



“Dalmia Bharat Limited Q1 FY 2017 Earnings Conference Call”

August 08, 2017



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*Dalmia Bharat Limited
August 08, 2017*

Moderator: Good day, ladies and gentlemen, and welcome to the Q1 FY 2018 Conference Call of Dalmia Bharat hosted by PhillipCapital (India) Private 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 after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone.

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

Vaibhav Agarwal: Thank you, Margret. Good morning, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q1 FY 2018 Call of Dalmia Bharat. On the call we have with us the Senior Management team of Dalmia Bharat.

And at this point of time, I hand over the floor to Ms. Himmi Gupta at Investor Relations at Dalmia Bharat management for opening remarks followed by Q&A. Thank you and over to you, Himmi!

Management: Yes. Thanks, Vaibhav. Good morning, ladies and gentlemen. Welcome to Dalmia Bharat Limited earning call for the quarter ended 30th June, 2017.

I have with me on the call Mr. Jayesh Doshi; Mr. Mahendra Singhi; and Ms. Reena Bhasin.

I would like to mention that certain statements that may be made or discussed on the conference call may be forward-looking statements. The actual results may vary from these statements. The company does not offer to update them publicly to reflect the change in performance. A detailed statement in this regard is available in the Results Presentation and Press Release made available by the company.

I would now like to request Mr. Singhi to share performance highlights of DBL for the quarter ending June 30th, 2017. Over to you, Mr. Singhi.

Management: Thank you, Himmi. Happy morning and welcome to all participants who are well-wishers of Dalmia Bharat. I am very happy to share broad details of Q1 performance. Before I do that, I would like to compliment and congratulate Government of India and more particularly our Prime Minister Narendra Modi Ji, Arun Jaitley Ji – Finance Minister for completing very smooth delivery of GST to India. We have seen the smoothness and transition of GST not only for cement sectors, not only for our cement company but in totality.

I am very happy to share with you, our company roll out GST invoice in the early morning of 1st July, and we saw almost all our dealers, all our vendors, very well connected on GST. We do look forward for benefits of GST.



*Dalmia Bharat Limited
August 08, 2017*

Now, let me also share with pride that this quarter our EBITDA in totality and EBITDA per tonne has been the highest for our company. Similarly, the EBITDA per tonne of Rs. 1,405 per tonne of cement has been the highest in this quarter amongst our peers. So, this also speaks up how we have been able to capitalize both on our efficiencies and at the same time on our planning also.

This quarter we could get 6% volume growth in comparison to 4% volume growth in our markets of East, Northeast, and South. Similarly, the prices what we saw in comparison to YOY improved by 4% in South, 10% in East and 6% in Northeast.

On account of brand, I would say that our premium brand DSP which is getting stronger with volume, consistency and at the same time good premium also. We expect that this brand now surely would be launched in South and Northeast also and it would fetch good premium and good profitability.

We saw in this month and quarter the prices of petcoke still remains very strong and we compare with Y-o-Y due to very high petcoke prices and at the same time the slag price also in East they have also started showing upward trend on account higher blending also and from lower production of steel plant. We do expect some pressure on cost part but we do expect good results, good benefit coming out of GST also, coming out of good brand also and may be good demand also in future.

Friends, the best part of this quarter has been our net debt to EBITDA which we will bring it down to 2.4. You already have the details with you. And we will be very happy to share anything on this part also. Similarly, this quarter also saw the receipt of share placement which was done along with KKR and we received Rs. 580 crores which has helped bringing down our net debt.

Management:

Yes, I think Mr. Singhi summarized most of the parts of the operations that this quarter also saw pressure on prices in terms of petcoke as well as slag. However, the best part or one of the best part was the placement of KKR shares whereby we were able to place the shares with long only investors and the company benefited on the amount and the cash flows proceeds received during this quarter which has been added to the cash as well as has gone for repayment of debt.

So, I would now leave the forum open for the question session, if anybody would like to start.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Rajesh Ravi from Centrum Broking. Please go ahead.



*Dalmia Bharat Limited
August 08, 2017*

- Rajesh Ravi:** Sir, just wanted to understand, what are the outlook for new capacity expansions across markets, South, East and Northeast markets where you are present? And hence, what is the pricing outlook post the stellar Q1 that we have delivered.
- Management:** In terms of the capacity additions, we have seen last year capacity addition of about 17 million of which about 9 million were in east. This year we do expect about 8 million to 9 million tonnes of capacity additions in East. But looking at the demand which East has shown this quarter, we believe that quite a bit of new capacities would be absorbed. But primarily because of the focus coming in from affordable housing and the infra spending, we believe that our regions would be able to generate good demand.
- Rajesh Ravi:** Okay. And in the Northeast market and the south what sort of expansion you have seen?
- Management:** Northeast there has not been any expansion in capacity.
- Rajesh Ravi:** Nothing is expected to be added.
- Management:** No.
- Rajesh Ravi:** Okay. And this South market?
- Management:** Around 7 million to 8 million.
- Rajesh Ravi:** So, this is for next 12 months you are factoring it
- Management:** Yes, for this financial year.
- Rajesh Ravi:** So, which all the companies that you are factoring in sir?
- Management:** I think that you should be telling me.
- Rajesh Ravi:** That is okay.
- Management:** What we believe our estimation is at about 5 million to 6 million tonnes of capacity addition in East and about 7 million to 8 million tonnes in South.
- Rajesh Ravi:** Okay. And sir, pricing outlook, how is the scenario across markets like do you expect the pricing in Northeast to sustain or do you see some pressure going forward?
- Management:** I think Mr. Singhi would be if he is joined in would be the right person to answer that.

