



# SHREE CEMENT LTD.

An ISO 9001, 14001, 50001 & OHS 18001 Certified Company

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**Sub:- Transcript of the Conference call for the Unaudited Financial Results for the Quarter and Nine months ended 31<sup>st</sup> December, 2022**

Dear Sirs,

Pursuant to Regulation 30 read with Part A of Schedule III of SEBI (LODR) Regulations, 2015, the transcript of the Conference Call held on 8<sup>th</sup> February, 2023 relating to the Q3FY23 financial results is enclosed.

Kindly take the same on record.

Thanking you,

For **SHREE CEMENT LIMITED**

**(S.S. KHANDELWAL)**  
COMPANY SECRETARY

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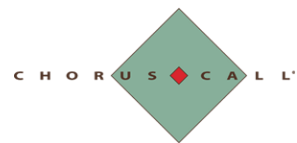
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“Shree Cement Limited  
Q3 FY '23 Earnings Conference Call”  
February 08, 2023



**MANAGEMENT:** **MR. NEERAJ AKHOURY – MANAGING DIRECTOR –  
SHREE CEMENT**  
**MR. SUBHASH JAJOO – CHIEF FINANCE OFFICER –  
SHREE CEMENT**

**MODERATOR:** **MR. HARSH MITTAL – ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Shree Cement Q3 FY '23 Earnings Conference Call hosted by ICICI Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harsh Mittal from ICICI Securities. Thank you. And over to you, sir.

**Harsh Mittal:** Yes. Thank you, Deepu. Good afternoon, and warm welcome to everyone. On behalf of ICICI Securities, we welcome you to the third quarter FY '23 Earnings Call of Shree Cement Limited. On the call, we have with us Mr. Neeraj Akhoury, Managing Director and Mr. Subhash Jajoo, Chief Finance Officer of the company.

Now at this point of time, I will hand over the floor to Mr. Subhash Jajoo for his opening remarks, which will be followed by an interactive Q&A session. Thank you, and over to you, sir.

**Subhash Jajoo:** Thank you, Harsh. Good evening, ladies and gentlemen. I welcome you to the earnings call of Shree Cement for the quarter ending December 2022. I have along with me our Managing Director, Mr. Neeraj Akhoury, who recently joined us. Mr. Neeraj Akhoury needs no introduction, he is a veteran in the industry. All of you have interacted with me several times and most of you would like to hear from him. So without taking much time, I'm handing over to him to give you the opening remarks.

**Neeraj Akhoury:** Thank you, Subhash, and good evening, ladies and gentlemen. An extreme honour to be here and to be able to discuss and talk to you today evening on our quarter 3 results for 2022-23. I'll just make some of the opening comments. I would say that it was a good quarter. We achieved cement and clinker sale of roughly about 8.03 million tons. And this is a growth of about 23%, up from 6.55 million tons in the last year's same quarter. Even on realizations, we have been up by about 2% from INR 4,739 to INR 4,854 in the current quarter. And based on this, the total EBITDA, excluding other income was down by about 14% to INR 708 crores as against INR 826 crores in December '21. EBITDA per ton also stood at about INR 881 per ton against INR 1,260 of last year.

Sequentially, volumes were up by about 8% from 7.46 million tons in September '22 quarter to about 8.03 million tons in last quarter. And the realization was up by 1% from last quarter from INR 4,805 to INR 4,854. We've shown a healthy increase in total EBITDA by about 35% from INR 523 crores from last quarter to INR 708 crores in December '22, whereas EBITDA per ton also showed an increase from INR 701 of last quarter to INR 881 in December 2022.

So overall, we are seeing a sequential improvement in our performance. And we hope that this trend will continue of showing better numbers than what we have been able to show in the last

year, calendar year 2022. The reduction is mainly due to fuel prices which has impacted many parts of the economy, including cement industry. But as the fuel prices continue to soften, we believe that we will be able to repeat these kind of numbers in the next quarter as well.

**Subhash Jajoo:**

In fact, there has been a huge increase in fuel price as compared to last year. In December '21, our cost per calorific value was INR 1.69, whereas in the last quarter, it shot up to INR 2.53. The nominal increase in cement prices during the quarter did little to negate the impact of such sharp rise in the fuel prices. However, on a sequential basis, as Neeraj ji said that the cost is coming down for fuel. So on a sequential basis, it has come down from INR 2.83 registered in Q2 to INR 2.53.

The capacity utilization during the quarter improved on a year-on-year basis from 61% to 72%. The strong volume growth is due to rise in construction activities, which we are witnessing across all regions. Government-led infrastructure spending has increased significantly. Urban housing is also seeing a number of new projects being launched across all metros and other top tier cities. Even corporate India is doing a lot of capex nowadays. Our total sales upto 9 months is up by 17% and we expect to close this year with sales of around 32 million tons.

