



**“Shri Keshav Cement and Infra Limited
Q3 FY '23 Earnings Conference Call.”
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MODERATOR: MS. SUPRIYA MADYE – KIRIN ADVISORS

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY 23 Earnings Conference Call of Shri Keshav Cement and Infra Limited 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 star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Supriya Madye from Kirin Advisors. Thank you and over to you.

Supriya Madye: Thank you. Good morning, everyone. On behalf of Kirin Advisors, we invite you to the Q3 FY 23 conference call of Shri Keshav Cement and Infra Limited. To discuss the performance of Q3, we have on the management, Mr. Venkatesh Katwa, Chairman. Mr. Vilas Katwa, Managing Director, and Mr. Deepak Katwa, Executive Director and CFO. To give you the opening remarks I now hand you over to Mr. Venkatesh Katwa. Thank you, and over to you, sir.

Venkatesh Katwa: Good morning everyone. Wish you all a very safe, healthy and prosperous 2023. I welcome you all to the third quarter financial year 2023 conference call for Shri Keshav Cement and Infra Limited. Shri Keshav Cement and Infra Limited is the Karnataka based cement company having two business verticals. One is a cement division with the current capacity of around 0.35 million tons with two manufacturing units and the second division being the solar power of capacity 37 megawatts which is close to the cement plant.

Cement demand is robust on backup increasing spend on housing and infrastructure. Your company servicing in tier three segment typically North Karnataka, South Maharashtra and Goa regions and will not advantageous position to be benefited by the rising demand in the region of its presence. The company has three basic advantages apart from the locational advantage, the abundant supply of important raw materials limestone, capitalist power generation whose cost is less than 1/4 or 1/5 of the market price as on date. And were able to meet the rising demand in the area by saving in terms of site cost because we're closest to the market.

Further as a demand is robust, it has allowed us to take a price hike of nearly 5% in the reported quarter. So typically on industry outlook India has a lot of potential for development in infrastructure and the construction sector and cement sector is going to be largely benefiting from this development. Also, on the back of rising rural housing demand, the consumption of cement in India has been growing consistently and it is one of the cheapest products to buy in terms of rupees per kg of material. Strong expansion of industrial sector which is fully recovered from the COVID 19 pandemic shock is another main demand drivers for the cement industry.

As a result, there is a strong potential for an increase in long term demand from cement. Some of the recent initiatives such as development of 98 Smart Cities is going to provide a great fillip to the industry which it has already begun to show the results within the budget of 2023 around 33% increase in the capital investment outlay to 10 lakh crores this goes very well for the demand

for building and construction material. The future is definitely optimistic with the strong demand outlook.

So, typical business outlook for our company or for the company management is working on the plan to increase the capacity from current 0.35 million to 1 million ton by adding only the balanced equipment which are basically focused to reduce the power and fuel consumption. The entire plan is based on strategy where a new set of new machinery will be added set of machinery will be modified to achieve reduction in power and fuel consumption and also a given increase in production of bunker. We expect substantial improvement in revenues with curtailment in operational expense improving the profitability. Currently, our industry doing very, with old technology wouldn't be considered running in a very efficient manner.

Most of the larger industries who have done this kind of modification about 10 years back are enjoying the benefits. All that we're doing is investing in the same technology and coming at par with most of the major plans. Now, let me take you to the company's performance. I'm very happy to announce that the revenues have increased by over 20% to 34.81% for this quarter. The EBITDA has gone up to 10.44%, which is up by 9.36%. And PAT has been at INR 1.39 crores with EPS being at INR 1.16 crores.

And if I look at the nine months results corresponding to the nine months of three years financial year, revenues have gone up to INR 93 crores almost with almost 17.2% increase. Revenues from solar generation have almost doubled to around INR 15 crores from earlier INR 7.86 crores. This is typically an addition of new 12 megawatts which was commissioned in December 2021. So EBITDA for nine months has gone up to INR 28.70 crores, which is up by nearly 9.08%. And PAT has gone up to INR 29 crores, which is almost 315% higher than the similar corresponding previous financial year. EPS for nine months being at around INR 24.18. With this, I conclude my discussion on the company and what I will be looking at. I will be very happy to address any questions anyone might have. Thank you.

