current capacity will provide sufficient headroom for growth. In the East, therefore, we will stay focused on our strategy of premiumization, product innovation, improving geo mix and driving healthy realizations.

With this, I conclude my opening remarks. I am joined here by Mr. Jayakumar Krishnaswamy – Managing Director, and Mr. Maneesh Agrawal – Chief Financial Officer. We are here together to answer your questions. Thank you.

Moderator: We will now begin the question-and-answer session. We'll take our first question from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: I wanted to know what was the clinker production in Q1?

Jayakumar Krishnaswamy: Clinker production in Q1 FY24 stood at 2.82 million tons, just a shade short of 3 million tons.

Amit Murarka: So that's I think close to around 90% utilization monthly, correct?

Jayakumar Krishnaswamy: Yes, that's right.

Amit Murarka: So, like generally, we've not seen plants run above 95% clinker utilization for the industry and you are saying that you don't want to expand capacity as of now. So how should we think about the volume growth for you for the next two to three years in that situation?

Jayakumar Krishnaswamy: Look, Amit, maybe I heard you right, I guess your voice is a little bit low, but let me just give you a little bit of background. In the last call and the previous calls saying that in the East we have currently no big-time expansion plans and in North we will take the Nimbol kiln to 6,000 TPD. So, Nimbol and Chittor, we'll have about 12,000 TPD, which translates to about 4 million tons of clinker in North, and in the East, we are looking at between the two closes to about 13 odd million tons of clinker, which will at a c/k ratio of 1.9, we're looking at about 25 million tons of grinding capacity and clinker capacity, which will be almost equal to 100% capacity utilization. If you remember last year, we did close to about 18.8 million tons of cement and in the previous call I had said that we have headroom of close to about 6 million tons, in theory, and as you said, the 100% capacity utilization is almost impossible. But however, a few years behind if you really go erstwhile, Nuvoco always operated at 90% capacity utilization in East. And hence this is in the DNA of the Company, and typically our kilns are reliable and then at 98, 98.5 reliability factor, so we are able to kind of consistently run the kilns. With this kind of numbers and last year of 18.8 and overall grinding capacity of 25, we can safely take this overall with the current investments in the Company close to about 23.5 kind of a number is what we are envisaging, which will again translate to 90% capacity utilization. So, that's the max we operated in the past, that's the ambition of the Company in the near future.

Amit Murarka: When is the 1,000 TPD clinker coming?

Jayakumar Krishnaswamy: As we speak, I think we've taken a shutdown. Four weeks from now, the commissioning will be complete. So, from October onwards we can safely say that in the North I will have 4 million annualized clicker production rates between the two factories. And that's when as Madhumita said, the grinding capacity in Bhiwani is also synchronized to commission in September. So, October onwards, we will have 1.2 million tons of grinding capacity and altogether will have 6 million tons of grinding capacity and 4 million tons of clinker. Currently, we operate at close to about 1.4 to CK ratio in the North, and if you tweak the CK ratio so we will have adequate clinker to produce 6 million tons of cement.

Amit Murarka: And what will happen to tweak the CK ratio? Generally, we've not seen that ratio change so often for companies again.

Jayakumar Krishnaswamy: Okay, now I will have go back to history to explain our ability in the past, which will help us what we want to drive in the future. In the East, we are one of the highest CK ratios in the entire industry; our CK ratio in East is over 2.1. That's the kind of number we operate in East. North also, 2-3 years ago when we launched Duraguard in the North, we were very clear that we will not get into OPC and almost all our trade channel sales were only OPC, non-trade somewhat OPC happened because certain markets are OPC-driven markets in the North and that's so the Company ran for many years. If you remember a year and a half ago when we did the listing and then post the Emami acquisition, we lost double bull in the North to kind of immediately get some market in the North, and that's where we kind of allowed some OPC to be sold in the North. But going forward, when clinker capacities are going to be limited for the Company and grinding capacity at six, our immediate focus will be to move from OPC to PPC in the core markets of North, and hence we will tune down OPC and ensure that we maximize blended cement in North as well.

Moderator: We have our next question from the line of Jashandeep Singh Chadha from Nomura. Please go ahead.

Jashandeep S. Chadha: I just wanted to ask what was the CAPEX spend for the first quarter and what's the CAPEX guidance for FY24?

Jayakumar Krishnaswamy: Overall, our CAPEX plan for this year is the four brownfield expansions in Nimbol, Bhiwani, Sonadih Siding and Jaspur Siding, in addition to that routine CAPEX and RMX expansion. All this as we informed in the previous call, we estimated our overall FY24 CAPEX of close to Rs. 580 crores. As against that, we have been able to spend in Q1 close to Rs. 120 crores, and now with this commissioning of Bhiwani and Nimbol happening in the next one month, we can safely say about Rs. 100-odd crores will be spent in the next two months, over a period of the next balance six months and before 31st of March we have plans to spend this Rs. 550 crores give or take Rs. 10, 20 crores for timing and phasing, that's the kind of money we will spend during this year.

