"Ambuja Cements & ACC Limited

FY23 Earnings Conference Call"

May 02, 2023

MANAGEMENT: **MR. AJAY KAPUR – CHIEF EXECUTIVE OFFICER – AMBUJA CEMENTS & ACC LIMITED**
MR. VINOD BAHETY – CHIEF FINANCIAL OFFICER – AMBUJA CEMENTS & ACC LIMITED
MR. CHARANJIT SINGH – HEAD INVESTOR RELATIONS – AMBUJA CEMENTS & ACC LIMITED

MODERATOR: **MR. NAVIN SAHADEO – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Ambuja Cement and ACC Limited FY23 Earnings Conference Call hosted by ICICI Securities Limited. 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. Navin Sahadeo from ICICI Securities Limited. Thank you, and over to you, sir.

Navin Sahadeo: Good evening, everyone. On behalf of ICICI Securities, I welcome you all to the FY23 Earnings Call of Ambuja Cement and ACC Limited. From the management, we have with us CEO Mr. Ajay Kapur, CFO Mr. Vinod Bahety, and Head Investor Relations Mr. Charanjit Singh. So without any further ado, I hand over the call to Mr. Charanjit Singh for his opening comments. Over to you, Mr. Singh.

Charanjit Singh: Thank you, Naveen. Good evening, everyone, and thank you for taking out the time to join our FY23 full-year results call. As you very well know, this is our second results call after the change in ownership. And much like the previous call, we'll focus on the performance of Adani cement business, particularly Ambuja and ACC. Hoping that you have downloaded a copy of the results presentation that has been released an hour back, some of the slides from that deck will be referred during the briefing session, which in next few minutes. For any queries and questions relating to promoters or another company of the Adani group, you can separately reach out to me and I'll schedule a call with the group CFO or with the family office, as may be required. So with this, I will now hand over to Mr. Ajay Kapur for his comments regarding the performance of the two companies. Over to you, Ajay.

Ajay Kapur: Thank you, Charanjit. Warm greetings to everyone. Thank you for joining us today for the operational and financial performance of the cement business of Adani group, namely Ambuja Cements and ACC Cements, for the quarter ended March 23. This is the second quarter post the change in management, and we are happy to share that the efforts taken to improve the overall performance of our business have started to yield results. It has been another exciting quarter to see our progress on various initiatives, such as operational efficiencies, synergy and business excellence, which have resulted into substantial improvement in business parameters.

Last quarter, we set out on a challenge to redefine the supply chain and logistics for our business. We are happy that we reached a positive outcome in the state of Himachal Pradesh to address the logistic challenge faced by our company. Through perseverance, hard work and steadfast commitment to our values, we have emerged stronger than ever before. Let me provide some highlights of this quarter and some insights on the way forward. Starting with the revenue, the revenue for the quarter came in at INR7,966 crores, up 1% quarter on quarter.

The growth in revenue is despite the adverse impact on volumes from halting of operations at our HP plants for both Ambuja and ACC for 50 days in the current quarter, and also a small breakdown which we suffered in one of our grinding units in eastern region. The share of blended cements has increased to 92% versus 91% quarter on quarter and a share of premium products as a percentage to trade sales and volume is maintained at 22%. Now coming on the cost, operating cost of the quarter is INR4,764 per ton, which is 5% lower quarter on quarter. This is attributable to 18% decline quarter on quarter in power and fuel cost, mainly driven by the kiln fuel basket, where the reduction is 10%, from INR2.45 per 1,000 kcal to INR2.21 per 1,000 kcal.

The share of direct sales has increased from 50% in the quarter to 54% in the current quarter. The rail coefficient increased from 26% to 30% Q-o-Q. Other expenses is at INR702 per ton, which is 8% lower quarter on quarter on account of resource optimization. With the mentioned improvements on both revenue and cost, EBITDA for the quarter came in at INR1,523 crores, which is a jump of 34% quarter on quarter.

EBITDA per ton for the quarter was INR1,079, implying a jump of 30%. EBITDA margin too expanded by 470 bps to 19.1%. The total fund flow from operations during the quarter was INR1,571 crores, which was negative 627 crores last quarter, basically implying an increase of 2,198 crores quarter on quarter. Working capital remains the key focus, and there has been an improvement in the working capital management during the quarter.

And the working capital turnover has improved by eight days. On 31st March, the consolidated cash and cash equivalent in the company's book is INR11,530 crores, which is an increase of INR2,076 crores quarter on quarter. Talking about the ESG highlights for the quarter, we expanded our green portfolio by launching two new products in our ReadyMix portfolio, ACC Aeromax and ACC CoolClean, in addition to ACC EcoMax that was launched in the previous quarter. Now coming to standalone results for Ambuja Cements, we recorded substantial jump in sequential EBITDA by 35% at INR962 crores, net revenue sequentially up by 3% and up by 8% Y-o-Y at INR4,256 crores, in line with the volume growth of 8% Y-o-Y. Robust sequential PAT growth by 36% and Y-o-Y growth of 2% to INR502 crores. EBITDA sequentially rose by 35% and grew 17% Y-o-Y at 962 crores, as already mentioned.

And sequentially EBITDA margin has expanded from 17.3% to 22.6%. Treasury grain has improved by 25 crores quarter on quarter on account of efficient treasury management. With this stellar performance and considering our growth plan, board has recommended dividend of INR2.50 per share, which is 125%. Ambuja and ACC together are symbiotic with strength, meeting legacy. And with a strong capex program under the Adani group, we will position the business as a strong force to reckon with.

