

Ref. No.: Sec/119/2023-24

November 7, 2023

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

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 and half year ended September 30, 2023**

Further to our letter no. Sec/107/2023-24 dated October 20, 2023, letter no. Sec/114/2023-24 dated October 31, 2023 and letter no. Sec/115/2023-24 dated November 1, 2023, please find enclosed the transcript of the Investor and Analyst Conference Call held on Wednesday, November 1, 2023 on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and half year ended September 30, 2023.

The same is also being made available on the Company's website at [www.nuvoco.com](http://www.nuvoco.com).

This is for your information and records, please.

Thanking you,

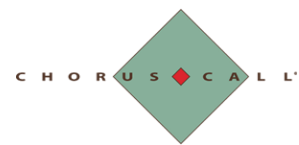
Yours faithfully,  
For **Nuvoco Vistas Corporation Limited**

**Shruta Sanghavi**  
SVP and Company Secretary





“Nuvoco Vistas Corporation Limited  
Q2 FY '24 Earnings Conference Call”  
November 01, 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 MARKETING,  
INNOVATION, NORTH SALES AND BUSINESS  
DEVELOPMENT – NUVOCO VISTAS CORPORATION  
LIMITED**

**Moderator:**

Ladies and gentlemen, good day and welcome to Q2 and H1 FY '24 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 risks that the company faces. The company assumes no responsibility to publicly amend, modify or revise any forward-looking statement on the basis of any subsequent development, information or events or otherwise.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Madhumita Basu:**

Thank you Yashashri. Good evening, everyone! It is a great pleasure for me to welcome you all to the Q2 FY24 earnings call of Nuvoco Vistas Corporation Ltd. At the outset, with reference to feedback from some of you, I trust you will be happy to note that we have advanced significantly the Board Meeting and consequently this earnings call date. We believe this would provide opportunity for investor and analyst fraternity to have more constructive engagement with us to understand the results and business outlook in the days to come.

The Indian economy is picking up steam and strength despite the global challenges.

Real GDP growth for Q1 FY24 came in at 7.8% YoY significantly led by domestic drivers of private consumption and fixed investment.

The momentum in agricultural activity in Q2 FY24 has been sustained, although the monsoon has been uneven. According to India Meteorological Department, rainfall over the monsoon core zone, comprising most of the rainfed agricultural regions in the country was normal at 101% of long period average.

The industrial sector signalled recovery in Q2 as index of industrial production rose by 5.7% in July and core industries output expanded by 12.1% in August.

Going ahead, however, current global geopolitical tensions need to be carefully monitored.

Looking internally now at Nuvoco's performance for the quarter ended 30th September 2023. Revenue from operations improved by 7% YoY to Rs. 2,573 crores on the back of revenue per ton improvement of 6% YoY – a value led growth. Our premium product share stood at 37% of trade volumes while our trade share also increased YoY to 74%, reinforcing the strength of the network. Moreover, as you know, cement prices in the East also improved in September'23.

Volumes grew by 1.2% YoY during seasonally weak quarter. Demands in the North region continues to be robust with ~14% YoY growth. In the East, core markets of West Bengal and Bihar saw subdued growth during the quarter. However, we continue to hold ground and remain geared up for demand revival in the East. Apart from infrastructure led government programmes

which will drive cement demand, PMAY scheme needs a special mention. Currently, as we speak ~33 lakh houses are pending for completion in the East and out of this ~14 lakh houses are only in West Bengal – suggesting significant potential for cement demand arising from this region. As reiterated, we will continue to prioritize value over volume growth in the East. In the North, our planned expansion in Haryana Cement Plant will enable us to cater to strong demand in the region.

We delivered a strong growth in EBITDA by 73% YoY driven by revenue growth and cost control measures. It is important to note that planned shutdown at our plants for completing annual maintenance and debottlenecking projects impacted the EBITDA for the quarter. Additionally, we would like to remind you all that we have stopped accruing incentives from Panagarh facility from April 2023 and Nimbol plant period was completed in Q1 which has ~Rs. 45 per ton impact in this quarter.

As highlighted, the result also demonstrates our commitment of remaining vigilant on managing our costs well. I now quickly share comments on the three major cement cost elements:

- Power & Fuel cost per ton remained flat QoQ. Fuel cost in itself declined due to reduction in coal & petcoke prices and increase in AFR usage - in Q1 FY24 AFR was 11.2%, this went up to 14.3% in Q2 FY24. However, power cost increased QoQ due to maintenance shutdown and low utilization of CPPs & WHRs.
- Cement raw material cost per ton increased 12% QoQ mainly due to requirement to purchase clinker on account of planned shutdown and increase in slag cost. On the slag, Nuvoco continues to be better placed due to its long-term supply agreement.
- Distribution cost per ton declined 6% QoQ primarily due to:
  - lower clinker road movement,
  - absence of Busy Season Surcharge in the month of August 2023 and September 2023 and internal cost control measures

As shared in earlier calls, to improve margins, Nuvoco remains focussed on measures such as premiumization, innovation, Geo optimization, trade share improvement, fuel mix optimization, brand strengthening and Project BRIDGE about which I shall be speaking in a bit.

