

Q3FY10 Post Result Conference Call Transcript

Representative:

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Moderator

Ladies and gentlemen good afternoon and welcome to the Shree Cements post result conference call hosted by Prabhudas Lilladher. As a reminder all participants will be in a 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 this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Joining us today Prabhudas Lilladher is Ms. Amisha Vora and is Mr. Dilip Bhat (Joint Managing Directors) along with Mr. Kamlesh Bagmar, analyst from Prabhudas Lilladher. I would now like to hand the conference over to Mr. Bagmar. Thank you and over to you Mr. Bagmar.

Mr. Kamlesh Bagmar - Prabhudas Lilladher

Thank you moderator. I, on behalf of Prabhudas Lilladher welcome you all to the Q3 result conference of Shree Cement. Today we have with us Mr. Ashok Bhandari, CFO of the company and Mr. Prashant Bangur, Executive Joint President of the company. Now I would hand over the conference to Mr. Bhandari to have a opening remarks if he has because normally he doesn't comment on the results and directly take the Q&A. So over to you sir.

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Good afternoon everybody. I would not like to make an exception. Lets' go in for Q&A session immediately. Thank you

Thank you very much Sir. We will now begin question and answer session and at this time participants have questions could press * and 1 on their touchstone cell phone. Please use you hand set only while asking a question. First question comes from the line of Jay Asher from JM Financial. Please go ahead

Mr. Jay Asher - JM Financial

Hello

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Good afternoon Jay

Mr. Jay Asher - JM Financial

Sir, can you throw some light on your power plants commissioning

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Well power plant commissioning has maintained about 100 mega watts will get commissioned this year. 50 mega watt will get commissioned by June '10. Out of the 100 mega watt been commissioned in this quarter roughly 50 mega watt will be green power and 50 will be thermal. At the 300 mega watt power plant the merchant only will be between first half of 2011-12 and third quarter 2011-12

Mr. Jay Asher - JM Financial

Okay you are saying between September quarter or December quarter

Mr. Ashok Bhandari, CFO - Shree Cement Limited

150 mega watts should come by September and another 150 by December

Mr. Jay Asher - JM Financial

You are saying September 2010?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

11

Mr. Jay Asher - JM Financial

Okay and second 150 will December 2011

Mr. Ashok Bhandari, CFO - Shree Cement Limited

That's right

Mr. Jay Asher - JM Financial

And Sir how will the revised capital expenditure plan stand? How much you spend for the nine month already?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

For the nine month we have spent about 800 cr. We expect to spend another 400 cr this quarter and then because we are adding grinding unit at Jaipur at unit 8 in 2010-11 is expected at about 1100 cr and another 240 to 300 cr in 11-12.

Mr. Jay Asher - JM Financial

Sir will you like to give depreciation guidance for the current year?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes this year depreciation should be within the figure of 440 - 450 cr. We have already provided roughly about 300 cr so you will get debit of about 145 cr in the fourth quarter and the balance as and when the plants get commissioned.

Mr. Jay Asher - JM Financial

And Sir for FY 11 what kind of figure

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Well FY 11 you have to appreciate there are 2-3 imponderable. I have 3 commissioning. One is a 50 mega watt captive thermal power plant. Then the 100 mega watt thermal of power plant which we are commissioning this year which is green power and the thermal power plant. It is getting commissioned technically. The commercial commissioning is going to come only in the first quarter 2010-11. So I will have 150 mega watts of power plant additional depreciation in the next year plus unit 8 the clinkerisation- 1 million tonne and the grinding unit at Jaipur they have not done a consolidated number but I will do that and send you a mail.

Mr. Jay Asher - JM Financial

And sir when do you expect grinding units to commission in Surat, Rourkee and Jaipur?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

By February.

Mr. Jay Asher - JM Financial

All three of them?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Surat and Rourkee just the two of them.

Mr. Jay Asher - JM Financial

And Jaipur.

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Jaipur will come next year.

Mr. Jay Asher - JM Financial

September?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No Jaipur will be around December.

Mr. Jay Asher - JM Financial

And including Jaipur, cement grinding capacity of Shree Cement will reach 12 million tones.

It will reach 12 million tones as soon as I commission Rorkee and Suratgarh. It should go at about 13-13 and a half when I commission Jaipur.

Mr. Jay Asher - JM Financial

And sir what is the capacity of Jaipur grinding unit?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

It is at about 1.5 million tones.

Mr. Jay Asher - JM Financial

Earlier you said the size would be close to a million tones.

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Ya but then I am setting up a million tone clinkerisation unit and there were hardly much of a difference in the requirement between 1 to 1.5. So we have scaled the product.

Mr. Jay Asher - JM Financial

And sir if I understand right. Your clinkerisation capacity will be?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

8.5 post commissioning unit 8.

Mr. Jay Asher - JM Financial

Unit 8 should be September.

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes, half September.

Mr. Jay Asher - JM Financial

Why did the tax rate for the current quarter go up?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I have not cut the depreciation advantage in the current quarter. It's a quarterly number. If you look at 9 month number I am in line.

Mr. Jay Asher - JM Financial

And sir can you tell the gross cash and gross debt on the books?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Gross cash and gross debt at long term only. Long term debt is 1290 cr and the investments stand at 2075 cr.

Mr. Jay Asher - JM Financial

What will be the short term debt?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Short term debt is about 360-65 cr?

Mr. Jay Asher - JM Financial

What will be the power volumes for the current quarter?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Power volume in terms of units in current quarter was. You are talking of Q3

Mr. Jay Asher - JM Financial

Ya

Mr. Ashok Bhandari, CFO - Shree Cement Limited

698 million units.

Mr. Jay Asher - JM Financial

What would be the guidance for the power units for FY 11.

Mr. Ashok Bhandari, CFO - Shree Cement Limited

FY 11 we should do. Let us do the calculation very fast. I will have 365 mega watt of operating capacity in 10-11 out of which 50 mega watts is commissioned in June sometime. So I will have 315 mega watts straight away. 315 into 7 million units minus say 100 mega watt of my own consumption. 15 into 7 million and another 50 into 7 divided by into .75. Let me work it out for you. 215 into 7 and 50 into .75. Total will be about 1,762.8 million units.

