



“Shri Keshav Cements and Infra Ltd. Q4 FY22
Earnings Conference Call”

May 16, 2022



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MODERATOR: MR. VASTUPAL SHAH – KIRIN ADVISORS



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Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY22 Results Conference Call of Shri Keshav Cements and Infra Ltd. hosted by Kirin Advisors. 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vastupal Shah from Kirin Advisors. Thank you and over to you, sir.

Vastupal Shah: Thank you and good afternoon, everyone. I would like to welcome Mr. Venkatesh Katwa – Chairman of Shri Keshav Cements and Infra Ltd., Mr. Vilas Katwa – Managing Director of the Company, and Mr. Deepak Katwa – Executive Director and CFO of the Company.

This is the first conference call held by the Company. First of all, the Company will give the introduction about the Company and its business then the brief discussion about the Q4 FY22 results and then we will be having a Q&A session. Mr. Venkatesh, over do you, sir.

Venkatesh Katwa: Thank you Vastupal Ji. Hare Krishna to everyone and good afternoon to all. I hope you are all fine today and in very good health. I welcome you all to the first conference call of Shri Keshav Cements for the Q4 FY22 Results.

To begin with introduction, the Company was incorporated in 1993 by purchasing a cement 20 TPD plant in 1994. The Company is engaged in manufacturing of cement and solar power generation. The capacity of the plant was increased from 20 tons per day gradually to 600 tons per day and ultimately to 1,100 tons per day as of March 2018. So, with 2 cement manufacturing plants, one with vertical shaft technology and another one with the rotary kiln technology. So, currently cement capacity put together by both the plants is 1,100 tons, which equals to 3.63 lakh tons per annum. As mentioned, we are primarily focused on manufacturing of cement and generation of solar power. Cement plants are located at Bagalkote district in Karnataka and the solar power plant is also located in Koppal District in Karnataka, and these two locations are about 200 km apart. For the cement plant, the Company manufactures 43 grade and 53 grade Ordinary Portland Cement. The Company sells its cement brands under Jyoti Cement and Keshav Cement with brand name as Jyoti Gold and Keshav Cement. Jyoti Gold cement is used for construction of roads, bridges and infrastructure projects and Jyoti Power cement is mainly used for domestic and residential construction. Keshav cement we have maintenance as the premium brand sold across Karnataka and South Maharashtra.

The cement industry is highly energy intensive and with power and fuel costs constituting about 30% of the manufacturing cost in the cement manufacturing process. Due to the high cost inputs, we understood that setting up a solar plant and utilizing it captively would help the Company to prune the cost drastically. So, in 2018 the Company established and commissioned an initially 22 MW solar plant, which was later increased to 25 MW and by December 2021, Company



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established another 12 MW solar plant. So, as of now, the complete capacity addition is about 37 MW peak at both the plants located at Koppar in Karnataka. Both the power plants are evacuated at 110 KV voltage level. This help us almost with zero downtime and the investment is done in such a manner that the evacuation capacity of the existing infrastructure can take up to 100 MW of solar power generation. We are here to describe about the strengths of our Company. The management, the promoters have a very strong experience in the cement manufacturing process. We have a locational advantage of manufacturing facility because there are no significant major plants located around us. Since cement comes with a high logistics cost, the nearby markets can be served with our plant compared to a lot of major plants, which have to come from over 300 km away. Due to our strong marketing and sales process, we have improved our brand presence in the target market of North Karnataka, South Maharashtra, and Goa. I cannot say with certainty, but I think we would be the only cement plant in India to 100% on green power. With 37 MW peak capacity we are consuming about 12 to 14 MW and the rest is being sold to the various industries. In FY22, our cement plant utilization was around 65% and with rising demand from infrastructure and residential development, we are working on feasibility to expand our cement capacity. I am happy to announce that the Company has first time crossed Rs. 100 crores revenue milestone, and that will certainly keep us driving in the future too.

