"JSW Cement Limited
Q1 FY26 Results Conference Call"
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JM FINANCIAL

CHORUS CALL

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Moderator: Ladies and gentlemen, good day and welcome to the JSW Cement Q1 FY26 Results Conference Call hosted by JM Financial Institutional Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions once 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 would now like to hand the conference over to Mr. Dharmesh Shah from JM Financial Institutional Securities. Thank you and over to you, sir.

Dharmesh Shah: Good morning, everyone. On behalf of JM Financial, we welcome you to the JSW Cement Q1 FY26 Results Conference Call. I will now hand over the floor to the management for their opening remarks which will be followed by interactive Q&A. Thank you and over to you, sir.

Kunal Mukherjee: Thank you, Dharmesh. Good morning all and I would like to warmly welcome you to the first quarterly earnings call of JSW Cement as a listed company. We uploaded our results and press release yesterday and investor presentation earlier today and I hope all of you have had the chance to review these materials.

With this, I will hand over the call to Mr. Nilesh Narwekar, CEO, for his opening remarks which will be followed by some commentary from Mr. Narinder Singh, CFO, before we open up for questions. Over to you, sir.

Nilesh Narwekar: Thank you, Kunal. First, let me comment on the industry context. The RBI maintained its GDP growth projection for FY26 at 6.5%, stable versus last year. Inflation has been on a declining trend and enabled RBI to front load the rate cuts. We believe that the healthy monsoon together with the continued government spending on infrastructure, which has been front-loaded in FY26 compared to FY25, will be a positive undercurrent for the cement sector. Moreover, the Prime Minister has recently announced that major GST reforms will be implemented by Diwali. Lowering of rates is expected to create a positive sentiment. Despite the geopolitical events such as tariff disruptions coming to pose concern, the cement industry will be relatively unaffected by this. Cement demand in India is expected to grow at 6.5% to 7.5% in FY26 and the outlook for all the consuming segments in our regions of operation is positive in the medium term.

Let me list a few highlights for this quarter. Our total sales volume increased by 7.8% Y-o-Y, much faster than the industry growth in our regions, which we believe was in the range of about 3%. So we have outperformed industry volume growth in Q1 and this remains our aim going forward for the full year FY26 as well. Our Q1 volume of 3.31 million tons was our best Q1 performance ever. Going into the main products, cement volume sold was 1.85 million tons, increased 10% Y-o-Y. GGBS volume sold was 1.3 million tons, increased by 5% Y-o-Y. Within cement, trade mix has remained broadly stable at 52% and the share of premium sales within trade stood at 57%. Revenue of INR1,560 crores increased by 8% Y-o-Y. Operating EBITDA for the quarter was INR323 crores, improved by 39% Y-o-Y and was the best ever Q1 performance, driven by better realisation and cost reduction initiatives.

We have a number of cost saving and revenue enhancement levers that we have been working on, including power and fuel cost reduction by improving the RE and alternate fuel usage, lead distance optimisation and introduction of premium products. These initiatives totalled to around INR400 a ton to be realised over the next two years and we will update you on these in the subsequent quarters. In terms of some of our key operational highlights, our clinker utilisation stood at 87% and grinding utilisation was at 62% for Q1 FY26.

Our clinker to cement factor, lowest in the industry, is at 51%. With respect to our two main products, cement and GGBS, cement realisation for Q1 was INR4,894 per ton, with a substantial increase both Y-o-Y and Q-o-Q basis. GGBS realisation for Q1 was INR3,715 per ton flat on a Q-o-Q basis. Our lead distance was 283 kilometres in Q1 FY26 and we are aiming to reduce this further over the course of the year.

In terms of capacity expansion, we are aiming to increase grinding capacity to 41.85 million metric tons per annum with clinker of 13.04 million tons per annum. Of this, we are aiming to complete the first phase of 33.85 million tons per annum of grinding and 9.74 million tons per annum clinkerisation by calendar year 2028, as outlined in our presentation.

Ongoing projects update - the Sambalpur grinding unit is nearly ready and will be commissioned this month. The Nagaur integrated unit is on track for commissioning and commercial operations this fiscal. Land acquisition is near complete for the Punjab grinding units, statutory approvals are under process and public hearing has been completed too. We are progressing on the other projects well in terms of land acquisition, regulatory permissions as well.

