



“UltraTech Cement Limited
Q1 FY '24 Earnings Conference Call”
July 21, 2023

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Moderator:

Ladies and gentlemen, good day, and welcome to the UltraTech Cement Limited Q1 FY'24 Earnings Conference Call. We must remind you that the discussion on today's call may include certain forward-looking statements and must, therefore, be viewed in conjunction with the risks that the company faces. The company assumes no responsibility to publicly amend, modify or revise any forward-looking statement on the basis of any subsequent development, information or events or otherwise.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to 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 evening, everyone, and welcome to the Q1 FY'24 earnings call for UltraTech. This is the third year in the running, seeing a high consumption of cement. Going by the positive movement seen in the first quarter, we are excited to see a double-digit growth in volumes this year as well.

You are aware of the erratic heavy monsoons that we have seen earlier on during the last couple of months, that has hit almost all the regions in the country, resulting in disruption in dispatches early on. But the good part is that the fear of El Nino seems to be subsiding. Things are going well for our economy. FDI is gaining momentum; inflation seems to be under control; fuel costs for cement are on the decline; interest rate hikes have taken a pause; infrastructure in India is improving rapidly.

What I can quote -- as one of my friends said, Gods up there seem to be Indian. I want to share some more data points on road infra in particular. The government has given a directive to spend almost 80% of the budgeted allocation of INR2.7 lakh crores by December '23. Almost INR1 lakh crores has been spent by mid-June. Balance spending of INR1.2 lakh crores as was advised by the ministry or will be completed on schedule.

They want to achieve a speed of 40 kilometers per day of road construction this year. We'll most likely reach the targeted kilometer per day going by the speed at which the execution is taking place. This quarter was the highest road execution progress. Though new orders were less, but we don't get bogged down by slowing down of orders, which is to my mind, very temporary.

But it's not just a roads, it is the good infrastructure has a captivating effect on overall economic activity in the country and some index who participate in the growth story. Let's talk about our own work. We have commissioned 4.3 million tonnes of capacity till now beyond and going beyond June as well. And our cash flow seems in good shape.

These new capacities will further strengthen our presence in the North, East and Western markets. As for our cash flows, after a cash spend of INR1,796 crores on our ongoing capital in this quarter, we have further reduced our net debt by INR233 crores, which I think is a fabulous

achievement. We have completed the first phase of our expansion plan, which was announced in December '20, taking our all India capacity to 131.25 million tonnes.

During the course of various expansion programs, we have identified some debottlenecking opportunities, which will be completed during this year, giving us an incremental capacity of 4 million tonnes, that has spread in 4 or 5 locations as we complete these, we will keep on announcing that.

We expect as I mentioned, we should be able to complete all these programs within this financial year, taking our overall capacity from 131.25 million tonnes to 135.25 million tonnes in India. Another very important point to note is the improvement we have made in our clinker conversion factor, specifically included a chart in our presentation, an improvement of 0.04 will generate an additional volume on an annual basis of 3 million tonnes.

Let me now talk about our sustainability agenda, and we take it very seriously. We are fast-tracking our green energy program. For that, we are participating in a hybrid solar wind project of 648 megawatts taking our total renewable energy basket to 1.25 gigawatt when the program is completed. And also, we intend to increase the footprint of our WHRS to reach 425 megawatt from 232 megawatts that we ended Q1 FY'24 with.

These programs will be completed by the end of fiscal '26., and when all these projects are completed I'm happy to tell you that we have more than 60% of energy as green energy on our expanded base. WHRS accounting for around 25% and renewable energy, which is solar and wind accounting for more than 35%.

Depending upon the prevailing cost structures at that point in time, it will still be a sustainable addition to our bottom line. Two points which I want to bring to your notice more from an academic interest point of view. Firstly, on fuel prices. Today, pet coke is trading around USD115 per ton after USD100 level for a very few days.

However, most of the time, the spot prices are for ship loading, which is—average 2 months later and give a 45- to 60-day shipping time, 10-odd days of inland movement and existing inventories of anywhere between 45 to 60 days, it gets into consumption, maybe around 5 or 6 months later from the date you are talking about the booking the contract.

Second important point to keep in mind is the moisture loss. For us, the landed cost is almost 10% higher on account of moisture losses, which is what we consume and what we report. Last quarter, on a net basis, our cost was USD194 per metric ton, which has reduced to USD178 per metric ton for this quarter.