To give you an industry perspective, India is the second largest producer of cement in the world. It accounts for more than 7% of global installed capacity with a huge potential for the development in infrastructure and construction sector. Because of this, the cement sector is going to derive a lot of benefit from some of the latest initiatives of the government like 98 smart cities will provide a major boost to the sector. In fact, the plant where we are located, there are at least 5 smart cities in the vicinity within 100 to 150 km radius. As per ICRA, in FY22, the cement production in India is expected to increase by 12% year-on-year driven by rural housing demand and government's strong focus on infrastructure development. As per CRISIL ratings, the Indian cement industry is likely to add another 80 million tons by FY24. It will be the highest since 10 years. Also the government is looking for higher allocation for infrastructure of approximately \$27 billion in roads and about \$19 billion in railway infrastructure as per budget of FY23. This is again likely to boost demand of cement. The Company is very positive for the sector outlook and will continue to focus on expanding production capacities and strategically reaching the market and gaining leadership position in the tier 3 market. We are equally focused on environment and will support our plant and state requirements from our in-house production. Today, like I said earlier, we could be the only plant running on 100% renewable energy.

Now I will give financial performance for FY22 and also speak a little bit about Q4 FY22. As mentioned earlier, again, this is the first time we have crossed the Rs. 100 crore milestone and we believe that this is going to be a great growth initiation from the Company. Simple highlights would be the revenues increased by 44% year-on-year to about Rs 116.09 crores versus Rs. 80.75 crores in the previous year. EBITDA was Rs. 37.66 crores versus Rs. 26.56 crores, up by



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42% compared to the previous year. Net profit was Rs. 9.1 crores versus a loss of Rs. 8.44 crores in the previous year. EBITDA margin and PAT margin stood at 32.44% and 7.84% respectively. Operating cash flow stood at about Rs. 24.27 crores. Return on equity and ROCE stood at Rs. 41.95% and 11.18%. Cement business contributed to around Rs. 90.6 crores in sales and solar contributed to Rs. 15 crores. There was a huge jump in the solar generation because we added a new solar plant of 12 MW capacity. Segment-wise, last year solar sale was around Rs. 8.30 crores. This year it is Rs. 15 crores and this Rs. 15 crores is taking into account the new 12 MW power plant, which was commissioned at the end of quarter 3. We would be expecting our revenues to show up going forward. Cement volume also grew by about 34% to 2,26,959 metric ton, which is about 63% of the capacity utilization and solar generation also increased by around 22% to over 45,454 MW hours. During the Financial Year 2022, the Company successfully established a 12 MW plant with a term loan of 40 crores and the rest coming from the promoters' contribution. The project was about Rs. 58 crores and we have commissioned it successfully on the date as required by the compliance authorities.

Now the key highlights for the Q4 FY22. The revenues were at Rs. 36.81 crores versus Rs. 25.84 crores compared to the previous quarter of the previous year year-on-year. EBITDA was Rs. 11.32 crores compared to Rs. 9.2 crores, which is up by 22% compared to previous year previous quarter. The net profit was Rs. 3.87 for the quarter versus loss of Rs. 75 lacs in the previous year-on-year quarter. EBITDA and PAT margins also stood at 30.75% and 10.51% respectively. Cement business contributed about Rs. 12.78 crores and solar business contributed Rs. 5.80 crores. So, in all, these are the simple highlights. The production in general compared to last year, there has been a continuous increase in production as well as sales due to new marketing and sales initiatives by our marketing department.

Recently we have been beginning to supply some major infrastructure projects like irrigation and roads, and we hope this will continue to add demand to our product and give positives result going forward.

I thank you all for listening to me attentively. I would like to open the floor for any question and answer anyone has.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Apoorva Mehta, an individual investor. Please go ahead.

Apoorva Mehta: My question is what is the total debt on the books as of now and what is the average cost of borrowing?

Venkatesh Katwa: So, the total outside liabilities apart from the promoters' unsecured loans, which are subordinate to the main loan is about Rs. 173 crores and the average interest cost for the last year was 10.25% but in February 2022, our banker, which is our soul banker, the entire loan is only from one



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bank, which is Canara Bank, they have reduced the interest rate by 100 basis points and in next couple of weeks we are hoping to get an improved credit rating and expect the interest to go down further.

Apoorva Mehta: Any plan to reduce the borrowing in the near future?

Venkatesh Katwa: Other than a constant discipline of repayment and when there is excess cash flow, cutting down the debt is always on the books, always on the plan, but as of now at least for the next 2 to 3 years, there is no direct plan to cut down the debt other than from internet accruals and the generation of cash flows.

Apoorva Mehta: Any CAPEX plans going forward?