Moderator: The ever first question from the line of Anupama Bhootra from Arihant Capital Markets. Please go ahead.

Anupama Butra: The first question is regarding fuel power and freight freight costs, if you can quantify for this quarter versus last quarter and similar last year's quarter, this is my first question. And the second question is like, there's going to be robust demand considering government initiatives and so many other initiatives. So it can be a game changer for small to medium scale companies, but just wanted to understand what are the company's strategies and plans to capture and tap this upcoming opportunity? So Yes,

Venkatesh Katw: So first question, I missed on some little details. So did you want the power price of this quarter compared to the last quarter?

Anupama Butra: Yes, fuel cost and freight costs, in fact, lead times can give us some data points.

Venkatesh Katwa:

So, the fuel costs typically, which is why you see our cost of raw Motors has gone up by nearly about 60% to 70% is primarily on account of increasing the fuel cost. That is, because up till now, we were using the old coal stock, which was purchased about last year. So this quarter we have completely switched over to petroleum coke because utilizing coal or buying coal at the current prices would not be feasible and the company had done some kind of a modification to the plant about two quarters back so that we could use entirely pet coke just like all the other major plants.

But the cost of pet coke itself also has gone up, not as high as coal, but it has still gone up. In the last quarter, the coal that we used, the average price of coal was around INR 8,000 per ton. And in this quarter, we have used pet coke, whose average price is around INR 16,000 per ton. Even though petroleum coke has very high carbon value compared to the coal, but still there's been absolutely increasing the cost of fuel, which is why we tend to see that the cost of raw material has gone up in the figures.

So as far as the logistics is concerned, in a significant manner, most of the logistics is out of the purview of this balance sheet because the company has been selling significant, almost 80% of the cement by the ex-plant basis. So even whatever increase or decrease in logistics cost available in the market has been successfully passed on to the customers. So I do not have exact price increase data per se, but since we have been selling most of the product on ex-plant basis, we have shielded ourselves against increase in the site cost. So did that answer the question?

Anupama Butra:

Yes. So, in terms of logistics cost like you need to say 100% is passed on to customer?

Venkatesh Katwa:

Correct, since we sell most of the cement on ex-plant basis.

Anupama Butra:

Okay. Okay.

Venkatesh Katwa:

So, typically, we asked the dealers to take the, they get the other benefits and it goes down. We also don't do research it goes up. And the second question you asked was regarding how are we going to adapt to the changing scenario and expected demand.

Anupama Butra:

Yes. I mean, you have a lot of opportunities coming. So, for companies Keshav and other medium, small to medium companies, it can be a game changer.

Venkatesh Katwa:

Absolutely, absolutely. So, there was a time when dig was beautiful, but now what is happening is efficiency is going to be the key. For example, logistics do definitely play an important role for the final price on the retail side. So, if a major plants have to supply cement in my market area, this pending not less than about INR 1,800 to INR 2,000 per metric ton, as opposed to what I'm spending around six or what my customers will be paying around INR 600 to INR 800 per metric ton. So that delta benefits I tend to get and with this company is also planning on modernizing the plant.

So that not only there is a fuel and a power efficiency, there is an increase in production. So at 1 million ton level, you could build for larger infrastructure investment projects, which the

company is not able to do right now, because of sudden inefficiencies because the plant being old, which is a sick plant purchased in 2007. This plant was built in somewhere in 1980s. So now that with a modification, we will be at par with the cost of production with all the major plans, and then the biggest benefit will have.