The company has been actively working on achieving its goal of having 80 million tons capacity by 2030. We have also shared this vision with you through our annual report. Presently we are working on 3 projects. The status of the projects under implementation is as follows.

1. The 3 million unit in Purulia, West Bengal, is nearing completion. And we expect that in another quarter, maybe by June quarter, it should get commissioned.
2. The work on integrated cement unit at Nawalgarh, Rajasthan is on full swing and progressing well. It is likely to be completed by Q3 of financial year '23-'24, which is one quarter ahead of our earlier scheduled completion of Q4 in '23-'24.
3. The work on integrated cement unit of 3 million tons in Guntur, Andhra Pradesh is also progressing well. We expect completion of the project also to be advanced by one quarter to Q2 financial year '24-'25.

No discussion would be complete today without talking about ESG. And now I would request Neeraj ji to share his views on the same and what has been done.

**Neeraj Akhoury:**

As you know, ladies and gentlemen, ESG remains one of the top priorities for the group. And we are absolutely determined that we would like to make Shree one of greenest cement company in the country. One of the big focus for us has been green energy and to increase the share of the green power. The share of green power consumption to total power consumption during the quarter increased up to 53% against 47% in the corresponding period last year. We have also added about 84 megawatts of solar power plants in different states during the current financial year. Another 42 megawatts would be added in the next few months.

In addition, the company is working in a very focused way in terms of increasing the use of agricultural and industrial waste to improve our thermal substitution rate by replacement of

fossil fuels. State-of-the-art technologies are being installed in most of the plants to strengthen the base utilization capabilities of the company.

We are also very mindful of the management of water for our operations while being cognizant of the needs of the community. By adopting the best available technologies in the plant as well as implementing of appropriate rain water harvesting and recharging structures, we –are proud to say that we are now 5x water positive in our operations.

We're also very, very proud to share that we achieved a score of A- as part of the carbon disclosure project, the CDP for climate change related disclosures in 2022, which, to our view, is one of the best in the industry, both in domestic level as well as global levels.

I would like to complete by sharing our outlook for the next fiscal. With several state elections due shortly and the general elections next year, we expect cement demand momentum to continue. The Honourable Finance Minister in the Union Budget had given major fillip to infrastructure growth by providing the highest ever allocation of INR 10 lakh crores to the sector. The allocation to railways, road construction, Pradhan Mantri Awas Yojana has also been increased significantly. We believe cement sector is poised for robust demand growth in the coming years and Shree Cement is perfectly positioned to perform in this very exciting times in India.

With this, I would now open the floor for Q&A. Over to you. Thank you very much, ladies and gentlemen.

**Moderator:** The first question is from the line of Shravan Shah with Dolat Capital.

**Shravan Shah:** Sir, a couple of data points first before asking the questions. So first, could you again repeat in terms of the price increase at 2% when we say, is it a Q-o-Q, the number what you mentioned, so can you again repeat the number, the realization? Because we have a power revenue. So the 2% increase. I just wanted to understand that. And also the trade share lead distance fuel mix for this quarter and also the capex in the 9 months. how much we did and what's the remaining for this fourth quarter and for next year? And then the net and the gross debt?

**Subhash Jajoo:** Yes, Shravan. You have asked quite a lot of data points. Let me answer one by one. On realisation, we are up by 2% on a year-on-year basis. And sequentially basis, the realization is up by 1%. On the fuel mix, in this last quarter, almost 58% was the use of pet coke and 28% was use of coal. Balance was alternative fuel. On trade mix, since last 2, 3 quarters, we are having almost 78% to 80% of trade sales, and we believe the same trend is going to continue in future also.

The average lead distance for this quarter was 450 kms as against 455 kms last year and 459 kms in Sept 2022 . So lead distances slightly decreased by 5 kilometers on a year basis and 9 kms on a sequential basis. Average fuel cost, I believe we have already stated, but I'll just repeat it, it is INR 2.53 for the last quarter as compared to INR 1.69 a year back and INR 2.83 in September '22.

Now coming to capex. In the first 9 months, we have spent close to INR 2,200 crores. This is including the capex done at Shree Cement as well as the subsidiaries. Few of our grinding units are coming up in subsidiary. So total INR 2,200 crores is what we have spent. And in the balance 3 months, we expect to spend close to INR 700 crores to INR 800 crores more, taking the total capex to around INR 2,900 crores.

**Shravan Shah:** So for the next year, how much are we looking at in terms of the capex and current -- what's the gross debt and the net debt?

**Subhash Jajoo:** Okay. Next year, we expect total capex to be in the range of INR 3,300 to INR 3,500 crores. Gross investment is around INR 8,300 crores, and the net debt is INR 5,700 crores -- net cash, sorry, not debt.

**Shravan Shah:** So now post December in terms of this January and till now, have you seen any increase or decrease in the prices in the regions where we are operating? This is first part. Second, in terms of the fuel cost, how much more reduction are we looking at in this quarter?