Finally, let me spend a moment on sustainability. You have seen our green credentials, we have the lowest CO2 emission intensity among all cement companies in India and globally. I am pleased to announce that our Scope 1, Scope 2 CO2 emission intensity was 277 kilograms per ton of cementation in Q1 FY26, the lowest in the sector by far. Let me hand over to Narinder Singh, our CFO for his comments.

Narinder Singh: Thank you, Nilesh. Good morning. I would like to add some points on the financial performance, cost levers and balance sheet. In terms of our financial performance, revenue was INR1560 crores, that is an increase of 7.8% year on year. Operating EBITDA improved substantially to INR322.7 crores, which equates to INR974 a ton for Q1 FY26. This is a substantial increase both on Y-o-Y and Q-o-Q basis. Our EBITDA margin was 20.7% in first quarter FY26, which was a jump of 4.6% vis-à-vis the same quarter last year.

In terms of the major cost elements, raw material and power and fuel. As you are aware, we source clinker in the west region from our JV entity at Fujairah. This is not consolidated as of now in our books. So it would be more useful to look at our combined raw material and power and fuel per ton. These costs were broadly stable on Y-o-Y and Q-o-Q basis. We had some additional raw material cost in Q1 FY26 due to shutdown of JSW Steel blast furnace at Dolvi. So we had to procure some slag from third parties. This additional cost is not expected going forward. In terms of our fuel, our fuel cost rupees per Mcal for the quarter was INR1.55 per Mcal. Recent purchase of our pet coke was at $105 per ton CFR. Our fuel cost for the rest of the year is expected to be around INR1.4 per Mcal.

Our PBT before exceptional items was INR164 crores, a substantial improvement over last year. Moreover, the performance of our JV at Fujairah has substantially improved Y-o-Y and the numbers for the rest of the year are going to be very healthy.

I would draw your attention to the fair value expense arising from the financial instrument, that is the CCPS, designated as FVTPL of INR1,466 crores in this quarter. We have included a slide on this in the presentation. But let me reiterate that this is non-cash expense representing fair valuation of the CCPS liability. The CCPS liability will convert into equity in Q2. We would therefore urge the investor community to focus on adjusted PAT, which is nothing but adding back of the fair value adjustment. And we have highlighted this metric of adjusted PAT in our prospectus as well. Adjusted PAT for the quarter stands at INR100 crores.

In terms of the balance sheet, net debt is at INR4,566 crores at the end of the quarter. In Q2, we will be repaying INR520 crores of debt from the IPO proceeds. Net debt to EBITDA basis trailing 12 months stood at 4.32x. We incurred a capex of INR456 crores in Q1. And for the full year, including the Q1 numbers, our total capex is expected to be around INR2,000 crores.

Our target is to improve the net debt to EBITDA ratio by end of the year. And as we communicated at the time of IPO, our target is to have leverage ratio between 2x to 2.5x the next few years. Average cost of debt currently is 8.29%. We will be now happy to address your questions. Thank you.

Moderator: The first question comes from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Thanks for this opportunity and congrats on a good set of operating numbers. My first question pertains to this fair value through P&L. You see, for the past three years, there have been a total of around INR140 crores expenditure which has been booked through other expenses. So, those numbers also pertain to the CCPS only?

Narinder Singh: Yes.

Rajesh Ravi: Okay. And they were all non-cash, right?

Narinder Singh: All were non-cash. And if you added up over the total numbers, what we have recognized over the since the CCPS were issued, the number would stand at about INR1743 crores.

Rajesh Ravi: Including Q1?

Narinder Singh: Including?

Rajesh Ravi: Inlcuding Q1 expenditure that you have booked?

Narinder Singh: Yes, including everything, including the past years' numbers.

Rajesh Ravi: Okay, understood. And second on the, did they also have any tax benefit when we are, you know, booking as an expenses?

Narinder Singh: So, we are a company which is on MAT. The benefit of this accrues to us. So, on one hand, we have a non-cash expense of this INR1466 crores in the current year. On the other hand, we save cash as we will not be required to pay any MAT. That number would be roughly about INR147 crores to INR150 crores.

Rajesh Ravi: Which is booked in the -- which is lowering your tax incidence in the P&L?

Narinder Singh: Yes, because MAT is a MAT Credit going forward. The face of P&L doesn't reflect, but definitely there is a cash saving.

Rajesh Ravi: Okay. Great. And secondly, coming on your operating performance, I see your -- like you have given quarterly realizations for the three corresponding quarters. Just for comparative purpose, could you give the GGBS realization for full of FY '25 and same for cement, like-to-like numbers?