Firstly, on brand building, we are reinforcing the premium position of Concreto with our market campaign “Concreto naam hi Kaafi hai”. We also continue to reinforce marketing communication with the recent patent received on our revolutionary product ‘Fibre Reinforced Cement Composition’ branded in the market as ‘Duraguard Microfiber Cement’. The patent, effective from the date of application cites exclusive rights for the next 20 years. The Company also extended premium cement variants ‘Concreto UNO’ and ‘Duraguard F2F’ from Bihar and West Bengal to Jharkhand market.

Secondly, on Project Bridge, this project has been taken up in our Company CSA and is under rhythmic review with 2 Exco member. We are focusing on cost savings measures purely from efficiency improvement. Areas includes:

- Optimisation of power & fuel costs by improving Specific Heat Consumption (SHC), Specific Power Consumption (SPC) and AFR usage
- Elimination of losses in materials transit & handling,
- Reducing damages and demurrages in transit and warehouse and improving warehouse utilisation
- Logistics areas of direct orders, lead distance reduction etc, and
- Productivity improvement programs

On Debt. Our net debt at the end of September 30, 2023 stands at Rs 4734 crores – which is a reduction of Rs 549 crores on a YoY basis. I would like to mention that as highlighted in our investor presentation, historically Net Debt has been on a declining trend as our focus on Net debt reduction remains a top priority.

Interest rate at 8.4%, on the other hand, reduced by ~9 bps compared to Mar'23 despite repo rate remaining the same.

I will now briefly touch upon our RMX and MBM businesses. Both businesses are performing well.

- Revenues for RMX business grew by 11% YoY with a value-added product component of 34% in sales mix. During the current fiscal year, 4 new ready-mix concrete plants were commissioned taking our tally to 55 plants across India.
- In Modern Building Materials construction chemicals, tile adhesives and cover block continue to witness sales improvement and the company remains focus on building the non-cement channel for this range of products.

Sustainability. Nuvoco remains committed to its sustainability agenda “Protect Our Planet” which encompasses sustainability roadmap, circular economy initiatives, green energy contribution, water positivity and biodiversity management. I would now like to share the progress on key sustainability parameters:

- As mentioned during previous calls, we have one of the lowest carbon footprint in cement industry at 462 kg CO<sub>2</sub> per ton of cementitious materials duly validated by KPMG for the year FY23
- Our alternate fuel rate (AFR) has improved by 5.2% on YoY basis to ~ 14.3% in Q2 FY24. Chittor cement plant continues to demonstrate capability of ~30% AFR while Risda where the AFR feeding system was commissioned in Q4 FY23 has achieved 18% AFR in September 2023

Quickly reviewing the update on our ongoing growth projects:

- On cement capacity expansion through 1.2 MTPA Grinding Unit at our Haryana Cement plant, I am happy to confirm that we have completed no-load trials. The commissioning is scheduled in Q3 FY24 post which our overall cement capacity will reach 25 MTPA.

- Clinker capacity enhancement through debottlenecking projects at Risda and Nimbol cement plants has been completed. Risda and Nimbol clinker capacity is now being enhanced to 12,000 TPD and 6,000 TPD respectively. The Nimbol capacity enhancement will also support our grinding unit expansion at Haryana.
- On Railway sidings projects at Odisha and Sonadih, track laying activities are underway. The Odisha operations is expected to commence from Q4 FY24.

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

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

**Satyadeep Jain:** Hi, good afternoon. A couple of questions. One on the value over volume strategy. That strategy would imply that management is walking away from certain less profitable markets. If you can maybe talk about, I am not sure if I missed that in the opening remarks, what those markets could be where you are choosing to walk away from? Is that any particular region? Is that non-trade? Is that maybe lower sales than the new Vistas brand? So that's the first question.

**Jayakumar K:** Yes. I guess we're waiting whether you're going to put a second question together, Satyadeep, when we mean value-over-volume strategy, I guess it has been the approach we have taken for many quarters now. Just that we want to focus on predominantly but if you have to give a choice between volume and profitability, I think we are very clear that we need to kind of get the overall profitability up because our end objective or immediate objective is to kind of reduce the net debt so that we can fuel growth for the company. That's what I've been saying in all the quarters. And hence, it is just an extension of our commitment to reduce the debt levels of the company

As regards whether we will walk away from the market or not, very clearly in the previous call I also mentioned one more thing that the installed capacity of the company is 25 million tons with 6 million tons in north and 19 million tons in east. And right from the IPO time till date, we have been very clearly mentioning that our growth projects in east will be second priority and before that the growth in north/ west will happen.

In line with that, we still have a lot of headroom in the east market for the next two years to three years. And hence we are cherry picking premiumization, trade versus non-trade, Duraguard versus Double Bull, more of Concreto, more of premiumization. That is what we are saying when we say value over volume. And certainly, we will not go and sell for the sake of selling and getting volume growth in the market.

And even within the core state, our focus will be on those states where our contribution maximization happens since GeoMix is a clear agenda. Just to sum up, value over volume means for us is premiumization, getting the right GeoMix right, use the headroom available in east to get the growth numbers for the company in the coming few years, and certainly focus on bottomline to ensure that we are reducing the net debt levels of the company in the near future. That is what is our volume versus value number. And also, in the monsoon period, generally

volume comes down and for us, prudent was to ensure that we are able to focus on value over volume.