Jashandeep S. Chadha: My next question is that if I do my calculation, there was some working capital built in this quarter. However, we have set a target of achieving 3,000 to 3,500 crores net debt by the end of this year. So, how much working capital release you are looking over the next three quarters and what should the road map for the deleveraging if you can just clarify on that?

Jayakumar Krishnaswamy: I will answer one part of the question and I will ask my CFO, Maneesh to answer the nitty-gritties of it. As regards our target of reducing debt, in all the previous calls I've been mentioning that our target to reduce overall debt of the Company will be in the range of Rs. 3,500 and Rs. 4,000 crores and not the fixed-point number of any one number. So, we'll continue to operate at this kind of a range because that's going to be an inflection point for us to make the next growth program for the Company and give or take 100, 200 crores will happen based on the overall cash flows, actual sales and demand which will happen. But suffice to say that our plan will be to have a debt around 3,500 - 4,000 in the next eight, nine, 12 months and based on that we will be ready to grow further the Company. As regards the release of working capital, I'll ask Maneesh to give you a little bit of details about the plans for the Company.

Maneesh Agrawal: Good afternoon, everyone. So, generally in Q1, because of the seasonality, the working capital increases when compared with Q4. Three aspects; the inventory goes up as compared to the March period, similarly, on the receivable front and also the GST liability reduces when compared with March. Again, in Q2 because of the monsoon, working capital is slightly higher, but as the season picks up there is liquidation of inventory both on the cement and clinker stock, so we'll be able to unlock this working capital in Q3 and Q4. Having said so, there are a lot of initiatives that are being taken by the management and the teams to reduce the working capital considering the overall operational requirement.

Jayakumar Krishnaswamy: So, basically this is the quarter where we kind of up stock clinker simply because in monsoon, the shutdowns will start. So, we need to kind of ensure the market to be fed in September and October. So, there is a little bit of buildup of cement and clinker stocks. Cement, you can't build too many stocks because you can't store cement for more than a few weeks and it's always kept as a clinker. But then as you get into post pooja and then to November and December, you will see inventory release will happen. And secondly, last year if you recollect, a lot of inventory buildup happened due to fuel stocks because of imported pet coke was purchased. But this year, with East, fructification of the linkage coal, the overall fuel inventory is also tapering down. And during the course of the year, I think even there we will have adequate control in fuel stocks. So, working capital release will happen in the balance six to eight months and we are committed to paring down the debt levels of the Company to the numbers which I have mentioned year end thereabouts so that we're ready for the next phase of expansion plans for the Company.

Jashandeep S. Chadha: I just wanted to understand the slag pricing. If we see over the last few quarters, slag pricing has been going up although Nuvoco have a long-term agreement. If you just can give us a sense from first quarter how much slag prices have increased for the industry and how do you see slag prices moving ahead since most of the players are trying to increase their C2C ratio, so more and more slag will be required whereas the supply is limited. So, if you can just give us a sense on that, that would be great?

Jayakumar Krishnaswamy: A very good question. Last year, all of us were facing the heat of fuel prices but with fuel prices coming down internationally as well as locally, I think one of the things which really got heated up is slag prices and this is somewhat region-specific which is most of the slag is used in the East and not in other parts of India. Availability is also in that region; consumption is also mostly in that region. And for some reason inexplicable slag prices are currently on a runaway train. Not that demand of cement has gone up that much, but overall, talk about market scenario, but slag availability is a challenge plus slag prices is a challenge. There are two reasons for it. One is, I think the slag is still a biproduct of the steel industry, but with not very big capacities coming in the steel industry, there is generally the availability of slag is now kind of limited or constrained by the expansion plans of steel industry. That's one thing which none of us can control. But whereas the second one is a very unique reason, with the railways not giving adequate amount of rakes for the cement industry, all the rakes are still being diverted on a priority basis to the power sector, foodgrain sector and fertilizer sector. And hence rake availability is a big challenge for the cement industry. We have been continuously representing to the railways ministry to allocate more rakes for us. Because rakes are not available, then slag movement is a big constraint, and invariably people move through road and non-availability of rakes means inability to lift the slack from steel companies is a big challenge. You got two reasons which is the main constraint. The third important constraint is the type of slag, which industry is able to generate. Slag, as you would know, has got different types of slag. We have got something called a BF slag; we've got something called a LD slag. Because the furnace in which they make steel is different, the byproduct is also different. And in general, the availability of the usable or good slag available for cement industry is limited. These are the principal reasons for slag prices to go up. Having said this, in terms of number, if you want me to explain, last year Q1 the slag rates available in East for us… I can't tell the overall industry, for us I will tell, we were procuring slag at a blended cost of market slag as well as the long-term contract slag for Nuvoco was trending at about Rs. 1,100 per ton, which currently is trending at about Rs. 1,450 per ton. This is how it is impacting Nuvoco with the long-term contract. But I really want you to keep this in line with the kind of slag prices prevailing in the market, which is very, very challenging. People are contracting slag at Rs. 2,800 to Rs. 3,000 per ton, and that's a massive price for slag. And in many cases, we simply walk away from the option because it doesn't suit us at all, and there's no point kind of buying slag at this price because slag price is almost equal to clinker price. So, it does only 1:1 replacement. But we are blessed with the long-term contract which we have which is about 2.5 million tons of contracting, which we have with Tata Steel and that's coming into our use and hence our blended rate is much lower than many of our competition rates at about Rs. 1,400 per tons. Having said so, as Mita explained, slag prices have indeed impacted the raw material prices by about 13% of the raw material price increase and the majority of it is coming through slag price increase in Q1 vis-à-vis with the previous time.

