



“UltraTech Cement Limited
Q3 FY 23 Earnings Conference Call”
January 23, 2023

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*UltraTech Cement Limited
January 23, 2023*

Moderator:

Ladies and gentlemen, good day, and welcome to the UltraTech Cement Limited Q3 FY '23 Earnings Conference Call. We must remind you that the decision on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risk that the company faces. The company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of 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 Mr. Atul Daga, Executive Director and CFO of the company. Thank you, and over to you, Mr. Daga.

Atul Daga:

Thank you so much. Good morning, and welcome to everybody to our Earnings Call for Q3 FY '23. This quarter, if I can sum up in few words, it is much ado about nothing. That is what I would want to describe the quarter that has gone by.

Coming to the gas tags, volumes are good, costs remain extended and prices are stable, though we would have wanted them to be better. The focus of the industry is now shifting on to managing its cost, and let's talk about the emerging scenario on costs.

The biggest one, of course, is fuel, and there are multiple factors that we need to keep in mind. The ongoing war situation, as you know, is one of the reasons for global fuel supply upset. The only silver lining is that we have seen peak prices behind us and don't expect too much of volatility. A small decline in prices of fuel and we start celebrating, this is not the wisest thing to do.

These small corrections are still significantly higher than the normal cost and quite often temporary. And like the stock markets, it is not possible for everyone and anyone to catch the bottom prices only.

Second factor, of course, is China. As you're all aware, China has gone through the most turbulent time with COVID, and industrial activity has come to a grinding halt. The economy has just opened up, and I'm sure the consumption will rise. Some news article said that 80% of the country had been already infected with COVID. The population has not grown at the pace at which India has grown, and India has become more populated than China now.

China, in spite of their own capacities has always been net importers. So as and when the industrial activity picks up in China, there could be definitely increase in imports in China, which will impact the overall global supplies of fuel.



*UltraTech Cement Limited
January 23, 2023*

Third important factor to keep in mind is that there are no new pet coke capacities coming up globally, and cement capacity in India is on the growth path. So in the long run, we don't expect any significant softening in fuel prices.

As I said, the worst is behind us. So I've spoken about costs. Now let's look at the brighter side, demand. As expected, we are seeing the Indian demand surge at a fabulous pace. First 3 quarters have already generated a double-digit growth for us. And January, March quarter seems to be on solid footing. Infrastructure story of the country is booming as also the urban real estate continues to do well. This is where I believe UltraTech has got its expansion strategy bang on and as always, a highly value accretive strategy.

Our target is to start the next financial year with close to 130 million tons of capacity. Capacity utilization already improved to 83% in this quarter -- in the reported quarter, and we expect it to go up further in the last quarter of the financial year. In fact, if I go back in the last few years, January, March have been typically 95% or 100% capacity utilization. And the way things are going, this quarter should be no less.

Government's focus on developing good quality infrastructure bodes very well for the Indian economy and cement industry alike. All the highways and DFC corridor that has been developed will help move goods at a lower cost, lower wear and tear of vehicles, which will ultimately help improve efficiency and reduce costs.

Airports in India has been growing their network slowly and surely. Smaller towns are getting connected. The last I heard was a plan -- the government plan to increase the network of airports in India from 137 to more than 200 airports.

Metro network already commissioned or under implementation in 27 cities in the country and 17 more are on the drawing board. The natural extension of all this infrastructure growth is an improvement in demand for urban housing, and we are already seeing that right now.

I believe we will see a strong growth in cement consumption in the country with all the infrastructure growth happening. The other point to keep in mind is that the demand for OPC cement will remain strong and perhaps grow over the years. This is where yet again, UltraTech is very well placed.

As I mentioned in the earlier part, the first nine months have already delivered a double-digit growth, and this Q4 remains strong and the future quarters also are expected to remain strong.

Typically, tell you about our expansion plans, the way things are going. We have already commissioned 6.8 million tons during the first nine months and will commission close to 10 million tons in the next few months.



*UltraTech Cement Limited
January 23, 2023*

Further, work has already commenced in full swing on the Phase 2 expansion of 22.6 million tons. Long lead item orders have already been placed, and civil work has already started at most of the sites. We should be able to deliver this capacity expansion on time by '25, '26.

Prices, it's -- the commentary is half complete if the prices have not spoken about. But we did not see a significant move in prices. I guess the demand seems to be so good that the industry is focusing on operating leverage at the moment. But in the current scenario, where several players might not have supplies to cater to the rising demand, prices seem to be safe. Unfortunately, higher prices than the current levels are required to cover the cost pressures. With the increasing capacity utilization, we expect prices should firm up.

Sustainability continues to be our focus. We continue to march ahead in increasing the share of green energy in our overall fuel basket. With technology on pump storage and battery storage in the offering in the next few years, we are confident of reaching the milestone of 50% of green energy in our overall basket by 2030. And thus -- thereby reducing the requirements on non-fossil fuels.