Nilesh Narwekar: Yes, just a second. So, for cement, it is INR4,518 a ton and for GGBS it is INR3,773 a ton. That is for the full year FY '25.

Rajesh Ravi: Okay. So, why have we seen a slight drop in the GGBS realization versus FY '25?

Nilesh Narwekar: Yes. So, as you are aware, I mean, this FY '25 number is for the full year, right? And through the year, when the prices -- the demand dropped, the prices came under significant threat and the GGBS demand reduced. We had to correct the GGBS prices marginally to kind of catch up on the volumes. And therefore, by quarter four, quarter three is when we actually corrected for it.

And what happened at that time, GGBS mixes, the RMC using GGBS mixes started to become a little more comparable as compared to the RMC mixes which are done just using the fly-ash route. And post FY '25, I mean, post quarter four of FY '25 and Q1 FY26, we have consciously not increased the prices despite the cement prices having gone up. That's primarily being done because we want to drive adoption or penetration of GGBS in the markets that we are operating in.

Rajesh Ravi: Understood. And sir, this pertain numbers…

Moderator: I am sorry to interrupt, Rajesh…

Rajesh Ravi: I'll just complete this question and move on. Just the numbers which you have shared on certain numbers, they are for the cement business alone, right, logistics, RM power, employee, and other expenses?

Narinder Singh: So, the rest of the expenses are combined.

Rajesh Ravi: All the cost line items, logistics…

Narinder Singh: Sorry, I cannot hear you. All expenses are at company level.

Rajesh Ravi: Okay. RM and power also?

Nilesh Narwekar: Yes. That's right.

Moderator: The next question comes from the line of Gaurav Nagori from Avendus Capital.

Gaurav Nagori: Two questions. First one on GGBS segment specifically. Is it possible to quantify the margins or let's say the EBITDA per ton that you have done in the GGBS segment? That's question number one. Second, what is the incentive that you have approved in this quarter? And are you eligible for any incentives from the upcoming north plant or the Odisha unit? These are the two questions from me.

Nilesh Narwekar: Yes. On GGBS, we are not giving a breakup. We consider it as one segment, cement, and GGBS. So, we are not giving a breakup of cement and GGBS. On the incentive, Narinder?

Narinder Singh: Yes. So, answering the second part of your question, we have recognized incentive of INR6.70 crores in this quarter. Going forward, we will continue to recognize a similar number for the existing operations. As far as our investments in North is concerned, in Nagaur, as per the Rajasthan incentive scheme, there is a capital subsidy of 25% of investment. And this is subject to limits totaling to about INR650 crores. Now, this is as per the policy.

Our application, however, will be on the lines as has been offered to the other cement companies, which you all are probably aware. So, that number is going to be much higher than the number that I just stated, which is about INR650 crores as per the policy.

Now coming to Punjab where we are going to make an investment over the next two years, one and a half years, 75% of the state GST for the next seven years, post commissioning, but limited to 100% of the FCI, fixed capital investment. That is the number. We expect about INR375 crores to INR400 crores via this incentive.

We are making investments in MP and UP, our central India operations that we are going to do. MP scheme, there is an investment promotion assistance for 20% of the value of building and plant and machinery payable equally over seven years. At the time of acquisition of the mine from SMPL, we had an incentive order for about INR200 crores, which we are reapplying. And there is the possibility of getting a larger amount. Because the investment size will be substantially higher.

UP scheme we all know is very attractive. 100% of net SGST is reimbursed for 12 years, up to 300% of the eligible capital investment. That is in East UP and any investment made in Central UP is eligible for 200% of the capital investment. This is over 7 years. So, currently, these are the schemes. These are the states where we are making investments and these are the schemes.

Gaurav Nagori: In the Odisha One? The upcoming Sambalpur limit?

Narinder Singh: So Odisha, no, we will not be getting any incentive.

Gaurav Nagori: Thanks for answering. Thank you.

Moderator: Thank you. The next question comes from the line of Kunal Shah from DAM Capital. Please go ahead.

Kunal Shah: Sir, just first wanted your thoughts on the GGBS side. Now, how to read the 5% volume growth in 1Q, especially given that the product attractiveness at the RMC level would have gone up post 1Q cement price hikes while GGBS realization was flattish? And any guidance for F '26 as a whole for GGBS volume growth?

