

**“Mangalam Cement Q4 FY22 Conference Call hosted
by PhillipCapital (India) Private Limited”**

May 10, 2022

MANGALAM CEMENT



**MANAGEMENT: MR. YASWANT MISHRA – PRESIDENT CORPORATE AND
CFO, MANGALAM CEMENT LIMITED**

**MODERATOR: MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA)
PRIVATE LIMITED**

Moderator: Ladies and gentlemen, Good day and welcome to the Mangalam Cement Q4 FY22 and FY22 Conference Call hosted by PhillipCapital (India) Private Limited.

As a reminder for the discussion of this conference all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vaibhav Agarwal of PhillipCapital (India) Private Limited. Thank you and over to you, Sir.

Vaibhav Agarwal: Thank you Aman. Good evening everyone. On behalf of PhillipCapital (India) Private Limited we welcome you to the Q4 FY22 and FY22 Call for Mangalam Cement.

On the call, we have with us Mr. Yaswant Mishra – President Corporate and CFO of the company.

I would like to mention on behalf of Mangalam Cement and its management that certain statements that may be made or discussed on conference call maybe forward-looking statement related to future developments and current performance. The statements are subject to number of risks, uncertainties and other important factors which may cause the actual developments and results to differ materially from the statements made. Mangalam Cement Limited and the management of the company assumes no obligation to publicly update or alter these forward-looking statements whether as a result of new information or future events or otherwise.

I will now hand over the floor to Mr. Mishra for his opening remarks which will be followed by interactive Q&A. Thank you and over to you.

Yaswant Mishra: Good afternoon again. This year after just when COVID happened and we all recovered practically by God grace and industry was doing good and it did much better in this year on all parameters.

We at Mangalam Cement also have done our best just to inform you few things that we have done highest ever sales at Mangalam Cement during this year. We got a growth of 18% from last year. We have dispatched a highest ever PPC cement of 22.17 lakh tons in this year. Highest ever collection also more than 2,000 crores around 2,047 crores and we have started dispatching maximum quantity, we have dispatched around 50,000 tons from Aligarh unit also because we were not getting fly ash earlier now we have already started getting fly ash the unit is running plus one new unit which we needed three years before has started functioning and we shall be getting fly ash from that unit also at Aligarh so availability of fly ash is not a concern right now. In fourth quarter of last financial year 22 we have sold highest ever quantity of 9.66 lakh metric ton out of our capacity of 10 lakhs per quarter.

So, these are the highlights of our working plus whatever has happened we have improved because of our efficiency and cost reduction or cost savings at all levels we will tell you because price realization did not happen as desired. Cost of power and fuel we have paid around Rs. 135 crores additional compared to last year only in power and fuel everybody has paid and we have also paid, but we have been able to maintain our profitability a little bit higher and there rest all the details are with you. If you have any specific question on any of the points I am here to answer all the questions raised by you people. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: I just want to know whether this quarter we have faced any issue with respect to linkage coal?

Yaswant Mishra: We are not getting linkage coal for last two years. Our linkage coal for CPP is pending for 22 months which they are not giving because of sometime coal not available, sometime they are not able to give the racks, but 22 month pending and at present you people are aware that Coal India and railway have issued surplus not to give any coal to adhere any industry other than power so racks are also not available, so cost increase has to be on that front and we are also suffering because of that.

Keshav Lahoti: And sir what is the business outlook for timber business?

Yaswant Mishra: Timber business outlook is very nice we have started production in the month of February. In the month of April, we have produced more than 1,700 tons they raise our capacity 3,000 tons per month and we shall be producing around 2,200 plus in May and most probably by June end we shall be using our 100% capacity to produce and as the market is good for timber MDF industry. We hope that this year in the division should give profit to the company.

Keshav Lahoti: And what is the annual production and sales number of cement?

Yaswant Mishra: Annual number you see our production of cement is 33.37 lakh tons and clinker is 23.96 lakh tons. Utilization is 83.43%. We have sold around 33.54 lakh tons giving a growth of 18.18% compared to last year.

Keshav Lahoti: May I know how was the pricing in fourth quarter for you and how has been the prices in April and May month so far?

Yaswant Mishra: There is no issue we are able to sell the maximum quantity, but rates are here and there, but we are able to sell our maximum quantity. You see in fourth quarter also we have sold 9.66 lakh per tons of cement and our capacity is 10 lakh tons. So, maximum we are able to there is no issue in any of the market.

Keshav Lahoti: Sir the question is with respect to pricing realization how has been the cement prices?

