"India Cements Limited Q3 FY21 Conference Call hosted by PhillipCapital (India) Private Limited"

January 27, 2021

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

Moderator: Ladies and gentlemen, good day and welcome to the India Cements Q3 FY'21 Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Vaibhav Agarwal: Thank you, Aman. Good afternoon, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q3 FY'21 Call of the India Cements. On the call we have with us the entire senior management team of the India Cements.

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

Management: Thank you, Vaibhav. Good afternoon, everyone. I thought that I'd make a few opening remarks and give an overview of the cement industry and in particular to the industry that affects our markets before we go into the Q&A.

This year has been a unique year given the extent to which the pandemic has affected several sectors of the economy. The pandemic affected the construction and building industry substantially to start with, with migrant workers going away, and now we have the phenomenon of the return of the migrant workers and demand slowly but surely inching up. If you take India Cements capacity utilization in the first quarter was 35%, the capacity utilization went up to 45%, and if I take the nine months, it is 50%. This is still a very far cry from what we can produce. But because we took a decision that we will sell at a price, that we will not compromise on price, the PBT stands for nine months at Rs.225 crores compared to Rs.103 crores for the corresponding period last year. For this quarter, the PBT was Rs.89 crores compared to a loss of Rs.10 crores last year. I think the significant part of this is we have been able to maintain our realization, we have not dropped prices, if at all the net plant realization has diluted a little, it is because of the variance in the trade, non-trade percentage as our volumes have gone up, non-trade has gone up a little.

In addition, during the last quarter, we saw movements in the East both cement and clinker. And while it acted towards improving my utilization also did not contribute the same extent as sale in my home markets in the south and Maharashtra. The variable cost of production has been very well controlled, has come from Rs.2,200 rupees to Rs.2,160 in the third quarter. All of you would be aware of the increase in cost of fuel, particularly pet coke. Since we had sufficient stock of fuel, we will be affected possibly in the fourth quarter and not before that. Therefore, the impact of cost of production will not be very significant.

The trends that we have witnessed of capacity utilization improving with every quarter, we expect and hope that it will continue in the fourth quarter.

As I always say, there are four, five India. As far as Eastern India is concerned, it is growing at a double-digit rate. But because of local high competition, prices have not shot up the way they should have. But we expect that going forward prices in the East will go up since **(Inaudible) 6:32** in any case they are importing clinker, they don't have sufficient clinker to meet the grinding plants. So, it is our expectation that the price will move up in this area also. The price in North, Central zone are good. There is very good demand. So, therefore, prices will go up from the present levels as we go along. As far as the South is concerned, there is the capacity overhang in the south. But given the capacity overhang, there are many mitigating factors; one is there is exodus from south from Andhra Pradesh towards all the states in these, whether it is Odisha West Bengal, Northeast or Bihar, cement is flowing very freely. There has been a concession given by the government for movement of clinker to the east beyond a certain distance and that has come in handy to help units to sell surplus clinker into the East.

As far as cement is concerned, we will see very solid growth in the East, North, Central are already doing very well. As far as the West is concerned, it is now catching up post the pandemic. And where the South is concerned there are **(Inaudible) 8:21-8:25** if you take into account the possible movement in the East, the capacity utilization in the south will be decent.

Having said this, what is it that India Cements has done? What we have done is that we have said that we will not sell below the price notified by us. We will be on cash and carry. And we will have strong control on costs, not only variable even fixed. In the fixed cost category what was Rs.195 crores per quarter will come down to Rs.150 crores. Two quarters ago I said that control on fixed costs will be sustainable and it is being seen as being sustainable now. So, therefore, this will substantially impact and improve our earnings. We have also taken a decision that we will not sell below a certain price. We have fixed a certain price based upon a certain return. We are not going to throw cement away. So below that we will not offer cement. In spite of the fact that we have put a cap, the floor price below which we will not sell cement. We still have capacity utilization. It compares recently with people in the south, although it cannot compare well with the north because there's unlimited demand. The cost control on fixed costs will definitely continue and there will be no reason to feel that this will reverse.

These are the observations I have to start with. We'll now get into a Q&A mode and we'll respond to any questions that investors may have. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: Sir, I just wanted a little bit more clarity on the flow of material happening into the East. Is it more than usual which used to happen in the past? And what exactly is the incentive which the government has provided on transportation side, if you could elaborate a little bit more on that that will be the helpful?