Moving to a long-term strategy, for which you can also refer to our March 23 presentation uploaded both on company and exchange website. Many of you would be aware, but I'm just repeating the strategy because it's very critical. It has three levers, doubling the plant capacity, number two, reduction in operating cost to become lowest cost player in the industry, and number three, enhancing our branding and marketing strategy. First, talking about capacity expansion, we are targeting doubling of capacity in five years to 140 million tons from 70 million currently. This will require about 40 million additional clinker capacity.

We already provided a plan of 12 million capacity in our March strategy presentation, which is spread across seven locations. For this new capacity addition, we are following a cookie-cutter approach, with most of the clinker lines having capacity of around 4 million tons, and grinding facilities of around 2 million tons. We have shortlisted a set of equivalent suppliers to whom the orders will be placed on an ongoing basis. We also revisited our EPC strategy to EPNC, because we realized that by breaking in parts, we will end up having more savings and that will also be recalibrated in our strategy of expansion going forward. Now, the pillar, the second pillar on the cost reduction, we are targeting cost reduction of about 300 to 400 rupees per ton from these broad categories, which essentially will have energy cost, freight and forwarding cost, and other costs.

For the energy cost, we are taking following actions. We're going to increase the waste heat capacity from 70 megawatts currently to 175 megawatts by quarter 2 FY25. Increase the share of AFR from 8.8% to 30% over a mid-term, with a target of 15% by the end of the current fiscal year. RE capacity addition of 200 megawatts is being targeted by FY24 end. Long-term tie-ups for domestic coal suppliers.

Currently, we have a captive coal mine, Garepalma, having a capacity of 1.2 million tons per annum. We have won the bid for the coal mine, Dahegaon, Gavri, having a capacity of 2 million tons. These two mines together get roughly about 50% of our current demand of kiln coal, especially. Initiatives on waste heat recovery system, alternate fuels and raw materials and RE capacity addition will substitute 30% of our current coal requirement. However, given our expansion plans, we are targeting some more mines and long-term coal supply arrangements. Other focus area for cost reduction is fly ash sourcing.

For current requirement of around 14 million, we are considering long-term supply arrangements for power plants, including the Adani power plants. These initiatives on cost reduction and energy coupled with the long-term tie-up of fly ash would result in a part-time cost reduction of around 250. The second set of focus on cost is freight and forwarding. Here we have three focus areas. First is to reduce the lead distance. Second, optimize the warehouse between ACC and Ambuja. And third is rail and road mix optimization. On top, we are also going to expand capacity. And most of the grinding will go through grinding units. So with doubling of the count of grinding facilities from current 30 to 70, we are targeting for average lead distance of around 150 kilometers.

Since the time of takeover, we have managed to reduce the road lead distance from 177 to 173 for Ambuja, and 165 to 161 for ACC. For warehouse optimization, we are targeting increasing the share of direct dispatch from the grinding units. For our current operations, we have managed to reduce our warehouse count from 943 to 670 and increase the volume share of direct dispatches from 50% to 54%. With support from Adani Logistics, we are doing not only our own railroad strategy, but also exploring sea transportation options.

We have already taken strides in this direction by ordering 10 rigs, first of which has already come in. These rigs will also enable safe and cost-effective transportation of clinker and fly ash from the power plant. These optimizations are expected to yield a cost reduction of around rupees 100 per ton. Now the third pillar on the cost reduction is other costs. The cement business is being run as a single entity with a single executive team, unlike previously where there were two separate businesses with each having its own set of people across functions. For example, a lot of work is being done on streamlining the employee hierarchy under the new operating model. Removing road redundancies between ACC and Ambuja, company now has a common regional head between Ambuja and ACC, who are incentivized to push overall volumes, reduce cost, and also optimize logistics.

Additionally, the de-bottlenecking initiatives would also enable unlocking potential for our existing infrastructure. This, I believe, will give us additional rupees 50 per ton. Now coming on the third lever, which is the sales and marketing, our product portfolio continues to remain strong on the back of legacy brands, along with premium products in our core markets. While ACC has pioneered product development, Ambuja has pioneered brand building and technical services. Our strategy to increase the sales has four key aspects.

Number one, redefining catchment areas for market reach. We have identified 10 growth states to focus, where we aim to do either be number one or number two in the segment. Increasing the share of B2B segments overall from current 21% to 25% by FY27. This segment is growing at a faster rate than the trade segment. Increase in share of premium products from current 22% to high 29%, 30%, and maintain the leadership in individual home buyer segment.

These initiatives would enable us to move more than double our top line from around 31,000 crores to around 70,000 crores, while EBITDA will move up, will more than triple to 17,500 crores, with the expansion of EBITDA margin to 25% from the current average of 19% over the last three years. Let me conclude by saying that our performance during the quarter was strong, with clear quarter on quarter improvement in both operational as well as financial parameters. We continue to generate significant cash to finance our expansion and pay dividends to our shareholders. I thank you for cementing your bond with us, which reinforces us with Virat Comprehensive Strength. Thank you.

Charanjit Singh: Let me just now hand over to Mr. Vinod Bahety for his comments.

Vinod Bahety: Yes, thank you, Charanjit. Good evening, ladies and gentlemen. While Ajay has in detail covered the performance highlight, I will cover briefly the overview of the business, which we have highlighted in the presentation which we have uploaded. The first few slides are about the group, so I will quickly move on that, and I will straightaway come on the cement overview, slide number eight. As we have highlighted, the key pillars of our cement business is focus on cost, grow the capacities, grow market leadership, with utmost focus on ESG.

So we have a well-articulated ESG plan, 2030, and as you would go through the presentation, we are substantially achieving the target, and we are confident we will be achieving well on time. A notable area to highlight is about the water positivity, which we already have substantially progressed over there.