- Yaswant Mishra:** You see realization depends on market-to-market somewhere it is good, somewhere it is bad, but yes when you sell your maximum product due to demand or something and utilizing your capacity realization will not be much better it has to go as per market. The trade segment has little bit slightly down by 5% earlier we were saving around 70% plus this quarter we have sold around 65% plus. So, 5% makes a little difference so realization was a little bit lower side.
- Moderator:** Thank you. The next question is from the line of Shouvik Chakraborty from Dolat Capital. Please go ahead.
- Shouvik Chakraborty:** So I was saying that could you please mention the trade and nontrade mix for this quarter?
- Yaswant Mishra:** Yes 65 and 35 I said I just mentioned if you have mentioned.
- Shouvik Chakraborty:** Can you just tell like in Quarter 4 what was the pricing scenario like how much price hike were taken by you considering we are saying majority of the companies?
- Yaswant Mishra:** Yes, there were price hike around Rs. 15 to Rs. 20 it happened but did not happened for the whole quarter.
- Shouvik Chakraborty:** And further price hikes like in this April and May month that you are taken?
- Yaswant Mishra:** May month also some price is taken I do not know market is not taking that very seriously or positively because discounts have also increased in the market. So, if everybody increase discounts we also have to give some more discounts. So, price hike will not be that much positive for the company in comparison to the cost increase obviously their price hike is there.
- Shouvik Chakraborty:** Sir on the costing side like how are you saving cost per ton?
- Yaswant Mishra:** We have done lots of per ton cost saving it is improving our efficiency and cost saving. Last year we installed our WHR which has given a very good performance and result 11 megawatt of WHR we are working. We are using one of our power plant in place of two power plant now we are getting from WHR and cost of WHR operation is very low. We have been getting fly ash at low cost as Aligarh started taking and we are getting fly ash at Jhalawar also at low cost near our Rajasthan unit and we have done a little bit of cost reduction in our contract labors at all fronts. You see our employee cost more or less remains same. So, on each and every step we have improved our efficiencies and it is being seen also in the results except power and fuel you will not find anything which has increased and power and fuel increase itself is 135 crores more than 55%.
- Shouvik Chakraborty:** Sir and also can you please share the fuel mix for this quarter?
- Yaswant Mishra:** We have done that also, but as I informed 22 months of linkage coal is pending. If linkage coal is not given by the colliery for 22 months if that would have also come we would have saved at least 30 crores, 40 crores which is the difference in profitability compared to last year. So, just

getting the linkage coal would have saved us 30 crores plus that has also not come up. So, those when it will start coming that time we will have impact on profitability and profitability will increase.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the floor back to Mr. Vaibhav Agarwal.

Vaibhav Agarwal: Sir I have a couple of questions if I may sir one thing is that on the realization front for Mangalam Cement in particular the number appears to be little subdued versus the industry peers in terms of expectation what we are expecting?

Yaswant Mishra: You are correct Vaibhav Ji. The thing is like this that you are not taking that other income in considering whereas we are a single segment company we are not having another thing and these other income is not from our scrap sale or something else. These are the income which fund we have invested in the mutual fund or some other form of investment FDs or something else. So, if this was not have been invested and we have not got that other income it would have reduced my cost of borrowing also a little bit. These are those income which we could include in our profitability and if you include you shall be seeing our Rs. 100 increase per ton and that will give more or less comparable result if you see ACC last year it was Rs. 772 per ton and we were higher than that, but this quarter as because everybody has got it, you have also got it and because if we are not increasing including that other income which is only one segment and interest income from our investment we are also comparable at par.

Vaibhav Agarwal: No what I was coming to you because you mentioned on during the call that industry has given higher discounts?

Yaswant Mishra: That is for the price increase you see if we have gone into following everybody we would not have been able to sell 9.66 lakhs out of 10 lakh in the market. So, we know how to sell our product and we have sold that also and in future also we shall be selling our best quantity.

Vaibhav Agarwal: My second question was regarding the power and fuel cost so in Q3 our fuel cost were abnormally high at about Rs. 1,560 per ton and you had rightly guided that in Q4 it will come off and it has come up to 1,345 per ton on an average but is this the number that we are sustaining for even today or this number is still averaging to a Rs. 1,300 or Rs. 1,200 a ton if you can give some guidance there in terms of our average power and fuel?

Yaswant Mishra: You see power and fuel especially petcoke has gone fairly high even coal has gone very high. At present what is hovering in the market is around \$250 imported and Indian suppliers also match to their prices. So, until and unless this Ukraine crisis is sorted out I think some uncertainty shall be there, but in my opinion if these crisis is sorted out we should improve on cost front and cost will reduce.

Vaibhav Agarwal: So, this 1,345 is the number which probably can sustain?

Yaswant Mishra: More or less Rs. 15, Rs. 20 it can increase there is no chance of reducing, but one thing is that if government start giving that linkage coal after June because then some power requirement in the country shall also get reduced and we get our linkage coal then obviously this will reduce by more than Rs. 200 or Rs. 300.

Vaibhav Agarwal: Last question is that we are about to hit our optimum capacity almost as in terms of volumes so any plans to buy the company?

Yaswant Mishra: 100% we have plan, but it shall be announced by the board very soon if they agree.

Moderator: Thank you very much. Ladies and gentlemen on behalf of PhillipCapital (India) Private Limited that concludes today's call. Thank you all for joining us and you may now disconnect your lines.