Management: The flow into the East is definitely more than earlier. See, the demand in the east is growing in double-digit terms. There are a combination of integrated plants and also grinding units in the east. So, grinding units are all taking clinker from Nalgonda cluster from under Pradesh. In the last quarter, we sold about 1.2 lakh, 1.3 lakh tons of clinker to the east. This quarter it will be much higher. In addition, there is increase in consumption of cement itself. So, the flow is natural. The concession that has been given is that for every tonne that you sell into the East, they have a base here for calculation, so, when you cross that base, you are given I think 15% concession on railway freight. So this acts as a big boost for clinker to move. The cement industry has petitioned the government that this should also be applicable to cement and we hope that government will accede to the request.

Gaurav Rateria: Secondly, sir, you talked about price hikes happening in the East. Eventually are there players who are not making money in the East right now, because of higher transportation costs and the lower pricing? And lastly, a data point just needed on the volume for this quarter.

Management: See, as far as the east is concerned, as I said, the demand is in double-digit growth over the last year. Excepting the south, in other places, generally the plants are running almost full. So if plants in the east want clinker, they don't have sufficient clinker, they have to get it from Andhra Pradesh. And from Andhra also, it can only go from plants which are going to railway siding. Our Raasi Cement, Vishnupuram plant, fortunately has a railway siding. So we are loading a rake a day almost now. But at the same time, the contribution is much lower than if I sell domestically. With the demand being what it is, there is every possibility of prices going up in the east. Regarding volume number, it was 23.77 lakh tons.

Moderator: Thank you. The next question is from the line of Ronak Vora from AUM Advisors. Please go ahead.

Ronak Vora: How do you see the demand in the western region mainly Maharashtra which is a major market for us?

Management: As far as the west is concerned, it was little slow to start because of the pandemic. When we talk of west, Maharashtra occupies such a large portion that Maharashtra had an effect. Now there's a pandemic impact is reducing, I see the demand is at the moment good in Maharashtra, it is good in Gujarat, it is good in Rajasthan, that whole area the demand is good. It is a question that almost a situation where there is not enough cement.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Firstly, on the four old verticals; finance cost, the power and fuel, in the transportation handling and the other expenses, I had queries pertaining to them. Firstly, what is the net debt level as on 31st December? And what is our repayment schedule for this year and the next year?

Management: When we closed last financial year, our debt was Rs.3,500 crores. This included term loans, it included working capital, it included the interest fee sales tax loan. This has now come down by Rs.300 crores to Rs.3,200 crores. And as per the schedule of repayment, another Rs.150 crores will be repaid during the fourth quarter of this financial year. Now, as far as we are concerned, next year also, we will have about 400 to 450 crores of repayment, which we will meet. I want to emphasize that even during the pandemic and otherwise, we have met all debt repayment obligations, interest obligations without any problem. So we will continue to do so. The question is beyond a point we can consider prepayment, but at the moment I think we'd be happy to just repay. We'll see how the demand improves. You must understand that all this we are doing it with 50% capacity utilization.

Saket Kapoor: What is our blended cost of funds and how has it faired for the nine months? There has been a substantial savings is there reflected in the P&L.

Management: 8.39%.

Saket Kapoor: What was it comparable last year sir?

Management: 9.18%.

Saket Kapoor: Any rating reviews which may result in further lowering of rate, what is your outlook on that?

Management: There will be a rating review. We wanted to have it done after the third quarter results. So hopefully we will keep improving.

Saket Kapoor: Now coming to the power and fuel part, sir, what portion of is it derived from the WHRS sir and how much have we invested in the waste heat recovery system? For the month of

February, you have lower pet coke. So, going forward, what is the inflationary trend that may happen due to these pet coke prices?

Management: See, first and foremost, as far as waste heat recovery is concerned, we have one waste heat recovery plant at Vishnupuram, the old Raasi plant. We are going to set up a waste heat recovery plant in the coming financial year at Chilamkur. Otherwise a mix of gas based power, APGCL power, our own captive power units, so almost 170 MW of power we generate ourselves including wind power.

Saket Kapoor: How is this cost going to shape up sir now with the pet coke prices…?