Mr. Jay Asher - JM Financial

1.8 billion unit

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Ya

Mr. Jay Asher - JM Financial

Okay fine sir. Thanks very much.

Mr. Jay Asher - JM Financial

Ya

Thank you very much Mr. Ashok

Next question comes from the line from Pinakin Parik from JP Morgan. Please go ahead

Mr. Pinakin Parik - JP Morgan

Good afternoon Sir, just a couple of questions. Given that cement prices were so volatile in the December quarter. What were you actual realization drops in for you the company average and for you key markets and how much the prices have recovered from there?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Let us put it like this. That the total turnover, the total top line has increased by 30% , 9 months 2008-09 to 9 months 2009-10. This 30% comprises of 22% in volumes and 6- 6 1/2 % in prices. The realization quarter or quarter means September to December has dropped at about 2 ½ %. The make up has only started some where mid-December onwards. So very difficult for me to exactly tell you how much pricing will be there and in any case I don't take a top line pricing call. The demand has really surprised us. We are at a demand scenario of about 12 % in north, 11.4 % PAN India which gives a fair indication that in spite of capacity overhand there may not be much of a pricing pressure. Prices may remain stable but then the capacity overhand will restrict our capability to pass on any cost hikes. It is anticipation only. If the demands goes to 15% these entire hypothesis goes for a toss.

Mr. Pinakin Parik - JP Morgan

Understood and as of now you continue to see strong demands which started recovery

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes we have calculated

Mr. Pinakin Parik - JP Morgan

Just one last question over the next 3-6 months do you see a wave of capacity commissioning in you catchment area from your competitors or is it like

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Let us put it like this that the capacity addition you can take a note. We expect capacity in the last quarter to get increased by 12. 8 million tones in our catchment area out of which 3.6 million tones is grinding capacity and PAN India we expect about 44 million tones of capacity to be added in the remaining period.



Mr. Pinakin Parik - JP Morgan

Understood, the remaining period of next one quarter or so

Mr. Ashok Bhandari, CFO - Shree Cement Limited

That's right

Mr. Pinakin Parik - JP Morgan

Okay thank you very much sir

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Welcome

Thank you very much Mr. Parik . The next question comes from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead

Mr. Jinesh Gandhi - Motilal Oswal

Good afternoon sir.

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes, Jinesh, how are you?

Mr. Jinesh Gandhi - Motilal Oswal

I am fine sir. How are you?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I am fine

Mr. Jinesh Gandhi - Motilal Oswal

Sir you mentioned power sale of 698 million units in the quarter

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes.

Mr. Jinesh Gandhi - Motilal Oswal

Okay and so realizations were more or less stable on sequential basis

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Realizations have marginally come down

Mr. Jinesh Gandhi - Motilal Oswal

Right about 20 paisa or so

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes, nahi zayaada hai na bhai. 6.08 for the quarter and 6.64 was for the September quarter 09 sequentially tho zyaada gaya na

Mr. Jinesh Gandhi - Motilal Oswal

Power sales were 608 and not 698

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No 698 is the quantity

Mr. Jinesh Gandhi - Motilal Oswal

Quantity right

Mr. Ashok Bhandari, CFO - Shree Cement Limited

The realization is it was 6.64 in the Q2. It is 6.08 now and for the 9 month the average stands at 6.44

Mr. Jinesh Gandhi - Motilal Oswal

Okay okay and what the revenue from external power sales

Mr. Ashok Bhandari, CFO - Shree Cement Limited

About 29 cr

Mr. Jinesh Gandhi - Motilal Oswal

29 cr. Okay and sir in terms of your capex plans you mentioned you had missed out on that. What are our capex plan for I mean on consolidative basis next couple of years

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Aisa hai, the balance CAPEX requirement stands at 2500 cr roughly. Out of which we have already spent 800 cr upto December. So balance 1700 cr is to be spent. We expect about 400 cr to be spent in this year, this quarter and about 1100 to 1200 cr next year and balance in 11-12. It all depends how the 300 mega watt of merchant capacity gets commissioned. We have modified the guidance from 150 mega watt in March 11 to 150 mega watt in September 11. So there may be some ballooning of the CAPEX towards 11-12. But then it is too early to take that call.

Mr. Jinesh Gandhi - Motilal Oswal

And 365 mega watt of for FY 11 about 150 for captive requirement

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No, no, no. nothing is for captive. I am fully captive already. These are all merchant .

Mr. Jinesh Gandhi - Motilal Oswal

What would be the capital requirement? Total otherwise

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Let us take it like this I have a 8.5 million tone clinkanization capacity and roughly 131/2 million tone of grinding capacity, you can take 14 million. Tho 14 into say 75 units. 105 is the requirement

Mr. Jinesh Gandhi - Motilal Oswal

Right, right okay and for next year thermal sales, you mentioned closer to 1.8 billion units so next year are contravention from power will increase quite substantially

Mr. Ashok Bhandari, CFO - Shree Cement Limited

It should increase. Yes but then, you never know. Today the mix is majority it is comes from Discom followed by bilateral and then IEX because the IEX rates have come down substantially. Next year you will have to watch the situation

Mr. Jinesh Gandhi - Motilal Oswal

How does that impact our merchant power ambition primarily this mega watt

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Wait one second, one second. Jinesh please make it very clear in you mind that we are predominantly cement and would like to remain cement. Power was an opportunity available to us because of the huge cash reserve we had. So we are not looking our power venture as a major foray and changing the character of the company. Now what is going to happen all our viability projections based on 2 rupee EBITDA. Now basically a thermal power capacity cost me 4 cr.2 rupee EBITIDA gives me 1.4 cr per mega watt. 1 point of the saleable quantity. So I am looking at a 35% EBITIDA scenario on or 35% ROCE. abhi how everything will move, what will happen is difficult to call but looking at the grid rates 4.5 is the realistic sale number

Mr. Jinesh Gandhi - Motilal Oswal

Right, when the rate falls marginally lower than what we are expecting our. Given that we are already factoring in for higher ROCE