Slide number nine. In terms of diversification, we are very well geographically diversified business with pan-India operations, covering almost 70% plus of India. Slide number 10. We have two strong iconic brands, Ambuja resembling strength, and ACC resembling legacy. This helps us in higher direct customer business, which we are at 80% as compared to industry, which is at 65%, so we are market leader in terms of direct customer business. On slide number 12, I am at, we are regaining our financial strength, our EBITDA improvement quarter-on-quarter, and the profitability.

Our network stands at INR38,757 crores, and we remain a zero-debt company. We hold cash and cash equivalent of INR11,530 crores, which is up, as compared to in December, I reported to you, INR9,454 crores. In terms of slide number 14, I am at the ESG performance. I have presented to you the various indicators, and we are well on the path, and we will achieve much ahead of time. On slide number 14, some of the various KPIs for the ESG are indicated. Then I come to slide number 16 on the governance framework. We have a robust governance framework. If you see, some of the important committees, like audit committee, the NRC, the CRC, the public consumer committee, they all comprise of 100% of independent directors.

On this, I will rest myself. Detailed presentation is available with you, which covers much more insight of the business. Thank you. Now we open the floor.

Charanjit Singh: Yes, we can now open the floor for Q&A.

Moderator: Thank you very much. The first question is from the line of Shyam Sundar Sriram from Franklin Templeton. Please go ahead.

Shyam Sundar Sriram: Yes, hi, good evening. Thanks for taking my question. Very good operating performance at Ambuja. My question is largely, if you look at ACC and Ambuja on Ambuja standalone, we see a lot of divergence in terms of the operating performance. Firstly, if you look at the realization on a per ton basis, ACC realization seems to have declined 3% sequentially, whereas Ambuja decline is much more muted there?

And second point on the EBITDA per ton improvement, in Ambuja standalone, if you look at it, it is quite healthy at INR265 per ton as per the presentation, whereas in ACC it is about INR150 per ton. Now what explains the gap in terms of this EBITDA improvement between ACC and Ambuja? And lastly, when we talk of an F'24 EBITDA per ton being 1,200 to 1,400, we see there is a 500 rupees per ton gap between ACC and Ambuja as of this quarter. Will this gap continue to prevail as we go into F'24 as well?

Ajay Kapur: So, Shyam, thank you. Good question. Traditionally, ACC-Ambuja had a gap of 3% to 4% on EBITDA. Our endeavor is to, going forward, improve both the companies. The guidance that we have given is for a console basis, both Ambuja-ACC taken together as a cement business, basically Ambuja console at 1,200 to 1,400, the guidance. That can only happen when ACC also goes up. As you know, in this quarter, we also had a shutdown of Gagal in ACC in Darlaghat, which was a very important plant for ACC's northern operations. And that plant remained shut, whereas Ambuja still has a big presence in north through its Rajasthan plants.

So while endeavor was made to shift as much as we could from Rajasthan into Punjab, I guess that's where ACC suffered. And also then it's a geo-mix issue sometimes. Other than that, there are no major, you know, concerns structurally between the two companies. The waste-treat recovery programs are equally being driven in both the companies. The alternate fuel initiatives are equally driven in both the companies. The sales and market optimization issues are also driven in both the companies. It's basically the plant shutdown of our northern plants. That's the key factor. Sure.

Shyam Sundar Sriram: Understood, sir. Thanks for that clarification. The other point is just a bookkeeping question. On the balance sheet, we see the other financial assets substantially has increased from the December balance sheet. So is this largely bank fixed deposits or any other inter-corporate deposits per se? If you can please help us understand that.

Ajay Kapur: Sure, Vinod will take it.

Vinod Bahety: So Shyam, this is, you're right, absolutely. In the accounting treatment on the balance sheet classification, any FD which is more than one year, that falls under the bracket of other financial assets. The FD which is less than 90 days, that comes under the current assets. And the FD which is between 90 to 365 days, that falls under non-current assets. So these are like more of the classification on the balance sheet, but absolutely you're right. The other financial asset is essentially the fixed deposit, which is more than one year.

Moderator: Thank you, Mr. Sriram. May we request that you return to the question queue for follow-up questions. We'll take the next question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Yes, thank you for the opportunity. My first question is overall, if you look at EBITDA to operating cash flow conversion, it's deteriorated very significantly to almost 60% in the last 15 months, versus almost 75%, 80% in FY'21, and over 90% over the last five years on an average. So is there any one-off here, or I mean, what would you guide for this going forward?

Vinod Bahety: So in terms of EBITDA to operating cash conversion, we have an estimate of almost 50%. Balance 50% goes in terms of our capex program, as well as the tax liabilities. But in terms of cash accruals, it will generate almost 50% of that.

Sumangal Nevatia: Sir in terms of capex in the last 15 months, has there been any reclassification? Because the data, I mean, say for standalone Ambuja, we have seen around INR2,100 crores of capex, versus the December balance sheet, which it was shared, it was around INR2,600 crores. So has there been any reclassification of the cash flow, if you could clarify that?

Ajay Kapur: So basically, what we have also done is, yes, it's a good question. I also mentioned in the opening, as we are now embarking on a road journey, which is also mentioned in our roadmap for expansion, loaded on the website in March. We have decided to not go EPC route, but we want to go separate the E, P, and C elements. We have finalized most of the contracts now.

So some contracts were canceled, which we thought were on EPC basis, and working on separately on services and equipment and civil. That is giving us a much better saving and when we did the entire cookie cutter approach, as I mentioned. So we are actually recasting it downwards from maybe earlier \$85, \$90 per ton, to now lower of \$80 per ton. So that's the reason you see some contracts canceled. And as we go into the new growth phase.