Venkatesh Katwa: As a Board, we want to again further modernize the cement plant. We feel that to the existing cement plant, we could add some additional grinding capacity, which will eventually give a higher topline and bottom line too, but as of now, we are in the stage of feasibility studies and giving an exact nature of investment might be a little difficult, but still it will be on a very positive note once we get the feasibility study completed in the next couple of months, but yes we are looking for some CAPEX this year too.

Moderator: Thank you. The next question is from the line of Sachin Shetty, an individual investor. Please go ahead.

Sachin Shetty: You told that our long-term debt is Rs. 173 crores and total solar power plant capacity is 37 MW and cement plant capacity is 1100, and presentation is Rs. 200 crores something you mentioned. How much repayment we have done in the last 2 years?

Venkatesh Katwa: In the last 2 years, we would have done repayment of around Rs. 34 cores to Rs. 35 crores, but last year we took a debt of Rs. 40 crores plus Rs. 20 crores as GECL loan, which is why you have seen an upward tick for the last year, but more so the loan is for the solar plant. Most of that total outside liability is coming for solar plant of around Rs. 150 crores, approximately Rs. 20 crore debt you can distribute to cement. What happened was that we would be buying power at Rs. 8 per unit. After putting a solar plant, the power cost came down to less than Rs. 3, so we saved a huge amount in the power cost and to some extent we are utilizing those funds to service the debt and repay the solar loan.

Sachin Shetty: The solar power plant, the consumption of power cost is 30%, so out of 37 MW, how much captive power consumption in terms of MW?

Venkatesh Katwa: Last year with almost 63% CAPEX utilization, we consumed about 15 MW of solar power and the rest 22 MW we sold out.



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- Sachin Shetty:** If you are selling 22 MW to the customer, at what price you are selling?
- Venkatesh Katwa:** My last year average was Rs. 6.2 or 6.3 and this year we have begun with almost Rs. 6.8.
- Sachin Shetty:** So, 22 MW we are selling to the government?
- Venkatesh Katwa:** What is happening is Karnataka Government had an incentive scheme where if you set up the plant before March 2018, it had some benefits like zero wheeling and banking charges, zero transmission losses. These account to almost Rs. 7 to 8 crores as a cost, so these we completely saved for the next 10 years. So, till March 2028, we are not going to incur any of these costs. This was specifically given only up to March 2018 for which we have commissioned, so when we'll sell the power from this particular plant, there are no transmission charges and no wheeling charges. There are no in kind or in cash charges applied by the government, which is why we decided to setup. In fact, we were only 25 MW earlier, we decided to add 12 MW so that 12 MW can be utilized captive and 25 MW power can be sold outside. So, our average price like I answered was about Rs. 6.3 last year.
- Sachin Shetty:** So, the reason behind setting up this power plant is only for self consumption and also to take advantages of production-linked incentive schemes of solar, right?
- Venkatesh Katwa:** Yes, in fact 25 MW for captive consumption only, but because of the benefits, we thought we will sell the power outside and setup a new plant for captive consumption.
- Sachin Shetty:** So, these benefits, we will get in terms of revenue or what exactly? At the end of 5 years, how much incentive or we will get the benefit? Just trying to understand.
- Venkatesh Katwa:** The first 22 MW power plant the benefit was EBITDA because most of the power was utilized internally, 14 to 15 MW was used internally, hardly 8 to 9 MW was being sold, but now this new 12 MW is entirely for revenue purpose, which we will be able to see in FY23.
- Sachin Shetty:** What is the impact of our EBITDA from this rising fuel price and coke price going forward, particularly for cement plant?
- Venkatesh Katwa:** So, Company about 70% to 80% of the fuel used by the Company in FY22 was coal and not coke. Actually coke is the fuel where cost of per kilocalorie is lesser compared to coal, but in quarter 4 or beginning of April, we carried out certain modifications in machinery by which we can use 100% Pet Coke now compared to we use about 80% coal and only 20% Pet Coke. The cost difference between Pet Coke and coal is almost 30% to 40%. So, this year, we will be able to see utilization of Pet Coke. However, your question was pertaining to the increase in prices. We feel it has reached its peak and, as already mentioned in lot of media, we're expecting correction in the cost of fuel, so once it goes down, things should be stabilized, but as of now of course because of the increase in price, it does put pressure on the EBITDA margins.



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Sachin Shetty: Sir, in your presentation, you had mentioned that we are doubling the capacity of cement plants. Any plants you have planned for this year or the CAPEX will go for the next year?