Depending on the availability of pet coke, we keep on optimizing the fuel mix the quarter this quarter, pet coke was about 42%. Another point for your academic interest, this is about lead distance. At UltraTech, you would have heard our lead distance being more than 400 kilometers. To be precise, last quarter, we were at 410 kilometers. But an important point to note is that this

lead distance includes lead distance for movement of clinker from the integrated plant to the grinding unit. More important to keep in mind is our ability to serve our customers. With the current network of our grinding units, bulk terminals across the country, more than 120,000 channel partners and a dense network of warehouses that we have, our lead distance from the point when cement is available to service the customer is only 270 kilometers.

This has come down from 281 kilometers last quarter. And I think this is a real lead distance for our customers. So we are practically able to serve any customer around the country within 300 kilometers of our servicing point. And that's why I say we continue to lead by a mile. Thank you, ladies and gentlemen, and over to you for questions.

Moderator: Thank you very much. Your first question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: The first question is around the new tax regime now. So have you moved to the new tax regime for all entities like including Nathdwara?

Atul Daga: Yes.

Amit Murarka: Okay. And on the fuel cost, like when the consumption cost was USD178 in Q1 and spot you said USD115. So by Q3, we should expect like assuming 115 continues, we should assume 115 to flow through by Q3, right?

Atul Daga: Yes. So 115, if it's a price, you mark it up for moisture losses. So consumption will be USD125 to USD130.

Amit Murarka: Okay. Understood. And what would it mean directionally for your power and fuel cost, let's say, either in rupees Kcal terms or as a percentage?

Atul Daga: 2.34 was our Kcal cost this quarter.

Amit Murarka: Okay. And assuming like pet coke of 115, like should it go down to like 1.7, 1.8, like 115 would be I guess 1.8?

Atul Daga: It is downward. I haven't done the math because the mix will also have a play here.

K.C. Jhanwar: I would like to add, here,. See the availability of pet coke is also not too high because 115 to 125 happened within a weeks -- 10 days time. And as you all know, the availability of the pet coke is very limited, actually, and it's coming maybe a part of the pet coke is coming from U.S. So again, there is a cycle of about 60 to 65 days. So it all depends on how much, what kind of prices set out going forward.

Atul Daga: Amit, to add further, it's a very dynamic situation. I had seen one data point and which I can share with everybody. The heat wave, which is going on in China and more parts of the Europe, the coal consumption is going up. Last year, China generated the highest ever power from its



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coal sources, and they are still consuming only captive coal. Our philosophy, not philosophy, our hypothesis is that as and when China opens up and they will start importing sometime soon, costs may not remain at these levels.

Amit Murarka: Okay. Understood. Sure. And early on this blending ratio of 1.4x that you achieved, can we now expect like 1.5x, maybe a year, 1.5 years...

Atul Daga: It will improve while not able to quantify, but it will improve further.

Amit Murarka: And also Infra is taking now blended cement?

Atul Daga: Very miniscule.

Amit Murarka: Okay. Understood. And just the last one from me. Like you've already achieved 90% capacity utilization in Q1. Like as we gradually get into Q4, this is 3 quarters down the line, but commissioning, I believe mostly are happening later in '25 and on. So could that be an issue wheresome capacity tightness or unavailability of some capacity to maintain?

Atul Daga: No, I think as I also mentioned, there will be surplus cement available from our increase in clinker conversion ratio, the debottlenecking, which will give me additional 4 million tonnes of capacity, and we will try and bring in some more capacity at a much faster pace as and when we are ready, we will let you guys know. But I don't think we will fall short of capacity. We will not lose a single customer.

Moderator: We have the next question from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: The first question is, overall, I mean, a very strong growth in this quarter. If you could just share what is the sense what would have been the market growth and I believe it looks like we have gained market share. So in case you can add some regional color as to which region we have outperformed quite substantially versus peers or the industry?

Atul Daga: I think we would have done pretty well across the country because again, 89%, 90% capacity utilization, which means average 85%-plus utilization in most markets, the only market like South where we are, our base is small. So we would have a lesser impact as compared to that practically everywhere. We would have outperformed by a mile.

Sumangal Nevatia: Okay. Sir, what would be the industry growth as far as?

Atul Daga: Too early to comment. I would wait for some more results. But certainly, like last quarter, there would be a wide gap between us and the industry.