Moderator: Thank you, Mr. Nevatia. May we request that you return to the question key for follow up questions. Next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal: Hi, thank you for the opportunity. First, continuing on Shyam's question on dividing within ACC and Ambuja, you have highlighted INR7,000 crores of capex, 11 million tons of clinker and 15 million tons of cement. So how do we divide it between the two companies, given that both of them are listed entities?

Ajay Kapur: So if you can see, I think, in our growth map, which is on the side, and I'm actually referring to Slide 32 of the deck also which has been loaded. You find on one hand, we have clinker expansion lines. So we have a brownfield coming at Bhatapara. This is Ambuja, and there's also brownfield coming in Chandrapur, which is also Ambuja. Ametha, which is an ongoing one, 3.3 is ACC greenfield, which is getting commissioned now, as I talked to you in this quarter, actually beginning of quarter two.

On the left-hand side are the associated grinding stations so Sankrail the existing Ambuja side. Kharagpur is ACC site. Hoshiyarpur is a new site in north. Bhatinda is an existing Ambuja site, Farakka is an existing Ambuja site. Mirzapur is a new site. On the right-hand side, waste heat recovery, this is all broken up plant by plant.

So 75.6 is what we are spending, but it is more or less 50-50 between ACC and Ambuja. All the other projects, green power, for example, 200 megawatts, 100 will come in ACC, 100 will come in Ambuja. Cooler upgradation and all other initiatives on the ongoing capexs, which I think is a large part of this program because this ongoing program is more or less split 50-50.

On expansion, currently the new kilns are in Ambuja because that's where the limestone priority in terms also of starting and kicking off for permits availability. But going forward, you'll find investments in both the companies, depending upon where we have the right limestone, where we have the right readiness to go to the market.

Indrajit Agarwal: Sure, thank you. My second question is on freight cost at Ambuja standalone, which has increased quarter-over-quarter. So if you can highlight how much was per ton kilometer cost and what has led to this increase?

Ajay Kapur: So I can take a per ton offline separately, maybe Charanjit has taken a note, he will come back to you. But I'll give you basically what the reason is, what I also mentioned, I think in the first question. Our 50 days shutdown in Himachal meant that we had to still serve the markets while we lost some volume, and that's also reflected in the volume opening comments, which I made. But we had to shift clinker from Rajasthan plants into our grinding stations in north. So that of course, added some cost.

Had we not taken other initiatives, which I also mentioned in terms of going direct, percentage going up from 50 to 54, shutting down of the warehouses from 900 odd to 677. So and also increasing the railway coefficient. I think all that helped us to curtail a cost which otherwise could have gone very high. We had a small incident at our Farakka unit, grinding unit in eastern India, which was under shutdown for about 15 to 20 days.

Also during that time, we had to cover that market from a little farther distance. I think those are the reasons you find that INR30 crores, INR40 crores, I believe, if it's not, I think that's the number it is, increase in the cost for Ambuja standalone.

Indrajit Agarwal: Sure, thank you so much.

Moderator: Thank you. The next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: Hi, thank you for the opportunity. First on the near-term capex trajectory that you've outlined, I think you mentioned Chandrapur would be Ambuja. This is not Chandra Cement Works, which is ACC, I'm guessing this is Maratha Cement. So given you've had a lot of capacity coming up in Ambuja, are you counting on the exercise of warrants to be able to fund this capex at the Ambuja level in the next one or two years? And tied to that is, you have a lot of clinker coming up in West, but correspondingly, between Chandrapur and Mundra, correspondingly, we don't see a lot of GUs coming online in West in the near term. What is the thought process on that regional capacity expansion that you're looking at?

Ajay Kapur: Thank you, Satyadeep. As I said, this is just what we have approved for the current financial year, but as I talked to you, we are on the drawing board. When you look at our mid-term five-year plan, we have a plan of adding 40 million, which largely means 10 clinker lines of 4 million each. Right now, we have come out with two, one in both Brownfield, in East and one in West. I have not yet announced the grinding units for West. Very soon, I will come back with next set of announcements and you will hear that. But very much, groundwork and plan and sites have been identified. I also indicated we'll go up from 30 to 70 locations, so these all will form a part of that. At the moment, however, I would only stick to what we have approved and put out in the public space.

Satyadeep Jain: So, you're counting on some exercise of warrants Ambuja to be able to sign in the near term. And when you look at the capacity expansion of 40 million tons, is it largely going to be Brownfield or maybe a 50-50 mix between Brownfield and East?

Ajay Kapur: Okay, so to answer your question on, let's put warrants issue aside for a while. That's on top of whatever we do. If you refer to slide 33 of the presentation, today's presentation, and also, I think it's Slide 28 or 26 of the investor deck which had loaded in March. And I had done a roadshow meeting cross-section of investors. We have made it very clear there that our plan is to go from 2,368 to 140 million. And we said that all this will entail a total investment of about INR46,000 crores. We're starting on a cash balance of INR11,300 crores in our books. We have an ambition, a real ambition to be INR17,500 crores EBITDA generating company by FY28.

If you did a math and what we also said that after putting this investments, we'll leave aside the sufficient cash for the distribution of dividend and also paying taxes. Now, whether everything will be Brownfield or whether we'll also have one or two Greenfield opportunities and or, I'm not getting into that zone, but of course, if there's any other acquisition opportunities this cash is part of that whole strategic roadmap. Now, this I planned without warrants, by the way. So this is purely on our internal accruals.

Warrants is on top. But for that, I would not comment at the moment. I would comment purely what the business is generating. And I believe the business will generate robust cash on top of what we're already starting off at 11,500. And we generate 46,000 over this period. So, I think that's what we need 46,000 crores to more or less give shape to this sort of an investment.