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No, where, where I am not factoring into any higher ROCE na. I am not saying. I am saying that 35% is the return on the capital employed based on a 2 rupee EBITIDA. Now please understand that it is the PPA rates the bilateral rate which the power purchasing agreement rate which may be under some pressure. I am not under any PPA. My competition is directly with the state grids. Now do you expect the state grid prices to come down below 4.50. So my answer stands, or my stand remains vindicated. Sade char rupay mein yadi alternative power source hai, tho mein bhi sade char mein bachoonga that's it

Mr. Jinesh Gandhi - Motilal Oswal

True true true and 443 mega watt is again a multi field plant

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes, yes, all boilers are multi fuel. We have...that is why I am looking at 2 rupee 50 paisa cost structure. I have not priced it. Mein sade char ka unit bolta hoon dhaee rupay ka cost bolta hoon aur 2 rupay ka EBITIDA bolta hoon

Mr. Jinesh Gandhi - Motilal Oswal

And Sir, one last question are have the market mix changed in the quarter primarily because our rate appears to have come down sequentially

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Nahi nahi nahi do teen aapko samajhana hoga. Right doosra mera average lead distance badthe hua bhi mera power end, mera jo freight cost capitalization hai mixed bhi 23% train and 77% road hai. Abhi bhi. But the per tonne cost, per tone kilometer cost because of the innovate process of reverse bidding. You know we have started a procedure where by the truckwallas give us a bid every hour. Instead of we opening the freights. To waha pe mereko toda advantage hua hai. My per tone kilometer cost have come down marginally and that is what is getting reflected everywhere

Mr. Jinesh Gandhi - Motilal Oswal

You had mentioned blended cement had gone up. Can you quantify that

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I can .my OPC, PPC ratio has is better. We are 77% PPC now

Mr. Jinesh Gandhi - Motilal Oswal

Okay and in terms of blending ratio

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Blending ratio we are at 1.36

Mr. Jinesh Gandhi - Motilal Oswal

1.36

Mr. Jinesh Gandhi - Motilal Oswal

This was about 1.32

Mr. Ashok Bhandari, CFO - Shree Cement Limited

That's right, that's right. You are correct

Mr. Jinesh Gandhi - Motilal Oswal

Okay sir, thanks a lot and all the best

Thank you very much Mr. Gandhi. As a reminder participants who wish to ask question could press * & 1 now. The next question comes from the line of Mr. Ajit Motwani from MK Global. Please go ahead

Mr. Ajit Motwani from MK Global

Good afternoon Sir

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Good afternoon Ajit

Mr. Ajit Motwani from MK Global

Sir, just wanted to know how much are you spending on Line 8 clinkerization unit and Jaipur grinding unit

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Line 8 clinkerization is estimated about 200 cr and like wise is the number for Jaipur grinding unit

Mr. Ajit Motwani from MK Global

And can you give us what was the pet coke cost for the quarter

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Pet coke cost for the quarter of quarter or the fuel cost. Let me put it like this, the fuel cost for the quarter was rs. 4826

Mr. Ajit Motwani from MK Global

And sir would you say that given the trend in coal and pet coke prices this is sort of bottomed out cost

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I will not say whether bottomed out cost or not. But I will certainly say that there is all likelihood of fuel prices is going up

Mr. Ajit Motwani from MK Global

The current pet coke prices FOB are

Mr. Ashok Bhandari, CFO - Shree Cement Limited

The current FOB nahi CIF is about 105 dollars. Abhi tha 85 which we did last time. CIF is the function of freight and FOB prices both

Mr. Ajit Motwani from MK Global

Okay thank you

Thank you very much Mr. Motwani. The next question comes from the line of Mr. Mihir Javeri from Religare Capital Markets. Please go ahead

Mr. Mihir Jhaveri - Religare Capital

My question has been answered. Thank you

Thank you very much Sir

The next question comes from the line of Mr. Vivek Maheshwari from CLSA. Please go ahead

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes vivek

Mr. Vivek Maheshwari - CLSA

Hi sir

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Bol bhai

Mr. Vivek Maheshwari - CLSA

Sir you mentioned that the realization on the sequential basis are down 2 ½ % is that right

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Roughly, yes



Mr. Vivek Maheshwari - CLSA

You mean third quarter versus the second quarter

Mr. Ashok Bhandari, CFO - Shree Cement Limited

correct

Mr. Vivek Maheshwari - CLSA

But if I divide your net cement sale by volume I get a decline of around 6 ½ % so where is the gap

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Na na I. What is really happening is that you are not looking at the differential between drop in clinker realization and cement realization. The clinker realization has gone much faster. okay

Mr. Vivek Maheshwari - CLSA

The clinker how.. how much was clinker in this quarter

Mr. Ashok Bhandari, CFO - Shree Cement Limited

One second. Hello one second huh. The clinker. What is the clinker quantity? This quarter the clinker quantity is 3.something year. I will give you the exact number

Mr. Vivek Maheshwari - CLSA

.283 as per your press release

Mr. Ashok Bhandari, CFO - Shree Cement Limited

.283 correct. You are right. .283

Hello?

Mr. Ashok kindly if you could go ahead, your line is in the unmute mode. Mr. Ashok's line is dropped we will try to connect. Please continue to hold. Thank you

Pardon now joining me Mr. Ashok back to the conference call

Mr. Ashok Bhandari, CFO - Shree Cement Limited

hello

Mr. Vivek Maheshwari - CLSA

hello

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I am sorry about that. Vivek your calculation is on the dot to 3214 divided by 3471. We are looking at 6 - 61/2% yes

Mr. Vivek Maheshwari - CLSA

Because clinker roughly will be 2000 right?

Mr. Ashok Bhandari, CFO - Shree Cement Limited

1998 exactly

Mr. Vivek Maheshwari - CLSA

1998 so I mean even adjust for that my cement realizations are down roughly 5.2%

Mr. Ashok Bhandari, CFO - Shree Cement Limited

3365 divide by 3.71. yes correct

Mr. Vivek Maheshwari - CLSA

5.2% okay. I mean I understand you know this comparison need not be correct but looking at some of the smaller player results in north India and their drop had been like you know 10-12%. So why is it our drop in realization still was 5% which was

Mr. Ashok Bhandari, CFO - Shree Cement Limited

That is the power of multi-branding and better penetration in the market

Mr. Vivek Maheshwari - CLSA

okay

Mr. Ashok Bhandari, CFO - Shree Cement Limited

You please understand that if anybody is having one brand, hello?