Sumangal Nevatia: Okay. Given a Pan-India presence, 20% growth, in some region, we would have grown 15%, 18%, some 23%, 24%. So some regional color you can share?



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- Atul Daga:** I just told you, you benchmark me with my capacity utilization everywhere. We are more than 85% capacity utilization. The bigger point is that the entire country, all regions in the country, East, West, North South, Central, are seeing huge demand.
- Sumangal Nevatia:** Okay. Got it. Sir, second question on the prices, I mean, do we expect the cost saving to drive margins? Or I mean, we are entering seasonally weak period. So should we how should we see margins shaping up over the next 1, 2 quarters, given some pressure on prices that we should see?
- Atul Daga:** We have seen marginal or insignificant not to rejoice or party, but we have seen price increases in North and West. Some increases in the month of July South and East are still not showing traction in prices. But from our perspective, when we don't have capacity available, our efforts would be to service our customers who are paying the maximum price.
- Sumangal Nevatia:** Got it. If I can just ask one more question. Overall growth for the next 5-odd years, if you look at last 10 years, inorganic has been a substantial part of our growth. But now we don't see our participation in few ongoing acquisition opportunities. So is it that inorganic is largely behind us as far as growth is concerned in future next 3, 5 years should be largely dominated by organic. Is that the right way to think?
- Atul Daga:** No, one or two places which you don't see our name that doesn't mean that you can say, UltraTech is not interested. We evaluate opportunities. And of course, given the network that we have, by network I mean our physical plant network. Unless an opportunity is value-adding, value-adding from both growth and profitability, we will not deploy capital in those assets. And yes, we will keep growing. So if not inorganic, organic will lead the way.
- Sumangal Nevatia:** Got it. Sir, in terms of market share, there is no constraint. I mean, we can still grow inorganically.
- Atul Daga:** Yes. Barring, I would imagine West not West, sorry, East where because the inorganic target sizes will be large, so we will be hitting some roadblocks in East. Barring that, I don't see a challenge anywhere in the country.
- Moderator:** The next question is from the line of Pinakin Parekh from JPMorgan.
- Pinakin Parekh:** Yes. Sir, my first question is on pricing. Now earlier in the morning, one of your competitors highlighted that Eastern India, they have lost market share. And they want to prioritize volumes over there. Now Eastern is also seeing a lot of new capacity come through. So in terms of pricing, particularly for East India, what is the company's outlook for the same for the remainder of the year?
- Atul Daga:** I think we have mentioned earlier also East with given the kind of growth that Eastern markets have and the new capacities coming in, each will continue to remain very tight market in terms of prices.

- Pinakin Parekh:** Understood. Sir, my second question is that I'm just trying to understand the energy cost math better. Slide mentioned USD178 as the consumption cost in Q1, which, at today's pet coke prices, works out to around USD125, that's a broad 30% decline. Now pet coke is broadly 40% to 50% in terms of the overall energy basket. If pet coke prices were to sustain at today's level for the remainder of FY'24, should we assume a 30% energy cost decline? Or will the overall energy cost decline be lower than this headline pet coke cost decline because of the other fuel?
- Atul Daga:** Yes. So if everything remains status quo, and let's say, today, pet coke prices are at USD125 and that prevails throughout then, obviously, you would see it translating into a 20% to 30% decline in energy costs. Again, Pinakin, I tried to explain the math around it. Spot means 2 months forward loading, blah, blah, blah. So today's spot, which is what July end, will come into consumption only by January. So that's how the math stack up.
- Moderator:** We have the next question from the line of Prateek Kumar from Jefferies.
- Prateek Kumar:** sir, my first question is on your recent flow around some change in simple dynamic from BIS required for composite cement and this also there is on passing on LC3 as an acceptable product requirement.
- Atul Daga:** You are not very clear and audible. Can you speak a little louder?
- Prateek Kumar:** Yes. So I was asking regarding recent change in regulation or modification regulation on composite cement and then acceptance of LC3 as a product, how does that impact industry and us?
- Atul Daga:** So we are growing big in composite cement. Now composite cement requires 45% clinker. There are some players who are doing much lower clinker, which they will get impacted negatively. We have started with 45% clinker. So we are pretty bullish about it. Composite cement is getting very well accepted in the market there's one reason why one of the factors driving our improvement in our clinker factor. Also, competition is still not settled down across the country. So as it settles down, you could see a further improvement in clinker factor.
- K.C. Jhanwar:** Coming to the LC3 Cement, I think it's a long story because on that as of now there is identified large deposits where the cement plant can be set up based on the LC3 deposits actually. And obviously, it requires a real high investment compared to the normal conventional cement plant. So yes, it is good for future, but I don't think anything is like.
- Prateek Kumar:** 4, 5 years, 7 year?
- Atul Daga:** So you might not see anything for the next 4, 5 years.
- Prateek Kumar:** Sure. And the second question on other expense. So there were increase in other expense, 4% to 5% on a quarter-to-quarter basis while volumes were actually lower. So is there any one-off expense which was part of this quarter and was not part of last quarter?