**Satyadeep Jain:**

So, Jay, if you look at the October month, you have already talked about the volume growth in this quarter of 1-odd percent. How has October been for you so far?

**Jayakumar K:**

It is very difficult. We have just started the quarter. So, I guess while September, if you had asked this question a few weeks ago, you would have had a close period for quarter 2. But right now, it is open for Q3, but it is too early for me to make any comment on how this quarter will progress. Suffice to say, with the festivities ending and the monsoon ending, market will open up from November onwards.

And I guess once the Chhat Puja is done, I think it will be a home stretch all the way from Chhat Puja all the way to March 31. And we will leave no stone unturned, not to kind of grab if something is available there. But certainly, I guess we won't sell for the sake of selling in markets where we don't make adequate contribution. And also focus will be on trade versus non-trade.

**Satyadeep Jain:**

Just one more question on premiumization on brand. Concreto, when we started this journey about two years ago during the entire listing, at that time, Concreto we understood was the premium brand in the entire East, in the entire premium brand. But our channel checks seem to indicate that some peers, including Ultratech, have now gained pricing premium. Would that be correct? And if that is true, how does the company plan to regain that premium pricing for Concreto in that region?

**Madhumita Basu:**

So, Satyadeep, thanks for the question. You will appreciate that on this call, I would not like to make a specific comparison with any competitor. However, to place certain facts relevant to address your query, there are two aspects to premiumization. One is the share of premium products in the mix, and second is the absolute premium per brand vis-à-vis the band of competition out. As you know, at 37% of trade sales, we are one of the highest in premiumization. Within this, in the key markets of Bihar, Bengal and Jharkhand, premiumization trends about 65% to 68%.

Secondly, driving realization improvement from premiumization is a key lever on our KPI, and we continue to remain vigilant on market price tracking from both internal and external sources. So, on a database and a band of competitors in the market, from base product, the band of premium for Concreto, depending on state and competitor product, is anywhere between INR15 per bag to INR35 per bag. Finally, I'd like to round off by saying that this is a continuous process for us, and last year when we launched Concreto Uno, we are bettering our own price again. Concreto Uno is priced INR20 per bag higher than our Concreto product. I trust that addresses your query. Thank you.

**Satyadeep Jain:**

Thank you so much. I have one question, and I'll come back in the queue. Thank you.

**Madhumita Basu:**

Thanks, Satyadeep.

**Moderator:**

Thank you. We have our next question from the line of Jashandeep Singh from Nomura. Please go ahead.

**Jashandeep Singh:**

Thank you for the opportunity. So, I have three questions, and I hope management will be able to answer them. The first one is, in every call, since the IPO, we are saying that net debt deleveraging is our priority. We also set a target for around INR3,000 crores to INR3,500 crores before we do any expansion, but the debt keeps on increasing. It's around INR47 billion right now. So, I just want to understand where the management is seeing net debt by the end of this year? And what is the long-term strategy to actually de-lever? So, my first question is regarding this.

**Jayakumar K:**

If you really look at our investor presentation, chart number 23, we have very clearly shown debt levels of the company, March '21, March '22, March '23, and the same comparison for September '21, September '22, and September '23. I'll just read out some numbers for you. It will provide you adequate clarity on the question which you asked. March '21, the debt level of the company was INR6,730 crores. September '21, it was INR5,718 crores. March '22, INR5,064 crores. September '22, INR5,283 crores. March '23, INR4,414 crores. September '23, INR4,734 crores. Every quarter of March, every September of the last three years, our net debt is continuously coming down. You made a statement that we are increasing our debt, which is factually not correct.

From March '21 to March '23, every quarter, INR6,730 crores, INR5,064 crores, INR4,414 crores. September '21 to September '23, INR5,718 crores, INR5,283 crores, INR4,734 crores. And you also mentioned that from IPO time, I'm mentioning that our company will reduce the debt level. Of course, our commitment is to reduce the net level. And I will still repeat in this call, in every call I have said that our target for the next phase of growth will happen when our debt level comes down between INR3,500 crores to INR4,000 crores.

We are committed to that. As the year progresses, our numbers will come down to the number which I have been mentioning and we will come with a growth plan around that time.

**Jashandeep Singh:**

Thank you, sir. Let me explain why I asked you. If you look at from the March end, so in the six months, you have increased INR350 crores of net debt. And what I wanted was, what's the year-end target you're looking for the March '24, what you are looking for?

**Jayakumar K:**

I'm sure you're tracking the cement industry. When you finish Q4 end, obviously Q4 end, the working capital release are big time. The collections are big time in that quarter. And hence, every company, the debt levels and the working capital levels will be lowest in the month of March. And when you come to September, because of the seasonal build-up from October to March, all of us stock up with clinker, cement, and fuel. Our clinker and cement stock, when compared to March to now, has increased by ~100,000 tons between clinker and cement.

And fuel stocks are up at ~70,000 tons in September. You will watch us in December 31, there's will be a quarter 3 call and you will watch us in quarter 4 call. This number will come down and you will see it in the coming two quarters.