Nilesh Narwekar: Yes, sure. See, as I mentioned earlier, the cement prices moved up, the price table moved up primarily in the south around the third week of April and thereafter. And that's when the GGBS mixes start to become more attractive.

Now, typically, for an RMC player who has a specific mix design being played out either for any of his construction activity or any of the infrastructure projects, once the mix becomes more profitable, they have to undergo the entire process of getting the revised mix design approved, which takes anywhere between 28 days to 35 to 40 days, which is what kicked in. And hence, the switchover after the price increase, which made the GGBS mixes attractive, took time. Hence, the volume growth that you see on GGBS sales is 5%.

Now, in the West, there was a slightly different story, which is the other market that we sell significant GGBS. It's the onset of early monsoon, which kind of slowed down the volume. So, that's on the 5% GGBS aspect.

And the outlook for GGBS, we expect it to fundamentally follow; I mean, we are growing at a fairly healthy clip. And we expect the numbers to stack up in favor and we will continue to deliver what we've committed in our plans, which have been discussed.

Kunal Shah: Understood. And this is helpful, sir. And one more bit on this. So, when we look in the cement side, that growth is a strong outperformance versus what the industry cement growth was. Now, could you just help with some bit of bifurcation with respect to, are we gaining share and which region is sort of delivering a better outperformance here?

Nilesh Narwekar: Yes. So, the market in the South is where we've been able to make inroads. But I think the context here has to be viewed in light of the fact that when the prices started to dip, there were a lot of markets that we had to withdraw from as well.

So, in light of that, once the price table improved, we've identified specific geographies that will continue to be competitive going ahead. So, South was the place where we've increased our presence and the share has gone up, followed by West, and then probably would be East.

Kunal Shah: Understood. No quantifications you'll be able to give, right? The regional quantification…

Nilesh Narwekar: No, we're not giving a geography or a segment price break-up.

Kunal Shah: Understood. No, sir, this is extremely helpful. I'll fall back in the queue.

Nilesh Narwekar: Thank you, Kunal.

Moderator: Thank you. The next question comes from the line of Harsh Mittal from Emkay Global Financial Services. Please go ahead.

Harsh Mittal: Sir, firstly, congratulations on the successful listing as well as on the great set of numbers for quarter 1. My first question pertains to your Slide number 11 of the investor presentation, which says that we'll be reaching around the capacity of 34 million tons by CY '28. Any sense of capacity milestones for this year, FY '26, FY '27, and capex cash outflow for FY '27? This is the first question.

Nilesh Narwekar: So, in terms of our -- first, let me take the FY '26. What are you going to achieve? So, as I had mentioned in my opening remarks, so a million ton of grinding capacity at Sambalpur is coming up this month. By this fiscal, we will be commissioning the integrated unit at Nagaur, which is 2.5 million of grinding and 3.3 million of clinkerization. So, that will be the addition that will happen in FY '26.

In addition to this, the additional 1 million ton that is going to come up at Nagaur is going to be towards April '27 and thereafter, Talwandi Sabo will be coming towards June '27. And then we are talking about Vijayanagar of 2 million grinding capacity, which will be and the 4 million Dolvi, which will be by calendar year '28.

Harsh Mittal: So, what would be the capex cash out in FY '27, given that you have already said on INR2000 crores in FY '26?

Narinder Singh: Yes, another INR2000-odd crores is what we intend to spend in FY '27.

Harsh Mittal: The question is that, is that there has been, we are going to see...

Moderator: Harsh, there is a lot of background noise. Could you please move to a quieter area?

Harsh Mittal: Yes, yes. Is it better now?

Moderator: Yes. Go ahead, please.

Harsh Mittal: Yes. So, my second question is that we are likeliest to see a GST rate cut on cement from 28% to 18%, right? Assuming if it happens, what should be the impact on the incentive pool, which the industry, or particularly which will receive from the respective state governments? How should one look at that? Thank you.

Narinder Singh: What you receive is net liability, net SGST that we discharge. That's how the policy is in every state. Now, if it is dropping to, let's say all other things being same from 14 to hypothetically 9%, in absolute terms, the number may drop.

The time frame is again fixed. Everyone will be governed by the policy under which they might have invested. So, if somebody has a timeline of 7 years or 9 years, whatever business discharges the net SGST, that is what the entity is going to receive over the balance life of the policy under which they have been given the permission approval. So, probably there can be a drop in absolute number. But this is assuming all other things are same.

Harsh Mittal: Right, right. Okay. Sure, sir. Thank you.