Moderator: We have a next question from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Could you tell us what was the per kCal costing of fuel in this quarter?

Jayakumar Krishnaswamy: In Q1 for Nuvoco as a blended between East and North, we're looking at close to about Rs. 1.94 per million kCal which a composition of AFR, imported coal, pet coke as well as non-linkage domestic coal.

Rajesh Ravi: Cost has already come up by 40 paisa sequentially from 2.31?

Jayakumar Krishnaswamy: Fair to say that our costs have come down to this kind of number, which is currently trending.

Rajesh Ravi: Are you looking further softening in this number or you are close to bottomed out on costing side?

Jayakumar Krishnaswamy: If we really look at the various components of this going, Rajesh, one is the international pet coke, then we have the linkage coal, then we have the domestic open market coal as well as AFR. I'll just try and explain each one of it. Linkage coal is kind of trending at about 1.27, 1.3, I guess that's the number which is there currently, and I don't see a big change because I think from all the conversations, we've had with officials of coal industry and rest of the market guys, I guess, coal production in the country has increased and we don't see a major blip happening on linkage coal prices. So that's one thing we can probably assume this is a kind of number it will be there. Domestic open market coal is always linked to the linkage coal. I guess it will have some gap and that will continue. International pet coke you see, in one order even bought at $105.00 per ton. But that was one flash order, but currently the going rate is $120, 125 per ton and a last few weeks there is some upward movement of pet coke prices. It all depends on the international scenario, but as of now, our read of the market is maybe for the next two, three, four months, this is the kind of number which will trend at $125 per ton, which standalone pet coke will be about Rs. 2.3, 2.4 per million cal. AFR again is a component of carbon black, you got RDF and rest of all the other components which are there. Pet coke for some reason is very expensive. Carbon black for some reason is indexed with pet coke and hence the AFR rate is still not low, AFR which used to cost at about 90 paisa per million cal is currently trending at Rs. 1.40 paisa per million cal. So, my read is at 1.94, there is some elbow room for 0.1, 0.15. Beyond that, I don't see major tempering of cost in the next one, two quarters.

Rajesh Ravi: On the working capital front, in March quarter, your working capital already turned quite strong, non-cash working capital was close to Rs. 200 crores negative. So, is there any further room or again there also you have squeezed your working capital to the maximum?

Maneesh Agrawal: As I said in Q1 and Q2, working capital is at increased levels when compared with Q4. So, it's all about managing working capital. We are taking requsite steps to to keep it at the appropriate level. However as of now it seems it's not going to go down below the levels that we have seen in March.

Rajesh Ravi: And Rs,500-odd crores is what the CAPEX what you're targeting, right?

Jayakumar Krishnaswamy: Correct.

Rajesh Ravi: So broadly what I'm looking at is how do you see your net debt reduction in this financial year?

Jayakumar Krishnaswamy: Very difficult for me currently to put a ballpark number, but having said that, I certainly look at the market, Q1 we did about 7% volume growth and if we are able to kind of sustain this kind of growth levels and also in Q4, typically, market will open up much more. And with elections pending, which Mita spoke in her initial speech, give or take, if the growth can be touching double digit, this kind of number is there, then I guess the profitability levels which we mentioned in our quarter of Rs. 402 crores, I guess if we're able to sustain this kind of results in the balance three quarters with positive uptick in demand, then I guess as we exit Q4 and enter Q1 next year, our ambition of going debt levels in the region which I mentioned 4,000-ish less than that. That's the ideal time for us to look at how do we take this Company forward in terms of growth plans.

Rajesh Ravi: Are you talking about net debt, right 4,000 crores?

Jayakumar Krishnaswamy: Absolutely, absolutely. Net debt is what we always anchor on and that's the number we will work on. Give or take, it will be a range always, it's not going to be a fixed number, but we have been assuring all the investors in the various calls in the last one year this is the number we are targeting and I guess we are disciplined, we are focused and we are committed to kind of reaching these levels of number before we kind of take up the next wave of large expansion for the Company.