**Jashandeep Singh:**

I'll wait for that. Coming to my second question, so on the combined raw material and power and fuel cost, if we look at, your power and fuel cost went down but your other raw material cost increased. In the opening presentation, Ma'am was saying that you had to buy some clinker.



So, I just wanted to ask what percentage of that raw material cost is clinker? And given it's a seasonal quarter, was not the clinker built up as an inventory in the first quarter? And why normally your raw material doesn't increase that much in the second quarter? So, what was the change this year?

**Jayakumar K:**

Power and fuel cost in Q1 and Q2 was INR1,219. But when you go dive deep into the INR1,219 in Q1 and Q2, and when you split the power and fuel cost into fuel cost and power cost, the huge amount of drop has happened in the fuel cost of the company from INR850 per ton in Q1 to INR798 per ton in Q2. A reduction of INR52 in the fuel cost of the company.

In the same period, power cost went up from INR369 to INR421 an increase of INR52 and hence we are more or less flat at INR1,219. The reason for power cost going up in Q2 versus Q1 is due to the shutdown as well as the debottlenecking activities in a couple of our plants in Risda and Nimbol. We had to shut the WHR as well as the CPP and we had to buy grid power and hence the power cost went up. But the efficiency of the kilns and the programs of the company to reduce SHC and also to maximise AFR has resulted in fuel cost reduction from INR850 to INR798.

Hence, the first part is drop in fuel cost power cost went up temporarily. You will see the Q3 numbers. There will be a reduction in Q3 power and fuel cost when compared to Q2 power cost based on the efficiency factor as well as the WHR and CPP.

As regards to the raw material value, where you asked a question, why the raw material cost has gone up and because of the clinker purchase which Mita had spoken in her opening remarks. As regards to the amount of clinker we sourced during Q2 when compared to previous quarters, about 50,000 tons of clinker to ensure growth ambitions. 50,000 tons of clinker was purchased in North to fuel the North growth hence North has grown double digit and we incurred cost by clinker at 50,000 tons and that's the reason for the raw material cost increase.

**Jashandeep Singh:**

Okay, sir. I have another question. I will join the queue and come back. Thank you.

**Madhumita Basu:**

Thank you, Jashandeep.

**Moderator:**

Thank you. We have a next question from the line of Prateek Kumar from Jefferies. Please go ahead.

**Prateek Kumar:**

Good evening team. My first question is on the cement pricing in East. We have benefited to some extent in September month during the last quarter. So, the question is there were two, three rounds of price hike which were attempted in September. Has some of it got rolled back in the month of October for your case or is it largely sustaining, and the full benefit should be realised in the third quarter?

**Madhumita Basu:**

So Prateek, firstly to set the perspective exit-to-exit basis, we have seen about a 7% increase in East primarily because the price increase came in the month of September. So, through month of September and October, there have been the natural blips of up and down but the prices seem to have stabilised. It's early in the quarter, October as you know was a festival month and

disturbed in some parts of East but we are definitely seeing the pricing situation stabilised. We will have to see how it pans out still with eight more weeks to go to the quarter.

**Jayakumar K:** Suffice to say, the November pricing is almost equal to October pricing so as of now we are able to hold prices in this quarter.

**Prateek Kumar:** So, the October pricing is stable versus September in your case, as you said?

**Jayakumar K:** Yes, obviously, as Mita said, there have been ups and downs in price from September till end of October but net-net we have benefited out of pricing and then as we enter November, we still are able to hold on to our prices.

**Prateek Kumar:** Right. And then we say that we have like, high premium mix and focusing on further premiumization and the prices are better by INR15, INR35. So, on the profitability, how is it different for like these products versus like normal products on a per ton basis?

**Madhumita Basu:** So Prateek, I would not like to go into a brand-by-brand discussion. But I would like to mention here that the company has a price acceleration programme, which is KPI driven for an improvement just through the premiumization lever of up to INR50 per ton. So, this comes out of a mix, the focus on continuous increase in the premium share as well as unit-to-unit price difference between these products and premium range.

**Prateek Kumar:** Sure. And one last question on your capex, so we see right now our capex is sorry, net debt is seasonally higher but maybe we can assume like, by the second half of FY '25, we may like start to see some work happening on the West project or North project in terms of expansion?

**Jayakumar K:** Yes. I guess current year capex is like in last call I mentioned that FY '24 capex is for the tune of INR600 crores. These are all basically the brownfield expansions in Haryana, Nimbol, Risda and then the siding projects and the routine capex in the factories. All of it is about INR600 crores this year, out of which in H1 we have done about INR300 crores and then we are looking about INR300 crores in the balance six months in H2.

Next year in terms of these projects all of them will be completed by March'24-April'24 but as I mentioned few minutes ago, I am really looking at debt reduction in this period of six months to eight months and when the debt comes down hopefully, fingers crossed, we will come back and announce our growth plans. If we are able to shave-off that number, and the industry and overall market scenario is favourable in the next six months which we are optimistic, so, there is good possibility that we can come up with our plans.

**Prateek Kumar:** In your annual report it was mentioned that we will be kick starting the capex in FY '25, if I remember correctly?