Venkatesh Katwa: As of now, we are in the middle of a feasibility with FLS companies. Basically what we're trying to achieve is, I will give you understanding in Math, we produce about 800 tons of clinker. Typically, as per Bureau of Indian Standards, we could add up to 1600 tons of slag and make it 2400 tons of cement capacity. That is what is achievable in this plant with of course certain investment. So, now what we are planning to do is, we are wanting to add a slag grinding mill. So, once we add slag grinding mill, we will be able to add that to the clinker what we are producing and eventually look for doubling of the capacity. We hope, based on what we see and the projections given to us by the EPC contractor, we are looking forward most likely to complete it in this financial year, but we could provide more clarity maybe the next quarter once the feasibility study is complete.

Sachin Shetty: So, you mean to say only the clinker we have to increase the capacity and what was the approximate cost for the clinker?

Venkatesh Katwa: Cost of production of clinker, it varies so badly, it is so much connected to the coal prices, but at today's coal prices, it is about maybe 3600 or so. This was about 6 months back, it was less than 2500. I can find out an average figure or a quarterly figure and probably mail it down to you.

Moderator: Thank you. The next question is from the line of Avinash Gorakshakar from ProfitMart Securities Private Limited. Please go ahead.

Avinash Gorakshakar: I have just one question to ask. Now we have seen a very major cement acquisition happening in the industry, Holcim stake has been sold to the Adanis. So, from your perspective, how is the cement industry going to flourish in the next 2 to 3 years, do you see some more consolidation happening in the sector, which will help better pricing power for cement companies, especially for a Company like you, which is operating in a very niche area. So, first of all, what is the outlook on cement prices and overall what is the kind of outlook if one were to look at the cement sector in the next 2 to 3 years? How does the Management look at this sector, if you can give some colour on this?

Venkatesh Katwa: It is my personal opinion large amount of consolidation has already happened. So, whatever remaining is are pretty much the big players. This is my personal opinion that another set of consolidation may not happen in immediate future. One thing I can tell you is in India at such the per capita consumption is at one of the lowest levels. When the world average is hovering around 550 kg per capita, we are around less than 200 kg and we are really not doing great even compared to SAARC Nations either. So, typically what I see is there is going to be a huge capacity addition in the next few years. I would say about 18 million tons is expected in this



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financial year itself. With this, the next 4 to 5 years, with the elections coming in and government's promise to front load the infrastructure, there is going to be a huge growth and we have already seen that and typically cement plant gestation period to add a new plant is almost 6 to 8 years and we don't see a significant amount of addition maybe 2 to 3 years down the line, at least from the perspective what we look at. So, I feel the existing cement plants will continue to grow and the cement sector appears to be in a very positive direction.

Avinash Gorakshakar: I have got another question which I wanted to ask you that in terms of the coal price hike, coal is a very important input, is there any raw material pressure for the Company? How is the Company placed on the raw material side? Any kind of increase in cost of raw material or the Company has managed to get raw material at adequately competitive price if you can sure that input also?

Venkatesh Katwa: Typically, coal is important for cement, most of the cement plants would work on imported coal and the petroleum coke, we are sourcing from Mangalore Refinery and Petrochemicals Limited. Because of our small size, we are getting the fuel very adequately and the other raw materials like limestone, they are available in plenty. So, I don't see any issue as of now based on the current situation having any challenge regarding getting the fuel or the other raw material.

Moderator: Thank you. The next question is from the line of Yashwanti Kerkar, an individual investor. Please go ahead.

Yashwanti Kerkar: I just wanted to understand that we are seeing the EBIDTA margin of 30%, which has been seen for the quarter 4 as well as for the full year. We are also seeing the scenario where the raw material prices and other prices are using where you are already putting an effort to use the green energy and all, but my question is, in this scenario, would the Company be able to maintain this EBIDTA margin or would you like to give an indication like EBIDTA margin may come under the pressure?

Venkatesh Katwa: Realistically, if I continue to use coal as my fuel, my EBIDTA margin would have been definitely under pressure. Since we changed the use of the type of fuel, which is less expensive compared to coal, I am hoping to continue with the same EBIDTA margins this year too.

Yashwanti Kerkar: And the EBIT for the cement manufacture has also increased from Rs. 7.67 crores to Rs. 24.19 crores in this year, so this you would see as a volume and a price play?