Moderator: We have our next question from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: A couple of questions. First, on the CAPEX side. Whenever the Company post the figure on CAPEX, whether it is 12 months from now, nine months from now, what is the thought behind… what kind of CAPEX are you looking at in terms of capacity in capital intensity?

Jayakumar Krishnaswamy: If you're looking at this year, as informed in the previous calls, the CAPEX has got two buckets for us; one is the Brownfield expansion, the second one is the mandatory routine CAPEX to run the tests and make those tweaks and make that test ready for use; and third one is a very small amount of CAPEX for the ready-mix business CAPEX expansion. So, if you really look at these three buckets, the first bucket is all the Brownfield expansion. We started in last fiscal H1 was Haryana grinding unit 1.2 million, Sonadih railway siding for clinker transport was the second CAPEX which we had, Nimbol debottlenecking to increase clinker capacity in North and also AFR in Nimbol, and then also we had the Jajpur railway siding, Jojobera to take the capacity to 11,500 TPD clinker and AFR. These were the big ticket CAPEX items in terms of increasing the capacity of the Company, 1st from 23.8 million tons to 25 million tons of cement and also clinker to match the 25 million tons of installed capacity of cement. Addition to that, the other two CAPEX were all cost savings-related CAPEX. One was to reduce the freight cost by taking clinker from Sonadih into Jajpur and various siding unit, that was the first bit of internal lever to reduce the distribution cost of clinker. The second was to pare down the fuel cost by installing AFR units in two big units of Risda and Nimbol, we already had it in Chittor. So, cost reduction in two projects; one for fuel, second for distribution cost. Capacity expansion in three projects; Nimbol, Bhiwani and Risda. Those were the big CAPEXs, which we did in the cement side of business. In the ready-mix side of business, we parked some money for opening up new plants. As I've mentioned in my previous calls, our ambition is to move from the current 55 plants to 70 plants in the next one year. And those are all very small CAPEX, but then there's money parked for setting up ready-mix plant. And the last one is the land purchase and routine CAPEX to run the operations. So that's close to about Rs. 150-odd crores. All put together, we have targeted in this fiscal to spend about Rs. 580 crores.

Satyadeep Jain: I was trying to understand after this CAPEX and when the Company has Rs. 3,500 crores to Rs. 4,000 crores of debt, what is the kind of capacity once you decide on the strategy and pulling the trigger for the next leg of CAPEX, what kind of size and CAPEX would you be looking at?

Jayakumar Krishnaswamy: So, I guess I will say the same thing which you have said. So, I've been saying it in the last few calls, but we are very consistent in what we are communicating. Once we kind of get the debt levels to the numbers which we have assured all of you guys, there are two options for us; one is to expand the Chittor factory, using the Nimbahera limestone for a Brownfield expansion, and we also have the option of setting up Gulbarga for western region. As I mentioned in the past, the number one choice will be to get the Brownfield CAPEX going in Chittor, that would be setting up of additional kiln in Chittor and also have a one more Grinding unit, either in West MP or in Western UP. That's the plan and that should target ballpark number I'm mentioning. A new kiln should cost anywhere between about Rs. 800 crores and the grinding unit about Rs. 500 crores. So, looking at about 1,200 to 1,400 crores of investment for a Brownfield expansion. But if you really look at Greenfield, if we were to go for a Gulbarga for Maharashtra, which will be much higher, which would be in excess of Rs. 2,000 crores. But as we stand today with the positive developments in Rajasthan and Nimbahera, what looks to be feasible or incline, we are inclined for Nimbahera. But all that depends on how do we pay the debt, and I guess once we secure the board approval, we will inform all of you.

Satyadeep Jain: This would be 6,000 tons with Rs. 800 crores?

Jayakumar Krishnaswamy: Yes, sorry I missed that one. So, I think at this point of time, we are keeping it open because Chittor is the 6,000 TPD line and I can do a mirror image of that. But Risda, we have a 10,000 TPD line which is now currently debottlenecked to 11,500. So, we are not hard and fast concluding at 6,000 TPD. I think closer to the date we will decide whether it could be 6,000 or a 7,500 or a 10,000 TPD. But as of now, we're keeping the options open. We're still working on technical design for all these three options.

Satyadeep Jain: Just a second question on the eastern market. The volume growth has been lower than what others have been reporting. Is it largely a function of micro markets? How much is West Bengal as a percentage of overall volumes? One of the peers did mention that it lost market share. It is going to recoup that market share in the next few quarters. When you look at your own micro markets what's happening, how would you look at volume growth? You mentioned that slag prices are high, the entire cost of producing cement in East is actually on the higher side given what's happening. But we're seeing the players losing market share, some players operating at higher 90% utilization. Despite that, we're seeing continued pricing pressure in specific region. So, what needs to happen so that pricing improves, especially when one of the players is talking about regaining market share in the next few quarters?