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- Atul Daga:** Advertisements were a bit higher. Anything else So Q4 maintenance was lower and this quarter, the advertisement and maintenance costs were higher. So nothing no one-offs. These are routine expenses.
- Prateek Kumar:** On freight expense, you mentioned in PPT that had an impact because of the cyclone and less profit. So is that only which isn't for increase on a Q-on-Q basis?
- Atul Daga:** Yes, yes, yes. That was one-off impact I will defer though I would not have been there, we would have robbed the market with another 30 million tonnes of sales.
- Moderator:** The next question is from the line of Ashish Jain from Macquarie.
- Ashish Jain:** Sir, my first question is...
- Moderator:** Sorry to interrupt sir, but the line for you is not loud enough. If you could please use the handset and speak closer to the mic, it would help.
- Ashish Jain:** Is it better now?
- Atul Daga:** Ashish, you're not very clear. There's a lot of static noise.
- Moderator:** The next question is from the line of Indrajit from CLSA.
- Indrajit:** Few questions from my side. We have reduced our usage of pet coke. Is it just because of availability or on landed basis, coal is now cheaper than pet coke for us?
- Atul Daga:** Availability. So on landed basis pet coke is far cheaper in energy terms, which is quite unusual it is more about the availability of pet coke.
- Indrajit:** And what would have been our alternate fuel usage in this quarter?
- Atul Daga:** Not sure how much. 5%.
- Indrajit:** And how do you see that progressing?
- Atul Daga:** So yes, we have taken a target to grow up to 9% to 10% by the end of next fiscal year. Lot of investment was required, which we have taken up in this financial year, close to INR250 crores. Yes, close to INR250 crores of investment is happening in this financial year for shredders and clearing systems, handling systems for alternative fuel. And accordingly, we are tying up also for alternative fuel.
- And if we look at it in volume terms, it's more than 1 million more than 1.2 million tonnes of alternative fuel that we are already handling on an annual basis, that's huge volume. But anyway, as a percentage it is what it is, so.



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- Indrajit:** No, that makes sense. And given that we have now embarked on a small form and debottlenecking, any change in our capex plan? Or what would be...
- Atul Daga:** We do not have too much of capex. So it's all within my capex plan.
- Moderator:** Next question is from the line of Satyadeep Jain from Ambit Capital.
- Satyadeep Jain:** Couple of questions. One on the entire renewable energy, just want to understand would UltraTech, I know this is a subsidiary, Aditya Birla Renewable Energy but would be the growth of UltraTech be putting capital to this or will you buy it from outside? And based on where we are, what is the cost difference between the power reduction in renewable assets versus your own CPP. I'm not sure these will replace CPP or grid. So any difference in costing?
- Atul Daga:** Yes, yes. So first and foremost, we will do a group captive scheme. So we have to participate with about INR297 crores of equity into the SPV. And the second question that you asked was about pricing, so effectively and because we are supplying power to multiple states, Average landed cost because there are transmission losses, open access charges, average landed cost would be around INR5.25 per unit. As compared to that, the cost of power currently would be around -- INR7 to INR8 per unit.
- Satyadeep Jain:** INR7 to INR8 is both CPP and Grid?
- Atul Daga:** Yes, I'm talking about average cost of power for our individual units.
- Satyadeep Jain:** And secondly, on the capacity expansion, one of the peers have talked about accelerating their target that they had earlier the capacity you know, UltraTech also mentioned some time back a 200 million target figure. Now that you have visibility for the next couple of years. Would you also look to accelerate given multi-volume growth, market share gain to start date beyond the current one that you have?
- Atul Daga:** No. So, as we mentioned, we are reaching 155 plus More, let's say, 159 already. And we will announce perhaps, -- maybe if not September, December quarter for sure, our next phase of growth, which will take us further up from 155 upwards. So we are not going by what peers are doing. Our game plan is very clear. We see India as a growth market, and we are investing behind growth.
- Moderator:** We have the next question from the line of Sanjay Nandi from VT Capital.
- Sanjay Nandi:** Congratulations on good set of numbers. Sir, can you please guide us what kind of drop in the like pet coke prices we can visualize in the coming quarters? Just a kind of guidance.
- Atul Daga:** Very difficult, very difficult. If you can tell me what the index will be after 2 days and I will tell you what our price is. Can you? To be honest, it's very volatile. Within 10 days, the prices have galloped up from 110 to 125, which can come down also, it can go upwards. So I have no idea.