**Jayakumar K:** Yes. I am very clear. If you really look at whether it will be Q1 FY '25 or Q2 FY '25 I think little bit farfetched to say at this point of time. But as we come closer to the date and I think every passing quarter with the strength of performance continuously improving if you have seen our company in FY '23 and FY '24 every quarter Y-o-Y we have improved over the previous years' quarters' number. I think we will continue to maintain this trajectory going forward and

we are in a good spot to get our growth plans going once the debt numbers come below INR4,000 crores and in the best possible scenario could be early part of FY '25.

**Prateek Kumar:**

Sure, sir. These were my questions and all the best.

**Madhumita Basu:**

Thank you, Prateek.

**Moderator:**

Thank you. We'll take our next question from the line of Shravan Shah from Dolat Capital. Please go ahead.

**Shravan Shah:**

Yes. Thank you, sir. Sir, to put it simple so current average October realization for us is if I compare with the 2Q average how much is higher on per bag basis or per ton basis?

**Jayakumar K:**

Shravan, how can we tell October number, quarter just started. I have got Q2 number.

**Shravan Shah:**

Broadly.

**Jayakumar K:**

Let me answer you in a different way. In one of the previous questions, I mentioned that the pricing in October is holding, November is holding as well as October. So, suffice to say, realization is also hold in the month.

**Shravan Shah:**

Okay, because I was asking this because we have seen an INR70 odd kind of attempt in September hike out of that INR50- INR55 got absorbed and now again, we are seeing INR17- INR15 kind of a rollback. So, there is a in gap, the price got increased, in stepwise it is getting rolled back.

So that's what I was broadly trying to understand because that's the major thing in terms of increasing our profitability in the third quarter and that is a major driver in terms of achieving our net debt reduction and that's why broadly trying to understand, how one can look at, at least INR10- INR15 rupees kind of increase in per bag for third quarter versus second quarter? That's the broader, I am trying to understand.

**Jayakumar K:**

I cannot comment on the first part of your question. I will only comment on the second part of your question, which is about whether realizations in Q3 will be better than Q2. Certainly, our realizations in Q3 will be better than Q2.

**Shravan Shah:**

Okay, got it. Second just on the expansion, whenever we will do whether Q1 or Q2 FY '25, when we will be reaching up less than INR4000 crores net debt as you mentioned. Last time we talked about close to maybe an INR1,200 crores to INR1,400 crores kind of expanse capex we are looking for the Rajasthan expansion. So, for that, how much capacity are we looking at of the clinker and grinding level broadly, roughly?

**Jayakumar K:**

I guess, there are two models we are looking whether we should go for 6,000 TPD line or 8,000 TPD line, so we still started our engineering work to estimate the designs because it's Brownfield expansion. The Chittor plant originally when we put up, it was designed for a two-kiln configuration in terms of layout and overall infrastructure in the plant.

So, I guess with that in mind, that's how the engineering design is being worked upon. So closer to the date, we will decide whether we will set up an 8,000 TPD line or a 6,000 TPD line but certainly the current line is 6,000 TPD line. So, on an engineer's answer, I would say, it's better always to have similar kind of equipment. So that we are able to get standardization but certainly business decision will come before engineering decision. So, we will make a decision closer to the date. Whether the 8,000 TPD line will fit there with the maximum benefit for infrastructure or a 6,000 TPD line, but one of the two will happen.

**Shravan Shah:** So, on a grinding level, it will be close to 3.5 million- 4 million tons kind of a grinding considering the 1.7 or 1.8 kind of a CK ratio?

**Jayakumar K:** North, it's not like that. 6000 TPD line would be about 2 million tons of clinker and 8,000 TPD line will be close to about 2.7 million tons of clinker. So, the CK ratio in North is far lower than east. So, Mita have been mentioning that our OPC is a non-trade route. OPC route will come down at a company because we want to maximize the capacity. Even at a very conservative number of about 1.6x, ~2 million tons of clinker would be ~3.2 million tons of cement and ~2.7 million of clinker would be ~4 million tons of cement. Certainly, the grinding unit will not be inside Chittor. It will be a split grinding unit and here again, we are working whether it will be western MP or it will be in western UP, based on a fly ash source model.

**Shravan Shah:** Lastly sir, data points lead distance, clinker cost for this quarter and the fuel mix for this quarter?

**Jayakumar K:** Fuel mix for the quarter 2 was 1.74. For the same period in Q2, it was 2.64. In Q3, I guess, this number will come down little bit more than 1.74. In terms of lead distance, we have been able to reduce lead distance by 8 km in quarter 2 versus quarter 1.

**Shravan Shah:** So Pet coke imported coal, linkage coal share was how much sir, for this quarter?

**Jayakumar K:** Okay. Granular details if you want, I can rattle out, in Q2 Pet coke 47%, imported coal 1%, non-linkage (domestic) 12%, linkage 25% and that's it. AFR ~14%.

**Shravan Shah:** Thank you, sir.

**Moderator:** Thank you. We have a next question from the line of Sanjeev Kumar Damani from Skd Consulting. Please go ahead.

**Sanjeev Damani:** Thank you for the opportunity and good afternoon to all you and my respect for you all as leading management operating such large cement plants. Sir, my question is one, regarding the efficiency of our plant on energy side, so can we say that, we are most economical today or are best comparable to the industry standards, I want your comment on this, please sir?