Narinder Singh: Thank you.

Management: Thank you.

Moderator: The next question comes from the line of Sanjay Nandi from VT Capital. Please go ahead.

Sanjay Nandi: Hello. Good morning, sir. Thank you for the opportunity. Hello?

Moderator: Yes, please go ahead.

Sanjay Nandi: Yes. Sir, can you just like give us a like broad understanding, like if we are planning for 34 MTPA kind of capacity by 2028. So, what kind of EBITDA per ton you would like to maintain going forward?

Narinder Singh: So, 1,150 to 1,200 is our expected number, because keep in mind that we are moving to very attractive geographies. So, yes, that is the number which we hope is doable on a sustainable basis.

Sanjay Nandi: Got it. And the second question is that, sir, can you throw some colors on the petcoke consumption front? Like we have seen some spikes happening from the Q1 exit of this year. And so, -- and we've also got something at $105 per ton.

Narinder Singh: Yes. So, our current stocks are going to last till January, December, and January mid. And we have stocks at $105. Now, we all know that the prices of petcoke have moved north. That is more to do with the hardening of freight costs. Currently, US petcoke is available at $115 CFR for bookings that are being done in August and September. Probably petcoke prices will hover around this number for the rest of the year. That's $115 for all bookings that are made now.

Domestic prices may undergo a change - if consumers move out of imported petcoke to domestic, which we read is the situation currently, there may be slight increase in the domestic petcoke prices. But the number would be difficult to quantify as of now. But yes, it follows the imported petcoke trend.

Sanjay Nandi: Understood, sir. Thank you. It is very insightful, sir. And, sir, that last question is like, can you throw some colors on the pricing front? Like what kind of prices we are just sensing as of now from the exit of Q1-26?

Nilesh Narwekar: Yes, sure. See, we are broadly seeing the price table hold – there has been a INR5 to INR10 drop across the south. East, it is holding. West, it is holding in the markets that we have got. And we believe this is how it would probably play out.

And this is typically because I think all of us understand the monsoon months is usually muted and there is usually a marginal drop during this period. But at the moment, we are seeing the price table hold. And going forward with the onset of the festive season kicking in, we expect price to start to improve and that will augur well for the industry.

Sanjay Nandi: Got it, sir. So that is from my side, sir. I will come back in the queue. Wish you all the very best.

Moderator: Thank you. The next question comes from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Hi, sir. I just wanted to -- you mentioned margin guidance at 1,150 to 1,200 per ton?

Management: Yes.

Rajesh Ravi: Okay. And sir, any numbers for the volumes for this year? What sort of growth you are looking at?

Narinder Singh: So, numbers, we are hopeful to cross 15.5 million for the current year.

Rajesh Ravi: Okay.

Narinder Singh: And for current year it should be much higher than the current numbers that we have achieved in the first quarter.

Rajesh Ravi: Sorry, I missed it. What would you achieve?

Narinder Singh: The number that we have achieved per ton in quarter one. We should be improving upon this number for the rest of the quarter.

Rajesh Ravi: Okay. But given that the prices are stable, what are the levers you're looking at, which will drive the margins upward?

Narinder Singh: So, we have a lot of focus on cost reduction. We internally have taken a target of reducing our cost under various cost heads by almost INR400 over the next year and a half to 2 years. A substantial chunk of it has already been achieved.

When I say substantial, it can be almost about 50% of this number. This is driven by our lead reduction, our improvement in AFR, renewable power, etc. Now, as we move forward during the year, definitely some of these initiatives will kick in and we'll see additional cost savings translating into a higher EBITDA.

Rajesh Ravi: So, you're saying out of 400, 200 is already reflected in the numbers and additional 200 over the next 1.5 to 2 years is doable, cost reduction. And what headings these would, can you quantify under what headings these numbers come as in terms of green power, in terms of lead distance and other efficiency metrics?

Narinder Singh: It will be renewable power, it will be AFR, it will be logistics, it will be probably the operating leverage etcetera. But we'll have more answers in the next quarter on this.

Rajesh Ravi: The GST numbers are similar for both cement and GGBS, GST rates?

Narinder Singh: No. For GGBS, it's 5%.

Rajesh Ravi: And just a thought question, with GST expected to -- reduction expected to come sometime this month, when monsoon would start to fade in and in general there is a broader tendency for the industry to take a price hike with demand picking up over the next three to five months. Would there be a case the government reduces the GST and hence cement prices come down? And then when the industry goes ahead for a seasonal price hike, there could be a pushback from the government to stop anything, any such activity?