Satyadeep Jain: Okay, second question is on the RTTs. So, we see the transactions between ACC and Ambuja have increased significantly under the new ownership compared to the previous ownership. Are there any, and given we're also seeing some realization gap between ACC and Ambuja, is there, are there any particular markets where you're seeing, is it across the board that you're maybe seeing more MSA and new management compared to previous? Or is there any regional differences? And this is in the context of that, and widening of that realization gap also that we're seeing. And secondly, the RTTs between with other companies we've not seen increase to the extent maybe we would have expected.

Has it been in line with your own expectations with the other entities, the other entities? Or do you see a more gradual ramp up in those RTTs as you look at utilizing the entire integrated asset base?

Ajay Kapur: So, first question, RTT between ACC and Abuja, as you know, it's now getting into the maturity phase. It was started in the erstwhile wholesale management. It was one of the hot topics in most of our calls where we were asked, why are you guys not getting the full synergy benefits? So, I would say we have now taken it to a very advanced stage where all the synergies on working together as one management team, which I also mentioned in the opening, is already in place. Common procurement, and therefore whatever we buy, we buy together and get the volume and benefits of scale.

Here we also use Adani adjacencies. It keeps showing in every quarter, you'll find our cost performance, procurement performance, procurement KPIs, and also adjacencies across the group helps us. And then third is, what we try to do is we have 35 locations. We optimize go-to-market strategy. And we run it through a program. That program then gives out an output every month. And we are improving every day. I would say now we've almost reached a level where we've actually taken out a lot of juice between the two companies. Leaving that aside, yes, ACC performance needs to be further improved. And I can assure you in days ahead, you'll see that.

Moderator: Thank you. Mr. Jain, we request that you return to the question queue for follow-up questions. We'll take the next question from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Yes, hi. Good evening. Thanks for the opportunity. So, just firstly on coal advances, last quarter you had disclosed about 1,200 crores for ACC and 600 for Ambuja. What's the status as of now, and as of March end?

Vinod Bahety: So Amit, yes, hi, thank you. Amit, the contract is performing well. As we speak, we have been getting deliveries from the coal trade. And I also want to highlight that this trade has actually helped us in terms of the overall reduction of the fuel costs, wherein when I look at the other comparisons, we have got the benefit of at least 2% to 5% extra for this quarter from this trade. The current outstanding is almost like 1,400 odd crores, which it will get completed in a couple of months' time, which we had informed to the investors in the last call as well. Essentially, this trade has helped in the overall performance, as Ajay ji highlighted, on the overall fuel and power costs, which has come down substantially.

Amit Murarka: Okay, okay, sure, thanks. And also on the capex plan, the Mundra 3.7MT is in the listed entity, or is it in the Adani unlisted cement business?

Ajay Kapur: No, no, Mundra will be set up by Ambuja. And this is a Greenfield project. It will be set up on, it's a location that's very nice. Once we get this position, we can very, very smartly service the Western Corridor markets, where we already have adjacencies within Ambuja and also within Adani to use our own port. Use our receiving terminals, and, you know, right up to Cochin, Mangalore, Mumbai, Surat. So, I think it is a very good fit. It's a very high IRR project for us.

Amit Murarka: And the limestone will come from where for this?

Ajay Kapur: This is part also of, there are two options there. One is the limestone, which is in Mundwa. We have our own limestone mine there. Two, we are also looking at receiving the limestone sludge from a sister entity within the group. They are going for a coal to PVC plant, and that byproduct is as good as limestone. It has been done very successfully over the many parts of the world, especially China, Russia, and we've studied those technologies. And that's where the project becomes very, very smart project because it gives us raw material.

It gives us, you know, coal rejects. It gives us power from our own plant, and it gives us fly ash right where our Adani power plants are. So, I know the location is right on, sitting on top of the port from which I can service our Western Corridor markets. And of course, interland of Gujarat, especially the North Gujarat.

Moderator: Thank you. Mr. Murarka, we request that you return to the question queue for follow-up questions. We'll take the next question from the line of Pinakin Parekh from J.P. Morgan. Please go ahead.

Pinakin Parekh: Yes, thank you very much, sir. So, my first question is, if I look at Ambuja's console balance sheet, the other financial assets, stands at INR3,100 crores in the long-term assets and INR7,900 crores in current assets. So, of that INR11,000 crores of other financial assets, how much is fixed deposit? And what would be the others other than fixed deposits?

Vinod Bahety: So, what's your name? Sorry, may I know your name, please?

Pinakin Parekh: Pinakin.

Vinod Bahety: Yes, Pinakin, hi. So, in terms of the overall amount of fixed deposit, if I have to break the component of my INR11,530 crores of cash and cash equivalent, close to INR8,000 crores will be sitting under the current assets. And below 90 days, it will be close to another INR500 odd crores and between 90 to 365 days, it is close to about INR8,000 crores. So, that is the numbers which we have on the balance sheet.

Pinakin Parekh: Sure, sir. So, is it fair to say that the other income of, so in the P&L, the interest income is recognized as other income in the current quarter or is there an accrual basis and it will be recognized later?

Vinod Bahety: No, no. We recognize on accrual basis every quarter. It is not on receipt basis but on accrual basis.

Pinakin Parekh: Sure. My second question is just, you know, trying to understand capex better because it's a bit confusing. So what is the capex guidance for FY'24 and FY'25 for ACC and Ambuja at this point of time?

Ajay Kapur: So, the total capex guidance is INR7,000 crores for Ambuja console broken up into three parts, grinding units, integrated lines and current ongoing capex's. In the new integrated units, as I mentioned, there are two integrated units being proposed to be set up, one in Bhatapara, one in Chandrapur in Maharashtra, both in Ambuja. Ambuja ACC is currently setting up Ametha. ACC will set up another one or two grinding units in UP which will serve Ametha. The wasted recovery projects are all combined for both Ambuja ACC at respective locations.