To conclude, I must share with you that cement industry in India and UltraTech seemed to be going strong. Thank you so much. Over to you for questions.

Moderator: The first question is from the line of Indrajit from CLSA.

Indrajit: I have two questions. First, on the mix between trade, non-trade. Has it changed significantly quarter-over-quarter? And with elections coming ahead and infrastructure spend, as you correctly highlighted, picking up, do you think that non-trade would pick up more in this calendar year than what we have seen in 2022?

Atul Daga: First, to your question on our mix, we hover around 66%, 67%. Quarter might be up or low. This particular quarter, we were 66% on trade and blended was about 68%. So the interesting points to first, Indrajit is, our trade ratio was 66% and blended was higher than the trade ratio, which means that blended cement is going in other areas and markets as it is in trade as well.

Secondly, I already mentioned, we expect OPC or non-trade segment OPC sales to continue to remain strong as India sees the surge in infrastructure growth.

Indrajit: My second question is, if you can throw some more light on the Super Dalla unit, where exactly are we on this? What is the point of contention and what exactly is the total hit? I understand you have intent to arbitration, but what are the key milestones that we should look for?

Atul Daga: I mean so the matter is sub judice right now, so I wouldn't want to color anybody's mind. It's under arbitration and perhaps will go through its own -- find its own way, I would say, once the arbitration is over.



*UltraTech Cement Limited
January 23, 2023*

Moderator: The next question is from the line of Pinakin Parekh from JP Morgan.

Pinakin Parekh: I have two questions. First is your commentary on pet coke. Now even at current thermal coal prices on a per kcal basis, pet coke still remain relatively attractive, but you did highlight that given structurally, India's larger capacity addition and no pet coke capacity additions globally, pet coke prices are unlikely to decline materially.

Does this mean that at an industry level, the INR 1,000 energy cost per ton, which the company was seeing and the industry was seeing which is now at INR 1,800, we are unlikely to revert back even if coal prices were to come off 10%, 20%, 30% from here and the new normal is structurally higher on energy cost front?

Atul Daga: You are absolutely right, Pinakin. I think it's a new normal coal costs from \$70, \$80 are now on a converted cost basis more than double. So 10%, 20%, 30% reduction will still not yield those numbers. I remember we had seen INR 950 a ton energy cost also. So we -- there is -- in the near future, that does not seem to be a likely scenario. I don't know what will happen, how the world will change once and if the Ukraine war is over. So as of now, we are in a situation of extended fuel prices.

Pinakin Parekh: My second question is on cement prices. Now if we take a 12- to 18-month view, you have commented at the beginning of your -- at the call that even though the industry is seeing strong demand growth, the industry seems to be focused on meeting demand and you do not expect prices to move.

Now from here, starting from March, April, you will be bringing on capacity. There will be other players who will be bringing on capacity. So at that point of time, the incremental supply is higher. And if the industry is struggling to take price hikes now when demand is in double digits, what happens to pricing in the latter part of FY '24 when there will be large new capacities on the ground. Shouldn't prices correct from here then?

Atul Daga: I don't expect that because I believe that the demand will continue to remain strong and in this fiscal '24 pre-election, things should remain stable. I'll require Jhanwar Ji to add further.

K. C. Jhanwar: So good morning to all of you. One, obviously, the new capacity is going to be added by us as well as by the other players. But as you know, the new capacity generally takes its own time to ramp up actually. And particularly, we all know this is going to be the election year, not only for the center, but the number of state governments.

I think that demand would be likely to be reasonably good, strong, robust, so we don't think there would be unusual pressure on the pricing. But yes, you never know how the overall market set out.



*UltraTech Cement Limited
January 23, 2023*

- Atul Daga:** So Pinakin, to close what Jhanwar Ji has mentioned is that there shouldn't be any undue pressure on prices. I would -- if I were to put it on a chart, it would be stable to rising trend only.
- Pinakin Parekh:** And sir, just last one qualitative comment if you can give us. The double-digit demand that the company saw in this quarter, how much would be driven by government spending on infra or the government projects? Would it be half? Would it be 2/3? I know you cannot have an absolute number, but broadly just trying to understand the trend?
- Atul Daga:** Our institutional sales have been good. And during the course of the call, I'm asking my colleagues to figure out a number and tell you.
- K. C. Jhanwar:** Yes, the government spending, particularly the major segment is from the road and other segments. So it is somewhere maybe 18% to 20%, not more than that actually. Other is...
- Atul Daga:** In fact, retail demand continues to drive growth. Now if we have grown 13% and maintained a 66% retail therapy, then it's balanced and moving in the same direction, nothing untoward.
- Moderator:** The next question is from the line of Ritesh Shah from Investec.
- Ritesh Shah:** Sir, my first question is on Dalla. Can you just explain to us basically what's led to the arbitration what we are looking at right now? And secondly, what are the assets under contention? That's the first question, sir.
- Atul Daga:** So the asset under contention is Dalla Super unit, which we had already acquired. And as I mentioned earlier, right now, the matter is sub judice under arbitration. So let's get -- let's complete that, and then we can discuss it further.
- Ritesh Shah:** Sir, can you just basically highlight what is the capacity over here? Is it 3 million tons of clinker?
- Atul Daga:** That's 2.3 million tons of clinker.
- Ritesh Shah:** And sir, would it also have 150 million tons plus of limestones basically when we bought from JP...
- K. C. Jhanwar:** I don't think we should guess because still the limestone is under the forest litigation actually. So as Atul said, it's the -- it's a matter litigated actually and would be unfair to talk much about those things because nobody knows what kind of reserves would be there.
- Ritesh Shah:** Sir, my second question is, how should we look at basically the situation in Himachal Pradesh. Have we got some increase in market share over there because I think other leading players, they have some struggle with the transporters. So are you -- are we making good out of the scenario? How should one understand it? Or should we also hope that there could be some reduction in transport costs overall for the industry?