Narinder Singh: I think this is a question which probably will be difficult to answer at this point.

Nilesh Narwekar: See, Rajesh, again, we do not want to comment on anything which is hypothetical here. But I mean, if you were to go with historical cement demand per se, it's inelastic to the price movement that typically happens. And historically, we've seen yes, after the monsoons the price does pick up because the demand picks up. I think that's going to fundamentally rule the way the industry operates.

Moderator: The next question comes from the line of Naveen Sahadeo from ICICI Securities.

Naveen Sahadeo: My first question was on clinker utilizations. So, in FY25, if I have calculated this correctly, cement volumes are close to around seven and a half million tons. And at roughly 50% clinker factor, clinker will be more like 3.7 out of the total installed capacity of 6.4, which translates into roughly 58% clinker utilization. So, my question was -- is this, first of all correct? Is that the clinker utilization that we have? And how do you then plan to see this treading over the next one, two years?

Nilesh Narwekar: No, see, the clinker utilization, I mean, for this quarter, of course, 87%. And for FY25, it was at 76%. So, I'm not sure where you've come up with the number.

Narinder Singh: So, Naveen, the way you have calculated probably answers part of the question. See, we have two and a half million of capacity in Fujairah. And that capacity runs at more than 100%. We bring whatever clinker is required for our Dolvi operations from Fujairah and the rest is sold domestically or exported. Yes. So, hence, as the number shared by Nilesh that our utilization was much higher than the way you have calculated.

Naveen Sahadeo: So, the way to -- you're saying, the way to look at it is that since it's a JV, it's a 50%-50% JV, I'm assuming. So, is it fair to assume that when we calculate, we'll be looking at 50% of the clinker as our base capacity and then calculate the utilization?

Narinder Singh: No, see, we have a financial investor in that entity. So, it's a JV by nature. But that entire clinker is available for us. Of course, the profits or the losses are in the ratio of the stakes that we hold. But the entire clinker is available for us.

Naveen Sahadeo: And of course, it comes at arm's length, right?

Narinder Singh: It comes at, yes, because we sell a huge chunk to third parties, and hence, arm's length definitely is being followed.

Naveen Sahadeo: Fair point. My second question was, which you did partly answer in the previous question, because even in the initial comments, there was a mention of cost reduction by INR400, which you also said that, as we speak, 200 per ton is already achieved. So, if you could just give us some more color as to the balance 200, what are the yearly milestones? Are we looking at more like anything in FY26-27, or it could be more long-drawn FY28 kind of a story?

Nilesh Narwekar: So, in FY26, we expect on the renewable power and on the fuel front, we expect close to around INR65 to INR70 a ton. On the lead, against a target of 105, we probably should be able to garner around maybe around INR45 to INR50 a ton. On the premiumization front, where we forecasted that we'll be getting somewhere between INR40 to INR50 a ton, there we should probably have maybe around INR40 a ton.

And of course, the operating leverage will fundamentally, depending on the volume, that'll be there. This will be the FY26 achievement, and whatever balance will trickle to FY27.

Naveen Sahadeo: And just one more question if I may. The Nagaur unit will be largely an OPC-PPC market. Is that correct, or we plan to sell slag cement as well?

Nilesh Narwekar: No, Naveen, your understanding is correct. We can't be moving slag from the south or the west to Nagaur. It's an OPC-PPC market.

Naveen Sahadeo: Understood. Very helpful. Thank you so much, sir.

Nilesh Narwekar: Thank you, Navin.

Moderator: Thank you. The next question comes from the line of Nikita Gondalia from PGIM India Mutual Fund. Please go ahead.

Nikita Gondalia: Sir, my first question is on working capital. What was your working capital for this quarter versus last year and the trajectory that you're expecting going forward?

Narinder Singh: Nikita, can you repeat your question, please?

Nikita Gondalia: Yes. What is your working capital for this quarter as well as Q1 FY25?

Nilesh Narwekar: So, if I was to just paraphrase you, working capital for this quarter and for FY25. Is that what your question is, Nikita?

Nikita Gondalia: Yes, last quarter and FY25?

Narinder Singh: I'll just give you a number of days. So, in inventories, my inventory holding is for 49 days. My trade receivables are 46 days on an average. My payables are 91 days.

Nikita Gondalia: Okay. And for Q1 FY25?