We will be able to supply to the bigger markets like Pune, Bangalore, which becomes restricted right now because of lower EBITDA margins compared to other plants. So our restriction comes from local market itself. But in spite of that, we have a very good brand image in the local area. We sell almost at par with Tier 2 brands. With the expansion, we look forward to capture better and a bigger market.

- Anupama Butra:** Okay, Thank you so much.
- Moderator:** Thank you. We have a next question from the line of Raaj from Arjav Partners. Please go ahead
- Raaj:** I am intending to ask about FY'24. So how would your sales figure going to look like?
- Venkatesh Katwa:** I couldn't get the word exactly. How does work look like?
- Raj:** Now it's fine.
- Moderator:** No, it is breaking.
- Raj:** Now it's fine? Hello, can you hear me now?
- Venkatesh Katwa:** Yes.
- Raj:** I am intending to ask how will your FY'24 going to look like from sales and everything margins?
- Venkatesh Katwa:** Okay. So FY'24, since the expansion what we're doing will show up as a full capacity in FY'25. FY 24 will certainly be better than the correct FY'23 only because of two main reasons. The cost of power generation will keep going down as we keep repaying on the interest, and the selling price of power will keep going up. And with the utilization of petcoke companies hoping to better his performance in FY'24. But still we will not have seen an expanded capacity then, but to some extent, there is going to be improvement in efficiency as well as in production.
- Raaj:** Also can we expect the expansion which you are doing so it will be into the system from FY25 onwards right?
- Venkatesh Katwa:** Correct. So, expected completion date is around March and April 2024. We're keeping about, you know, one or two months as a teething issues. Yes FY'25 should show the full capacity.
- Raaj:** Full capacity. All right. Thank you. Have a good day. Bye.
- Venkatesh Katwa:** Thank you.

- Moderator:** Thank you. We have a next question from the line of Hemant an Individual Investor. Please go ahead.
- Hemant:** Hi, sir. Good morning.
- Venkatesh Katwa:** Good morning. Good morning, Hemant.
- Hemant:** Sir, I have few questions related to both cement and solar. So, my first question is related to solar. We have invested around INR 190 crores in solar from FY 18 till date. So, what is the total ROI which we have till now in solar?
- Venkatesh Katwa:** ROI for solar is slightly higher side. I calculated the exact figures, but our EBITDA is coming in the range of, so this year for nine months our EBITDA for solar is around INR 25 crores, and with the last quarter being adding up around INR 32 crores to INR 35 crores EBITDA is expected from solar. So you could say, return on investment would be around three to four years or so.
- Hemant:** So in four years we will be, we have touched this INR 190 crores.
- Venkatesh Katwa:** Correct, around five years, sorry. Yes.
- Hemant:** Five years, okay. Sir, in terms of cement in FY'18, our capacity utilization is 88%. And from 88, we came up to 37% in FY'20. So, any particular reason for that.
- Venkatesh Katwa:** So, FY'18, we were operating at 0.1 million ton capacity. We are almost 90% capacity utilization. After the expansion of nearly three times the, capacity utilization has come to around 63% last financial years FY'22. So this FY'23, we will be bettering it. In fact, by this quarter capacity inflation was around 73%.
- Hemant:** Okay, so only because the capacity increased, we can see the drop in utilization?
- Venkatesh Katwa:** Correct. Correct.
- Hemant:** But there is no drop. So there is no...
- Venkatesh Katwa:** There's no drop in the quantity or sales, only the capacity utilization because there we have to calculate utilization against the rated capacity.
- Hemant:** Okay. Sir, one thing I want to understand regarding this solar. We are doing INR 30 crores-INR 35 crores EBITDA per year. So what how much percent we are using internally and how much we are selling outside for the current capacity?
- Venkatesh Katwa:** Around 40% were utilizing inside, 35% to 40% were utilizing inside and we are selling nearly 65% outside. But with the expansion of one million ton we'll start consuming 90% inside and 10% will continue to sell outside. We still are over capacity in solar even for 1 million ton.
- Hemant:** Sir, what is our targets, sir, from FY'25 onwards? What will be our target of capacity utilization, target 1 million ton?