**Subhash Jajoo:** First of all, in terms of pricing as compared to December prices, we have not seen any change till now. The pricing is more or less flat since December and till now in February. And on the pet coke prices, yes, obviously, as and when the high cost inventory keeps coming down, so the consumption cost will also come down. As the current cost of pet coke is around INR 2.35 which in December quarter was INR 2.53. So we expect the cost to come down in Q4 also.

**Moderator:** Our next question is from the line of Navin Sahadeo with Nuvama Institutional Equities.

**Navin Sahadeo:** Sir, I have a slightly big picture question to understand as to like over a 5-year period, what kind of change is it possible to bring in Shree Cement from an organization perspective, is there -- are you focusing on market share gain? Are you focusing on improving the overall brand perception of the company or because from a cost perspective, I believe, which it was always a fairly low-cost producer. And are there are more levers and company pursuing that. But my question was, what Mr. Akhoury brings to Shree in a course of a medium term 3 to 5 years?

**Neeraj Akhoury:** Look, I would hesitate to say what Akhoury brings to Shree. I think Shree is already a very strong company with a very well laid out goals and priorities. As management team, our task would be to strengthen those goals and priorities and push the agenda which has been very well laid down in the past years. There are three or four big topics on which we are working today.

One topic is how do we improve the impact on environment. We have the guidance from the Board that we should do everything possible to make ourselves the greenest cement company in the country. And be it in renewables, be it alternate fuels which we're using -- or finding out some other ways or innovation to improve our carbon footprint. This is something that we are trying to work on. And you will see in the coming years that Shree will make significant advances in some of these topics.

I believe that there are very strong performances by Shree in terms of what we have done. For example, just now we disclosed that we are 5x water positive. We would now like to build our brand in a way that the market recognizes the strengths of Shree. Market sees Shree as a brand for purchase and that would be the second area where we are going to work on. We will continue with our work to remain the cost leader in the industry. Lot of new ideas and new investments and new initiatives are under evaluation today. Our efforts would be to ensure that Shree continues to remain the player with the most optimized cost.

We are also working on our teams. For example, we have a very strong IT team now headed by a very senior person on digital and IT intervention. We are investing a good amount of money to make ourselves modern in terms of technology adoption. Be it in terms of CRM, be it in terms of our own internal IT systems like SAP, significant investments are in process to make Shree, a very modern company in terms of technology. These are some of the big ticket items which we have prioritized in terms of our next few years.

In addition, as Mr. Jajoo said, we are working very hard to reach our goal of 80 million tons of cement capacity. We are making sure that we do all the right things to be able to reach 80 million tons as fast as possible to achieve our objectives. These are the big priorities that we have laid out for ourselves. We are assuring our investors and our shareholders that we will continue to invest in the right priority topics. We'll continue to bring the right management skills. We'll continue to bring big initiatives to make Shree stronger than what it is today.

**Navin Sahadeo:**

And then my second question is about how do you then do the balancing act in the same. Shree, historically, what we have seen is volumes have been superior to the industry growth. But even then now, the utilization is more like 72% as Mr. Jajoo said initially. So it relative to other players, it's still on the lower side. But at the same time, if you're saying we're planning to build a brand, which is far more superior and like overall, like matching the maybe the super premium brands in the industry. So how does the balancing act grow? Will now the volume growth be at par with the industry, a little lower end of the industry, to focus on the branding and overall realization in margin perspective? Or will there be a separate?

**Neeraj Akhoury:**

So as I said, on most of these topics, it is not right for me to give a forward-looking statement. Our attempt is to develop a very strong brand. We are already a very strong brand. I mean, I can say more from being inside Shree and as well as outside Shree, Shree is already a very strong brand. We are now trying to make it stronger with new investments in the brand area. Which segment we will play, which segment we will focus on, these topics will evolve as we go on, as we move in the future. And therefore, a very definite answer to this is not right at this point of time.

**Moderator:**

Our next question is from the line of Indrajit with CLSA.

**Indrajit:**

I have two questions. First, on the industry. We talked about how demand growth is likely to be very strong. But what we see in the same time as capacity increase is unrelenting and utilizations for the industry is not really going up. With that backdrop, how do you see the industry shaping

up? Do you think that we will continue to see these low utilization and hence, pricing power for the industry will remain lower for much, much longer than what we have seen in the past?

**Neeraj Akhoury:** So there have been several studies on this and what we know for sure is if the demand growth is in the range of 6% to 8%, the supply growth is in the range of 3% to 4%. And therefore, as we move forward, we will see a better demand-supply equations emerging, and that is how I see this industry. The demand growth in India will be at 6% to 8% is something one can assume very safely. It may be a little less some year or a little more some year, but 6% to 8% demand would be there and that is not going to be the supply growth in the industry.

**Subhash Jajoo:** Over the long term, I believe 6% to 8% is a fair number for demand and many research house like CRISIL and all, have predicted the same number.