Madhumita Basu: So, it's really in two or three parts, so I'll break it up. Your first question was how are we seeing our growth vis-à-vis the industry. So, as I mentioned, at a strategic stance, our volume thrust will be in North and in East we will prioritize value over volume. So, in North in our judgment the market grew ~10% and we have grown 12%. We are well poised to take the additional capacity increase in Haryana. On the eastern side, we have to take a look at the market in two clusters. The overall growth in our estimate has been about 11%. The two clusters for us, the cluster are East Bengal, Bihar and Jharkhand. This has seen about an 8%, 9% kind of growth and we have maintained our market share in this market. A good bit of growth came out of the Chhattisgarh, Odisha markets almost at a 19% kind. These markets have traditionally been lower-priced and higher on non-trade. So, as you know, we have been reiterating our trade centricity, our premiumization as well as our focus on Bengal, Bihar and Jharkhand given our very large facilities in these markets. We clearly prioritized value over volume, and in principle this will be our right guiding strategy. We will calibrate as we see the. demand dynamics in the market.

Satyadeep Jain: Just the second part of that question was overall dynamics in the region in terms of pricing and cost and especially given one player is talking about regaining market share. What does the management think about pricing in the region and what needs to happen for pricing?

Madhumita Basu: I missed out part-two. So, on part-two again, as you know, we have a really premium slag brand in concrete, so procurement cost advantage on this product. So, we will continue to prioritize on Concreto. Last year we also upped the Concreto offer in the market with Concreto Uno. The market dynamics would be impacted with price of slag cost. Here apart from our slag-driven Concreto-driven strategy, I'd like to clarify that we are in the business of brands and we see good fungibility for fly ash, PPC and PCC cement. So, we will calibrate our mix depending on the emerging dynamics. On the overall price, we have revisited the clinker addition numbers, and a perspective that we've been sharing on previous calls that when you look at the eastern region demand, one should take a call on the clinker addition and not just the cement capacity addition. That dynamics still remain at a 44 million tons clinker base of FY22. Ten million tons of additional clinker capacity, which was to come in over the two years from '22 is in place now. So, there is a situation of overcapacity at the moment. However, the next addition of clinker as per stated timelines of industry players, will only come in FY26. So, we do believe that the clinker dynamics will still drive the edge on pricing in the region. So, standing where we are, it is difficult to take a call on price outlook, but we are seeing stability, we are seeing positive demand come up as we get into the election year. And as I said, our advantage lies in ability to straddle different price lines with our brand portfolio as well as our trade centricity.

Moderator: We have our next question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: My first question is with respect to our growth strategy and specifically with respect to inorganic growth, because we have been evaluating a few assets which given our balance sheet is a bit difficult to understand. So, just want to know how are we looking at inorganic growth opportunities in the market?

Jayakumar Krishnaswamy: As regards our growth strategy, I think we have clearly mentioned in the past many calls that we are focused on organic growth as well as preceded by reducing the debt levels of the Company. And we will stick to that strategy at this point of time and of course, the primary focus will be to reduce the debt, do the Brownfield expansion, take the capacity to 25 million tons and once the debt level comes down then we find a way to set up additional capacities through Brownfield in the North or through Greenfield in West. That's the current plan for the next couple of years and that's what we are focused on.

Sumangal Nevatia: That is reassuring. One is, I missed the details on the incentive income which is discontinued. So, if you could just share those details and also maybe explain what sort of incentive incomes are already in our realization, what are we benefiting and what is the expiry schedule of those incentives?

Jayakumar Krishnaswamy: On incentive, if you see our Nimbol plant in Rajasthan, we had incentives in Jharkhand, we had incentives in Bengal. Three years ago, we stopped Mejia so that is out of syllabus. As regards Panagarh, as we mentioned in the previous call, from 1st April onwards, we stopped accruing Panagarh and that goes away. In Rajasthan the period of incentive has come to an end, so I guess that's also off 1st June onwards, Rajasthan both in Nimbol and Chittor is off. Bhabua was off some time ago as well. So, at this point of time, the only incentive which we are accruing is the Jojobera incentive. Other than that, our P&L does not have any incentive accrual at all.

Sumangal Nevatia: Is it possible to quantify what was the total incentive income in say FY23 and what is it likely to be in FY24?

Jayakumar Krishnaswamy: May I request you to have a reach out to our guys so that we're able to give you all these granular details. I think we can get, but they are drawn into a few columns and the best would be for you to reach out to Investor Relations and we'll be happy to provide all details. Not to worry at all. You can reach out to us and we will give you details.

Moderator: Thank you. We have our next question from the line of Pratik Kumar from Jefferies. Please go ahead.

Pratik Kumar: My first question is on EBITDA per ton. So, we had like the 780 EBITDA per ton during this quarter with probably peak of fuel cost benefit in the business or near peak incentives are like sort of going out largely as you said. So, how do we see EBITDA per ton shaping up for the Company going forward versus like obviously we used to have much higher target earlier when the industry pricing and cost were supportive during the time of IPO. But how do you see EBITDA per ton for the Company and is the industry pricing is the only driver left for the business?