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- Moderator:** The next question is from the line of Amit Murarka from Axis Capital.
- Amit Murarka:** Again. So on this next phase of expansion, like the last 2 phases that you've announced, you've seen that the capex cost per ton has been quite low at USD65, USD70 per ton on an average. Is it fair to say that the next phase of expansion could be like more greenfield and therefore, the cost could be a bit higher?
- Atul Daga:** No. We will because it will be continue to remain a mix. And if I look at my next phase I was just doing a mental math on what is happening. So it will still be a mix of green and brown and cost will be very competitive.
- Amit Murarka:** Got it. Got it. And I think earlier, you had mentioned that you have a target of 200 million ton capacity, of which you are ready for 185 million tonnes. So like that numbers still hold for the potential...
- Atul Daga:** Absolutely, absolutely, bang on. So we will clearly by 2030, or anywhere between '28 to '30, we will reach a 200 million ton mark. And as I mentioned, the blueprint of our next phase of growth. Phase 3, if I were to call it is almost ready. It will go to our Board, perhaps next quarter, we are giving it final touches. Hopefully, it goes to our board next quarter and I can announce in next quarter.
- Amit Murarka:** Got it. It's helpful. And also on Super Dalla, is there any update or time line for the arbitration?
- Atul Daga:** Arbitrations never have time lines, it can go on for pretty long.
- Amit Murarka:** Okay. Understood. And lastly, on the FY'24 capex, like can you just have a refresh on that number? Or do you guys give capex guidance?
- Atul Daga:** It will be anywhere between INR6,000 cores, INR7,000 crores.
- Moderator:** The next question is from the line of Pulkit Patni from Goldman Sachs.
- Pulkit Patni:** So you had to explain some time back how we are running at high capacity utilization and we would endeavor not to lose out on customers, and that's not a bad problem to have if the demand is so strong. Now given the fact that you are at such high capacity utilization, can you give a 12- to 18-month roadmap of how prices are going to head? I understand it's difficult to predict in the near term, but any sense on....
- Atul Daga:** We will sense then Pulkit. So the undercurrent, if I can sense it. The undercurrent, even in the heavy monsoon months we have seen price increases happening, which it is never heard of. It's INR 23 or 5 increases have happened in certain geographies and they are sticking. So which is good enough. That's what I'm saying the undercurrent is very strong. And you're talking about 18 months, I'm talking about 9 months. January, March will '24 new election, new capacities available, we will ramp up and we're bringing them more capacity. I already told you about 4 million tonnes coming in this year, some more capacity, we are working with brick and speed,



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we might try and commission some of our capacities earlier. Markets will be very strong, which will entail price improvements.

Pulkit Patni: Got it. Let's hope for that.

Atul Daga: Don't hope. I am telling it's going to happen.

Pulkit Patni: Okay. That's reassuring. My second question is, if I look at your presentation, is it fair that this quarter, you've seen the trade has grown faster than non-trade?

Atul Daga: I don't know how you are saying that.

Pulkit Patni: 26% growth, I think, non-trade.

Atul Daga: Yes, yes. So I mentioned that statement. I'll give you one additional data point that rural markets is 65% of trade, and that is growing at 24%. So yes, trade is growing at a much faster pace..

Moderator: The next question is from the line of Ashish Jain from Macquarie.

Ashish Jain: Sir, my first question is on the fiscal '26 green power number that you gave of 1,200 megawatts. So that 60% that you said is not on operational basis, right? That is more on your capacity share, I think?

Atul Daga: I didn't understand, so you see on if I am consuming 1,000 require 1,000 megawatts of power, I will have 60% as green power.

Ashish Jain: Okay. Based upon this 1.2 gigawatt that you said you...