Venkatesh Katwa: Significantly because of volumes. Price realization compared to this quarter or compared to previous year was not very significant, but volumes did contribute to the jump. So, one more thing what happened in my particular case was in our cement industry, every cement plant generally has a very high component of variable cost. In my Company, the variable cost component is little lesser because my power I am self-generating. So, to me, an increase in the capacity will add a huge contribution margin compared to our regular cement plant where they



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have nearly 70% of the cost coming from the variable component. So, any increase in my volumes will have a significant impact on the margins like what we have noticed here.

Yashwanti Kerkar: As our cement is sold in the close vicinity of Karnataka and South Maharashtra, I believe that the rise in the crude prices are not affecting our freight prices because that is another important cost factor as far as cement production is concerned?

Venkatesh Katwa: I would not say significantly yes. So, our strategy has been very-very focused in the last one year. We are trying to cut down the average distance from the plant to the consumer and it has been successful. So, as we keep growing, investing in the marketing and sales activities, we are trying to cut down on the distance in what we should be able to sell. So, luckily what you say is true. As we come close to our plant, the impact of the crude oil will be less compared to many major plants. In fact, the plant where we are located, almost 80% of our cement is sold in the vicinity. In the same target market, a major plant has to come from over 250 km whereas we go not beyond 50 to 100 km. So, yes, this thing is right. The crude price will have a minimal effect compared to a lot of other major plants.

Yashwanti Kerkar: And what was our cement realization for a year, the year passed by in FY22?

Venkatesh Katwa: Our net cement for Q4 is around 3,995, which is around 4,000. For the entire year it was about 3,925. It is a little bump of about 100 over the previous year. The average realization I wouldn't say we added significantly, but only because of volumes like you rightly said, there was good contribution.

Yashwanti Kerkar: Sir, I missed the figure for the year, 3,991. So, the Q4, we are little?

Venkatesh Katwa: Quarter 4 is 3925 because quarter 1 and quarter 3 gave a good pricing to us.

Yashwanti Kerkar: Who are our major competitors in the area of our markets?

Venkatesh Katwa: In our sector, we see mainly JK Cement and I would say Dalmia Cement apart from of course tier 1 brands like ACC and Ultratech, we have Orient cement and little bit Penna Cement, significantly only JK Cement, I would say. JK and Dalmia are the major people whom we have to fight against.

Yashwanti Kerkar: I wanted to ask some more question on the financials, I have seen there is a drastic fall in our depreciation and amortization cost as far as QoQ is concerned, that is Q4 over the Q3, so any specific reason for the same?

Venkatesh Katwa: Some of the investment blocks what we had done earlier, they got completely depreciated. So, which is why you see on an average, this year the depreciation and amortization is much lesser.



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- Yashwanti Kerkar:** So, which is likely to go on the same level or little increased if you consider the FY23?
- Venkatesh Katwa:** Maybe a little increase because the new solar plant is added. The completion of entire plant was completed in the first week of April. So, that depreciation will happen in this financial year, FY23.
- Yashwanti Kerkar:** What was our working capital cycle?
- Venkatesh Katwa:** It is about 150 days. It is fairly high because we typically make sure we have a huge stock of raw materials being a small plant we make sure. We have to buy all the raw materials. We do not have our existing own mining, which is why we have to keep huge inventory.
- Yashwanti Kerkar:** What is our receivable in days?
- Venkatesh Katwa:** Average receivable in days is about 14 days and average payable is about 9 days.
- Yashwanti Kerkar:** As we are talking about the solar plant and we are selling it and we are seeing major incentives coming up. Is the profit comparatively higher if we compare with our traditional businesses and do you plan to invest more in the solar plant so that we can sell more power as that is the need of the time?
- Venkatesh Katwa:** At this point in time, we are focusing on increasing the capacity of the cement, our primary focus. Solar, as we finish off with the expansion of cement plant, we might look at solar again, but when we set up the solar plant, the incentives from the Government was abundant, very attractive. So, it has been scaled down now, but yes we will continue to grow in both the directions, but right now cement expansion looks very lucrative.
- Yashwanti Kerkar:** As this year has been the landmark year as we are crossing the Rs. 100 crores revenue, what are your plans for the next year?
- Venkatesh Katwa:** To begin with, cement CAPEX is one thing which is rattling the mind and once that investment is done, we would expect top line to go by almost 2x or more than that. Apart from that, I would say continue to work with the modernization of plants, pair down the cost, reduce our fuel consumption, reduce our electricity consumption per unit. So, these are the basic things which we will continue to pursue.
- Yashwanti Kerkar:** And going forward, our plan would be again to focus on the close vicinity of Karnataka, Maharashtra or you look forward to expanding your market reach?
- Venkatesh Katwa:** Absolutely because what has happened is only 4 to 5 districts, which are supposed to be close enough, the consumption is over 2.5 to 3 lakhs tons per year. So, if we focus hard on that, I



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would say more than that, 4 to 5 this will be about 5 lakh tons per year consumption and we are barely at 2.5 lakhs. There is going to be a significant penetration in the local markets.