*UltraTech Cement Limited
January 23, 2023*

- K. C. Jhanwar:** Yes, just to answer your question. So first of all, once there is a shutdown of any plant actually belongs to any one of us actually in the industry. The natural supply happens from the different players, actually. So if somebody assumed that by the closure of the plant temporarily because of the transport union problem, actually, there is -- I don't think there is a major swing in the market share or anything else. Yes, some here and there, supply gets improved for a temporary period.
- Atul Daga:** Its a temporary phenomena
- Ritesh Shah:** But sir, are we watching for a reduction in freight costs like what we have seen in Chhattisgarh earlier, I think cement folks, basically they talk economics and basically, they can actually play a hardball versus transporters. So what is the thought process? Or are we okay to pay INR 10 plus per kilometer per ton? How are we looking at it?
- Atul Daga:** We are -- Ritesh, we are watching the market, and we will see how to deal with the situation.
- K. C. Jhanwar:** Nobody -- okay to pay, but you know that it's a problem since last not 1 decade, it is from 2, 3 decades actually. So...
- Atul Daga:** So we'll wait and see.
- Ritesh Shah:** Sure. I have two more questions, if you allow, I can go ahead, sir, I'll jump back to queue.
- Atul Daga:** We'll let others take the questions and I don't know if you will complete the time. Yes.
- Moderator:** The next question is from the line of Sumangal Nevatia from Kotak Securities.
- Sumangal Nevatia:** I joined the call late, so I just missed in case it was discussed. I just want to get some sense on the cost deflation that we expect in, say, fourth quarter? And also, I mean, with domestic coal availability improving, does it really swing the needle for us on cost in the medium term or very little reliance on that?
- Atul Daga:** So domestic coal from kiln perspective is used very limited. It is mostly used for powerplants. And we had a high cost curve Q3, I expect the fuel cost to be lower in Q4 for us as well.
- Sumangal Nevatia:** Sir, any quantification, I mean, just a broad range?
- Atul Daga:** I don't want to give numbers for the future.
- Sumangal Nevatia:** So other than coal cost, fuel cost and say, operating leverage, any other cost items, any deflation in any raw material that's...



*UltraTech Cement Limited
January 23, 2023*

Atul Daga: Other are benign. Others not too much. Fuel is the most -- the biggest driver right now. Other point is I can add is on logistics front, when this quarter, the busy season surcharge was brought back.

Effectively, our logistics play has been good to be able to absorb that cost and continue to deliver more or less around the INR 1,200 per ton overall freight cost. This is in spite of that busy season surcharge getting added, which would be a significant portion.

Sumangal Nevatia: And I was a bit surprised to see that fly ash cost index also rising consistently. I mean any color, I mean, what's happening there? And is it like any temporary phenomena, which is likely to...

Atul Daga: Fly ash, it's all upon -- all about availability, now if one power -- particular power plant is shut down, then suddenly, there is a surge in prices and availability is an issue. But you won't see prices coming down because the number of thermal power plants in the country is not going to go up and fly ash consumption will keep going up.

Sumangal Nevatia: And Atul, just if I could get your, say, margin expansion outlook in the medium term, say, FY '24. Do we expect energy cost normalization and operating leverage to play a bigger part or prices also should contribute equally and...

Atul Daga: I think it should be a wholesome game. All the levers will have -- will play. It's only about which vehicle runs faster than the other. So you will have operating leverage advantage, for sure.

Hopefully, the fuel cost should remain range bound. We don't expect them to grow or spike up dramatically the way that spiked up earlier. Prices should remain stable. As I think you must have heard the comments earlier, prices should remain strong -- should remain stable or in an upward move only.

Sumangal Nevatia: And just one last question. I mean as I...

Atul Daga: Can you come back?

Sumangal Nevatia: Okay. I'll -- sure.

Moderator: The next question is from the line of Prateek Kumar from Jefferies.

Prateek Kumar: My first question is on your fuel cost. On -- in your presentation on the energy cost trend slide, we have given this pet coke index, which seems to have corrected 20% or 15%, 20% from the peak season a couple of quarters back. While our energy cost index seems to be slightly higher. So does that -- I mean, just imply like we could be like looking at 20% kind of correction?