Atul Daga: We will reach 1.2 gigawatt of renewable energy and 425 megawatts of WHRS. Both are green. As for 155 million ton, how much power is required? About 1,200 megawatts of power will be required. So 720 megawatts will be green energy. That way highly remunerative. Nobody asked a question, which is very good. But, yes.

Ashish Jain: And sir, secondly, in terms of capex, what is the capex we will need? Is it just the INR300 crores that you set the equity investment or...

Atul Daga: Yes, that will be our participation.

Ashish Jain: Sir, secondly, in terms of growth on clinker, are we operating close to 100% utilization now given you on cement cases itself, you are at 90% for the quarter. So can you give some sense of our clinker utilization?

Atul Daga: It's more than 90% for sure. Actually it is more than 90%.



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- Ashish Jain:** Got it, Sir, lastly, on power, I just wanted to ask like given our view on power, are we today heavily booking pet coke at the prices available given it is clearly attractive pricing? Or we are still speaking to whatever strategy we have in terms of booking...
- Atul Daga:** No, we are also dynamic. I have increased my inventories. March quarter, we were at the end of March quarter, at 38 days of stock. Today, we are at 58 days of because as I mentioned, if you have heard me about China, I still feel China might start importing. So prices could rise in the near future.
- Ashish Jain:** And sir, for the balance, the 58% of our fuel outside Pet coke, what is the price trend there? Because I think that is mostly imported coal, right? Or is it apart from.
- Atul Daga:** Maximum is imported coal. We also have our FSA, which is the linkage coal, but maximum is imported coal. So if I were to look at percentages then So 46% is imported coal, 7% indigenous coal, 42% Pet coke, 5% alternate fuel and lignite.
- Moderator:** The next question is from the line of Shravan Shah from Dolat Capital.
- Shravan Shah:** Most of the question has been answered. Just a couple of things. So, first, in terms of the WHRS so currently 232 and we say 425 by FY '26, so by FY '24 or by FY '25, if you can help us how much more we will be adding...
- Atul Daga:** We will have By FY '24, we'll reach 300 and I think between '25 and '26, the remaining obviously.
- Shravan Shah:** Okay. And same way in terms of the solar and other.
- Atul Daga:** So maximum will come by end of '25.
- Shravan Shah:** Sorry, sir, by end of FY '24 how much more.
- Atul Daga:** By end of '24, which project, there is maybe 100 megawatts more is in pipeline yes, 60 to 100 megawatts is in pipeline before March '24.
- Shravan Shah:** Okay. And for this WHRS, so when we say INR6,000 crores, INR7,000 crores capex for this year and next year also, I believe, this also improves the capex for the WHRS?
- Atul Daga:** Yes, absolutely. It includes my expansion capex, modernization, routine capex, WHRS capex order and fuel and everything.
- Shravan Shah:** Okay. Okay. And sir, when you say we are looking at double digit volume growth. So is it fair to say that it should be mid-teen kind of number that one can look at?
- Atul Daga:** I will comment not on that. So I'm already giving you guidance that industry will definitely see more than 10%.



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- Shravan Shah:** Okay. But in terms of the considering the broader cost savings, including the lead distance reduction and everything, on broadly and plus now the power and fuel. So broadly on from now onwards, we should be seeing improvement in EBITDA per ton on Q-o-Q basis?
- Atul Daga:** Yes. Most certainly. Q2 I hope, in spite of monsoon, maintenance costs, I think we should do well.
- Shravan Shah:** Okay. But this quarter till now since June in terms of the blended realization for us. Still, we haven't you mentioned that we have seen a INR2, INR5 hike in some places. But on the overall blended basis, until now, we haven't seen any decline in prices for us.
- Atul Daga:** No decline.
- Moderator:** The next question is from the line of Navin Sahadeo from ICICI Securities.
- Atul Daga:** Yes, can't hear you.
- Moderator:** Sir, the current participant seems to have dropped from the question queue. The next question from the line of Raghav Maheshwari from Asian Markets.
- Raghav Maheshwari:** Sir, can you please break down the 640 renewal power into the -what is the first what kind of the solar and wind power in this?
- Atul Daga:** 200 is wind and 400 days solar, if I remember it right. Just give me 1 minute, I'll tell you. If you have any other questions, then I can come back and tell you this.
- Raghav Maheshwari:** Yes, sir. Sure. Sir, what is the blended mix for this renewal power at a blended level for this 648 megawatts we are looking for PLF generation for this, particularly?
- Atul Daga:** 40%, 45%. 200-megawatt is wind is 368 and solar is 260.
- Raghav Maheshwari:** Okay. And sir, last question is from my side for the next 1 and 2 years, where we are seeing the heavy infrastructure demand primarily in the non-trade in the OPC segments. How will you see the price difference between the trade and non-trade versus PPC, OPC? Primarily non-trade and trade.
- Atul Daga:** Non-trade is stronger in prices.
- Raghav Maheshwari:** Any chance you will see for the gap reduced between the non-trade and trade further?
- Atul Daga:** Trade prices will go up, yes. Non-trade is already high. The trade prices will go up.
- Raghav Maheshwari:** Okay. No further increase in the non-trade is it difficult? Prices in the non-trade?
- Atul Daga:** No, I don't really know that. It all is dependent upon how the projects are coming up and how we can negotiate. Obviously, aim will be to realize more.