Management: As far as pet coke is concerned, the impact will not affect me in January, it will very marginally impact me in Feb, maybe a little bit in March. So if I take this fourth quarter, I will not have much impact of pet coke prices on the fuel cost. Beyond that we will wait, that is the next year we'll see.

Moderator: Thank you. The next question is from the line of Kunal Shah from YES Securities. Please go ahead.

Kunal Shah: Hi, my first question on freight cost per ton, which has spiked up sharply sequentially, and which is higher than others when companies as well who have posted numbers. Sir, any light on the same whether it is because of the diesel prices moving up or have we done any revisions on the rentals part?

Management: We have not done any revisions on the rental. The freight costs have gone up because I moved more to the east. In the third quarter I think we moved about 1.83 lakh tons in long lead market, which was not so in the second quarter. So that is directly the only reason for increased freight costs.

Kunal Shah: The second question with respect to the consumption cost of fuel on rupees per kCal in Q3 and now what we are entering at like the current contracts, anything for the future supply, I just want to know what sort of hike would come post-March?

Management: Average cost per kCal was around 1.3 in the third quarter. And going forward also, we don't expect any increase in costs in the running quarter. Probably it may go up by another 10% in the third month, that is 1.4.

Management: See, what he is saying is that 1.3 at present in the last month can go to 1.4 rupees per calorie.

Moderator: Thank you The next question is from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.

Siddharth Rajpurohit: Sir, just wanted to understand the real estate scenario now in South India. There is a lot of talk about revival. How strong is the revival and is it only for the top developers or it is more broad-based?

Management: See, as far as the real estate sector is concerned because they have held their prices and not dropped it, I think the movement of real estate has been slower than otherwise it would have been. From the cement companies point of view, we sell about 55%, 60% in the trade, we want to increase this percentage. And in the non-trade also, we are selling substantially, we are giving to the government in Andhra Pradesh, we are giving to the government in Tamil Nadu and other places. So, our endeavor is not to sell much to reduce the impact or sale to the builders and other sectors where maybe the price has to be lower, one way by which we will improve our net plant realization is to increase the trade sale. As far as the builders is concerned, the general opinion is that money is coming back, people are building, the unsold inventory is getting disposed off. But I will not say that great many fresh starts have started.

Siddharth Rajpurohit: What is your assumption for this revival, will it gain more momentum or will it stabilize at this level?

Management: You have to understand a little bit. We don't sell much into the building segment. We are concentrating on all other areas. And excepting the big metropolitans, the big builder is not there. The question that you should ask is how is cement consumed? I will say rural India individual house builders are the people who are consuming a lot of cement. So, going forward that consumption on the back of a healthy monsoon will be very good and cement demand will pick up. As far as builders are concerned, they are limited to Chennai, Coimbatore or something like that. The real individual house is the rural India, rural Tamil Nadu.

Siddharth Rajpurohit: That is why sir I just wanted to understand that is the revival more broad based?

Management: Revival is broad-based and the revival is there.

Moderator: Thank you. The next question is from the line of Sumedha Srinivasan from ICICI Prudential AMC. Please go ahead.

Sumedha Srinivasan: I have two questions from my end. First is you had mentioned that this quarter there has been a longer lead because of servicing days in market as well. So, can you give us a number on what is the lead distance in this quarter as compared to what was earlier quarter?

Management: Offline, we will give you the answer, we will just calculate exactly the amount and tell you.

Sumedha Srinivasan: And my second question is what has been the trade, non-trade mix in this quarter as compared to earlier quarters and is non-trade demand picking up in a major way or rural house building continuing to be the major demand driver, so, how has the mix changed from last quarter?

Management: In the first quarter, our percentage was 73%, in the second quarter it came to 56%, now it is 53% So, non-trade has picked up.

Sumedha Srinivasan: So, is it having a major impact on realization? What would be the price difference between trade and non trade right now?

Management: Price difference between trade and non trade, depending on which state you are in, can vary from as low as Rs.300 to as high as Rs.1,000 per ton. For example, it is very high in Rajasthan, it is very low in Gujarat, it is medium in Maharashtra, in Tamil Nadu between trade and non trade there is a big difference but we are mostly in trade in Tamil Nadu.

Moderator: Thank you. Next question is from the line of Romil Mehta from DAM Capital. Please go ahead.