Mr. Vivek Maheshwari - CLSA

Right sir, please go on

If anybody is having only one brand he is having x amount of space. If there are three brands of the same manufacturer it becomes 3 x. The visibility of the product is more. You see, to me whether Bangur gets sold or Shree gets sold it is my quantity which is getting sold. So that is one part, the amount of work we have done because being region specific the amount of work we have done in developing the space network. With such a large number of dealership, distributor and better rural. I am reaping the benefits

Mr. Vivek Maheshwari - CLSA

Understood and you mentioned that there has been some...

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I have a correction for everybody. I goofed up in one calculation. Next year the power sale number in unit terms is a billion only please. I gave a number of 1.6 or 1.7. I made a mistake. So please correct everybody. Yes Vivek

Mr. Vivek Maheshwari - CLSA

Yes sir. What I am saying is you mentioned that you know the lead distances slightly changed in this quarter. What could be the approx. lead distance

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I would give you the exact number. The average lead distance is about 544 km if I am not wrong. Vis-à-vis I think 544 vis-à-vis for the nine months it is 534 which was 508 last year. So 26 kms

Mr. Vivek Maheshwari - CLSA

Okay 26 kms. Okay and you mentioned on the call have I understood it correctly. 4th quarter you expect 12.8 million tone in your region and

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No there you have to be slightly careful Vivek. 12.8 million I can give you the break up if you want. It consist of 3.6 million tones of free grinding capacity only. These are not integrated capacity. The integrated capacities are majorly Ambuja, JP and I am still not taking 3.2 million tones of Kotpotlee that I have taken in this quarter. So if you want to take that away then the capacity is 2 million of Ambuja, Rourkee and Dharlaghat, 2.5 million tones of JP in Baghabagari and 1.75 million tones of JP Himachal. These are integrated capacity. Right

Mr. Vivek Maheshwari - CLSA

Understood okay and you mentioned 4th quarter 44 million tones for PAN India on Pan India basis

Mr. Ashok Bhandari, CFO - Shree Cement Limited

43 - 44 million but then it is inclusive of these grinding capacity at Kothpotli

Mr. Vivek Maheshwari - CLSA

44 you are saying in the 4th quarter. Even if these are name plate

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes west is 7.1, south is 14.3, east is 7.2, central is 2.5 and north is 12.8



Mr.Vivek Maheshwari - CLSA

Can you please repeat? south you said is

Mr. Ashok Bhandari, CFO - Shree Cement Limited

14.3

Mr.Vivek Maheshwari - CLSA

And central

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Central is 2.5

Mr.Vivek Maheshwari - CLSA

And west is 7.1 right

Mr. Ashok Bhandari, CFO - Shree Cement Limited

West is 7.1 ya

Mr.Vivek Maheshwari - CLSA

Okay and sir 4th quarter how much would be the power sales considering that we would be commissioning these 100 mega watts

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I will give you the number. Give me one second

Mr.Vivek Maheshwari - CLSA

Yes

Mr. Ashok Bhandari, CFO - Shree Cement Limited

4th quarter it is expected 1080

Mr.Vivek Maheshwari - CLSA

1080

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Lac units

Mr. Vivek Maheshwari - CLSA

Lac unit and lastly are you looking at anything beyond line 8 in cement business

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No not yet. Not at the moment

Mr. Vivek Maheshwari - CLSA

Not at the moment and okay one last thing on the debt while you have given debt on the last call you mentioned 800 cr that you were planning to

Mr. Ashok Bhandari, CFO - Shree Cement Limited

600 cr has been raised which is included in this 1289 in number and we will raise probably 100cr more, nothing more

Mr. Vivek Maheshwari - CLSA

Okay and that 8.1% of the right

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No, the 300 cr NCD was 8.1. The weighted average cost of 1289 cr is about 8.94 because there are two 5 year ECB's which are at 9.42 and 9.65 fully edged. abhi raise kiya na usme 300 is 8.1. Another 300 which is in the form of 5 year bullet ECB's are at about 9.5 and the 100 which I will raise will be in the vicinity of 7 ½

Mr. Vivek Maheshwari - CLSA

7 ½ . okay. All right sir thank you so much

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Welcome

Thank you very much Mr. Maheshwari. The next call comes from the line of Murtuza Arthiwala from Kotak Securities. Please go ahead

Mr. Murtuza Arthiwala - Kotak Securities

Sir just wanted to get an understanding. What was the reason for the EBIT margin in the power segment sharply increasing. Is there any specific reason

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Sharply increasing how

Mr. Murtuza Arthiwala - Kotak Securities

Like from about 40 to 60%

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I don't think you are correct my friend. Can you send me your calculation and I will get back to you

Mr. Murtuza Arthiwala - Kotak Securities

I will get it but otherwise because your realization would have been more or less flat in the power segment right

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I have a drop in realization

Mr. Murtuza Arthiwala - Kotak Securities

You have a drop. Okay if there is an increase in the realization..margins in the power it will corresponding in your ebit margins for the cements would take a hit right

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Now come back again please

Mr. Murtuza Arthiwala - Kotak Securities

If your ebit margins in the power business increase the cement ebit margin

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Consolidated result my friend

Mr. Murtuza Arthiwala - Kotak Securities

Ya

Mr. Ashok Bhandari, CFO - Shree Cement Limited

So how the cement margin goes for a toss

Mr. Murtuza Arthiwala - Kotak Securities

No no I am talking in the because of the transfer pricing

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Ya because of the transfer pricing is one matter that is only for the revenue. That is only for the revenue. The consolidated margins is the power margins increase my profits increase on a consolidate basis I don't understand the logic or your rationale of cement going down and power going up. Cement and power is part of the

Mr. Murtuza Arthiwala - Kotak Securities

Same business

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Haaan

Mr. Murtuza Arthiwala - Kotak Securities

No no I am talking about in terms of because of the transfer pricing

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No the transfer pricing again. The transfer pricing gets cancelled out when I do a consolidated