- Moderator:** Next question is from the line of Jyoti Gupta from Nirmal Bang.
- Jyoti Gupta:** Thank you for a good set of numbers. I only had one primary question to ask that to see reduce on a lead distance? Could there be a saving which could have been reflected this quarter, Second is we do have a benefit in terms of the clinker conversion because I've seen your presentation to something like 1.44. So while I was expecting that the fuel mix will impact the reduction of the cost will actually be reflected in this quarter.
- But apparently, it's not to the extent that were expected even at the price has gone by INR100 per ton, the impact of the fuel reduction would have offset the reduction in the prices. So and second quarter, obviously, you are saying that we will see improvement in the EBIDTA per ton. So what all factors will actually contribute in the improvement of EBITDA per ton?
- Atul Daga:** So first question was about lead distance. The benefit that we accrue because of efficiency improvement are eroded by the busy season surcharge was was one major item because business premium surcharge kicked in eating our most of the improvement.
- Jyoti Gupta:** Is it are we now having a railroad like say 70-30, I'm sorry, correct me if I'm wrong and lead distance surcharge has earlier, it used to be on a seasonal basis, but it's now full year round the year.
- Atul Daga:** It is full year. Yes.
- Jyoti Gupta:** So will that actually I mean, will that not be negated, I mean like this must have been factored in the freight costs.
- Atul Daga:** No, this adds on to my 30% rail, and it's pretty high,. On the 30% rail network that adds on to my overall cost, which negate the benefit that we are able to achieve on efficiency improvement. Actually, crude prices or diesel prices have not hardened over last quarter.
- Your last question is I remember was about what will be the drivers for profitability improvement. Of course, other than prices, you will have the benefit of fuel price reduction logistics cost improvement and the increasing green energy share, which has my bottom line.
- Jyoti Gupta:** So will that really reflect in the second quarter number despite...
- Atul Daga:** No, not second quarter. See, the green energy projects are coming up by FY '25. The big projects, which we spoke about on this call will come up by June '25. That is where it will reflect second quarter, I would not want to comment because its rain. Third quarter, you will see the benefit of improvement in prices followed by fuel price gain. Logistics, if there are some other levies, which taken or enter, logistics will also drive home the benefit.
- Jyoti Gupta:** Prices I believe, have been actually dampened by a lot of B and C players actually supplying movement of a lot of cement across the region. So I mean, I'm sure you are that positive about the price improvement after facilities. I'm sure there will be some improvement in the price.