We are also procuring 10 rakes which are going to help us optimize our railway footprint, especially bringing in clinker to our grinding stations in east. And also bringing fly ash from our plants, especially some of our group plants where we have assured availability to both plants of ACC and Ambuja. If you want any more breakup, I think Charanjit can separately call you and we can have a discussion, right?

Pinakin Parekh: Yes. Sure. This is very helpful.

Vinod Bahety: Pinakin just to give you more specific numbers which I have now? So, more than 12 months, the amount is INR8,600 crores. Between 90 days to 12 months, it is INR2,400 crores and below 90 days, it is almost like INR540 odd crores.

Pinakin Parekh: Sure. Thank you very much.

Moderator: Thank you. The next question is from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain: Hi, sir. Good evening. So, just to continue with that capex argument, this journey from 70 to 140 that we have spoken about and we understand that it will depend upon multiple factors, but can you give some outlay on at a company level, what is the Brownfield potential or Greenfield potential based upon the land and mining resources you have in each of these entities? And how much will depend upon either acquisition or new mines that you may acquire in future? Just want to understand the readiness based upon current resources to go to that 140. And if you can break it down between ACC Ambuja as well.

Ajay Kapur: Sure. So Ashish, first of all, thanks for the very good question. I would only say it's not an argument, it's an assurance that this is what we're going to do it and it's there in our investor deck, right in the public place, number one. Number two, I will right now only speak as Ambuja and Ambuja Console and any questions you have on ACC, happy to discuss separately since today's earnings call for Ambuja and Ambuja Console. So, at Ambuja Console level, I can then, which is what our cement business is all about. Our capex program is clearly putting 40 million of clinker.

I would say nine lines of this are going to be a Brownfield. One line, the Mundra, is going to be a Greenfield. All the nine lines have adequate limestone. All nine lines will have land and requisite permits. As I speak to you, work is going on across all sites. We have identified multiple locations for grinding units. Land acquisition is in advanced stages. Public hearings are being arranged at various sites. Detailed programs are being planned. We have a full-fledged procurement, sorry, projects division, which has been set up. The business development team is already working.

So, everything is going as per plan. What was ready is already out in the public space where we already launched this first set of investments and you'll start seeing progress in those. The next set of even more concrete announcements, which is what you're asking me, will also come in the due course. Allow us some time for that. Now, to answer your third question about limestone deposits. All these lines, which I've already put in the public space, we have limestone for that. In addition, we have recently won one limestone mine in Odisha, as you know.

We also have been recognized as the winning bidder in a mine in Maharashtra. On top, I've already mentioned one coal mine. We have already mentioned one, which is also in Maharashtra. And we are always scouting for coal limestone mines as and when they come up. Some of our sites have adequate limestone to put up, not one, but three more lines in a very attractive markets. You'll hear that in time to come. So, far, we have not gone deep south. We are also examining those areas where you also have deposits. So, I think there's a complete detailed plan and the presentation which I'd set out in the month of March, after which I'd met some of you, was only done after a lot of detailed homework.

And right up to the L5 detailing. Anything more you need, we'll be more than happy to connect with you. And Charanjit is here. He will be also happy to circle back with you and provide you details. Today, I cannot give you offhand breakup right to the specific last paisa, but we will in due course keep coming out with the next set of investments.

Ashish Jain: Right, right. Sir, just as a follow-up, if it's possible for you to comment, out of the nine line that you said which seemed to be well-identified and resource-backed, can you at least talk about how much potentially could be under Ambuja out of that? Because it seems to be land-backed and resource-backed, so maybe we'll have some more visibility on Ambuja's standalone basis at least?

Ajay Kapur: Yes, so basically if you ask me, some sites where we're going to put an expansion of a getting which is ACC site. As I said, I'll not give you more detailing at this moment, but more than happy to connect with you.

Charanjit Singh: Ashish, I think we'll, once the plan is ready, we will put that in the public domain, but there's some more homework to be done which we are currently doing. We broadly know that with nine sites, but let us complete the plan and then we will come to the market and we'll make a proper disclosure to the exchange. And you can also have that access to the presentation.

Ashish Jain: Sure, sure. So secondly, in the RPT disclosures of ACC, we see certain transactions with entities like Adani SportsLine, Adani Property, Adani Estate Management, is it, I know which includes long-term security deposit, is it possible to give some colour on the nature of this and what is the timeframe? Is it something we should see on the recurring basis or this was like a one-time thing and it may not require going ahead?

Ashish Jain: So, Ashish, yes, I will take that question. In terms of the SportsLine, as you would have seen, ACC has been sponsors for the UAE League. And also they are the, so we have entered into a five-year sponsorship agreement with Adani SportsLine, which is the franchise owner of the UAE League. And also for the Kabaddi. Likewise, for example, in the same bid, I can highlight in case of Ambuja, we have taken for the Women's IPL and the Kho Kho League. So, these are the four important franchises and we see a very good business engagement given that we have a large dealership network, we have a large customer base.

And this gives a very good connect with the customers. So, that, basically for the five years, long-term branding arrangement, we have entered into with SportsLine, that is the transaction. So, far as the, you highlighted the second question about the property. So, we are setting up a full-fledged office for the cement business in Ahmedabad, for which we have taken the land on lease from the group company and the work has already commenced over here. Hopefully next 12 months to 15 months, we will see the office space available for us to occupy.

Ajay ji highlighted that both the businesses are now working very symbiotically. And we have moved our head office to Bombay, from Bombay to Ahmedabad and that is essentially where we move into Shantigram, Adani Group's core office setup. So, that is for the structure of that building which we are going to set up here.

Moderator: Thank you. Ladies and gentlemen, please limit your questions to one per participant. Should you have a follow-up question, we would request you to re-join the question queue. The next question is from the line of Rahul Gupta from Morgan Stanley. Please go ahead.