Mr. Murtuza Arthiwala - Kotak Securities

Correct correct alright

Mr. Ashok Bhandari, CFO - Shree Cement Limited

It reduces by tax rate for sure, if the power EBIT goes up

Mr. Murtuza Arthiwala - Kotak Securities

Okay thank you so much sir

Thank you very much Mr. Arthiwala. The next question comes from the line of Radikha Shah from Capita Matrix. Please go ahead

Mahesh - Capital Magic

Hi this is Mahesh from capital magic. I wanted to know volumes of cement and clinker for this quarter

Mr. Ashok Bhandari, CFO - Shree Cement Limited

It is there in the result but I will repeat it for you

Mahesh - Capital Magic

Please sir

Mr. Ashok Bhandari, CFO - Shree Cement Limited

It's 22.79 lac tones of cement

Mahesh - Capital Magic

22.79 lacs

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes and 2.83 lacs of clinker

Mahesh - Capital Magic

Okay sir thank you

Thank you very much. The next question comes from the line of Ajit Motwani from MK Global. Please go ahead

Ajit Motwani - MK Global

No my question is answered

Thank you very much. The next question comes from the line of Mr. Ajay Vora from Innava Asset Management. Please go ahead

Mr. Ajay Vora - Innava Asset Management

Just one question you said in Q4 your power sale will be around 11 cr units

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes 1080

Mr. Ajay Vora - Innava Asset Management

So how come such a low number from q3 number sir

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Because my capacities are getting commissioned now year

Mr. Ajay Vora - Innava Asset Management

Okay and just one last thing on this entire power thing like we are setting up 100, 150 and another 300 so almost 450 mega watts. So what is the total expenditure on this on this 450.

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No no no

Mr. Ajay Vora - Innav Asset Management

450 mega watts

Mr. Ashok Bhandari, CFO - Shree Cement Limited

You have to be careful here. The power business is going to take 447 plus 1200 cr so 1650 cr

Mr. Ajay Vora - Innav Asset Management

1650 cr

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes

Mr. Ajay Vora - Innav Asset Management

And how much have you spent till now as until December

Mr. Ashok Bhandari, CFO - Shree Cement Limited

In power?

Mr. Ajay Vora - Innav Asset Management

Yes

Mr. Ashok Bhandari, CFO - Shree Cement Limited

In power I am done but I have a carry forward capex CWIP also. So that number I don't have as of now. However out of 440, 54 is here 137 here. I will send you that break up my friend. I don't have it right now

Mr. Ajay Vora - Innav Asset Management

Okay

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Just send me a mail and I will send you a break up

Mr. Ajay Vora - Innav Asset Management

Sure sir and in this 450 mega watt will be completely merchant right because we are already having.

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes, yes, yes you are correct

Mr. Ajay Vora - Innav Asset Management

Sir as on march 09 your cross debt was around 1496 cr

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Ha ha

Mr. Ajay Vora - Innav Asset Management

So you are saying, which has come down to 1290 cr

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No no no. when you talk of gross debt you also look into the into the short term also

Mr. Ajay Vora - Innav Asset Management

So your secured loans where around

Mr. Ashok Bhandari, CFO - Shree Cement Limited

If you take the short term then I am at 1300 roughly long term and 350 short term

Mr. Ajay Vora - Innav Asset Management

Okay sir so that is 1660 gross

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Correct correct. 1660 1700 something like that

Mr. Ajay Vora - Innav Asset Management

Okay and we plan to raise how much more sir

Mr. Ashok Bhandari, CFO - Shree Cement Limited

100 cr

Mr. Ajay Vora - Innav Asset Management

And that will cover the entire power project plan and everything

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I think so we are not looking at anymore debt or equity is out of question. No more debt but then it all depends how the power. how the cement business moves

Mr. Ajay Vora - Innava Asset Management

Okay and sir what cement volume are we looking at in FY 11

Mr. Ashok Bhandari, CFO - Shree Cement Limited

About 11.5

Mr. Ajay Vora - Innava Asset Management

Okay thank you very much sir

Mr. Ashok Bhandari, CFO - Shree Cement Limited

11 to 11.5. You are looking at a 12% growth rate kind of a scenario. I should be closing the year with about 10 million tone assuming 12% growth will be where I should be 11.2 or something

Mr. Ajay Vora - Innava Asset Management

Okay and we will continue selling clinker in FY 11

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No once my grinding units come into place the sale of clinker may go down but then again I have a small mismatch between grinding unit 8 and grinding unit at Jaipur. so I just cant say

Mr. Ajay Vora - Innava Asset Management

Okay okay thank you very much sir

Thank you very much Mr. Vora. As a reminder participants who wish to ask question could press * & 1 now. The next question comes from the line of Mr. Vinit Mallu from Birla Sunlife Mutual Fund. Please go ahead

Mr. Vinit Mallu - Birla Sunlife Mutual Fund

Hi good evening sir. Just wanted total power volume including your capital and third party sales

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Total power volume. Total power volume to bada mushkil hai but you do calculation 72 into the number of tones I have sold

Mr. Vinit Mallu - Birla Sunlife Mutual Fund

Okay

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Plus 1888 for the nine month period

Mr. Vinit Mallu - Birla Sunlife Mutual Fund

Okay

Mr. Ashok Bhandari, CFO - Shree Cement Limited

You will get the. Roughly you will get the total power generated

Mr. Vinit Mallu - Birla Sunlife Mutual Fund

Okay and the second is what is the transfer price that we are using for transferring power to cement

Mr. Ashok Bhandari, CFO - Shree Cement Limited

That is the weighted average of my sales realization

Mr. Vinit Mallu - Birla Sunlife Mutual Fund

So on an average if I calculate it will be same as almost third party relation right

Mr. Ashok Bhandari, CFO - Shree Cement Limited

It has to be same yes

Mr. Vinit Mallu - Birla Sunlife Mutual Fund

Could you just repeat your third party power sales volume again I just missed that

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Third party power sales. Third party means my merchant sales