**Jayakumar K:** Can you restate the first line of your question, if you restate the question one more time, I will catch it please?

**Sanjeev Damani:** No problem, sir. Actually, it is regarding our efficiency, energy efficiency of our plant on fuel side as well as power side, so are we most economical producer of cement or we are still to do something to get most economical?

**Jayakumar K:**

Okay. In our industry, if you really look at there are three energy levers in the company, one is the kiln SHC, then you got the clinker SPC and then you got the grinding SPC and Nuvoco is uniquely placed with all our kilns. We have got captive power plant but that is nothing to do with energy efficiency, just a sound decision to ensure that, we are able to buy, generate our own power from coal rather than buying from grid power because grid power is expensive.

The second one is, how do we reduce the specific heat consumption of kilns. We have got multiple generation kilns in the company. The oldest kiln is made in 1984. The youngest kiln is installed in 2016. So that is, the kind of the, six kilns are like 40 years from each other, but the youngest kiln runs at 685 kcal per ton of clinker, which is easily one of the best in the industry. This is a six-stage preheater and it is similar comparable to any other energy benchmark in the industry. We also have a 2013 installed kiln at Chittor, which is not a Chinese design but then that kiln has made giant progress in the last two years- three years and it has been able to match the 2016 kiln. It is also running at 688 kcal- 689 kcal per ton. I think, these two are our flagship kilns.

The Sonadih line 2 is also about 700, so suffice to say, our blended SHC for the company is anywhere between 702 to 710. If you really look at the average of us with the best in the industry, average will be more than best in the industry, but two kilns in our company will be equal to the best in the industry, that is on the specific heat consumption.

Again, in terms of power, we have got ball mill, we have got VRM, so I guess the VRMs running in Jojobera as well as our Risda plant are operating at 30- 31 units per ton of cement and that again almost equal to the best in the industry. Our ball mills operate at 26- 27 again that is also fine numbers.

The unique factor, which Nuvoco has, which we are very proud of, one of the energy efficient companies in the industry comes from our WHR systems. We have WHRs which are fitted in all our kilns and the installed WHR capacity is about 45 megawatts and in the entire industry, we are at 2:1 installed capacity to WHR, which is I won't be able to exactly compare with every other competition but suffice to say, we should be one or two in this.

And last but not the least, in terms of alternate fuel consumption against a global benchmark, the Indian benchmark of 8%, we are at 14% in India, easily better than the Indian average. Global average is about 20% AFR consumption, we are at 14% but once the Nimbol and Risda factories scale up, our AFR usage will be also excess of 20%.

So, with AFR at greater than 20%, WHR is at 45 megawatts, CPP in all our kilns and the two kilns which are running at SHC 685, 688, suffice to say, we will be one of the best in the country in terms of energy efficiency.

**Sanjeev Damani:**

Thank you very much, sir, and I hope, whatever is still to be done, you must have in your mind to correct it. Second question is regarding capacity utilization. I noted during the discussion that we produced 45 lakh tons in this quarter. I noted that, you have a capacity of 1.9 million tons in the east and rest is in the north. So, can I know the capacity utilization in the last quarter in north as well as in east, can you kindly?

**Jayakumar K:** Okay. So, 23.82 million tons is our current installed capacity. If you have to do quarter by quarter, so roughly '24-by-4 is 6 million tons of capacity and out of which, if I did 45 lakh tons, we are operating at about 75% capacity utilization in Q2.

**Sanjeev Damani:** Okay, but can you -- peak utilization out of 1.9 and how much is on the north side?

**Jayakumar K:** Right now, I am not having the exact number but I guess, if you reach out to our investor relations, they will be able to give you utilization in east and utilization in north but as a company, we were at 75% in Q2 but come Q4, our old DNA of the company is operating at 90% capacity utilization. So, you will see us go back very quickly from a test match to an ODI to a T20 mode very quickly.

**Moderator:** Thank you we have a next question from the line of Urmik Chhaya from Asian Market Securities. Please go ahead.

**Urmik Chhaya:** Just one question. Clinker needed to be bought in north because of kiln shutdown due to maintenance, during monsoon month. Isn't it a normal every year recurring features, that in monsoon the kiln shutdown and companies pile up clinker stock during the previous quarter.

Another reason I ask is that, CC is obviously lower than east, you don't have Concreto in north and in terms of pricing, I don't think you are among the top five in the region, you saw from the northern plant. So, isn't that substantially negative for margins?

**Jayakumar K:** Okay. First answer to your first part. This clinker purchase in north will not be an annual phenomenon. It was only a unique phenomenon for this year simply because we had to take a 45-day shutdown in Nimbol plant for annual shutdown plus debottlenecking project, which was happening there. We needed 45 days to fit the various other parts to ensure the line capacity went up to 6,000 TPD.

So, it's a one-off thing it will not happen, but rest of the year, we normally -- we don't buy so much clinker at all to run our company. We always have our own clinker to run our company. At 4 million tons of installed clinker capacity in north, we will make 6 million tons of cement. That's the kind of number we have for north, that's the installed capacity.