Romil Mehta: I had two questions in particular, firstly, as you mentioned that demand has been improving sequentially quarter-on-quarter, and it has become broad-based. So, I just wanted to understand now more on the pricing front as to Q3 saw a very stable pricing as you mentioned in your earlier comments as well. So, how has that panned out in say January as of now and what would it be going ahead since we get into the peak demand season?

Management: My earlier comment holds, namely, I said that there is gradual increase in demand, the first three quarters we have seen and we hope that trend will continue in the fourth quarter. As far as prices are concerned, prices are quite stable. If at all I see the price becoming firmer and not getting diluted.

Romil Mehta: I just wanted to clarify one more thing. You mentioned 1.2 lakh tons of clinker being sold in the east and south and later on you also mentioned a figure of 1.8. So, was the cement which was sold in the east or what was it particularly?

Management: 1.8 lakh tons of cement was sold in the last quarter in eastern region and also 1.1 lakh tons is the clinker.

Romil Mehta: So broadly, we sold about 2.93 lakh tons in the east?

Management: Yes.

Moderator: Thank you. The next question is from the line of Navin Sahadeo from Edelweiss. Please go ahead.

Navin Sahadeo: Sir, you mentioned that demand is of course picking up. So given the low base for the previous quarter and again, I'm asking at a broader industry level, given that COVID impact has already started hitting us right from Q4 of last year, from that perspective, can we hope to be in the positive growth trajectory for the March quarter for south as a region?

Management: The situation is better than what I envisage one or two quarters earlier. One cannot deny that cement demand is picking up, I put it that way, whereas earlier if one was cautious, now, I will say, yes, demand is picking up.

Navin Sahadeo: East has been where the price damage has probably been the highest and south, I think, some extent there has been some price drops, especially in the month of December. So, from that perspective directionally at least the current prices in both these regions, is it better as compared to previous quarter or are we still lower as compared to the previous quarter average?

Management: In the south, I don't think prices have dropped anywhere. Net plant realization can only have happened because of a change in the trade, non-trade mix. As far as price is concerned, some companies for a few dollars more, for a few tons more, may have dropped the price. But overall the fabric of price has not come down in the south. As far as the east is concerned, there is a strong tussle between two large companies when that stock price will go up substantially. But at the moment, prices are being pulled down, is very competitive, but it is still enough for me to go. See, I think the price drops has stopped. So I think the lowest prices in the east are there now. If at all, it improves, it will go up. It is still viable for me to go. So I'm quite okay.

Navin Sahadeo: You said realization hit is because of the change in the mix in trade, non-trade segment. So, sorry if I can just get this how was this for the Q3 versus Q2?

Management: Q2 had 52% trade, Q3 had 51%.

Moderator: Thank you. Next question is from the line of Mudit Agarwal from B&K Securities. Please go ahead.

Mudit Agarwal: What is our wind power, shipping and infra revenue and EBITDA for this quarter?

Management: Wind power revenue was Rs.1.9 crores for this quarter, shipping was Rs.7.3 crores turnover, and RMC revenue was Rs.27.6 crores. On EBITDA, wind will be more or less the same, shipping is Rs.4.5 crores, RMC is Rs.3.5 crores.

Mudit Agarwal: The other question is related to our expansion in the central India. Is there any update on that?

Management: The update is limestone is inside the ground. We will go next year. The position is like this that we have come to the COVID, we are reducing our debt, we have got a CAPEX program for the energy efficient grinding plant at Sankar Nagar, a waste heat recovery that is there. Other than that, we don't have at the moment. If you ask me I will delay the expansion in a little bit to ensure that I will reduce more debt.

Moderator: Thank you. The next question is from the line of Milind Suresh Raginwar from Centrum. Please go ahead.

Milind S Raginwar: If I see the revenue number for RMC was 27.6. Is that correct thing I heard?

Management: Yes, sir.

Milind S Raginwar: And EBITDA was about 3.5?

Management: Yes.

Milind S Raginwar: If I then look at the cement revenue, and the cement realization, are we seeing the quarter-on-quarter about 5% dip in the realization on a sequential basis, September to December?

Management: Yes.

Milind S Raginwar: So is it because of the push that we gave in eastern region or is it that the south prices softer?