Mr. Vinit Mallu - Birla Sunlife Mutual Fund

Yes

Mr. Ashok Bhandari, CFO - Shree Cement Limited

My total merchant sales for the quarter or the

Mr. Vinit Mallu - Birla Sunlife Mutual Fund

For the quarter sir

Mr. Ashok Bhandari, CFO - Shree Cement Limited

698... 698 lac units

Mr. Vinit Mallu - Birla Sunlife Mutual Fund

698 lac units okay versus how much in Q2 sir

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Q2 we did 640

Mr. Vinit Mallu - Birla Sunlife Mutual Fund

640 right. Thank you very much

Thank you very much Mr. Mallu. The next question comes from the line of Mr. Sanjeev Singh from Proactive Universal Group. Please go ahead

Mr. Sanjeev Singh - Proactive Universal Group

Hello

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes please

Mr. Sanjeev Singh - Proactive Universal Group

Can u give me the tax rate guidance for FY 10. Last quarter you had said it will be around 16 to 18%. This quarter it is around 31 %

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Ya u have to appreciate till I don't commission the plant I don't take the tax credit of the depreciation

Mr. Sanjeev Singh - Proactive Universal Group

Then what would it be in Quarter 4 roughly

Mr. Ashok Bhandari, CFO - Shree Cement Limited

My yearly guidance still remains at 16 - 18%

Mr. Sanjeev Singh - Proactive Universal Group

Okay okay thank you

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Mr. Singh one more thing please appreciate the tax gave are the net of the deferred tax assets I make

Thank you very much Mr. Singh. The next question comes from the line of Mr. Pranav Gokhle from Religare. Please go ahead

Mr. Pranav Gokhle - Religare

Hello sir

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes please

Mr. Pranav Gokhle - Religare

Just a confirmation that your cement, your clinker and you're grinding. You said post all the expansion capacity per clinker will be 8.5 and grinding will be 13.5

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Correct

Mr. Pranav Gokhle - Religare

So what will be our blending ratio theoretically

Mr. Ashok Bhandari, CFO - Shree Cement Limited

13.5 divided by 8.5

Mr. Pranav Gokhle - Religare

That's 1.6

Mr. Ashok Bhandari, CFO - Shree Cement Limited

1.5. You see 1.6 is what we are doing you have to appreciate. you constantly can upgrade through various good management practice operating parameter u can have 1% incremental clinker capacity very year

Mr. Pranav Gokhle - Religare

Okay

Mr. Ashok Bhandari, CFO - Shree Cement Limited

So it is not exactly we are not planning at 1.6 kind of a number the rough should be about 1.58 should give me technically speaking about 8.7 or something

Mr. Pranav Gokhle - Religare

Okay and sir what will be the final debt in the power businesses. If I have to take power business in isolation

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No you will have to appreciate that since it is a consolidated business we don't have power or cement liabilities

Mr. Pranav Gokhle - Religare

Okay well no but I mean if the current debt 1300 - 1400 - 1600 cr of gross debt

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Everything for cement nothing for power

Mr. Pranav Gokhle - Religare

Okay so power will be pure cash. There will be no debt which will be used to increase the ROE's in anyway

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No wait a minute. No wait a minute. Where is the question of ROE. Because there is no equity. Please understand. Please. You have to understand. We are not multi company businesses. We are multi divisional business. Allocation of capital is at our choice. Right, the moment I assign a debt to the power business I have debt service component which has to be debited to that segment. Once I do that then my tax free profits come down which reduces my ATIA eligibility. So why should I do that okay

Mr. Pranav Gokhle - Religare

Right, agreed. Sir, in terms of sourcing of the coke for that matter for the power business. Are we planning to do some long term tie up agreement

Mr. Ashok Bhandari, CFO - Shree Cement Limited

One second one second. Number one please appreciate that the choice of fuel is completely dependent on what fuel is cheaper. So that is why I have multiple fuel boilers. At the moment pet coke happens to be cheap and we are using pet coke. We have already started interacting with large US based refiners to have a direct sale agreement with us. We have succeeded in a 200 thousand tone agreement with Wellarova, very large refinery. Our team is again Mr. Bangur and others are again going to the US in mid-February to see how much more we can do on a direct bilateral basis. In any case enough pet coke capacity is coming in India the HPCL refineries are coming; Reliance has increased its capacity. IOC refineries are also going have coke. So pet coke availability is should not be a bottle neck in our operations

Mr. Pranav Gokhle - Religare

And on pricing front

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Well I can't take that call at the moment. It is increasing all the energy costs are increasing so this is also increasing

Mr. Pranav Gokhle - Religare

Because in the case of merchant rate may not be 1 year 2 year but if the rates go down tomorrow maybe 2 years 3 years down the line

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Rate of what

Mr. Pranav Gokhle - Religare

Power units

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Sale rate

Mr. Pranav Gokhle - Religare

Sale rate right

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yes

Mr. Pranav Gokhle - Religare

And I mean the cost for raw material or power for the power business may not be that variable

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Please understand you have to appreciate the power business. What is power business? Power business is conversion of one form of energy to another form. So there will be a constant conversion remuneration attached. I may have a time lag between my cost of inputs and the sale rate of power. But then conversion margin should roughly get maintained over a period of time. So what are we talking, we are talking that the conversion margin may squeeze intermittently but shall attain a particular level which should justify the capital employed requirements

Mr. Pranav Gokhle - Religare

Thanks. Sir the last question is what will be the current average rate which we are selling power. Is it maybe lower than what we have done last quarter or how

Mr. Ashok Bhandari, CFO - Shree Cement Limited

For sure I gave the numbers. The current power rates are at about 6.04 weighted average of my sale mix

Mr. Pranav Gokhle - Religare

So when you say current it means

Mr. Ashok Bhandari, CFO - Shree Cement Limited

It means last quarter

Mr. Pranav Gokhle - Religare

No my question was in terms of current rate which might be there what we have experienced over the first 15 days of Jan or something like that

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Well I don't have the number. I will fish it out but please understand that only 5% of my power is getting sold through power exchange. 95% is getting sold through discom and bilateral.