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- Atul Daga:** Yes, yes.
- Jyoti Gupta:** And I don't think that will be more than INR5 per bag If at all that happens.
- Atul Daga:** If it is INR5 per bag on 100 million tonnes, we are selling 200 crores bags, so that's a huge amount of money.
- Jyoti Gupta:** But anyway, that will be negated by no improvement in your cost because if you can say that the green power will actually come by FY'25.
- Atul Daga:** This big project of 648-megawatt will commission by June '25. There are several small projects which are getting commissioned as I said about 100 megawatts is another project, multiple small, small projects, which are coming in during this year.
- Jyoti Gupta:** So effectively, we will not see much gain coming from the fuel price impact. I mean, just that my calculation on the composition where, as you said, I have something like 46% on the pet coke side, 85% on the AFR, but it looks like there is no improvement assets that we'll be seeing in the third quarter on the fuel side, isn't it?
- Atul Daga:** we will see an improvement in fuel. We will see an improvement in fuel because of U.S. Fuel prices or the power and fuel chart that you see will be a declining chart in UltraTech.
- Jyoti Gupta:** Yes, because power I believe I mean, if I take a 70 unit and as 6.5, if it goes steadily decreases by in 30 paisa, 40 paisa somewhere there should be, again, significant gain of...
- Atul Daga:** Absolutely.
- Moderator:** I am sorry to interrupt ma'am, we request you to please rejoin the queue for follow-up question. The next question is from the line of Uttam Kumar Simal from Axis Securities Limited.
- Uttam Kumar Simal:** Sir, my question pertains to your RMC business. This quarter, we have grown by 37%. So this growth will continue for the remainder of the year?
- Atul Daga:** I hope so. And I think it will.
- Uttam Kumar Simal:** Okay. And sir, how much currently RMC plants are operating? And what would be our target for addition of RMC plug in next 2 years?
- Atul Daga:** 232 plants are in operation. We hope to reach a milestone of about 300-plus plants by the end of this year, yes.
- Moderator:** The next question is from the line of Navin Sahadeo from ICICI Securities.
- Navin Sahadeo:** Sir, a couple of questions. One, on the debottlenecking of 4 million tonnes. So is that got to do with the increase in blending ratio that gives an opportunity or we are having a committed clinker



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debottlenecking of roughly around 3 or I mean, around 2.5 million tonnes, 3 million tonnes, which will help get those volumes?

Atul Daga: We have sufficient clinker Navin and these 4 million tonnes is grinding. These are all grinding capacity.

Navin Sahadeo: Okay. Primarily, so this debottlenecking is largely on the grinding side.

Atul Daga: Grinding, yes.

Navin Sahadeo: Okay. Then the other thing I just wanted to ask was about this other operating income. I see in this quarter, it has gone up by almost INR92 crores on a sequential basis. So just wanted to get some color if there any more booking of incentives that has happened this quarter? Or is it normal?

Atul Daga: This is not normally consistent, I will give... No there is nothing on income tax. There's no abnormal incentive, my colleague is just checking on it. So Pali as a unit started getting its incentive, but that is INR14 crores or something. That was only INR14 crores. Operating I think. Nothing. So it's volume linked, maybe I don't really have an answer.

Navin Sahadeo: Sure, sure. I just wanted to get a sense because...

Atul Daga: No, there is nothing abnormal, nothing abnormal.

Navin Sahadeo: Sure. I was just seeing that March volumes were higher and June was sequentially a little lower, but...

Atul Daga: Lower that, nothing that comes to my mind which is abnormal, but I will just get the team to double check and Ankit will revert to you directly.

Navin Sahadeo: Sure. Sir, just one last bit you said pricing, of course, is healthy in current markets, in fact in some markets you said have seen an increase. So and the expected fuel cost benefits, demand continues to grow. So very broadly for an exit FY '24 Q4, like in last quarter of this fiscal, the EBITDA per ton that we could look at should be would you guide something like 1,400, 1,500, kind of a number for that March quarter, of course, things remaining same, the pricing and cost and everything?

Atul Daga: No. Everything remaining same, it will improve. I will not guide to a number, but it will be significantly higher from this quarter. Navin, the point is everything remaining equal And it's not a static world.

Navin Sahadeo: Yes, yes. Of course, I understand that. But like I said you mean.



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- Atul Daga:** Things are looking more positive. That's the most important element. I think, Navin, my colleague clarified it's generally incentives, which have started kicking in the other operating income that you were asking..
- Navin Sahadeo:** Sure. So from an annualized -- so let's say from a quarterly run rate INR200 crores of run rate going ahead?
- Atul Daga:** Should be possible according to this.
- Navin Sahadeo:** Sure. And just one last bit, if I may repeat. You said pricing, of course, in current environment with demand being strong is, of course, looking good and it should pick up coming quarters. But next year, which is like after the elections next year, typically demand may get a little soft like it happened in FY'20 that FY'19 saw a 13% plus kind of a growth, but 20% was just flat. So that happens even in that scenario, would you be confident on pricing? Or it's too far to talk about?
- Atul Daga:** It's too far to talk about, but yes, I think the market generally suffering also for a few months after elections.
- Moderator:** Ladies and gentlemen, we will take that as the last question. On behalf of UltraTech Cement, that concludes this conference. Thank you for joining us. You may now disconnect your lines.
- Atul Daga:** Thank you so much.