Moderator: Thank you. The next question is from the line of Sachin Shetty, an individual investor. Please go ahead.

Sachin Shetty: I have 3 question. One is the current capacity, the current limestone capacity, what are the reserves available with us, that is one and for this CAPEX, have you taken any EC approval for the CAPEX. If no then what is the procedure, how long it will take?

Venkatesh Katwa: We are buying the limestone from about 14 to 15 vendors outside. In 2007, we secured a 305 acres mining lease from the Government of Karnataka, but we had some surface rights issues with Government of Karnataka which the matter is in Supreme Court as of now, but we are the only cement plant in that region who buy limestone and because of that, if you combine all of them, for example 300 acres land would have about 70 to 80 million tons of limestone, good enough for a 1 million ton capacity for the next 50 to 60 years and that with just depth of 50 feet. With the new technology what we are seeing, people are going with a depth of 100 to 250 feet. So, yes, the limestone reserves from where we source are more than 200 million tons.

Sachin Shetty: With this limestone, we don't have our own mining? We are buying from other vendor and what about the price, is it fluctuating?

Venkatesh Katwa: Not at all. Limestone prices are not at all fluctuating since we are the only buyers there right now.

Sachin Shetty: So, what is our understanding with them, have we done any contract with that vendor?

Venkatesh Katwa: No, we do not have any direct contracts. Typically, being a small plant, we give them purchase order for the entire year consumption. Since it is owned by them, we get to dictate what part of limestone we need and what part we do not. So, that helps us in keeping the quality of the raw material at the highest level. Yes, we have a single one-year consumption requirement. We give to them and based on that, we procure the limestone.

Sachin Shetty: In that area, many cement companies are there, like JK Cement, JK Lakshmi, Dalmia, so that much of reserves is enough for all the cement companies, right?

Venkatesh Katwa: Plenty. Just about 300 acres, like I said at 50 feet depth will cater to 1 million tons plant capacity for 50 years and now they can go up to 200 to 250 feet depth. So, limestone availability is plenty. In fact, to a large extent, the price of limestone has not even kept up with the inflation for us.



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- Sachin Shetty:** Second question is EC approval, so we are going for the CAPEX, have we required any EC approval for this or what exactly or already we have taken the EC approval, environmental clearance, for the CAPEX expansion?
- Venkatesh Katwa:** So, we have already taken the EC approval for up to 1,800 tons of clinkerization. Even though at this point in time, we are not looking at it, but right now what we are adding is the slag grinding capacity. The slag grinding does not require an EC clearance because it is through green, which means that the slag, which comes in the steel plant, we are consuming it here. So, it does not require EC at all. In fact, pollution control boards encourage us to utilize slag as much as possible.
- Sachin Shetty:** This 1,800-ton clinker, right now current capacity how much is there? You have taken EC up to 800 means current capacity, how much is that clinker?
- Venkatesh Katwa:** 800 tons per day.
- Sachin Shetty:** Approximately 1.5x you have already taken. So, no need to go for the EC approval for this expansion?
- Venkatesh Katwa:** Correct.
- Moderator:** Thank you. The next question is from the line of Ajay Agarwal from Funds Guide India. Please go ahead.
- Ajay Agarwal:** I just wanted to understand and have a clearer picture. I think your EBIDTA margins on the power sales are pretty higher compared to the cement. So, out of your Rs. 113 crore sales in the total year, Rs. 15 crores are coming from the power. So, if you can, over a period of time, just explain to us how the 2 businesses have different operating margins as well as CAPEX requirement, then we could get a clearer picture of how the direction of the next few years are going to be on both fronts and where we get the better type because Rs. 15 crores in power sales EBIDTA would be more or less Rs. 15 crores itself?
- Venkatesh Katwa:** Part of the power is utilized in-house. Otherwise, we are producing power worth almost of Rs. 35 crores.
- Ajay Agarwal:** So, your sale is Rs. 35 crores is fully outside?
- Venkatesh Katwa:** Like I said, about 50% or so we are utilizing in-house. So, we are able to sell only 50% of the sales over there.
- Ajay Agarwal:** So, we have been able to sell Rs. 15 crores outside or what is that figure?