Mr. Pranav Gokhle - Religare

Okay and how I mean bilateral contracts are for how many months or something

Mr. Ashok Bhandari, CFO - Shree Cement Limited

It depend, It depends at the time of negotiation it varies from 1 to 3 months

Mr. Pranav Gokhle - Religare

Okay Sir, thank you sir

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Yep

Thank you very much Mr. Gokhle. The next question comes from the line of Mr. Adithya Ahluwalia from ICICI Prudential. Please go ahead

Mr. Adithya Ahluwalia - ICICI Prudential

Good evening sir

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Good evening

Mr. Adithya Ahluwalia - ICICI Prudential

Sir, Discussed cement realization dropped by 5% if I have the last quarter number correct clinker realization seems to have gone down around 28%. Can you explain to me as to why such a sharp disconnect between the two and

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No no no. You have to understand basically why do you sell clinker. You sell clinker for 2 reason, number 1 your grinding capacities are not ready and the conversion margin for clinker to cement has to be tweaked further to make clinker an attractive purchase for others. If the conversion margin is say 100 rs and if I keep the price differential at 100 rupees in a likely capacity scenario I may not be able to sell that much of clinker which I want to sell. So you have to do it at a slightly better margin. You have to leave more on the table and that is the reason

Mr. Adithya Ahluwalia - ICICI Prudential

The recovery in the pricing we are seeing now over the last few weeks

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Is in Cement primarily. There may be a rub off for clinker but I have not kept that data

Mr. Adithya Ahluwalia - ICICI Prudential

And sir I know that you don't have the exact data but do you think we would be back to the quarter average levels right now pricing is concerned. What is your sense

Mr. Ashok Bhandari, CFO - Shree Cement Limited

As of date the average realizations are better than Q3. Going forward I don't take a pricing call

Mr. Adithya Ahluwalia - ICICI Prudential

Thank you so much

Thank you very much Mr. Ahluwalia. The next question comes from the line of Mr. Kaushik Basu from UTI Mutual Fund. Please go ahead

Mr. Kaushik Basu - UTI Mutual Fund

Hello

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Kaushik.

Mr. Kaushik Basu - UTI Mutual Fund

How are you

Mr. Ashok Bhandari, CFO - Shree Cement Limited

You are doing a great job of managing my personal money anyway

Mr. Kaushik Basu - UTI Mutual Fund

Sir, just one thing I joined little late I don't know whether it's already been discussed or not. Sir why has raw material cost per tone has increased so much in the

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Arre it has increased because the blending ratio has increased. So the fly ash cost has gone up. Fly ash cost gets clubbed in the raw material cost only na. if I increase the blended cement components from 1.32 to 1.36 more fly ash to be used

Mr. Kaushik Basu - UTI Mutual Fund

Mainly because of

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Majorly because of that the gibsom costs have also increased but then Gibsom is relatively a smaller contributor. Majority is because I am making more blended cement and having a better conversion ratio costs have gone up. That gets reflected in our per tone raw material cost kind of a scenario

Mr. Kaushik Basu - UTI Mutual Fund

Okay sir thank you

Thank you very much Mr. Basu. As a reminder participants who wish to ask question could press * & 1 now. The next question comes from the line of Mr. Ajay Nandanwad from (...) Capital. Please go ahead

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Hello?? I can't hear you. Hello

Mr. Ajay Nandanwad - Capital

Could you just breakdown your merchant power sales into by different segment and maybe also....

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Wait a minute. You can write down for this quarter out of 698 lac units, 617 lac units were sold through discom, 43 lac units by bilateral and 39 lac unit through power exchange. For the 9 months period the discom sale is 1019, bilateral is 742 and the power exchange is 107 which makes a total of 1888

Mr. Ajay Nandanwad - Capital

Is there a reason why power exchange sales are lower this time

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Obviously the realization is low. Please understand the power exchange rate at Q1 is 9.75 for Q2 it was 8.28 and this has come down to 4.46

Mr. Ajay Nandanwad - Capital

Given that power exchange is a very short term like next day sale versus discount bilateral sales are slightly longer duration. How do you like the decision between discounted bilateral versus power exchange

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Oh bhaiyaa I am not a power trader of this company but nevertheless please understand that constantly working on this platform gives you a general feel. At any day you see. Please understand my viability is based on 4 rupees 50 paise per unit kind of a situation. I would like to lock in as much as power possible on any rate which is higher than this. Yadi chee-sade chee rupay ka discom ka rate hai to mujhe parva nahi hai na, mein to 100 percent vaar kar do. Par usme kya hota hai ki spike in the power rates available to me on a daily basis which is a long term, short term arbiter kind of a situation I lose out. So that is why if you look the mix I told you was 50, 45 and 5.5 through power exchange. This is a profit enhancer or a profit maximize. Okay

Mr. Ajay Nandanwad - Capital

Thanks so much

Thank you very much Mr. Nandanwad. The next question comes from the line of Mr. Vivek Maheshwari from CLSA. Please go ahead

Mr. Vivek Maheshwari - CLSA

Sir one or two more questions

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Haan bolo bhai

Mr. Vivek Maheshwari - CLSA

8 ½ million tone is our clinker capacity right into 1.4 sir roughly 11.9 - 12 million tone that's right

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Haan

Mr. Vivek Maheshwari - CLSA

Next year guidance you are saying roughly 11.22, 11 ½ now if we are not planning. I mean I am assuming we are not buying clinker for running the you know the balance grinding capacity. But suppose if the market grows to 8-10% which you believe is possible right

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No I believe it must be a double digit growth

Mr. Vivek Maheshwari - CLSA

It is a double digit growth so it is even higher. What I am saying is 11 ½ FY 11 and if you are not planning any further capacity then I mean how would we grow in line ahead of the market I mean in the past few years we have grown well ahead of the market

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Vivek you have read a bit too much in my statement. I did not say we are not planning. I said the thing is there as far as the clinker capacity is concerned concretized. That doesn't mean we are not working on it

Mr. Vivek Maheshwari - CLSA

Okay

Mr. Ashok Bhandari, CFO - Shree Cement Limited

All right

Mr. Vivek Maheshwari - CLSA

Okay understood

Mr. Ashok Bhandari, CFO - Shree Cement Limited

We are completely always on the grind. Planning we are aware of the potential and trust us, we will come back with a good answer

Mr. Vivek Maheshwari - CLSA

Okay and since you have mentioned that you expect a double digit growth I mean is it like you believe infrastructure will pick up