As regards to your second question of Concreto, we don't have any plans to launch Concreto in north. Concreto is a uniquely slag cement, which is unique to east and that's where we are market leader. North our premium product comes from Duraguard Microfiber, which our marketing head Madhumita said about patented product, which is unique. That's our premium product offering in north.

As regards pricing in north, we are just eight years- nine years old company in the north. I guess our entire DNA is to run a premium products company. More and more Duraguard Microfiber will sell in the market in the north region in the coming years and certainly our ambition is to get into top three of pricing in north in the near future.

**Moderator:** Thank you. We have a next question from the line of Amit Murarka from Axis Capital. Please go ahead.

**Amit Murarka:** Yes. Hi, thanks for the opportunity. So just on demand in east, like we have seen last two quarters been quite soft in east. So, could you highlight, what has pulled down this trend of strong demand in the region and what's the outlook for the region?

**Madhumita Basu:** Thanks Amit, for the question. We have also addressed this in our previous calls. Right from Q4 of last year, demand has remained soft in Bengal and Jharkhand initially and last quarter we saw Bengal and Bihar. So Bengal has remained on the lower side and that is why, even in my speech I made a reference, that we continue to remain bullish looking at the potential in West Bengal particularly, release of funds for PMAY projects has a very favourable impact on our business, which is IHB or Individual Home Builder or trade driven business.

So, we will just have to see, we remain optimistic that, when this demand opens up, when funds flow improves in the market of West Bengal, we are sitting on some good potential.

**Jayakumar K:** Phenomena in Bengal is temporary. Yes, it's been there for the last three-four quarters but things should change in east because the reports about cement industry for the future, if we look at the regional growth plans and any released report by all the research houses, analysts very clearly says in the next five to 10 years east will be continuing to grow at 8%, 9% CAGR. So overall industry will be about 7%, east will be faster than the industry. But that's not come true in the last two quarters. But I guess all this is based on the data of infrastructure roads, PMAY and rest of the underdeveloped part of India is largely located in east. So that's one of the reasons why lot of capacities are coming in the east, and the entire industry is looking at east as a growth engine for the infrastructure and cement industry and things should certainly improve in the coming quarters

**Amit Murarka:** Sure. Understood. And your freight cost has been quite volatile, I understand part of it is because of rail, rakes availability and all that. But is the situation stabilised on rake availability and what's the plan to mitigate this volatility in freight cost?

**Jayakumar K:** I think freight cost is a function of external levers and internal levers. The external levers are all coming out of the fuel price as well as the second one is all about rail freight and rail rake availability. Rake availability we are constantly knocking at the doors of Indian railways to release more rakes and ensure that the wagon supply is adequate for us. As you know that Nuvoco has got a relatively very good index of rail share in the overall east market.

The other thing for us to exploit this advantage is the reason why we are setting up railway siding in our Odisha cement plant in Jajpur and extending the railway siding in Sonadi. So that we are able to get the benefit of it. And you would know that if you have more and more siding then the allocation of rakes from the Indian railways is a little bit of a formula driven based on the sidings one has and with these two sidings coming in, we should get more rakes for clinker and more rakes for wagon. So that's the external factor.

As regards the fuel cost as well as the freight rate very difficult for us to comment. That's all now open market rates for fuel and then as and when the fuel rate changes the overall freight rate increase. But we got the industry also works with the formula for how much of defraying the fuel cost and the overall freight rate it should be ok for everyone. But having said, this about

the external levers what as a company we have to focus and are focusing is based on two such, two other levers, which Madhumita mentioned about the bridge program. One of it which we can certainly do is increasing the Geomix and reducing the lead distance.

In this quarter we are able to reduce the lead distance but our aim is to reduce the lead distance in east by minimum 10 km in a medium to long term that's one of the biggest agenda which as a company we are trying. The second lever which we have is to increase the direct dispatches and circumvent the STM route and here we see a huge opportunity, but it is going to be a challenging one because, we got to change the trade practice. But nevertheless, we are committed to take the low hanging fruit since those states where we can migrate from STM route into SO route we have already set targets to move about excess of 55%, 60% at a blended company but in the long run even 60 is not a good number, we should have an ambition of going up to 75% and we can unlock INR50- 60 rupees out of secondary dispatch freight cost. So, freight cost reduction, increasing rail movement and reducing lead distance, all these are the big agendas for the company in the medium to long term.

**Amit Murarka:** Got it, got it thanks for the detailed response. And also, like you mentioned your clinker cement capacity is going to 25 MT after the Bhiwani grinding unit. Similarly, what is the clinker capacity now with the debottlenecking that has happened at Risda and Nimbol?

**Jayakumar K:** North our installed in clinker capacity is four million tons and east it is 9.5 million tons. So overall as a company we will have 13.5 million tons of clinker and the corresponding CK ratios will land us to 25 million tons.