Narinder Singh: Q1. Okay. Comparatives, if I have to give you. My inventory, which was 57 days has dropped to 49 in this quarter. My receivables, which were 49 are down to 46. My payables from 95 are down to 91. So, you see overall improvement in all the parameters.

Nikita Gondalia: Okay. Is there a particular reason why inventory days were so high in last quarter, in Q1 FY25?

Narinder Singh: Which one?

Nikita Gondalia: In last quarter. As in Q1 FY25, inventory days were 57 versus 49 days in the current quarter. Is there a particular reason why inventory days were so high in the previous quarter?

Narinder Singh: Because of our coal inventory, primarily.

Nikita Gondalia: Okay. So, your, I would say, raw material inventory?

Narinder Singh: Yes.

Nikita Gondalia: Okay. And my next question, I think you have already answered it to some extent. So, GGBS realization fell 4% on year-on-year basis. So, from what I understood, in the South it is because of mixed change, because the price increased. And RMCs had to do a change of -- had to do a mixed change, which affected your realization in South. And for West, it was due to the monsoon. Is that correct or is there anything else that you could shed some light on for realization, GGBS realization?

Nilesh Narwekar: No, your understanding is correct, Nikita. It was basically in Q1FY25 that the GGBS based concrete mixes made sense because the cement price table was relatively better. After the general election there was a drop in demand and the competitive intensity led to fall in the cement price table. And hence, the GGBS mixes became unviable and we had to correct our GGBS prices along the way. So, therefore, when I compare Q1 FY26 to Q1 FY25, you actually see the same thing playing out because now what is happening is in Q4 FY25, we had to correct for some of the prices to be able to meet the volume. So, your understanding is absolutely correct.

Nikita Gondalia: Okay. So, going forward, you are expecting that the realization that you have set for this quarter or I would say Q4, will be stable going forward, right? You are not expecting any more price cuts in GGBS?

Nilesh Narwekar: That's a conscious strategy that we've adopted, Nikita, primarily to ensure that we are able to drive the GGBS penetration, the markets that we're selling. We want the GGBS mixes to be more favorable to the RMC players and the infrastructure players. That's been a conscious strategy going forward. And we're actually seeing those numbers play out in the current quarter.

Nikita Gondalia: Yes sorry. So, that's what I was saying. So, in case there is any change in mix going forward, then there is a possibility that you might have to tinker with the prices again, but your conscious strategy would be to keep this Q1 price stable going forward, right?

Nilesh Narwekar: That's right.

Nikita Gondalia: Yes and the volume as well. So, you are going to maintain your GGBS volume guidance that you had given during the time of IPO or is there any change because Q2 would be a seasonally weak quarter and currently you have shown a 5% volume growth in GGBS. So, Q3 and Q4 need to be a very high -- you will have to do a very high volume to maintain that earlier guidance. So, are you still maintaining your guidance or are you changing any GGBS volume guidance for the year?

Nilesh Narwekar: We're maintaining it, as I mentioned earlier. The benefit of the cement price stable having moved up has actually translated into a GGBS volume start to pick up across the geography, which is what is playing out as we speak. And we expect to meet the guidance, meet the numbers that we'd communicated earlier.

Nikita Gondalia: Okay, sir. Yes makes sense. Thank you for answering my question.

Nilesh Narwekar: Thank you, Nikita.

Moderator: Thank you. The next question comes from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Yes, thank you, sir, for the chance. Firstly, congratulations on a successful IPO and a great quarter. So, my first question is on the trade mix. Now, it's quite understandably low due to the GGBS contribution. But as we're adding integrated plants, how should we see this going forward? And if you could highlight, I mean, what efforts are we doing to strengthen our retail distribution channel?

Because that I think is slightly, I mean, where there's more efforts required, given our expansion plan. That's my first question, sir. Thank you.

Nilesh Narwekar: Yes. So, first thing is, the way to read the trade percentages, it's a part of the cement business. So, when we say 52%, which is a number that we've shared, that's a part of the cement volume.

GGBS is purely B2B, that's not included in this number, right? Secondly, you need to understand the way, the geography that we operate in. For example, in the West, we operate in Mumbai MMR. Out here, the trade percentage is really low at around 20%. Compared to the East, where the trade percentage is higher and South, it's primarily, what do you call, where it's, the non-trade component is also relatively high. So, we broadly followed that flow across the various geographies. Hence, it comes to 52% of it.