**Indrajit:** My second question is specific to Shree. So when we look at the road map from 55 to 80, so how do you think the split will be between organic, inorganic? Shree doesn't have a history of inorganic expansion. Is it something that we are considering now? And what kind of return ratios or regions we are looking if Shree considering it or not?

**Neeraj Akhoury:** This is not a fair comment that Shree has never been serious about inorganic growth. We have been showing interest, but M&A growth has to be value- accretive. It has to add value to our shareholders. And it has to be profitable. We would not like to make a move, which is not favourable to our shareholders. And that is the spirit which we'd like to continue. It is wrong to assume that we are not interested in M&A activities. It's just that the opportunity should add value to our shareholders.

**Indrajit:** So what kind of IRR or return ratios you'll be looking at if you are considering any?

**Subhash Jajoo:** Hello?

**Indrajit:** Yes. I'm saying what kind of return ratios or valuations would you be comfortable with in terms of either EV per ton or ROC...

**Subhash Jajoo:** It will be very difficult to give a sort of valuation we will be comfortable with. It all depends on the type of asset and its location. We have already seen in the last 1, 2 years, whatever M&As, which has happened. Some people are saying high value, some are saying it is low value. So it will not be correct for me to give a valuation benchmark. It totally depends on the region . Like we are not present in central. If we get something in a central region, we may be willing to pay high. But if there is something which is available in South, then we may not be willing to pay that much. So it totally depends on what asset, what regions, how much potential is there.

Now coming to your question about reaching 80 million tons. So right now, there are no inorganic opportunities, which I can talk about. So our growth upto 80 million tons is on basis of organic. And yes, if any opportunity comes up, it can be additional to it. But right now, this 80 million tons road map is 100% planned on organic. For 55 million tons, you already know we are reaching there. We have the necessary limestone reserves for taking us up to 80 million



tons. Certain sites have also been identified. We are awaiting statutory approvals. Once the same comes, then probably we will start the work.

**Moderator:** Our next question is from the line of Sumangal Nevatia with Kotak Securities.

**Sumangal Nevatia:** My first question is on capital allocation strategy. Now we've been sitting on a very strong cash balance since the QIP, which is earning a very low yield and also return dilutive. So I just want to understand, given our focus is largely on organic growth, and we also enjoy good cash flows to support organic opportunities. What is our capital allocation strategy and having a strong cash balance on the books?

**Subhash Jajoo:** **We have raised around Rs. 2500 crores just before the pandemic.** However, immediately after that, we were not able to start our capex program. 2 full years were wasted as we were not sure about its impact on demand. And that is why all the plans were put on hold. Now with the pandemic behind us, we have again started our journey. And as we told you earlier that it will be a very aggressive capital expenditure program. And we are looking at 80 million tons. So we believe most of this cash will be utilized in our journey to 80 million tons.

**Sumangal Nevatia:** Sir, I mean, if you look at this 80 million tons from 55 million tons in 6 years, it looks like more 6%-6.5% CAGR, which is much...

**Subhash Jajoo:** It is the conservative target, which we have given, we will obviously try to do faster.

**Sumangal Nevatia:** So it was appearing that we are -- I mean, ambitions are much slower than what we've grown historically. So just want to understand, is it a deliberate move to focus more on utilization? Or is it some limestone limitations, which is slowing our growth ambitions?

**Subhash Jajoo:** No, no, there is no limestone limitation as such. We have the necessary resources. But right now, we will stay committed to first our 80 million tons plan before looking further. Obviously, we are working on other things also. But right now, it will not be correct for me to comment anything beyond that.

**Moderator:** Our next question is from the line of Pinakin Parekh with JP Morgan.

**Pinakin Parekh:** So my first question is on cement pricing. Now you did mention that in the medium term, India's capacity addition should lag demand growth. But if you look for the next 12 to 18 months, every single cement company, which has reported earnings so far has talked about commissioning new capacity and I think this is one of the first years where we have widespread capacity addition in the next 12 to 18 months?

In that environment, how do we look at prices and especially given the fuel costs seem to have peaked out and it's falling. Is it fair to say that prices -- there is downside to cement prices come here, given the incremental capacity addition in the next 12 to 18 months?

**Neeraj Akhoury:** No, I would not go to that extent to say there is a downside risk to the prices. What we can argue, and as I said, these are things which is very difficult to state with any amount of certainty of

what -- how it will evolve. I mean you are aware there have been times when capacity was much higher than demand. And yet through innovative means, we have been able to stabilize the prices. Some segments have grown, some new segments have emerged. India still is very low, for example, on concrete roads, so newer segments emerged.

So there are ways -- there are big initiatives and ways to do it. So I would not say there is a downward -- downside risk to the prices just as yet. Even though you're right, some new capacities will be coming up. But in the kind of demand, which we'll see, if this -- once the budget allocations are implemented and executed, I believe it will be sufficient to take care of the new capacities as well.