*UltraTech Cement Limited
January 23, 2023*

Atul Daga: So it is a catch-up game. So we had exhausted our old contracts and low-price procurement. October, December was our highest cost of fuel. I expect the curve to again narrow as we progress in the future years -- future quarters.

Prateek Kumar: But just looking at the green line in the chart, sir, our index has gone up from 131 to 175 from energy -- from energy cost while the other line of pet coke has come back from 204 to 203, so...

Atul Daga: So next quarter onwards is 175 will also start dropping. So you will see that correction happening.

Prateek Kumar: So that seems like a large benefit, which exactly coming on, like from next quarter.

Atul Daga: Yes.

Prateek Kumar: Sir, secondly, on price, comment of yours remaining strong or stable. So like in 2019, we saw like prices because of the strong volume trajectory pre-election year, industry was not able to take major price hikes. So is this something which we are indicating that prices may remain totally flat in first busy season and industry might not be looking to reclaim like what profitability they achieved in FY '22, '21?

Atul Daga: Beyond a point, I think everybody wants price improvement, price increases. Given the cost curve, so at the same time, nobody would want to lose on their market share. And typically, in a very high-growth time frame, focus will always be on meeting the demand. So I don't expect prices to crash, correct, but stable to upward move is what I could expect. When and how much is very difficult to quantify.

Prateek Kumar: And the last question, would you have like region-wise utilization and pricing data for the quarter?

Atul Daga: I don't have it right now. I'll give it to you later.

Moderator: The next question is from the line of Raashi Chopra from Citi.

Raashi Chopra: I have two questions. One is on the basis, your commentary on pricing as well as costs. From an EBITDA per ton perspective, where should we kind of see it settling on the up, number one?

Atul Daga: So it should cross the 4-digit mark for sure. I would expect January market sales should cross four-digit mark.

Raashi Chopra: And the second is any sort of update on your expansion to 200 million tons organically owned?

Atul Daga: Yes. So we have gone to the drawing board. Right now, the 22.6 is under execution, which will take us to 136. And once the concrete plan is ready, we will definitely announce it. So '28, '29 - - It's a little too late, but '28, '29, '30, we should touch that mark, for sure. Mines are in place,



*UltraTech Cement Limited
January 23, 2023*

land is in place. It will be, again, a mix of greenfield, brownfield. So we'll present the complete picture.

Raashi Chopra: Sorry, just to add to that, will it include any inorganic as well or you can do greenfield, brownfield to reach 200?

Atul Daga: We can do greenfield to reach our milestone. Inorganic is always a top-up opportunity but I cannot really forecast on that.

Moderator: The next question is from the line of Amit Murarka from Axis Capital.

Amit Murarka: Just a couple of questions. Firstly, on the working capital release in the presentation, you have mentioned the INR 500-odd crores of release in Q3. So how much more can we expect in Q4?

Atul Daga: Q4 should also give a higher release only because it's a high volume, high conversion, cash conversion quarter. So we should -- this quarter, we ended with a negative working capital of close to INR 124 crores. I think this will just go up.

There are -- I'm glad you asked this question, Amit. There are some moneys which are stuck, which we are trying to get released. This was the upfront fee payment which was made and then central government issued the order for paying back the upfront fee, unutilized upfront fee. It is at various stages of clearance and various states that will also help improve my working capital.

Amit Murarka: And in the last quarter, you mentioned your fuel inventory has increased to 55 days. So is it coming back to normal levels now?

Atul Daga: March, we will -- so if we get an opportunistic transactions, we will spike up our inventory, but we'll remain anywhere between 45 to 50 days. That is the norm that we want to follow.

Amit Murarka: And the second question is the blended ratios. It's quite encouraging to see our consistent improvement in blended ratio. So it's only gone to 1.42x. So is it because even the nontrade side of the business is accepting more of blended cement? Or is it more a push of blended cement in the trade channels only?

Atul Daga: No. It's a mix of everything. Firstly, consuming fly ash to the maximum possible, not going 0.01% beyond the permissible limit. Second is, obviously, the efficacy program, which we continuously run trying to convince the institutional players to buy blended cement from us.

So it's not that they don't blend. They do the blending. So I think the -- it is our core competency and their core competency is construction and not blending. So people are getting convinced, some execution players are taking blended cement from us.