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- Venkatesh Katwa:** Correct, Rs. 15 crores is what we have sold after consuming in-house. The balance power we have sold outside.
- Ajay Agarwal:** So, on that Rs. 15 crores, EBIDTA would be fully Rs. 15 crores?
- Venkatesh Katwa:** Almost, you are right, may be Rs. 14 crores because O&M cost is not very significant in power.
- Ajay Agarwal:** So, your EBIDTA was Rs. 35 crores, which is a total, Rs. 15 crores is from power and Rs. 20 crores is from cement?
- Venkatesh Katwa:** Correct, I would say in approximation, I would not say it is accurate. I have not looked at the figure, roughly in that direction.
- Ajay Agarwal:** Similarly, when you are saying you have just added your own internal capacity that means 25 MW next year will be totally selling outside. So, 25 MW would be able to generate what type of units of power?
- Venkatesh Katwa:** Typically, about 3.7 core units per year is what we generate in there and even expecting about Rs. 6.5, the math is around 3.7×6.5 . If we get the best price around Rs. 22 to 24 crores is what we should realistically expect.
- Ajay Agarwal:** From Rs. 15 crores this year, we could have a sale of about Rs. 20 to Rs. 25 crores?
- Venkatesh Katwa:** Yes, because our 12 MW generation started in Q4 itself, so this year, the entire power will be captively consumed, which means that the first plant will have excess capacity.
- Ajay Agarwal:** From Rs. 15 crores this year itself, you will have EBIDTA of Rs. 20 to Rs. 25 crores from the power itself and then you are talking about doubling the capacity of cement. So, that will be another stream of income and revenues?
- Venkatesh Katwa:** Absolutely, but doubling will not show up in this year.
- Ajay Agarwal:** That's a broad line. Basically you have become strong by EBIDTA on the power, which you've already done the CAPEX, then this will come this year onwards. So, maybe if you could tell us the division of the 2 businesses of sales and EBIDTA, it will enable us to understand it better. It is nice that you have done such a large CAPEX, which will give us the benefits now.
- Venkatesh Katwa:** Absolutely and we will continue to look at cement plant also, which was also in a smaller capacity. Once we start heading towards doubling the capacity, the contribution margin generally starts to go up and what we are adding is not the main equipment of the cement plant. It's a grass root integrated plant like we have a crusher, the raw mill, the kiln, only we are adding one grinding capacity for slag, which directly impacts on the revenue.



*Shri Keshav Cements and Infra Limited
May 16, 2022*

- Ajay Agarwal:** So, that grinding capacity will be quite a small percentage compared to setting up a new plant?
- Venkatesh Katwa:** No. It will be huge, the grinding capacity will be equivalent to what we have current capacity.
- Ajay Agarwal:** What I am trying to say is that CAPEX cost if were to do for setting up a full plant like hypothetically 3 lakh unit you are producing at the moment and you convert to double the capacity to another 3 lakh, so if you were to take a million-ton type of a capacity for setting up a new plant that would be worth about Rs. 500 to Rs. 600 crores, that is what the whole thing is? If you were to set up a new 1-million-ton plant, the capacity cost is high, for grinding it will be only 20% of the new plant.
- Venkatesh Katwa:** Absolutely right.
- Ajay Agarwal:** So, you will look at quite a small CAPEX to double your capacity compared to setting up a new plant?
- Venkatesh Katwa:** Absolutely. It is very miniscule like you rightly said, maybe 20% or even less than that, with that we will reaching to what we're looking at.
- Ajay Agarwal:** So, you could soon become a million-ton player in another 2 to 3 years' time.
- Venkatesh Katwa:** Yes. We are looking forward. That is the direction we are going to.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Vastupal Shah for closing comments.
- Vastupal Shah:** Thank you everyone for joining the conference call of Shri Keshav Cements and Infra Limited. If you have any queries, you can write us at vastupal@kirinadvisors.com. Once more many thanks to Management team and the participants for joining the call. Thank you.
- Moderator:** Thank you very much. On behalf of Kirin Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.