Now, going forward, as we enter the geographies of North, which is primarily trade dominated, we expect these numbers to start to move up, because the trade percentage there is going to be relatively higher at 60%, 65% plus. So, with that kicking in, we expect the 52% trade percentage as a part of the overall cement sales to move up to 55% or thereabouts.

Sumangal Nevatia: Got it, got it. And so, with respect to our North expansion, in the first year, say FY27, what sort of volumes do we expect or utilisation do we expect from?

Nilesh Narwekar: So, see, we will, I mean, once it commissions, we'll come back to you with the actual projection. But we expect broadly to be operating at around, to be at around 55% to 60% in the year one of operation. And as per guidance, you've said by end of this fiscal, we will have the Nagaur plant already. So, by FY'27, by the year end, our utilisation run rate will be close to 55% to 60%.

Sumangal Nevatia: Got it, got it. Can I just squeeze in one more question, or should I join the queue?

Nilesh Narwekar: No, go ahead, Sumangal.

Sumangal Nevatia: Okay, thanks. So, I just wanted to know some details on what WHRS and RE capacity is getting added in terms of megawatts, and what is the thumb rule to kind of use in terms of potential cost saving versus our existing power mix?

Nilesh Narwekar: Yes, sure. So, in terms of, in terms of WHR, there is no more WHR capacity that's getting added. All the capacities are added.

Now, it's purely about, yes, in the existing, as Nagaur gets commissioned, that has the WHR embedded as a part of our regular design. So, that gets added, right? Now, typically, and let me answer, then I'll come to the cost question.

In terms of RE capacity, we're adding close to 92 megawatts of wind. Additionally, we're adding 35 megawatts of solar across the plants, a total of 127 megawatt over an existing solar capacity of 27 megawatts that we have, which takes it to 154 megawatts. Now, the way to look at this is WHR typically comes at a cost of INR1.10 per unit, compared to grid, which varies, but you should probably take around INR7 to INR8 per unit.

And the renewable power will be somewhere in the range of INR4.10 to INR4.20 per unit.

Sumangal Nevatia: Understood. That's very helpful. Thank you, and all the best.

Moderator: Thank you so much. Thank you. The next question comes from the line of Kamlesh Bagmar from Lotus Asset Managers. Please go ahead.

Kamlesh Bagmar: Yes, thanks for the opportunity and congrats for a strong set of numbers, sir. So, just one question on the part of your GGBS here. So, in this quarter, it was around 39 odd percent.

So, going forward, what level of GGBS mixed with do we see in our blended sales volume?

Nilesh Narwekar: So, for this year, GGBS mixed will be broadly at 39% to 40% itself for FY'26. And going forward, when north comes in, of course, then the percentage changes, but that's already been communicated. For FY'26, we expect it to be in the 39% to 40% range.

Kamlesh Bagmar: As we see, like, a lot of capacity additions from JSW Steel, which has been doing significant additions over the years. So, do we see it, like, say, I believe Dolvi and upcoming expansions in Vijayanagar, that also would be largely PBFS. So, GGBS may go down, but equally our share of PBFS here, like, say, blast furnace slag cement, that will also be moving in tandem with that.

Nilesh Narwekar: You're right. You're right. So, the capacity expansion at Vijayanagara of 2 million and the 4 million at Dolvi, that's primarily being done to keep step with the capacity expansion that's happening on the JSW Steel front.

And if I was to give you a forecast of what my GGBS percentage is going forward, FY'27, we expect it broadly around 35% to 37%, which will be coming down from the 40% number that I told you, and around 35% by FY'28. And that's primarily because north kicks in, and that kind of gives a fillip to the cement proportion there, and hence the GGBS percentage goes down, whereas in absolute terms, the GGBS sale moves up.

Kamlesh Bagmar: And so, lastly, like, doesn't it make a bigger sense to have, like, say, clinker capacity of Fujairah under our own hold entirely? Because, like, say, to have a clinker capacity in JV or holding through JV, don't make much sense for the shareholders. So, would we be thinking over the coming years to bring it entirely under our own hold?

Narinder Singh: So, Kamlesh, as I mentioned earlier, the other stakeholders in the Fujairah entity are financial investors. So, over a period of time, definitely they will be taking the exit, and this becomes a full subsidiary. So, that definitely will happen.

Timelines, we'll have to figure out. But yes, that would, going forward, definitely happen.

Kamlesh Bagmar: Great. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, that brings us to the end of the question-and-answer session. On behalf of JM Financial Institutional Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.