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I have nothing to believe my friend. The Prime minister in his internal conference I believe has committed 8% of GDP, gross GDP to be spent on infrastructure. 3 trillion dollar 8% is 240 billion my friend. So what do you do and look at the statements coming from Mr. Kamal Nath and others. One more thing you have to appreciate is that previously the government was the blanket on cement roads. Now the government is open to look at the potential of developing of cement roads. Positive as the industry is concerned. However I must caution you that I am still making a chance of overcapacity in the industry. Now I would love to be proven wrong over a period of time but as of date looking at the capacity additions I feel the pricing power with the manufacturers may not be there. Whether it will result into a fall in selling prices or what or what I can't say because I don't take a call on prices but I am making a statement that probably the cost increases may have to be absorbed by the cement companies

Mr. Vivek Maheshwari - CLSA

Okay understood second thing on the power for the fourth quarter you mentioned 108 million units right

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Correct

Mr. Vivek Maheshwari - CLSA

I mean if I recall correctly in the last quarter you gave something like a 140 million units or so

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Haan you have to understand that at that time I had guided for green power and some of the capacity is to get commissioned in December and January. They are all getting commissioned in February

Mr. Vivek Maheshwari - CLSA

Okay okay and I mean the blended realization was 6.04 in this quarter so obviously this should come down substantially or whatever

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I don't know. I don't know. You yourself read the question...anyway

Mr. Vivek Maheshwari - CLSA

I am saying what are the rates currently blended rate for you in the last 15 days

Mr. Ashok Bhandari, CFO - Shree Cement Limited

I don't have that number. I will take that number out and send it to you separately

Mr. Vivek Maheshwari - CLSA

Okay okay

Mr. Ashok Bhandari, CFO - Shree Cement Limited

We are I think dicom is about 635 or 36. IEX ka meine dheka nahi, bilat ka bhi dekha nahi but then 50% is discom

Mr. Vivek Maheshwari - CLSA

Okay but considering rates are moving down isn't it that even the bilat rates are going down because you have 2-3 months of contracts with them right. Toh I mean ideally if IEX prices are going down then

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Tho listen. Please understand that there is an insatiable appetite for the disscoms. Tho who tho sade chee, chee paintees mein khada hai na bhaiyaa chee se sade chee beech mein. bilat chala jayega tho discomm ko de doonga mujhe kya jata hai

Mr. Vivek Maheshwari - CLSA

Accha okay

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Please understand in the power you see. Let us not built too much hype on the power. Power please state benchmark for viability is 4 rupees 50 paise per unit. Anything I get more results into an EBITIDA enhancer and the tax management tool. That's all

Mr. Vivek Maheshwari - CLSA

Okay okay and pardon me I think I have asked you this question last time also but this 2 rupees 50 paise when you say of cost one this is only thermal power and recovery not include. This is not a blended cost

Mr. Ashok Bhandari, CFO - Shree Cement Limited

No this is not the blended cost

Mr. Vivek Maheshwari - CLSA

And second is this includes, what is the implied assumptions in the pet coke prices in this

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Roughly 5400 rs I believe. Something like that. On 250

Mr. Vivek Maheshwari - CLSA

Yes on 250

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Hello on 250 petco. Please understand my cost of generation is 25 bits only. Means fuel plus jo cost hai na that is 25 to 30 bits. So the balance is do rupya bees paise tak ka tho samaj lo ki fuel cost hai

Mr. Vivek Maheshwari - CLSA

Nahi mein wahi bol raha hoo. I mean this 2 rupees 20 paise implies what pet coke is it like 7000

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Arre ek minute aaj mein ek sattar per hoon bhai. 170 is roughly my cost today divide by 1.7 into 5200. So I am looking at 6500 kind of a scenario. When I do a 250

Mr. Vivek Maheshwari - CLSA

When you do a 250 okay understood alright sir thank you

Thank you very much Mr. Maheshwari. The next question comes from the line of Mr. Aman Batra from Goldman. Please go ahead

Mr. Aman Batra - Goldman

Hello Mr. Bhandari

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Aman Kotak to Goldman

Mr. Aman Batra - Goldman

Yes sir

Mr. Ashok Bhandari, CFO - Shree Cement Limited

Arre never told me yaar bolo

Mr. Aman Batra - Goldman

Sir, just one question on the expansion plans beyond this any progress on land acquisition

Mr. Ashok Bhandari, CFO - Shree Cement Limited

We have been majorly successful in Karnataka. We are at about 80-85% of total land requirement there and we are trying very hard to achieve the 100% there. Balance Chhattisgarh and MP is not worth mentioning even

Mr. Aman Batra - Goldman

Okay okay thanks a lot

Thank you very much Mr. Batra. Next question comes from the line of Mr. Ajay Vora from Innava Asset Management. Please go ahead

Ajay Vora - Innava Asset Management

Sir just one follow up question are we seeing any decrease in the commissioning of this 50 mega watt which is expected today in June 10



Mr. Ashok Bhandari, CFO - Shree Cement Limited

No as on date

Ajay Vora - Innava Asset Management

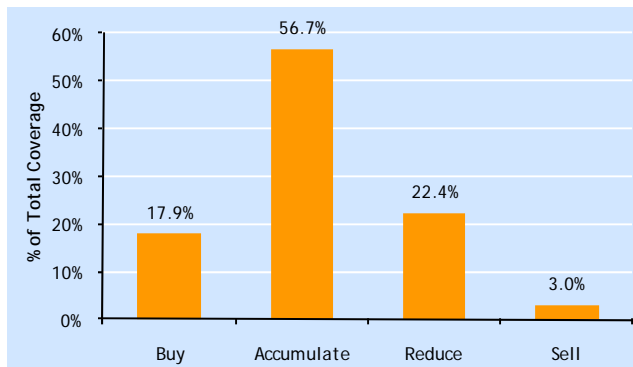
Okay thank you very much sir

Thank you very much Mr. Vora. That was the last question. I would now like to hand the floor back to Mr. Kamlesh Bagmar. Sir any closing comments

Mr. Kamlesh Bagmar

Ya thank you moderator and thank Mr. Bhandari and Mr. Prashant to participate in the con call and I also thank all the participants for attending the con call. Thank you all of you

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