*UltraTech Cement Limited
January 23, 2023*

- Amit Murarka:** And is there any number in mind that let's say 1 year, 2 years down the line, we should be 1.5x or anything like that?
- Atul Daga:** It will be a desire to definitely reach 1.5x, but 1.42, we have already reached so maybe 1.45 be the next step to look for.
- Moderator:** The next question is from the line of Pulkit Patni from Goldman Sachs Asset Management.
- Pulkit Patni:** It's not asset management, it's the research side. My question is on pricing. Would it be fair to assume that it is not one or two players because of whose behavior prices are down? Is it just broadly excess supply in the market, which has been -- which has come into being in the last two to three years. Would that be the right assumption?
- Atul Daga:** You are putting me in a fix, Pulkit. Let's meet for a cup of coffee and discuss it.
- Pulkit Patni:** Sir, second question is, despite our debt coming down, interest cost has gone up. This is just because of the interest rate readjusted?
- Atul Daga:** Marginal impact of interest rate, but bigger is, accounting on foreign currency revaluation, so we have \$400 million of dollar bonds and...Lease charges. yes. So the various foreign currency components have to be -- although it is fully hedged from the data liability is crystallized, but accounting requires revaluation. So it's a revaluation. So cash flow versus accrual, there will be a big gap.
- Pulkit Patni:** And sir, just very quickly, international operations, everything back to normalcy in terms of Sri Lanka, etc. now?
- Atul Daga:** The good news is Sri Lanka is back. I think I have somewhere around INR 65 crores overdue still to be received, but should get cleared by February and the volumes have started picking up. Government is continuously giving additional LCs so that we are able to increase our exports. It's still -- it has fallen to nearly 1/3, but I'm sure in the next couple of months or two or three months, it should be back to normal.
- Moderator:** The next question is from the line of Ashish Jain from Macquarie.
- Ashish Jain:** Sir, my first question was like some of the comments you made earlier in the call in terms of the share of OPC rising, like fly ash cost being sticky and even on fuel cost and all. So all of this is margin deflationary in nature. So based upon that, are we kind of the view that structurally prices will go higher in India? Well, I'm not talking for the next six months, 12 months and all, but do we need that? Or we have to settle with lower profit?
- Atul Daga:** No, it is required. Everybody is raising prices. So prices are required. The -- there'll be a huge amount of pressure on the margin and especially for players with lower margins will have



*UltraTech Cement Limited
January 23, 2023*

problems. So my expectation, my sense is prices have to go up. Otherwise, how will the industry be able to cover its cost and make money.

K. C. Jhanwar: At least it must cover the additional cost... yes. So it is a normal margin maintained.

Ashish Jain: Yes. So like normal margins, Atul, sir, what you like mention like four digits, is that what we should think is a normal?

Atul Daga: Yes, yes, four-digit is a normal margin. And four-digit is also a wide range. I would love to inch back to INR 1,400, INR 1,500. But right now, the focus would be to reach anywhere between INR 1,000 or INR 1200.

Ashish Jain: In calendar '23, you mean?

Atul Daga: Okay.

Ashish Jain: Okay. Sir, secondly, just on -- can you just quantify the impact of railway peak season surcharge this quarter? On a per ton for us?

Atul Daga: So it was -- I'll have to get it worked out, and I think I'll ask Ankit to communicate to you because it was implemented middle of October. So I'll get that impact sent to you.

Ashish Jain: So my question basically was also then what has happened for us to maintain our overall cost base on freight.

Atul Daga: Are you giving us a compliment?

Ashish Jain: Yes, obviously, because like the freight cost hasn't gone up as much. So...

Atul Daga: Yes, so nobody asked, but we have managed our lead distances very well. So the market mix plant to market combination, how we service the market is being handled very well. A lot of work has been done on improving efficiency at the ground level, turnaround time of vehicles and throughput on vehicles, reduction of demurrage.

You name the lever, every lever is being pulled in the right direction. This was a record that lead distance dropped to 413 kilometers this quarter as compared to 428 in the previous quarter. So that also helped a lot.

Ashish Jain: Sir, if I can just squeeze one more question on pricing. Like whatever we had collated, it seemed like pricing should be up quarter-on-quarter. So is it like a regional mix, which has changed this quarter? Or if you can give some color on...



*UltraTech Cement Limited
January 23, 2023*

Atul Daga: So you will see region-wise, we are a pan-India player, so you might see lesser impact on our P&L as compared to a regional player. So just wait for some more results, you'll have more clarity.

Ashish Jain: But our growth, was it more smooth in any particular region?

Atul Daga: Next question, please. Ashish...

Moderator: The next question is from the line of Navin Sahadeo from Nuvama Institutional Equities.

Atul Daga: The name has changed, Navin?

Navin Sahadeo: Yes, yes. So Edelweiss changed now -- renamed to Nuvama Institutional.

Atul Daga: Okay. All right.

Navin Sahadeo: So sir, two questions. First is, of course, on the prices. Now in North India, the demand seemed extremely good, the largest player. I mean large capacities in the region they are currently shut. So, there couldn't be more ideal situation to take price hikes more so in January with the beginning of busy season, the busy construction season as we call it.

Yes, there is some downward pressure, largely in sort of a downward pressure. It's completely like different to what generally can be expected. So what's really is it? It's Just a high competitive intensity, which is driving or there is more supply that we are not able to really get the best plan?

Atul Daga: I think. The prices are not going down, prices are stable. The market is just absorbing all -- the demand is getting serviced, that is the good part. And the moment -- December -- for the month of December, we were at a 92% capacity utilization.