Rahul Gupta: Hi, thank you for taking my question. I just need one clarification. If I sum the ACC and Ambuja standalone volume numbers, the delta has increased for the console number from 1.7 million ton last quarter to two and a half million ton this quarter. Anything specific over here or is there some higher sales to and fro? Can you please explain this number?

Ajay Kapur: Are you referring to the total volume increase from 13.7 to 14.1? Is that what you're saying or are you?

Rahul Gupta: So it's 13.7 to 14.1 versus if I sum the standalone numbers for ACC and Ambuja, the delta for the sum and the reported number has moved from 1.7 to two and a half million ton. So...

Ajay Kapur: Yes, I got your point now. So, as I was mentioning, we are working on a master supply agreement. What it does is it throws the lowest cost for each plant. So, one is your sales and one is your trading which you do through this MSA using each other's footprint. Idea is to maximize your absolute number. And I think that's the reason. Also, as I mentioned, our Himachal plants are shut down. So, in order to ensure that the brands remain relevant in the market, we were pushing more and more, for example, ACC from Ambuja plants in north while Gagal was shut down. As you know, Gagal's grinding is 100% located in Himachal whereas Ambuja has grinding stations in the plains in Punjab and also in Himachal. So, that's also some of the reasons for because of that.

Moderator: Thank you. We'll take the next question from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Yes, hi, sir thanks for the opportunity. Couple of questions. First is for Vinod ji. Sir, how should we look at the capital structure of the company say three years out, five years out? Taking into account one is warrant infusion which I presume it's by until next year and potential requirement of capex for the growth that we are looking at.

Vinod Bahety: Thanks Ritesh, hi. So, a good question again. In terms of our overall capex structure, as of now we are sitting on a net worth as I mentioned, almost 35,000 crores. We are expecting to add accruals to EBITDA which we are ambitiously looking at almost INR8,000 to INR9,000 crores as we improve on our cost and journey of growth. On top of it, the existing cash balance of INR11,500 crores only strengthens our balance sheet. As of now we are not looking for any debt. The entire capex program is going to be supported from the existing cash in cash equivalents and the accruals.

So, essentially it is an equity structure with no plans of debt at this stage. And as Ajay ji mentioned, this INR15,000 crores of warrant is only an add-on which is not in the base number. And that will only further help us for both the organic and the inorganic opportunities.

Moderator: Thank you. We'll take the next question from the line of Prateek Kumar from Jeffries. Please go ahead.

Prateek Kumar: Hello, yes, good evening sir. My question is firstly on this. In both ACC and Ambuja, we have reported this restructuring cost. What is this related to? And the question is on what would be the year-ending capacity for FY’24 consolidated operations?

Vinod Bahety: Yes, good. So, the restructuring cost as an exceptional item is more on the VRS, which is one time and it is only therefore non-recurring of nature. What is your second question?

Ajay Kapur: What will be the capacity year-ending? So, let me take it Prateek. So, one is Ametha which is coming in. Ametha will add 3.1 million of clinker. And it will also add 1 million of cement. So, on cement, you'll see additional 1 million coming in into the system. There may be some debottlenecking which we are also doing at some of the ongoing locations. You can expect another 1 million or 2 million coming out of that.

But you'll see a large chunk of this coming in the early part of, because some of the grinding stations which we are working on, you will find in let's say quarter one or quarter two of FY’25. And then of course by before that, we would already come out and also announce next set of capex’s. So it will take some time to get this pipeline warmed up. And after that, you'll start seeing, every six months, a substantial amount of capacity being capitalized. I hope I've answered your question.

Prateek Kumar: Right, so FY'24, we have this one clinker line on a consolidated basis and one couple of grinding units, 2 million ton. FY'25 will have maybe a couple of clinker lines and much more grinding units.

Ajay Kapur: Yes, and by then, some other clinker lines would have already been announced and start building and more grinding stations also would have been announced and where land banks are currently being bought and permits are being actively pursued. So the next set of investments will then tell you what happens in '25, '26, '27, '28.

Prateek Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Rashi Chopra from Citigroup. Please go ahead.

Rashi Chopra: Well, thank you. Just on the cost savings that you mentioned about INR300 to INR400 that are expected in FY'24, how much of this is attributed to the petco prices falling or is that over and above this INR300 to INR400?

Ajay Kapur: I would say the total INR400 is largely restructuring, optimizing the way we are running business, increasing our waste rate, which should go up. Even in last quarter, it's gone up from 6% to 9%, improving the performance of the kilns. So petco, of course, has been there, I would say, but it's not largely petco.

It's also all other initiatives that we have taken. I think our slide has a fair detailing about and I can just help you with that. So the reverse we are using is, this is basically talking about 80 to 175 journey on waste rate, but obviously this journey will go through two years. So some part of it you will see current year, some you will see next year.

Next, then we are increasing our AFR. So you'll also see a sizable jump. I already mentioned we're targeting 15%, 16% this year as an exit, an average would be slightly lower than that. More coal from our current mine, and also trying to bring the new mine, Dahegaon Gowari a little faster.

Of course, it still takes 24 months, but we're trying to see what better we can do. Already advanced stage of getting onto our green portfolio. This can happen fairly fast, given the adjacency of the group and also the expertise available within. We expect this might actually happen well before 31st March, '25 -- '24, sorry, my bad, '24. So that's something which will happen, but I think that saving will accrue more next year. Flash, we're already working on various contracts.

Railroad optimization, 10 breaks are being bought this year. First of which has already come in, successfully running its first leg. Every month we'll expect a rate. So I think as it comes in, it also improves performance. Logistics initiatives are already underway. Manpower streamlining as single entity is already happening. As I speak, deep bottlenecking initiatives are also happening.