- Venkatesh Katwa:** Even if I go by 60% utilization for the first year, we are expecting a line up around INR 350 crores to INR 400 crores with better EBITDA margins because the whole project is based on the concept of fuel and power efficiency.
- Hemant:** So if we calculate 60% utilization in the past, we can identify our EBITDA be INR 60 crores if we calculate INR 1,000 per ton. Is that right?
- Venkatesh Katwa:** Yes, yes, that is what we're looking at. Yes.
- Hemant:** Here is where I have major query. When we start increasing our capacity for solar internally our solar EBITDA comes from. So now it is INR 35 crores but in FY'25 it will come to INR 20 crores or INR 15 crores. Is my understanding right?
- Venkatesh Katwa:** No. Solar EBITDA is based on the value at which cement is consuming. The capital consumption is also taken as a value for solar. So which is why my cement EBITDA is around INR 230 to INR 300. Precisely because I have considered the cost of power at the price what I am selling off site. So EBITDA for solar will continue to remain as it is. This INR 1,000 is what we are talking about. It is considering the cost of power at around INR 7 which is what we are selling.
- Hemant:** Once the ABETA increases in cement whatever amount we are getting in solar now that will get captured in cement EBITDA. So EBITDA will get increased
- Venkatesh Katwa:** All right. So, I will clarify that point cement solar EBITDA of INR 30 crores to INR 35 crores will continue even if you're utilizing 90% power inside. The cement EBITDA I'm calculating assuming the power cost of my sell price. In short, if you're taking the -- it is a captive power generation. Instead of if you're taking EBITDA based on only what I'm selling, my cement EBITDA will go from 60 currently about INR 5 crores to INR 6 crores, what you have to nearly about INR 90 crores in the direction of the calculation what you're thinking. I'm separating solar EBITDA assuming the capital consumption is sold at a price to internally.
- Hemant:** Okay, now I got the answer, thank you so much.
- Venkatesh Katwa:** So INR 1,000 EBITDA target what we have done for cement is because that includes the cost of power. If I don't include the cost of power, my EBITDA part doesn't reach almost INR 2,000. But yes, I hope I could clarify that.
- Hemant:** Once this capacity increases, do we have a good number of dealers in larger cities like Bangalore, Mumbai?
- Venkatesh Katwa:** Typically, I would -- so what typically would happen is my first target is going to be in institutional buyers, lot of us because the government buying which I'm not able to do right now because of limited EBITDA and that I have to carry to my existing dealers. And institutional buyers are long term buyers and large quantities which I'm not able to service at the current capacity. So I will continue to hold my local area almost 80% of my sales, maybe 20% I will look outside the home market.

- Hemant:** Okay, that's it. I don't have anything else. Thank you so much and all the best for this year.
- Moderator:** We have a next question from the line of Vaibhav Shah from Kojin Research. Please go ahead.
- Vaibhav Shah:** Thank you. Congratulation on good setup number. Sir I have few question related to expansion. How are we finalizing the fund raise for the expansion?
- Venkatesh Katwa:** Sure. So just last week the entire fund raise has been done. The project cost is around INR 125 crores and bank has agreed to fund INR 80 crores, the rest INR 45 crores we are raising equity-wise preferential issue. So we have begun to negotiate, we have reached some soft commitments, so most likely next couple of weeks we should be able to close it.
- Vaibhav Shah:** Okay. So, INR 80 crores will be the debt funding and around 40, 45 will be from the preferential equity.
- Venkatesh Katwa:** Yes.
- Vaibhav Shah:** That is at what level, at what rate we are finalized?
- Venkatesh Katwa:** I have to still receive the sanction letter from the bank but from my internal resources around 9.1% is the rate of interest what they have indicated on the committee table. So unless I get it on hand, commenting beyond this is very difficult. So our current debt is -- outside debt is around INR 152 crores on the books. Outside debt you mean only outside term loans excluding promoters debt or excluding working capital.
- Vaibhav Shah:** So, as on FY22 you had a total debt of around INR 200 crores. Out of which INR 150 crores is from outside and rest is of promoters. Is this correct?
- Venkatesh Katwa:** Okay. FY'22 around outside liabilities were INR 172 cores and rest coming from promoters loan and working capital. That 172 has come down to around 154 rounds.
- Vaibhav Shah:** Okay. Okay. Got it. So this 150 is that with what cost?
- Venkatesh Katwa:** Most of it is because of solar.
- Vaibhav Shah:** Yes, that I got it. But what is the interest cost for this?
- Venkatesh Katwa:** Right now it is 9.55%.
- Vaibhav Shah:** 9.55%.
- Venkatesh Katwa:** That is planned to be reduced to 9.1%.
- Vaibhav Shah:** So your overall old chunk will reduce to the 9.1%. So once we are assuming the debt is coming in, so what will be the total debt including the promoters contribution in this after the expansion?