The movement industry starts going up and above 85% capacity utilization, there is no reason why prices will not go back. History has it. Every January, March quarter, if the capacity utilization and the industry, all India level goes up beyond 85%, it very well can happen this quarter. Also prices will go up.

Navin Sahadeo: Yes. fair. I would love to see that. It's just that so far into January, I'm saying we are at 23rd Jan, yet no news absolutely of any major price hike or even small price hikes from any part of the country. So just a little worried that if you are not able to take price hikes in busy season, should there not be a worry in the lean season?

Atul Daga: Let's see. I'm sure the marketing people are working on it. So we'll have to wait and watch.

Navin Sahadeo: Sir, my second question is about the cost. Now in your presentation, you've given blended fuel prices of USD 200 being flattish quarter-on-quarter. So just a few clarifications, sir, first of all,



*UltraTech Cement Limited
January 23, 2023*

this \$200, is it includes both kiln and CPP and all the domestic coal and entire mix that we have put together or it's only for the imported portion?

Atul Daga: For kiln, yes. So fuel going up, kiln essentially.

Navin Sahadeo: So this \$200 at current spot rates would be how much, sir?

Atul Daga: Should be 175, 180.

Navin Sahadeo: So that kind of a decline, we can ballpark in Q4 then?

Atul Daga: Yes.

Moderator: The next question is from the line of Girish Choudhary from Spark Capital.

Girish Choudhary: My first question is on capacity commissioning time line. So guidance for the year was around 17 million tons, and like you mentioned in the PPT, you have commissioned 6.8 million tons. So if you can just guide us when can we see this remaining 9 million to 10 million tons?

Atul Daga: So in the next 45 days, most of the capacity is getting commissioned.

Girish Choudhary: And secondly, if I look at the demand which you have put out in the presentation slide number 5, rural demand seems to have moderated, especially North, Central, East. So if you can just help us with the rural mix this quarter versus last quarter? And also, what are you seeing currently in terms of rural demand? Is it picking? Or is it changed?

Atul Daga: So our trend in this particular quarter has to be your views or analysis has to be restricted to this quarter. Next quarter, it will change. And the way I think my analysis interpretation of crops is that the harvest has been good, cash flow will be good. So April, June, you will start seeing rural demand in our chart also back to green instead of orange.

Atul Daga: MSP is also being improved in both. Yes. So things are positive for rural markets. And I think the only handicap which rural markets run, I would say, time and again is monsoons. Monsoons are bad, then things go haywire. Luckily, India is been having a good spell of monsoons over the last few years. So things are going good on the rural front.

Girish Choudhary: Perfect. But if you can just help us with your rural...

Atul Daga: Chart. My only -- in this chart of ours, my only concern is the Central where no new projects were announced, everything has got more or less completed. And that is why, certainly, we saw a complete slowdown. But the movement, and I think that government, UP government is pretty aggressive in its growth ambition. So the moment they are back on new projects, this red spot will also disappear.



*UltraTech Cement Limited
January 23, 2023*

- K. C. Jhanwar:** Yes, and particularly now from March or April onwards, this Ganga Express, that has just started. So it will give some relief to the company in terms of demand.
- Girish Choudhary:** And lastly, if you can just help us with the rural mix this quarter.
- Atul Daga:** How much?
- Girish Choudhary:** Rural mix?
- Atul Daga:** 62% of trade. And trade was 66%.
- Moderator:** The next question is from the line of Rajesh Kumar Ravi from HDFC Securities.
- Rajesh Ravi:** Two questions. First, on the fuel cost. Would it be possible to share the numbers on per kilo cal the average fuel cost for the quarter?
- Atul Daga:** 2.6 per kcal.
- Rajesh Ravi:** And this is against Q2, what was the number?
- Atul Daga:** Q2, 2.5.
- Rajesh Ravi:** And this is the \$200 now trending towards 175, can we expect a similar cool off in your per kilo cal numbers?
- Atul Daga:** It should.
- Rajesh Ravi:** And is it like where most of the players in Q4 would be looking at a good correction in the fuel prices, that may also subdue price rise pressure from the companies because margin expansion can be taken care of on account of this fuel price savings -- fuel cost savings.
- Atul Daga:** It's a marginal saving only because I would love to have fuel costs back to \$80, and we are still talking about more than double. So \$200 to a 10% reduction in fuel cost does not really help me improve my margin expansion. So prices need support to -- prices need to go up.
- Rajesh Ravi:** And on the electricity generation cost, what sort of savings, where are we on a per megawatt, per unit of electricity generators, sir?
- Atul Daga:** In terms of cost per unit?
- Rajesh Ravi:** Yes, cost per unit.
- Atul Daga:** It's around INR 5.
- Rajesh Ravi:** You're already.