Jayakumar Krishnaswamy: I guess EBITDA improvement from here on will be still, there's a lot of things that the management will do, we are doing, and we will focus to do. One of the things which we will focus on, as Mita mentioned a few minutes ago in one of the previous questions, one of the focus areas for us will be to get the premiumization going. Last year we had 37% premiumization and our target is to get Premiumization to excess of 40% which means more Concrete Uno or more Duraguard Micro Fibre, all these will basically give us additional NODT which will flow into the bottom line. That will be one top line lever. The second top line lever will be to get higher realization markets in East and North. We have a target of improving sales in some markets of BBJGRM, which means Bihar, Bengal, Jharkhand, Gujarat and Rajasthan. These are the areas where we will get bulk of our sales, which would again get more Geo optimization would mean more NODT and more realization. The third one is with the commissioning of Haryana Cement plant. We will focus more sales at Haryana market which would give us additional top line plus incentive benefits will accrue out of Haryana. So, these are the top three levers revenue-based levers to get EBITDA. On the cost lines, certainly I think we will get our AFR fully expanded. Currently trending at 11.2%. Our target is to get the AFR consumption to close to 20%. Chitttor has already demonstrated 25%. Nimbol also demonstrated 20%. So, if we were to get it, then AFR will be the second lever for us on the cost line. And with full capacity of WHR and CPP running, we'll get some savings out of the WHR and CPP lines. And last but not the least, with the Sonadi Railway siding coming and the Jajpur Railway siding, we expect the reduction in distribution cost coming into the Company. At this point of time all this put together will have a bottom-line EBITDA improvement over the number where we are currently trending. And the second one is all about the pricing lever which you mentioned. As we have seen from Quarter 4 to Quarter 1, prices went up in Quarter 1, but again came back and overall net-net price increase did not have a major impact. I only expect the prices to firm up a little bit more, so we were able to get some pricing advantage from the overall product pricing in the market, plus all the internal levers and premiumization, geo mix, AFR, CPP, WHR and railway siding, I guess we certainly can improve the overall EBITDA of the Company from the Q1 actuals going forward.

Pratik Kumar: My second question is on freight cost, so freight cost on a sequential basis on a per ton basis has gone up. Is this largely reflection of building up of clinker inventory and moving to respective grinding units prior to monsoons?

Jayakumar Krishnaswamy: Two reasons. One is it is busy season surcharge, which has happened by the railways. So, I guess typically they would cut down, but they never. The good news is from 1st of August it has been withdrawn for few months. I hope it continues for 4-5 months, but that's an impact which hit the distribution cost. The second one was non-availability of rakes which played havoc in Q1, which resulted in movement of clinker from IUs to GUs by road. So, these two are the reasons which kind of impacted the distribution cost by which it went up. Our PTPK still continues to be good and comparable to the rest of the major players in the industry, so we are very pleased with the work done by our logistics team. Small changes in lead distance happen, but one can't target 3 kilometers to 2 kilometers reduction in lead distance, but there is no major increase in lead distance. The two important levers by which we got impacted was railways not able to get adequate rakes and second one was busy season surcharge. The busy season surcharge got withdrawn now. Rake availability kind of improving and then our engagement with railways shows that they are likely to improve going forward. These two should reduce the pressure on distribution cost.

Pratik Kumar: One last question, there was this recent changes in BIS Regulation on composite cement which is expected to impact the clinker ratio. What is our clinker-composite cement mix and does this regulation have an impact on our clinker ratio? Also, does higher slag prices in general because of higher number of cement capacities in East, would this also have an impact on clinker ratio over medium term?

Madhumita Basu: As I mentioned before, we are in the business of brands and our Duraguard brand straddles both fly ash as well as composite cement. So, we treat the mix as fungible to address any cost inflation. With specific reference to the revision in BIS specs and its impact on cost for us, the cost impact has been nominal in our case because we were not stretched out on the highest end of the clinker optimization. So, we've been able to manage the cost well on the PCC front. It's only the slag inflation which is keeping us open to product substitution.

Jayakumar Krishnaswamy: Our thrust on PCC would always be based on how much unlock I can do on the clinker. This is what we had said a year and half ago. We launched our PCC cement because we got grinding units in Jajpur and Panagarh and hence we forayed into that and we have a good product in the market which is doing very well. We scaled it up very well. But fly ash cement as well as composite cement are coexisting in many markets and as Mita said, we will be able to tweak our product strategy based on the pricing of slack in the market and the BIS standard which is coming to vogue now.

Moderator: Thank you. We have our next question from the line of Ankit Patel from HSBC Mutual Fund. Please go ahead.