- Venkatesh Katwa:** So after the expansion what typically is happening is all the promoters debt in the books, we are converting that also into equity -- the fresh equity of INR 45 cores what we're raising. So the equity conversion at the time of preference issue would be INR 45 cores from the investors, around INR 30 cores promoters will be investing by converting the unsecured debt into equity. So typically in books we'll expect around INR 75 core equity to come and around INR 80 core debt to show up after the closure of preference issue allotments.
- Vaibhav Shah:** So, overall debt will be around 150 plus 80, right?
- Venkatesh Katwa:** Yes, 150 plus 80 is 230 is going to be debt and it will equate it from current 50 to 130.
- Vaibhav Shah:** So what will be the promoter will be holding after the conversion and the preference if you have done any calculation approximately?
- Venkatesh Katwa:** Sure, approximately right now, we are holding the promoters holding about 73%. Post prep likely that we will hold around 64-65%
- Vaibhav Shah:** Okay, apart after conversion also.
- Venkatesh Katwa:** Correct.
- Vaibhav Shah:** The conversion you're planning will be about the same as preferential price or it will be a bit different.
- Venkatesh Katwa:** No, same price...
- Vaibhav Shah:** So on the expansion front, I mean just to curious how much time it will get to the plant up and running? I think you have answered in some of previous questions, but I just want a bit more clarity. What will be the lead time for the equipments and all and how much time it will take to let's say trial run and to stabilize the plant? It will be to be the fully operational?
- Venkatesh Katwa:** Sure. So typically, as of now, based on the negotiations and, you know, assurances from our suppliers, typically it would take about 14 months from first big to first bag out. But some part of the work, we have already begun with the internal resources. So at the moment, the funding is flowing in. The full work will start by end of March. So we are talking about 12 months. The target is to complete by March 2024. You could take a grace of another couple of months just in case.
- Vaibhav Shah:** So I think you've been in your presentation also you've mentioned some five, six equipment that we will be needing. So from the internal across what you have started, on which equipment you have started working?
- Venkatesh Katwa:** Some of the efficiency equipment like what is known as we have a cement mill. So we are changing the dynamic separator by which the fineness of cement will increase. We could add more additives by way of slag, thereby reducing the cost of production by around 4% to 5%. So that is something which we will, you know, I think most likely by March 2000 or April 2023 we

should be able to commission that. It's a small project, less than around INR 5 crores costing. But that should get completed in the next two or three months.

Vaibhav Shah: I was just taking bit more time. Two questions related to Q3 numbers. So, what was your average EBITDA per ton for the Q3?

Venkatesh Katwa: Q3 average cement EBITDA was around INR 245. And industry is around INR 1,000, INR 1,200. Like I said, mainly because our power – we have a power and a fueling of efficiency. I'm having all positive numbers only because of solar, which will continue to stay with me. But now the management wants to fix the cement habitat problem, which can be done by modernizing the equipment.