*UltraTech Cement Limited
January 23, 2023*

- Atul Daga:** INR 5.8. It's close to INR 6 a unit.
- Rajesh Ravi:** So there, you're not seeing major inflationary impact despite of?
- Atul Daga:** No.
- Rajesh Ravi:** And second, on the working capital side, you see that September quarter, your noncash working capital number shot up to almost INR 4,000 crores and versus INR 700 crores, INR 800 crores in the preceding reporting periods. So in this quarter, December, you have seen a pool of around INR 400 crores in that out of this INR 4,000 crores.
- And you guided that in Q4, there will be some higher savings compared to INR 400 crores. So what sort of number are we looking to go back to a noncash working capital levels below INR 1,000 crores?
- Atul Daga:** Our ambition would definitely be to increase the negative working capital, which was INR 125. Yes, INR 1,000 crores seems to be doable.
- Moderator:** The next question is from the line of Rakesh Vyas from HDFC Asset Management.
- Rakesh Vyas:** Two questions from my side. First one, if you can just also talk about price trend between trade and non-trade in last quarter? And how is it trending now? That's the first question.
- K. C. Jhanwar:** As far as the prices are concerned, I would say it's by and large a stable one, actually. Definitely, we would have allowed to have the better prices, but I don't think there is a major change in that trend actually. The trade prices are marginally up -- actually marginally and then non-trade also in the same direction, marginally, but not there is any significant change...
- Atul Daga:** What Jhanwar Ji is saying is that pattern continues to be the same.
- Rakesh Vyas:** And the second question, unfortunate, again, is on pricing itself. You maintained that the fourth quarter, we should see improvement in our profitability upwards of four digit. But given the context that the cost is essentially especially on the energy side, we'll see some cool off. You will probably also have a better operating leverage moving into 4Q.
- I'm still unable to understand as to why industry is not looking at reasonable price hikes in this context itself because the costing, particularly you highlighted, will not moderate significantly as we move forward as well. And fourth quarter is generally the best quarter in terms of utilization. So 4Q is going to be only a better proposition compared to 3Q marginally, then FY '24 doesn't look very great.
- Atul Daga:** You want EBITDA improvement or no?
- Rakesh Vyas:** We do.



*UltraTech Cement Limited
January 23, 2023*

- Atul Daga:** The focus on that, we will deliver an EBITDA improvement, but from where we bring – let us also work.
- Rakesh Vyas:** But you sounded very conservative in terms of your commentary moving into next 12 months or so. That's the only concern I had.
- Atul Daga:** So don't be concerned, the industry is in good hands.
- Moderator:** The next question is from the line of Shravan Shah from Dolat Capital.
- Shravan Shah:** Sir, what was the fuel mix for this quarter? And in terms of the capex, previously, we said that they are INR 6,000 crore to INR 7,000 crore capex for next FY '25 yearly basis. So is that remains the same?
- Atul Daga:** Yes, the capex remains the same. I think anywhere between INR 6,000 crores to INR 7,000 crores is what we will spend. Fuel mix?
- Ankit Asawa:** 89% imported coal and pet coke, the fuel mix for this quarter in kilns
- Shravan Shah:** And in terms of the -- you already mentioned that the remaining 9.9 million tons out of 19.9 million tons, in the 1st phase expansion, the entire will be to start by fourth quarter. So what about the clinker, I think 6.4 MTP clinker is also pending from that 19.9 million.
- Atul Daga:** Clinker -- and I mean clinker from – now which clinker remaining -- here.
- Management:** It's only one clinker
- Atul Daga:** Yes, only one clinker.
- K. C. Jhanwar:** Yes. Only one small debottlenecking of Maihar plant is pending. Otherwise, we have commissioned all the other kilns and unit actually. Though the cement production is lower, so which will make up in this quarter.
- Shravan Shah:** And out of 22.6 MTP likely to come by FY '25, '26, so how much -- and where we can see 2 million, 4 million tons to come in FY '24 itself?
- Atul Daga:** We will target early '25 to start commissioning.
- Shravan Shah:** So any capacity to come in FY '24 out of the 22.6 million next phase of expansion?
- Atul Daga:** Not at the moment.
- Moderator:** The next question is from the line of Ritesh Shah from Investec.



*UltraTech Cement Limited
January 23, 2023*

Ritesh Shah: Two questions. One is, you have indicated a slide on construction chemicals. Also, you have indicated at 50-plus products and growing. I just wanted to understand if you can spell out any numbers, that's one. And what's the overall game plan in this segment, say, three years out?

Atul Daga: So this year, if I look at an annualized run rate, we should be clocking INR 800 crores to INR 1,000 crores and continuously growing. At the same time, we will look at our consolidation opportunities in, because these are very small consolidation opportunities in case something lucrative comes by, we will consider that.

The biggest play for us for construction chemicals is it gives the -- what should I say? It gives our offering or a complete offering as part of our building solutions, building solutions play. And for dealers, it gives them something additional to do instead of just selling cement. So the focus is to build on to the stickiness, which construction chemicals will bring to the table.