**Subhash Jajoo:**

I would also like to add one more point here, Pinakin. If you look at the Per capita Cement consumption in India, which is around 250 Kgs, is very low as compared to other countries and also the world average. So we have a lot of space to cover in this. And we believe demand is going to remain fairly strong over the next couple of years.

**Pinakin Parekh:**

Sir, my second question, sir, is on the 80 million tons number in 2030. Now over the last 1 year, some of your peers, Pan-India peers and regional peers have come out with a very aggressive capacity road map. Have announced large projects today. In fact, one of the companies remains committed to doubling capacity over the next 5 years. In that context, sir, A, is there a possibility that the 80 million tons number is brought forward from 2030? And B, is management open to maintain the capacity share over the next 5 years, actually increasing this capacity number that it has in mind?

**Subhash Jajoo:**

We would like to not comment on what others are doing or how fast others are running. We will like to maintain our own pace. We would like to grow at our own pace. Just because others are doing fast does not mean that we also start running faster. We have given you a guidance 80 million tons in 2030, and we would like to stick to it. Just because the industry is adding up fast, we will not start adding capacities faster. We would maintain our own pace.

**Moderator:**

Our next question is from the line of Sanjeev Kumar Singh with Motilal Oswal Financial Services.

**Sanjeev Kumar Singh:**

Sir, my first question is that in the last few years, we have been talking about increasing trade sales and share of premium products. As it looks like given the trade number which you have given that there has been an increase in trade sales. And so I want to know how has been the sale of premium products? And what is our target? So how has been the pickup there?

**Subhash Jajoo:**

Our sale of premium product is around 7%. And it has been at these levels only since the last few quarters. Now with the changes which Neeraj ji has been telling about, changes which we are doing in our marketing team, we believe we should be able to scale this up to at least 15% over a period of next 3 to 4 quarters.

**Sanjeev Kumar Singh:** And second, sir, can you share about the clinker utilization for the company in different regions? So where I'm coming from is that, is it fair to assume that in the north region, especially in the peak season, we are running at optimum clinker utilization?

**Subhash Jajoo:** I don't have the clinker utilization right now. But yes, region wise cement utilization levels I can give you, in North and East we are at around 73% and in South, we are close to 62%.

**Moderator:** Our next question is from the line of Amit Murarka with Axis Capital.

**Amit Murarka:** So just first question would be on cost. Like you mentioned that you would like to maintain the cost advantage for Shree. But what we have seen generally in the industry is that everyone is catching up largely through waste heat plants and split grinding units, a lot of things that Shree has done in the past. So what are the new levers you think you can exercise to maintain the cost advantage? That will be the first question.

**Subhash Jajoo:** Yes. We are working on two, three things. What you have pointed out is correct that the others are also catching up. But we are trying to work on few things. First of all, as Neeraj ji said, building on our brand equity, if we increase our realization, we can add some bit of a margin over there. So we are working very hard on that. And the entire sales team has been reorganized. We have earlier one person in charge of both sales and marketing. Now we have divided the post into two, a person is looking after sales and there has been a new vertical for marketing headed by a separate person.

Secondly, on the cost side, we have taken two, three initiatives. First of all, we are trying to increase our rail dispatches. Our current rail dispatches is only 12%. And the primary reason is that we don't have railway sidings across some of our plants. So in next 2 years, we are setting up railway siding across most of our units. So as to get the benefit of railway freight, which is presently cheaper than road freight.

Secondly, we are working very hard and trying to increase the use of agricultural and industrial waste in our plant. Our thermal substitution rate for last year was 3%, and we are trying to increase it further. We are targeting a rate of 15% over next one year. This will add up to some more savings.

Thirdly, we are working on digitalization, as we have stated earlier. A lot of efficiency may come up once this digitalization process and the CRM app which we are working on will go live. So these are three, four initiatives where we are working on in order to improve our realization.

And lastly on the renewable energy side. Right now as Neeraj ji pointed out, almost 52% of our energy comes from green power, which is the highest in the industry. I don't think anybody has reached close to this. So we are adding lot of new solar units. In next 2, 3 months, almost 88 megawatts of new plants -- sorry not 88 but 43 megawatts of new solar units would be commissioned. And even after that, we are looking to add further. Some delta is going to come from this. So this is how we are trying to maintain our lead.