Vaibhav Shah: So In this, I can see a bit of a dip in the price margins. So, EBITDA has grown but the PAT has declined. So what was the reason behind that?

Venkatesh Katwa: PAT, typically again due to change in -- change in fuel costs. So fuel costs have been very erratic.

Vaibhav Shah: I'm not saying your EBITDA has increased on quarterly basis and nine month basis but PAT has slightly declined not in much but slightly declined. So any particular reason? So your Q3 PAT has gone from around INR 1.6 CR to INR 1.4 CR against previous year.

Venkatesh Katwa: Yes, I can see that mainly because of -- I need to check that could be mainly because of... beta is increased. No, that is because of increased finance cost.

Vaibhav Shah: So any debt increased or what was that? Because I think your debt has reduced during the year. So why the finance cost increase was there? I just wanted to understand that?

Venkatesh Katwa: Okay. So since we have started with some internet work on some of the equipment, we have utilized the overdraft limits at a higher level compared to the earlier quarter. If you look at the utilization of our overdraft limit, it was less than 50% in Q2. But in Q3, it has reached 80% utilization because funds, since we are utilizing from internal accruals, those are the funds which were parked in overdraft limits had to be used. So that impact will show up in the interest cost.

Vaibhav Shah: Going forward when our debt is increasing, so how much impact, how much we can sustain easily? I just wanted to understand what amount of debt servicing we can do easily.

Venkatesh Katwa: Currently we are positive, very high on positive this year. So you are talking about post expansion?

Vaibhav Shah: Yes, post expansion.

Venkatesh Katwa: The expansion will be much, you know, the repayment capacity will increase by nearly three times higher. Like I said, our current EBITDA per 10 is around INR 250 and we are targeting INR 400. And with that, you know, in fact banks, we had initially asked for 10 years repayment schedule. Looking at our DSCR, banks wanted to give us only five years. You have a very high

DSCR, very high profitability. Somehow we finalised on negotiating it. We concluded for 8 years now.

Vaibhav Shah:

So it will be the same banker. I think Canara is your primary banker, correct?

Venkatesh Katwa:

The only banker, yes. The sole banker. So we are not letting Canara to go anywhere else, in any case.

Vaibhav Shah:

That's great. That's very encouraging.

Venkatesh Katwa:

History of not a single day default, not a single rupee delayed since inception till date and our bankers know about it.

Vaibhav Shah:

So any chance of changing the structure of fund raising like reducing debt and if you are getting a good commitment from the investors. So any chance of changing the structure or you have finalized for the 80-40-45?

Venkatesh Katwa:

Yes, so this is what even our banks asked us, even with ADR repayment, our DSR was crossing around 3.5 times. So they did take an undertaking from us that in case we have surplus cash flows that we utilize towards closing the loans. Yes, the management will look at doing that the moment we have surplus funds, which is a very high possibility from FY'25 onwards. And that would be unless we want to go for another expansion or additional capacity that will be the direction we want to go.

Moderator:

We have a next question from the line of Himani from Suraj Research.

Himani:

Good morning, sir. My questions are, today we are selling solar power. After expansion, would it be possible for company to sell solar power? How would it impact our margin?

Venkatesh Katwa:

Yes. So typically, even now the EBITDA calculation that I am speaking of or showing on the document, is including the consumption that we are doing. For example, when I mentioned cement EBITDA of INR 250 that is considering the cost of power, even though it is free of cost for us in-house. But I have considered the cost of power at the price that we are selling outside. So with the expansion, of course, our, you know, sale of power will go down from current about 60% to 65% to less than 10%.

But then the benefit of that we would be gaining in cement. So cement, you know, solar EBITDA will continue to show as it is, even when we consume it internally. That is because part of it we are selling it outside. If you look at present EBITDA what we are generating, it is higher than, you know, about INR 1,400 per metric ton. That is solely because the cost of power is less than INR 2 right now. So yes, after post-expansion we will be consuming 90% of the power in house and EBITDA for solar will continue to show.