**Amit Murarka:** So, this 13.5 is all operational now, right? I mean the debottlenecking is all completed now?

**Jayakumar K:** Clinker is all operational. Grinding (Bhiwani) is under commissioning as we mentioned little while ago, by end of Q3 mill will be running at full speed and then packing lines will come around December January. So, by end of this next year we can safely say we are home and through for 25 million tons

**Amit Murarka:** Got it, got it. Thanks a lot

**Moderator:** Thank you we have our next question from the line of Parth Bhavsar from Investec please go ahead

**Parth Bhavsar:** Hello. Yes, thank you for the opportunity. Sir, I wanted to understand that we have done quite well operationally just that the other expenses has shot up by INR150 per ton on quarter-on-quarter basis. So, I believe this would be on account of the maintenance shutdown that we have taken, right. But is there anything else besides the maintenance shutdown?

**Madhumita Basu:** Just a give us a minute, we are just recalling that sheet.

**Jayakumar K:** Quarter one to quarter two increase in other expenditure is totally a function of the shutdown as well as the shutdown expenditure of the company.



- Parth Bhavsar:** Okay. So, nothing else, right. So, this will normalize going ahead like it will come down in the range of maybe 700 to 750?
- Jayakumar K:** I am sorry, that is the only reason for Q2 to Q1 other expenditure increase. So, this will come down moment our shutdown are already completed and Q3 this number will come back to normative levels.
- Parth Bhavsar:** Okay and just sir, can you help me where the shutdowns were taken like if you could just name the plant?
- Jayakumar K:** Specially, we have six kilns. So, we have completed shutdowns in five out of six kilns. Even in sixth kiln, in the month of September, we have done part work. So, for the year more or less, shutdown in kilns is done. In cement mills, shutdown in majority of the mills is done and for the balance mills, small shutdown cost will be there but that's not going to impact results this year at all.
- Parth Bhavsar:** Shutdown and the kilns is done like and also wanted to know like how many days these kilns were shut down for?
- Management:** That will be very difficult for me to remember every kiln how many days shutdown was done. I only remember the Nimbol shutdown because I was personally monitoring. It took 45 days for us to shutdown the kiln and debottleneck for 6000 TPD.
- Parth Bhavsar:** Okay. That's it from my side. Thank you so much.
- Moderator:** Thank you. We have a next question from the line of Navin Sahadeo from ICICI securities please go ahead
- Navin Sahadeo:** Thank you for the opportunity. So, my first question was regarding the repayment schedule for or towards acceptances. So, what I gathered from the annual report is that of the total trade payables of INR1,700 odd crores roughly INR1,467 crores is due or payable within less than a year. So, my question was that, are we likely to get a rollover of this acceptance facility or on this trade payable facility, can there be a meaningful decline more like INR1,100 odd crores of normalized levels that were there prior to the spike that we saw last year?
- Maneesh Agrawal:** Thanks Navin for the question. The trade payables is all about our negotiated terms with the vendors, both on the raw material side and fuel side. Given seasonality, in the current quarter, this is on a higher side. However, we have been able to get better payment terms due to our negotiation. And as the volume picks up, this may go up. But obviously, it's not going to go down to a level of INR 1100 crores in Q3 and Q4.
- Navin Sahadeo:** Right, so no, it's great. I mean, if you can get that kind of a credit facility it's definitely great, I'm only trying to understand if there is a repayment due to it?
- Maneesh Agrawal:** As I clearly mentioned, there is no repayment, Navin just to be more specific, in fact, I have been talking about this in the previous quarters as well. Working capital management has always remained a paramount focus for us at Nuvoco. And on the raw material side, we have been

continuously negotiating our payment terms with the lenders. So, this is primarily through both the routes of trade financing of LC/BG and the open credit that we enjoy given our position in the market. There is no repayment scheduled as such for this trade payable.

**Navin Sahadeo:** This is absolutely great and congratulations to you for doing such a great negotiation there. So, my second question just a confirmation in response to the call a couple of turns back did Madhumita ma'am say that the exit for the exit price or the exit realization for September quarter was 7% higher versus the average for the quarter?

**Madhumita Basu:** I mentioned quarter-to-quarter June exit to September exit.

**Navin Sahadeo:** Okay. September exit was 7% higher versus June. I get it.

**Madhumita Basu:** Sorry Navin, as I mentioned the price increase was realized in the month of September that is why an exit-to-exit comparison.

**Navin Sahadeo:** Of course, of course. That's great. Thank you so much.

**Moderator:** Thank you we have our next question from the line of Tejas Pradhan from Citigroup please go ahead.

**Tejas Pradhan:** I heard the call that you mentioned in North saw 14% volume growth in this quarter 2Q. Can you share the same number for the East?

**Madhumita Basu:** East has been very marginally lower and we have a little bit of business in Centre. So, between East and Centre we've been about 1% to 2% lower.

**Tejas Pradhan:** Ok. thank you.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Ms. Madhumita Basu for closing comments, over to you.

**Madhumita Basu:** Thank you, Yashashri. So, in conclusion firstly, thank you all for attending the call and for your questions. Cement demand is expected to be driven by housing and government led infrastructure development projects. We continue to remain optimistic on the potential demand uptake from pending PMAY and infrastructure projects in East.

We continue to focus on operational efficiencies and remain committed to our growth projects. As clarified with an early closure of the earnings call, we look forward to being available for any clarifications and further discussions that you would like to have with us. Thank you once again, for joining us today. Wish you all a happy Deepavali and a prosperous new year.

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