- Amit Murarka:** Just on realization, like while obviously, it will be great to see better realizations and close the gap for industry. But is it only through brands like Roofon and all? Or are you also trying to kind of increase the realization for the core brands like Shree, Bangur and all?
- Neeraj Akhoury:** So as we start doing several activities around brand building, which doesn't really mean advertising alone. It means a lot of other activities, including giving strong support, to your masons, the influencers, to the ISB users, to non-trade customers, also work on some of these specialist product, new product formulations, etc.. I believe we will be deploying a mix of several tools, including strengthening our position in the existing brand portfolio but also trying to introduce some new brands in the market.
- Amit Murarka:** And my next question would be on capital allocation and dividends. Like generally, while you've laid out the target of 80 million tons, but generally the dividend payouts have also been on the lower side, like now that the cash is quite big in the books and the deployment will be gradual, like is there a thought around raising the dividend payout as well?
- Subhash Jajoo:** The dividend will progressively go on increasing. We foresee a very aggressive capital expenditure program over the next 2- 3 years. But yes, after 3, 4 years, if we find that still there is a lot of cash surplus, then maybe we will think about giving some additional dividends. About 3, 4 years back, we have already given an additional dividend . But right now, at least next 2, 3 years, looking at our expenditure program, I don't think we'll be giving it.
- Moderator:** Thank you. Our next question is from the line of Prateek Kumar with Jefferies.
- Prateek Kumar:** First question is on this WeLead initiative, which we have talked about in our press release. Are there any quantifiable targets under this WeLead initiative in terms of improvement and profitability or cost savings? I mean you have mentioned several initiatives which we are taking on brand equity and cost. Are there any quantifiable targets in terms of rupees crores or per tonne basis over the next 2 years or 3 years?
- Neeraj Akhoury:** So we would like to avoid giving any numbers today, yes. WeLead is a journey. It's a journey that we are taking on to ensure that Shree's position in terms of optimal cost is maintained. We are able to protect both our cost reputation and also the numbers. It's a continuous journey. So what it really does is across the business functions from manufacturing to sales, we come up with several high-impact initiatives that influence the business outcomes. So it will be a continuous process, right. At this moment, giving a quantifiable number to my mind will be unfair. Thank you.
- Prateek Kumar:** And sir, a related question to management, Mr. Bangur has talked about like going back to INR 1,200 to INR 1500 kind of EBITDA per tonne for the company. So -- I mean when do you see that number coming back for the business for your sales and current pricing environment?
- Subhash Jajoo:** Prateek, what number you are saying? EBITDA per tonne of --how much you said?
- Prateek Kumar:** INR 1,200 to INR 1,500.

**Subhash Jajoo:** Well, see, in a commodity business, it is very difficult to give you -- take a call on margins. It totally depends on the cement prices. And yes also fuel prices. So these are 2 things which we cannot comment upon. So it will be very difficult to say where we are going. What I can say is that maybe in the coming quarters, we should be close to a 4-digit figure. That much I can say. But I will not be able to comment when we are going to reach INR 1,200 or INR 1,500. It totally depends on the input prices as well as the cement prices, which cannot be ascertained as of now, both being commodities.

**Moderator:** Thank you. Our next question is from the line of Satyadeep Jain with Ambit Capital.

**Satyadeep Jain:** Just a couple of follow-up questions to some of the questions that have already been asked. One on the brand positioning -- see, you already have 3 brands in addition to introduction of new brands, would there be a thought on maybe maintaining or shutting down one of the brands? And Mr. Akhoury, given your own background, can you talk about the idea of introducing a new brand in a market and category A where there are already many players, kind of overcrowded. Just the challenges and opportunities around introduction of a new brand, given the Shree is a sizable player in the market. That's the first question.

**Neeraj Akhoury:** So in my view, in any market for any category, there are always opportunities to launch products with unique value propositions. In cement also, there are history of those brands that have unique value propositions, sometimes more emotional than really tangible. Our effort is in last few months, what we have done is also to start what I would call Shree's R&D function. The objective and intent is that we should be able to study the consumer behaviour, the market behaviour, see the opportunities and then design a product that meets their expectation in terms of precise and sharp value proposition.

This is an ongoing task and clearly, the pricing of that product or that value proposition will be dependent on how critical that product is to the customer expectations. So there's an ongoing process, which I see. I know there is a fascination for the A+ or A category. My view is that Shree has the necessary fundamentals to be an active player across segments in the market. And that's something that we are evaluating of how do we introduce brands, which bring more sharper value proposition to our consumers.

**Satyadeep Jain:** Okay, sir. Thank you for this. Secondly, on the growth map for the capacity expansion to 80 million tonnes of the current expansion plan. We understand Shree already have some other projects in pipeline possibly in future, whether it is Jaisalmer, or whether it is Kutch, could be - I know it is maybe too early, but as we look at different projects, that you have in pipeline in the next stage, could we possibly look at some of these new locations in your capacity as you look at 80 million tonnes?

**Subhash Jajoo:** Yes. Obviously, the names you mentioned, like in Kutch we have got limestone mine. We have applied for statutory clearances. Once the clearances are received, then only we will be starting the work over there. So right now, it will not be possible for me to comment or give you the time lines. But yes, in 80 million tonnes, these new locations are there.