So I think some part of Petco, what everybody else will gain, I'll also gain. Our gain will be on top of it 304 times.

Moderator: Thank you. The next question is from the line of Rakesh Vyas, from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: Yes, hi, sir, good evening. Two questions from my side, if I may. First one is on the clinker line expansion. The three new lines which are essentially Bhatapara, Chandrapur and Mundra, if I am right, we haven't yet placed the order. So if you can, and these are the priority projects for FY'24, so if you can just highlight on the timelines for ordering and the timelines for eventual commissioning, because if I heard you right, you are talking about FY'25 operationalization of these.

So if you can clarify that. And the second question is essentially around the coal procurement agreement that we signed. At that point of time, it was at a reasonable discount to the ongoing fuel prices, but as fuel prices have now come down significantly, how does that contract work? Are we still getting discounted the current prices or the price at which we entered still holds true? These two questions. Thank you, please.

Ajay Kapur: Yes, thank you, Rakesh. First, let me address your capex questions. The ordering is in a very advanced stage and very soon you would also have it in the press. So I'll stop there because it's also, we're very keen to start very fast. We're always negotiating, negotiating, negotiating to the last ounce, and that's where our team is there right now, number one.

Number two, in terms of coal advances, the good part of this deal was it capped us at a higher end of $157. At a time when it was upwards of 200 to 20, we had actually seen a very bad performance in September quarter when we took over the business.

So to that extent, it has given us the insurance. At the same time, it also has a plan wherein we also get the lowest of the market. So it's not that while capping is 157, the market is 120. We may very well try and get a price which is better than 120 or at least at 120. So I think both the, parts of the strategy for which this deal was made are very much intact.

Last quarter, I think we've seen about, of our saving of INR0.20, INR0.22, I would say about 50% of that which has come from this coal trade. So it's actually paid off very well to the company.

Rakesh Vyas: Got it, and just for clarity, the ordering that you are highlighting, which we'll probably hear out soon, is on the three new clinker lines, which is X of Ametha, the four lines that you have put in the presentation?

Ajay Kapur: Absolutely, not only you will hear for, see, I can't say more, you'll hear it in any case in the press. You'll hear more than two, you'll hear a good package of a couple of lines in the press very soon.

Moderator: Thank you.

Ajay Kapur: Plus more, plus more, plus more on some other areas, but, we must have some more conversation outside the call also, right? But we are working on it, I can assure you that.

Moderator: Thank you. We'll take the next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Thank you for taking my question. So first is a clarification. So combined as an entity, we've sold 14.1 million tons in the quarter versus 14.4 million tons same quarter last year. There's a decline in volumes. Is that understanding right based on your presentation?

Ajay Kapur: Absolutely, all right. On a sequential basis, we went up from 13.7 to 14.1. And on a yearly basis, we are down from 14.4 to 14.1. First quarter, we had 50 days of shutdown of two of our plants in Northern India, wherein we were working with the unions, as I also mentioned in the opening. That impact is visible here. We also had a small shutdown in our Farakka grinding unit. There was an incident there. The plant remained closed for about 15, 20 days. It's also a sold out plant, so therefore, some part of market we covered, some we could not. Those are the two principal reasons why you find this gap.

Moderator: Thank you. Ladies and gentlemen, we'll take the last question from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Yes, good evening, sir. Thanks for taking my question. The question on the capex, what you have highlighted INR7,000 crores, is it that you are going to spend this entire in FY'24? Because the slide also says that it is over two, three years. So what actually would be a cash outflow? Because FY24 has just one line of Ametha and a couple of million grinding units. So if you can write something on what would be on a cash outflow basis?

Ajay Kapur: I got your question. In the interest of time, let me give a very clear answer. It is INR7,200 crores cash outflow planned for the current financial year.

Bhavin Chheda: Okay. And so you gave that three clinker units would be ordered soon. What about the grinding units? What's the ordering stage? In the slide, you have mentioned close to 11 million expansion on the grinding unit. Out of that, which are ordered and which are pending to be ordered?

Ajay Kapur: If you followed, I'm sorry. The previous question from Pulkit was, no, not from Rakesh, or one of the previous…

Bhavin Chheda: From the Rakesh. You mentioned clinker units, I heard that.

Ajay Kapur: So I think he was pushing me to tell me by when I can come in the press. And I mentioned that, just give me some time. And I did not restrict myself to the two or three kilns lines you were saying. I said, you'll hear a little more. So when I announce, you will also hear grinding units because obviously, grinding also has to be done. You'll hear it very soon, sir. It is being done.

Bhavin Chheda: Yes. And for last one, on the FY'24 volume growth, if you can write something, you will be in line with industry. You are looking to outperform industry volume growth, some guidance on FY'24 volume growth as a consolidated entity?

Ajay Kapur: We're looking at essentially industry growth about 6% to 7%. We are in the right traction to deliver our numbers from current sales of 51 million average in the last three years to, sorry, 54 million to 119 million tons by FY'28. That is a CAGR of 17%. To reach that CAGR, we'll have to also, show performance in the near term.

So we are totally cognizant of that. Rather giving you a firm number, I will only tell you that this guidance which we have provided from 54 to 119, traverses through FY'23, '24 also. And AAA, as we call ourselves, is very much aware of its responsibility to traverse this path. But by doing it, making sure that we are creating value and also creating realizations. So it's a balanced path. We'll go with that.

Bhavin Chheda: Okay, thank you, sir and best of luck.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Charanjit Singh: Thank you, everyone, for taking out the time to attend this call. For any questions which have not been answered, you can reach out separately to me. And for any other group questions which were missing, happy to arrange a separate call. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.