Ankit Patel: My first question actually partly was a partly answered earlier when the question on EBITDA per ton, but I still wanted to understand in terms of what would be the expected stabilized EBITDA per ton that the Company targets because historically it's been around that Rs. 700 or Rs 800 per ton on a quarterly basis at max, whereas certain other peers competitors, it's been going up to about Rs. 1000 and higher as well. So, that's my first question.

Jayakumar Krishnaswamy: The answer to the question is there's always a recency effect and the history to it actually. So, probably you are referring to the recency effect in the last 18 months to 20 months. So, yes, the EBITDA levels were a little bit low reasons all of us know because of the abnormal increase in fuel prices which kind of impacted. And also, NODT price that did not kind of compensate for the fuel pricing increase. But fuel prices kind of bottomed out now and in the past, if you divide East and North, think East EBITDAs were much higher than the last one and half years where we have recorded as a Company. North EBITDA per ton also has improved. In the previous calls, we had mentioned how North EBITDA per ton, industry prices corrected, Nuvoco EBITDA levels also improved in the last two years. I only foresee the improvement of the various levers which I mentioned in geo mix, premiumization, AFR, railway siding projects, all these are East focused and hence we will unlock value out of all these initiatives which would add to the overall EBITDA levels in East going forward in the coming years. So, to pinpoint a number at this point of time would be inappropriate, but suffice to say, each one of these initiatives has got the capability to unlock values to the extent of Rs. 20- Rs. 30 per ton.

Ankit Patel: My second question, Sir, was on the some of the high-cost debt, which is there on your balance sheet, these perpetuals which were raised erstwhile in the pre-IPO time, earlier when it was part of the Nirma, I think there is about Rs. (+ 300) crores of perpetuals which are there at a higher cost so just wanted to understand, would you have to raise fresh equity to meet the replacement covenant there when they become due next year and in 2027 or would the IPO that you have done in 2021 suffice to meet the equity raising requirement over there to maybe bring that down in terms of cost?

Maneesh Agrawal: So, basically the operating cash flows that are going to be generated are sufficient to take care of this payout. So, we're not going to be raising any equity for meeting these repayments.

Ankit Patel: Yes, but there was a replacement covenant where you can only replace it by either with the leveraging coming down below certain level or having an equity which you have raised prior to the call date of a higher value than the issuance. So, would the IPO Rs. 1500 crore which you have raised suffices that is what I was wondering.

Jayakumar Krishnaswami: I think as Manish mentioned, I think we will not get into the direction of equity infusion to handle this stuff. The cash flows from the business will be sufficient to handle the covenants in the debt repayment requirement. But in the past calls I have mentioned so I will restate it one more time, we are very confident that to grow this business we are comfortable with the continued debt levels of Rs. 3500 crores to Rs. 4000 crores. We have currently no plans to kind of reduce the debt to far lower levels. We will infuse if we would get into growth mode if we are around at Rs. 3500 crores and Rs. 4000 crores and as a company, we are clear that this kind of debt level is manageable and because we need to fuel growth for the Company.

Moderator: Thank you. We have our next question from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo: Let me first of all congratulate you because your working capital was probably the best in a FY23, assuming yours was the only Company which had a negative working capital, and I'm simply doing his creditors minus the inventories and receivables. So, there we saw a net negative of Rs. 50 crores. But my question is last year in FY22, this was the same way, this was over nearly 450 crores. So, just wanted to understand what different are we doing to be the only Company in the negative zone in terms of working capital and how sustainable is this? Is it linked to the high coal cost which was in the past and hence there is a possibility that it can again turn into instead of further release there could be a charge of roughly around Rs. 300 crores to Rs. 400 crores, which is. In line with other peers or this is more sustainable. How would you look at it.

Maneesh Agrawal: In fact, I've mentioned the same thing last quarter also. In Quarter 4, given the trade centricity of our business, we received a lot of support from our channel partners and we were able to get good collections in the Quarter 4 and this actually helped us to reduce the receivables. On the RMX side, we are continuing to drive collections on the cash ‘n’ carry model. Around 30% of our collections are coming on advance basis and the rest of the collections are also on very competitive terms. On the inventory front also, there was lot of inventory that got built up in the H1 of last year, which was liquidated over the next two quarters. And we have also seen that the fuel prices have stared softening. So, to that extent on the inventory side, we are not going to have that sort of a high number. And also on the payable side, we were actually negotiating our terms depending upon the various vendors, the kind of inventory that we buy on a 60 days, 90 days, 120 days. So, depending upon what sort of opportunity the market provides us, we are going to be looking at that sort of payment terms. So, overall, I would say the number that we had in March ‘23 corresponding to that, it has increased in Quarter 1. Quarter 2 also would be broadly in line with the Quarter 1 numbers. But Quarter 3, Quarter 4 numbers, it's going to be better as we liquidate the cement and clinker stocks in line with the seasonality of the business. So, in terms of specific numbers, you can reach out to our investor cell and they can give the numbers for each of these line items much more in detail.