Ritesh Shah: And sir, my second question was on logistics. Is there anything different that we are doing now given a lot of new capacities which are coming up across the industry? Anything more on coastal freight or anything more on adding number of silos? Sir, anything worth that you would like to highlight?

Atul Daga: For half year, these are very, very micro things, so whether a silo needs -- should be added, it does get added as and when required. Ocean movement is obviously is restricted to our coastal markets only. We are moving from our Gujarat plant to down south right up to Colombo. We are adding a bulk terminal at Tuticorin, that will further bolster our supplies to the rich Tamil Nadu market.

There's a lot of digitalization effort, which is under play, which is helping us optimize our logistics cost. Today, each dealer, each regional manager of ours or a territory manager of ours knows where the truck is, what kind of truck will reach the destination and how much time it will take to unload. And select -- which ultimately helps improve efficiency.

So there are a lot of efforts which are being -- a lot of investment being done and efforts being put in to improve efficiency of logistics, which is now visible.

Ritesh Shah: Sir, just a related question. Does the DFC change things for us? Is it a viable proposition or it's still some way out before it actually becomes viable? And are we doing anything to make it actually viable for us?

Atul Daga: DFC.

Ritesh Shah: Yes, sir.

Atul Daga: So nothing as yet -- there are small movements which have started, but I have seen governments big plans of increasing the rake sizes, capacity of the rakes going up, which will definitely help



*UltraTech Cement Limited
January 23, 2023*

move bulk cement in a big way. So I -- my guess is we'll have to wait for a couple of years more before it crystallizes into a benefit.

Moderator: The next question is from the line of Sanjay Nandi from Ratnabali Investment Private Limited.

Sanjay Nandi: My all questions were answered.

Atul Daga: Thank you.

Moderator: The next question is from the line of Girija from Systematix.

Girija: Yes. All of my questions are answered. But if you can tell me which region we have sold more volume this quarter?

Atul Daga: We have sold everywhere. Don't worry.

Moderator: The next question is from the line of Rajesh Kumar Ravi from HDFC Securities.

Rajesh Ravi: Just one follow-up question. "Others" -- when you report where you say construction chemicals, UBS and exports? You mean these are all noncement revenues exports, is it including any exports from India? There's cement exports from India?

Atul Daga: Yes. It's very small, about 40,000 tons which goes to Sri Lanka essentially, our own bulk terminal.

Atul Daga: Next quarter onward, I'll give the breakup.

Rajesh Kumar: Right. So that we can track the...

Atul Daga: Because it's gaining shape, it is important for us to highlight it.

Rajesh Kumar: And the same number would you have for this other number for March '22 quarters, please?

Atul Daga: March '22 quarter.

Rajesh Kumar: Exports and others.

Atul Daga: In the presentation -- last quarter presentation, it's there.

Ritesh Shah: I'll get you from there.

Moderator: The next question is from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Sir, just a follow-up on the WHRS slope. By end of this, how much more we will be adding for till March? And then for FY '24, how much more we will be adding WHRS?



*UltraTech Cement Limited
January 23, 2023*

- Ankit Asawa:** 30 megawatts this quarter. 30 megawatts this quarter.
- Atul Daga:** December quarter.
- Ankit Asawa:** In last quarter, we have added 16 megawatts in WHRS. In March quarter, we'll be adding...
- Atul Daga:** 30 megawatts which will lead us to 238.
- Atul Daga:** 238 megawatt, we should aim to bring 238 megawatts of WHRS by March '23 and there will be further revision because in the next phase of expansion of 22 million tons, there is in all that clinkerization units, we will have WHRS as well.
- Shravan Shah:** And sir, any broad idea in terms of the -- we have previously mentioned that 15 million to 16 million tons of clinker will be there out of 22.6 million ton expansion. Which region because previously for 19.9, we have known the break up. Here, the break up is not available. So any...
- Atul Daga:** It was provided in our last presentation where we gave the detailed geography, geographical analysis of where the expansion is coming.
- Shravan Shah:** Sir, we mentioned about the grinding unit and not the clinker, where the clinker is coming.
- Atul Daga:** I'll ask Ankit to give it to you separately, sort of tackling out numbers here. He'll give it to you separately.
- Shravan Shah:** And lastly, on the employee cost, sir, last quarter, we mentioned that because of the incremental cycle, our employee cost has increased in Q2. But this quarter also, the employee costs remain on the same rather we should have decline on Q-o-Q basis, so will this INR 694-odd crore employee cost quarterly is the new normal?
- Atul Daga:** Once the increased compensation takes place that becomes norms for the next future quarters also.
- Shravan Shah:** No, I thought there may be some onetime incremental bonus would be there.
- Atul Daga:** No, nothing. Normal increment.
- Shravan Shah:** And in terms of the other expenses, do you want to highlight anything where we can see a further reduction in other expenses?
- Atul Daga:** We are continuously making efforts and you will see it in our results.
- Moderator:** Ladies and gentlemen, that was the last question. On behalf of UltraTech Cement, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.