Himani:

And the other question is solar revenues is almost double in ninth month. Can you please explain in terms of capacity and future outlook as per -- as far as revenue contribution is concerned?

- Venkatesh Katwa:** Did you say ready mix concrete?
- Himani:** Yes.
- Venkatesh Katwa:** Okay. The solar has doubled only because the new capacity was added in the last financial year. I think in Q2 or Q3 we added 12 megawatt which was almost 50% addition which is why we see that increasing sales in solar. So regarding ready mix concrete, it is a great new opportunity for our cement plant. Not only does it give a very high top line, it will be a surprise, if we were to use the entire cement into making RMC, which is a possibility, our top line increases by nearly four times because each About 6-7 bags can produce 1 cubic meter of ready-mix concrete. The company is looking into that direction but right now the focus is only on expansion and once the expansion starts taking shape that is something the management will definitely look into.
- Himani:** My last question is as consolidation of cement capacity is happening in industry, would you like to share cement division attractive prices is offered pricing is offered?
- Venkatesh Katwa:** You'd be surprised but you know they say everything has got a price. There is a very good price. Yes management will definitely consider it if it adds to the wealth of the shareholders but you know at this point in time management is completely focused in not only increase this capacity we have a existing land with us which where we can add another two million ton in capacity. And another good news has been there is the railway line which is passing adjacent to my boundary which will be laid down in the next couple of years. So that could be used as a freight for a cement plant. So when everything of that comes up we are expecting the valuation of a plant to go high. Of course at that time maybe we could look at any possibilities.
- Moderator:** You have a next question from the line of Siddhartha Ahluwalia, an Individual Investor.
- Siddhartha Ahluwalia:** Two questions to ask. So my first question is, what is the quantum of price hike taken?
- Venkatesh Katwa:** Quantum of what?
- Siddhartha Ahluwalia:** Price -- price hike taken.
- Venkatesh Katwa:** Quantum of price, there are around 4.6% is what we have noticed compared to Q2 and Q3. So around INR 170 per ton is what we are showing on our books compared to Q2.
- Siddhartha Ahluwalia:** And so what is the capital expenditure for plant capacity expansion through equipment balancing and modernization?
- Venkatesh Katwa:** So, the capex cost is estimated around \$125 to increase the capacity from 0.35 million tons to 1 million tons. That is around \$25 per ton compared to industry standard of \$150 per ton if we are to set up a greenfield project. One of the reasons why we have so low capex cost is because Some of the equipment we had modified in 2018 expansion, keeping in mind this one million in future expansion. The land is not bought new.

We have sufficient power from our capital units. And the entire support structure, the laboratories, the stores, everything is intact. We're only modernizing the kiln and increasing the graining capacity because of which the capital cost is low. So the project cost is around INR 125 crores with INR 80 crores being raised from the bank and the rest only INR 45 crores from equity from preferential issue.

Siddhartha Ahluwalia: So you mentioned additional land, so is it in company name?

Venkatesh Katwa: No, no we are not buying. There is no requirement of additional land assets. We will be doing within the existing factory premises only.

Siddhartha Ahluwalia: Okay, and how it will be funded?

Venkatesh Katwa: So funded about out of INR 125 crores project cost INR 80 crores will be funded by the bank and remaining INR 45 crores by equity by raising through preferential allotment.

Siddhartha Ahluwalia: What is our EBITDA per ton? Is it still low in comparison to industry norms?

Venkatesh Katwa: We are extremely low. Our EBITDA per ton is around INR 245 this quarter or around, say, about INR 250 per hour this nine months compared to industry average of around INR 1,000 to INR 1,400. That is mainly because, like I mentioned at the beginning, the plant is very, very old, which is why we are trying to correct now.