Navin Sahadeo: The only thing is will it continue to be negative is what, because I understand it's seasonal and towards the second half, the working capital tends to be far more lean. I appreciate that. Just wanted to ensure, or rather just confirm if this can remain negative or it can slip into positive zone?

Jayakumar Krishnaswami: It's all the range based actually, so it's like kind of at this point of time we are committed, we try to do few things and I think it's worked very well for us. But as a Management, we would still try and get the net working capital if it is negative that's the number which we will try to achieve going forward. But suffice to say that it will not be at the numbers where we were a year ago or two years ago. So, our endeavor will be to try and sustain this kind of numbers going forward.

Navin Sahadeo: My second question was about expansion plans and of course you clarified that until unless the debt comes in the range of Rs. 3500 crores to Rs. 4000 crores and of course, I am aware of the on hand debottlenecking projects as well but the other next leg of expansion you said is when the debt becomes more comfortable in that Rs. 3500 crores to Rs. 4000 crores range. So, here I just wanted, if possible if you could give more clarity because you said there is a plan to do a. Line-2 Risda and there is a plan to do at Line-2 in Chittorgarh and then there is also an optionality of doing a Greenfield project altogether in Gulbarga whichever the Board decides. So, here just a little bit clarity will help because if at all the Company is keen on going to Gulbarga where it is already a very overcrowded market, on day one itself your utilizations at least for few years are like in line with the peers who are far more in terms of utilization. So, is there a thought process that you can sell-off those limestone mines in Gulbarga, deleverage or get that cash and use for expansions in Line-2 at the existing locations where other companies are being far more aggressive in terms of their capacity share or capacity expansion. So, is there some thought, I think that kind of thing will give far more conviction to investors.

Jayakumar Krishnaswamy: Yes, I guess what you have given is your perspective of what we need to do, but I think we have a very clear perspective of what we want to do as a Company. First of all, I would like to say that I don't think we'll ever kind of sell mines. Those are all resources for the Company, that's our future and those are all the jewels on our crown going forward. So, we consider every mine which we have is our jewel and then we will nurture, run, maintain, sustain and expand. So, that's the first thing on mine. As regards what do we do with the options, I think ever since we listed, I've been doing this calls for now close to two years and I will maintain what I have said because we have a very strong conviction on what we are doing. We are very clear that we have choices to grow in the Company in Nimbahera. We have choices in Gulbarga. We have mines in Guntur. We also have adequate limestone deposit in the rest of the current factories. We also limestone deposit in Nagaur. But having looked at all these options, we've also mentioned that our next wave of expansion will happen in the North or West, and the choices which we had was to expand in Chittor the Brownfield, which is a capital-effective, cost-effective expansion. The other option was set up a line in Gulbarga but we are very clear that Gulbarga for us will feed the Western market and not the Southern market. So, when Gulbarga comes it will be grinding unit for Maharashtra and South Gujarat. Nimbahera will be for Rajasthan and up North or West. So, our expansion program is sustained East in the short run, expand once the debt pays down in the North or West. That's our expansion plan for the Company and you asked about whether the Board approves? That's not that we go to the Board with an approval for the board we that is a technical term to ensure that when we put up a proposal, of course we will expand with Board clearance to invest money.

Navin Sahadeo: Thank you so much for the clarity. And just one last thing, what is the exposure to domestic coal for us as a Company since you're on the Eastern side?

Jayakumar Krishnaswamy: So, we've got the linkage coal in East as well as North we've got linkage coal for our kiln as well as our CPPs in Risda, Sonadih, Arasmeta and Jojobera, all our plants in East support linkage coal for CPP as well as the kiln coal. As we stand, the maximum amount of linkage coal which will help us run our each factories is the tune of about 35% of our fuel requirements. But at a blended rate North there is no linkage coal, North is all imported coal or petcoke. Overall, as a Company we can get a maximum use of about 25% to 26% of linkage coal and that's the advantage we have as a Company.

Navin Sahadeo: Yes, because those linkage coal prices, Coal India revised it a few months by about 7% to 8%. So, that impact would have come into the numbers for the June quarter or it will come now more so.

Jayakumar Krishnaswamy: Yes, at one point of time we used to get linkage cool at 1.1 to 1.15 and all so I think 1.27 is as per the new prices of Coal India.

Moderator: Thank you. I now hand the conference over to Ms. Madhumita Basu for closing comments. Over to you.

Madhumita Basu: Thank you for your engagement and questions. In summary, cement demand is expected to witness a healthy uptick in FY24 with the strong momentum in the housing and government led infrastructure development projects. We continue to focus on operational efficiencies, realization improvement and remain committed to our cost reduction, growth and sustainability projects. Our Investor Relations Team is available for any further clarifications and detailing that you may require. Thank you once again for joining us today. Wish you a good day.

Moderator: Thank you. On behalf of Nuvoco Vistas Corporation Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.