Management: It is because of two factors. One is my trade percentage came down from 56% to 51%. Second, is the fact that I sold a lot in the east when the prices were lower. No prices were dropped in our main market.

Milind S Raginwar: I'm just trying to understand will the trade, non trade now be at the third quarter level or is that we are looking at the moment in either direction?

Management: It is the endeavor of this company to improve an increase in the trade sales.

Milind S Raginwar: Then the logistics would also be on a higher side, pushing more material, is that understanding correct?

Management: If I have to increase my capacity utilization without disturbing the prices in the south, I have to go east.

Milind S Raginwar: Any difference in the gross and net debt or more or less the number would be same?

Management: It is more or less the same.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Is it possible if you can help us with the sales mix state wise?

Management: We will try to give you some figures offline, but this is something that I don't know whether I should be giving.

Ritesh Shah: My second question is can you provide some color on the net pricing differential specific for Rajasthan markets versus Tamil Nadu versus Chhattisgarh markets? There is cash and carry and there is a focus on a particular price below which we won't sell our material. So I just wanted to understand how discounting works and how the net pricing is differential that will be very useful?

Management: I will tell you that I do not think it is in my interest to give you the net price. I have given you the net plant realization (NPR).

Moderator: Thank you. The next question is from the line of Sikha Mehta from Equity Capital. Please go ahead.

Sikha Mehta: I missed the number of reduction in fixed cost. Could you please give that again?

Management: The fixed costs during the last year was about Rs.195 crores per quarter, it will now be at a level of Rs.150 crores, Rs.45 crores reduction.

Moderator: Thank you. The next question is from the line of Vinod Modi from Reliance Securities. Please go ahead.

Vinod Modi: How much CAPEX we are looking in FY’22 and how much we have incurred so far in FY’21?

Management: We have incurred about Rs.70 crores during FY’21. I have only two projects; one is the cement mill which is almost over, after that I will take up the waste heat recovery during the next financial year.

Vinod Modi: So WHRS mostly be commissioned by the end of FY’22, that's what we can assume?

Management: See, WHRS is totally around Rs.100 crores.

Vinod Modi: So next year roughly Rs.100 crores plus Rs.70, 80 crores maybe your maintenance cost, by and large we will have at least Rs.200 crores somewhere kind of CAPEX for next year right?

Management: WHRS, all the Rs.100 crores need not be spent next financial year only. But, if you see the trend of what I've said and what I've not said is that things are improving.

Vinod Modi: So how much should we assume in FY’22 in terms of CAPEX?

Management: Rs.150 crores.

Vinod Modi: In your last concall you guided us in a better way about consumption from the government projects I remember you told that in second half of this fiscal you are estimating around 8 to 9 lakhs sort of monthly consumption from the AP side and similarly 2 to 3 lakhs consumption from the Telangana state. So, what is the status on those sir?

Management: As far as the Andhra Pradesh is concerned, it has now come to 5 lakhs level. Whatever I said is the reality and Telangana is slightly slower, but I think Telangana, it is not for me to say, but Andhra Pradesh demand is very strong, at this rate, the cement companies in Andhra will find it difficult to supply the government.

Moderator: Thank you. The next question is from the line of Saurabh Duggad from HDFC Securities. Please go ahead.

Rajeshwar: This is Rajeshwar here from HDFC Securities. In terms of demand, when do you see the numbers turning positive for south market or are you already witnessing this in month of January?

Management: I can't answer that, in the sense that what I can say is that the demand in January, March will be better than sequential quarter.

Rajeshwar: In terms of your Madhya Pradesh expansion, I believe this is your subsidiary, right, so, what sort of CAPEX plan will be there and how will the cash outflow move from India Cements perspective?

Management: From India Cements perspective, the timing of expansion in the north, that is a Sastra cluster is yet to be decided, because the COVID has taken a big toll although the demand in the central India where we will be outstanding, we are recovering from a bad pandemic, let us recover little bit more before we start thinking… you must understand one thing, today I have got capacity that I can bring on stream without spending one naya paisa because the capacity utilization is 50% up to now, first, let me exhaust that no.

Moderator: Thank you. The next question is from the line of Chandan Shah from Investec. Please go ahead.

Chandan Shah: Could you please throw some light on the incremental capacities that will be coming up in east and south region?