So for my actual consumption is almost 30% to 40% higher than the industry standards. My power consumption is almost 80% higher than the industry standards. That is because I'm driving old, very old ambassadors with a very, very bad average, which is what we are trying to fix in this model machine now.

Siddhartha Ahluwalia: And how much capacity is now being used?

Venkatesh Katwa: So it is at least 73% this quarter.

Moderator: We have the next question from the line of Sandeep Mane from SM research.

Sandeep Mane: I have some questions. So our first question is, can you please share your production and sales volume of events for Q3, FY '23 and nine months FY '23?

Venkatesh Katwa: Sure. So for Q3, we were able to produce and sell around 65,400 tons compared to Q3 of previous year which was around 51,550. So for nine months ended, it is 1,72,000 tons in Q3 FY '23 for nine months compared to the previous nine months of the previous year around 158,000 tons. So there is an increase of around 10%.

Sandeep Mane: Sir, our EBITDA margin in Q3 FY '22 was 32.9% and in this quarter it is 29.88%. Sir, can you explain the reason for falling EBITDA margin? And what do you expect for FY '23?

- Venkatesh Katwa:** Typically, EBITDA margin has reduced mainly because of the change in the fuel cost. So even though we -- in Q3 FY '22, the company was using coal as the main fuel. In Q3, it is changed to petroleum coke. Even though -- so in Q3 FY '22, we could only use coal. Petroleum coke price always about 20%-30% less on per kilo calorie basis compared to coal. So petroleum coke is always lesser. But we could not use it in the last year. We did some modification and we started using this from Q2 onwards. Q2 of FY '23 onwards.
- So once we consumed the old coal, now when we shifted to petroleum coke, Even though based on today's prices, even though pet coke prices are lesser, on absolute cost it has increased compared to the quarter three of the previous year, which is what has impacted our EBITDA margins. It would have significantly impacted but had there not been solar. Some of it is because of additional capacity of solar.
- Sandeep Mane:** Sir, what is the average production cost for Q3 and nine months?
- Venkatesh Katwa:** What is what?
- Sandeep Mane:** What is the average production costs for Q3 and nine months?
- Venkatesh Katwa:** Q3 and nine months, right? Yes. I couldn't calculate it on this basis, but hold on, I can just give a quick figure -- it should not be a problem. Yes. So in balance sheet it will show up. I would say production costs could have increased a little bit compared to Q2. Only if you look at cement. Again because of the same reason what I mentioned.
- Sandeep Mane:** What about the debt reduction? Any process on that?
- Venkatesh Katwa:** Debt reduction? Yes. So, at this point in time, the company is looking to expand and, you know, this thing. So, we will be taking more of that, this financial year. But yes, after the expansion is complete, we would expect, we will, that will be the first choice to go if we have to look at surplus funds. Unless we want to invest in some productive assets of more solar capacity or more cement capacity, company will utilize the solar, you know, surplus funds towards that from FY '25 onwards. Most of the debt that we see on the books is because of solar which is very typical and you know, if I separate this debt, less than 25% of the debt was chosen for cement.
- Sandeep Mane:** Why don't you separate both? Solar and cement?
- Venkatesh Katwa:** No, they are -- I mean, if we have to separate on the company basis, then we will have to set up an SPV. As of now, there are two different divisions. They are all both in the same company, so we have to be showing the consolidated results. In segment-wise, that will show up the segment-wise distinction on the debt side.
- Moderator:** As there are no further questions, I now hand over the call to Supriya from Kirin Advisors for closing comments over to you.



*Shri Keshav Cement And Infra Limited
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Supriya Madye:

I thank you all the participants and their management team for organizing this con call. Thank you everyone. For any further queries you may reach us at research@kirinadvisors.com Thank you so much and good day.

Venkatesh Katwa:

Thank you all.

Moderator:

Thank you on behalf of Kirin Advisors that concludes this conference. Thank you for joining us and you may now disconnect lines.