- Satyadeep Jain:** Okay.
- Subhash Jajoo:** And apart from this from our existing limestone reserves, which we have in our existing mines, be it North, East and as well as South there also, we have potential to add on brownfield units. So together with these new locations as well as existing, we should easily be able to reach 80 million tons.
- Moderator:** Thank you. Our next question is from the line of Rajesh Kumar Ravi with HDFC Securities.
- Rajesh Kumar Ravi:** My question first is how much is the WHR capacity and how much more capacities are getting added over the next 1, 2 years?
- Subhash Jajoo:** So what you said, WHR capacity?
- Rajesh Kumar Ravi:** Yes. What is the installed waste heat recovery capacity and what incremental are getting added?
- Subhash Jajoo:** Okay. The new WHR capacity, which we are adding is around 45 megawatts, 1 is there in Nawalgarh and another there in Guntur. Whenever these 2 units are going to be commissioned -- WHR will also be commissioned. Once the clinker unit starts over there. And the existing WHR capacity is around 211 megawatts.
- Rajesh Kumar Ravi:** Okay. 211 megawatts. So anything in this financial year, FY '23?
- Subhash Jajoo:** No. The 45 megawatts is going to come up in 2 years, one unit in '23-24. And one is going to come up in '24-'25, the Andhra one.
- Rajesh Kumar Ravi:** And this 211, you're saying is including the Union cement?
- Subhash Jajoo:** No, no, no. This is only in India, I'm talking about the Indian capacity.
- Rajesh Kumar Ravi:** And second, could you also share the Union cement performance incrementally, because you would be adding the grinding units, as you said through the subsidiary. So it's better to look at the consolidated numbers rather than on a stand-alone basis?
- Subhash Jajoo:** It will not be possible to give individually the performance of our subsidiaries. But overall, yes, the performance is improving quarter-on-quarter, I can give you the trend. Quarterly basis, it is very slowly improving, I can say.
- Rajesh Ravi:** Okay. No, I'm saying on the volume, portfolio sharing the balance sheet.
- Subhash Jajoo:** Lot of material used to get exported from the UAE market. Bangladesh and Sri Lanka were 2 prime markets, and we all know like the Bangladesh and Sri Lanka, both the markets have gone bad. We are now trying to reach different new markets for replacement of volumes sent to these markets.
- Rajesh Ravi:** Okay. And coming back again to cash deployment because you yourself mentioned that you would not be running after capacities like competitors. And we see that your interim capacity

target, was close to around 7%-odd CAGR, which is quite a low number. And in this context, the cash requirement can largely be funded through your internal accruals because you are already generating more than INR 3,000 crores annual cash flows. So why do you still believe that your capex would be too aggressive for your current cash surplus to stay put?

**Subhash Jajoo:** No. What we mean is 2030 is maximum time frame for commissioning the units. Obviously, we'd like to do it much faster. But right now, it will not be fair on my part to give you the sense that we would be able to complete it in 2028 or so. Well as per our internal targets, we believe major part of this cash should be utilized over there. And if at all, any surplus will be there after say 2, 3 years, then we will think about giving any special dividend or something like that.

**Rajesh Ravi:** Okay, sir. That's all. And lastly, on what's led to a sharp increase in the depreciation quarter-on-quarter?

**Subhash Jajoo:** Depreciation has been increased. On a sequential basis, the depreciation has increased, because in Q2 end, some solar units were commissioned. And that is why the full depreciation for those solar units has been charged in Q3. And Q2, very little depreciation was there. And if you look at it from a year-to-year basis, there are 2 reasons. First of all, our Raipur plant was commissioned in March '22. So obviously, the depreciation for that plant was not there in Q3 last year, whereas depreciation is there in this year. And similarly, solar was also not there last year. So that is the reason for increase in depreciation.

**Rajesh Ravi:** Sir, one last question on this Maharashtra capacity Patas plant. How is the situation in terms of ramp-up? And given that there are 2 other companies also ramping up capacities in similar time, Birla Corp and Dalmia.

**Subhash Jajoo:** I think the ramp-up is good over there. And we are already working at around 50% -- sorry, 70% utilization is already there.

**Moderator:** Thank you Mr. Rajesh Kumar, may we ask you to return to the question queue for follow-up questions as there are several participants waiting for their turn. Thank you. Our next question is from the line of Mahek Talati with Yellow Jersey Investment Advisers. Please go ahead.

**Mahek Talati:** I had 2 questions basically. One was in terms of the capex line, which you have announced 25 million tonnes additional. Which are the areas which we are targeting because we have low capacity in Central and South India, West India. So are we focusing these areas?

**Subhash Jajoo:** Central we do not have any limestone mines. So Central is not there. But yes, both in East, South and North, we would be adding capacities. And along with West, where we have bought limestone mines in Gujarat. So these 4 regions. Central right now, we don't have mine. So that is not there. If we are able to get mine, then obviously, that would be very lucrative area for us.