Management: Very-very little. The capacity in the south is about 130 lakh tons per month. If a few lakh tons more come, doesn't make any difference. And in the east there is no limestone. Most of the plants in the East are grinding units. Integrated plants are a little bit in Odisha. In West Bengal, no integrated plant.

Chandan Shah: The recent capacity expansions that have happened in the east region, how is that getting absorbed in the market?

Management: All that is already absorbed. Today, the double-digit growth **(Inaudible) 53:15** in the east, there is no cement in the east now. But the prices are low.

Chandan Shah: Just in the eastern region, if you could highlight what would be the differential between cement and clinker match, there are not enough clinker available, what would the mismatch be?

Management: Offline, I can give you those figures. I don't have it with me.

Moderator: Thank you. The next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: What is the differentiated contribution margin between the core markets and the eastern market, is it like very substantial?

Management: It is reasonably substantial. So long as I get a few Rs.100 per ton contribution, I will go to the east.

Gaurav Rateria: Second question on the floor pricing. You mentioned in South your core markets. Do you think the others are also sticky with the same philosophy or is there a chance that we may lose a market to other players who are not following a similar philosophy?

Management: Whatever I should have lost, I've already lost, I don't see any further loss.

Moderator: Thank you. The next question is from the line of Pritesh Sheth from Edelweiss Wealth. Please go ahead.

Pritesh Sheth: Just one clarification. You said quarter-on quarter, you haven't seen any impact on the higher pet coke prices yet. But if I see your power and fuel costs has increased from 1,100 per ton last quarter to 1,250 per ton this quarter. So what is the reason for that increase?

Management: On the face of it, I will say increase in power cost, our president, operations confess. I'm just collecting information. One information is that the cost per calorie went up from 1.27 to 1.32. That is marginal, 5 paise. The fuel mix changed and the cost of power also went up. With the internal generation of power, power cost went up because the fuel cost went up, these are the reasons.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we'll be able to take last two questions from the participants. The next question is from the line of Girija Shankar Rai from Reliance Securities. Please go ahead.

Girija Shankar Rai: Just wanted to know our total power installed capacity. It is 117 or 170?

Management: 170.

Girija Shankar Rai: If I'm not wrong, it is 8.5 MW is the current WHRS, right?

Management: 120 MW is the thermal power. 21 MW we got from APGCL. 26 MW is the gas-based power plant. Effective wind power will be roughly around 5 MW. Waste heat will be another 8 MW.

Girija Shankar Rai: The upcoming new waste heat recovery that will be how much is the capacity?

Management: 10 MW.

Moderator: We take the last question from the line of Amit Murarka from Motilal Oswal. Please go ahead.

Amit Murarka: So, just my question was about the regional pricing gap now like typically what we have seen is that the AP, Telangana pricing and the different markets of Odisha pricing used to be similar, or maybe you in fact used to get a premium. But for quite some time the eastern prices are lower than the southern prices now. So like could it lead to a situation where some of these guys actually attempt to disrupt the southern market given the southern players are trying to enter Odisha and sell more in Odisha and also some of the eastern players have also expanded their capacities and continuing expansions are happening, so is there any chance of that according to you?

Management: I don't see any eastern player giving up the east to come and disrupt any market in the south. In fact, the flow is the other way.

Amit Murarka: No, typically it is the other way, but some clinker additions have happened, I know Dalmia is also present in South, but they've added some clinkers also in Odisha now and there is so much of pressure.

Management: Whatever they can do, they've already done.

Amit Murarka: As the election is coming up in Tamil Nadu, still there has been no kind of big pre-election spending or anything like that which we have seen in some other states like Bihar, West Bengal and all, so what is the demand outlook specifically, let's say, for Tamil Nadu?

Management: I'll put it to you this way that Tamil Nadu has never seen a pre-election spending unlike some of the other states. For Pongal, we lost seven days, laborers went away and they didn't come back. I don't think during election period we will see a dip worse than that.

Moderator: Ladies and gentlemen, due to time constraints, that will be the last question for today. I now turn the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited for closing comments. Thank you. And over to you, sir.

Vaibhav Agarwal: Thank you. On behalf of PhillipCapital, I would like to thank the management of India Cements for the call and also many thanks for the participants joining the call. Thank you very much, sir. Aman, you may now conclude the call.

Management: Thank you.

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