**Mahek Talati:** So we think we are consolidating our position in the already existing markets, which we are present, correct? That's the correct understanding?

**Subhash Jajoo:** Correct.

- Mahek Talati:** Okay. And sir, second was a bookkeeping question. So you said that our realization has increased by 2% on a year-on-year basis. But if I do the calculations, my average realization per tonne is decreasing by 7%. So I did net revenue divided by the number of sales volume. So that's coming around INR 5,100. Was it INR 5,500 previous year. So am I missing?
- Subhash Jajoo:** Yes, yes. You are missing one point. We have 2 segments, Cement as well as Power. So maybe in last quarter, there has been more of Power sales. That's why your numbers are getting distorted. But Power forms a very small part of our overall sales. That is why we are not giving the numbers separately. So once as you exclude the Power numbers, then you will come to this number.
- Mahek Talati:** So what was the revenue in this 2, 3 quarters, which you have mentioned?
- Subhash Jajoo:** Revenue report from Power?
- Mahek Talati:** Yes. For Q3, current quarter.
- Subhash Jajoo:** Power, unfortunately, we'll not be able to share the Power numbers separately. We have about 2, 3 years back, discontinued giving the Power number separately. If you want the realization number, that I can share. In the beginning of call we have told - the net realization was up by 2%. It was INR 4,739 as it increased to INR 4,854. And on a sequential basis, it was INR 4,805 last quarter.
- Moderator:** Thank you. Our last question is from Vishal Periwal with IDBI Capital.
- Vishal Periwal:** Yes sir. Thanks a lot for the opportunity. Sir on the costing front, I think if you look at a 9-month basis, above EBITDA, we have done costing of around INR 4,300 - INR 4,400 a tonne. And a couple of initiatives that you have in the past that will happen over the next 12 to 18-odd months, the rail siding investment or maybe TSR increase, the renewable mix increase. So on a like-to-like basis, what could be a reduction in the costing, keeping like the power and fuel cost same?
- Subhash Jajoo:** It will be difficult to quantify the number right now because use of agro and industrial waste (which lead to increase in TSR) is a new thing which we have started hardly 2, 3 quarters back. So we have to watch how it's going to scale up. Our target is from 3% to reach to 15% over next 12 months. So giving you a number will not be possible right now. But yes, on a per Kcal basis, as compared to pet coke, which is something like INR 2.35, the cost of Agriculture waste or biomass will be close to INR 1.50. So that sort of gain will be there.
- Now how much quantity will we be able to increase, that is to be seen. We have invested into certain technologies in order to increase its usage. These plant and machinery have been imported from Europe. And these will get installed maybe by March end this year. So next year, we believe we should be able to increase our throughput for this agricultural waste and industrial waste. And that is why we are targeting 15% over there.
- Vishal Periwal:** Sure. Yes. Okay. And then one data point. On the raw material cost, which has been quite volatile, I mean, historically, and again in this year, again. So for the full year basis, how exactly



we see that? And what is the reason of this volatility? And for the full year, this is how we see this number on per tonne basis?

**Subhash Jajoo:** Raw material price is not that volatile. But yes, the reason why the raw material price, you are seeing has come down slightly. If you would recall, in Q3 last year, there were certain disturbances in East India, where because of transport strike, we were unable to move clinker. So we have to buy a lot of clinker from outside in order to feed our grinding units. And that is why the cost is high last year. Secondly the Fly ash prices have also increased. So these are 2 reasons, which because of which, there is volatility in raw material prices.

**Vishal Periwal:** Okay. And will it be possible to give probably like for the full year basis how things could pan out or maybe fourth quarter?

**Subhash Jajoo:** For next full year, it will be difficult to give guidance on the pricing front.

**Moderator:** That was the end of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**Neeraj Akhoury:** Again, thank you very much, ladies and gentlemen, for attending this call and absolute pleasure to be able to answer to some of your questions. We did try to be as good as possible. I hope if there are some remaining questions, you can always feel free to connect with us again. And anything to do with the results if you want to ask, you can always.

I would reiterate that Shree is a strong company, and most of the steps that now we are taking is with the sole objective of how do we further strengthen it. We have a reputation to protect. We have a reputation as the fastest-growing company, as a greenest company, as the lowest cost company, as a company that goes on for innovations in core manufacturing, to have a strong supply chain, and these are some reputations that this company has achieved over the last several decades, last 2 decades. And that's something that the current team would continue to work very hard to protect and to further strengthen. So again, thank you very much, and have a good evening, everybody. Thanks again. Bye-bye.

**Subhash Jajoo:** Thank you.

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

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Disclaimer: This is a transcription extract and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.

Clarifications/Corrections:

Please note that the existing WHR capacity of the company is 211 MW which was inadvertently stated as 243 MW during the concall. Also our investment size as on 31 Dec 2022 was INR 8,300 crore which inadvertently state as gross debt. Both have been corrected in the transcription above.