- Management:** Yes. So, Northeast the prices are stable and sustainable also. And at the same time in view of increase in cost, etc., it looks like that price would remain sustainable and we are expecting also a way of very high performance which has been given for road project that demand may grow up
- Rajesh Ravi:** Okay. Great, sir. How do you see the Tamil Nadu market and all sir, because that is also one of the core market for us?
- Management:** It is a stable market, there has not been much demand growth but markets both Tamil Nadu and Kerala, there prices are broadly stable.
- Rajesh Ravi:** Okay. So, do you see any near-term uptick? This would be my last question, in these Tamil Nadu, Kerala markets?
- Management:** pardon.
- Rajesh Ravi:** Any like next 6 months do you see demand attraction could come into these markets or they may remain subdued for this financial year?
- Management:** It would see much high demand in Tamil Nadu and Kerala, it will remain as it is.
- Rajesh Ravi:** Sorry, sir. I could not hear you.
- Management:** I was saying that it will not see much demand but at the same time we are also present in Karnataka, Andhra, and Maharashtra also. So, these markets should see good demand and that is why we see better demand growth for us.
- Moderator:** Thank you. We will move to our next question which is from the line of Jigar Shah from May Bank. Please go ahead.
- Jigar Shah:** some of my questions are already answered but I want to in general understand that the cement volume growth on the whole continues to be quite below the long-term trend despite affordable housing, despite lower interest rates and some pick-up in infra, etc., so what is the sense as a company that you are getting and you spread to more states, etc., how do you see the volume growth panning over the next one year and over the long-term?
- Management:** You know in general whatever infra projects which were announced and are being now announced also on account of road projects, bridges, Sagar Mala project, so they are now taking speed and at the same time, the way now affordable housing projects are getting registered with the government also and with the banks also and then housing for all which is given part of government. So, we do see good demand here and at the same time now slowly the confidence



*Dalmia Bharat Limited
August 08, 2017*

of the people in the economy would go up and that may also lead to good demand in retail market also. And in totality we see that this year overall cement sector should see 5% to 6% growth and we should be better than these numbers.

Moderator: Thank you. The next question is from the line of Anshuman Atri from Haitong Securities. Please go ahead.

Anshuman Atri: My question is regarding full FY 2018 volumes for Dalmia. In the last call, we had mentioned that we will be doing better than FY 2017. Do we expect that to continue 20% growth will be compensating for Q1 in the next quarter?

Management: Yes, what we have planned is also that we will be better by 1.5 times the overall demand, our market grew by 4% and we have grown by 6%, so by 1.5 times or so, we should grow more than the market.

Anshuman Atri: Okay, sir. And what kind of demand do we expect in the region of operations in 9 months for the industry?

Management: It looks like 4% to 6%.

Anshuman Atri: Okay, sir. Second question is regarding the raw material prices, can you give us the numbers as to how much the slag price increase by and what was the increase in petcoke prices and the current prevailing prices?

Management: Let me take the petcoke first. Now, at the moment petcoke prices are ranging around \$85 to \$90 and that is mainly for our seven plants. In reference to our Eastern plant since some government refineries they have also set these operating in petcoke, so they are comparatively economical than the imported petcoke. But otherwise it looks like next 6 months but also petcoke prices would remain around say \$80 to \$90 and in terms of slag based on account of reduction and old stock of slag because of low production in last 2 years as well as some better demand or higher demand of slag both in Eastern market and as well as in Bangladesh, Nepal, etc., the demand has grown and may be 5 to 6 months these prices of slag would remain high. But now the prices of slag that they have grown from say Rs. 800 to Rs. 1,200.

Moderator: Thank you. The next question is from the line of Nipun Sharma from Cathay Conning Asset Management. Please go ahead.

Nipun Sharma: I have two questions, the first question is on the volume side, if we look at Dalmia's volume over the last four quarters, the outperformance against your respective markets has been quite pronounced. This quarter it was relatively softer. I understand that is because certain capacities have been appropriately ramped up to fairly high utilization. Can you give us a sense of what



*Dalmia Bharat Limited
August 08, 2017*

the capacity utilization levels are for different geographies like Northeast, East, South that is my first question? My second question is you mentioned earlier, you expect a boost from GST. I just wonder if you could maybe quantify how much that boost could be and over what time period we would see it? Because if I see this quarter obviously logistics I mean freight cost per tonne has gone up and some of the other cost items have also gone up. So, I just want to understand ex-fuel, which cost item do you think should get the benefit from GST and over what kind of period? Thank you very much.

Management:

Let me take the first the last question on account of GST. GST got implemented from 1st July so there was no possibility of getting any gain after GST in the first quarter. Second slowly mainly on account of logistics the movement will be a bit faster there will be better utilization of trust and faster delivery of our cement to our customers and that should maybe be in 3 or 4 months to come when things to get stabilize then there should be some improvement in logistic cost as well we should be able to satisfy our customers in a better way and that would also in general would be able to benefit. To some extent there would be input tax credit also that would be available. So, difficult to quantify that but looking to GST model, looking to the smoothness in totality sense Indian economy would also be benefited it looks like so we would get benefits. Second on account of capacity utilization, in my view overall all India basis the capacity utilization may be 67% - 68% and lowest still continue in Southern area 55% to 58% in terms of East it is about around 75% or so and similarly in Northeast also it is about 70% - 72%. So, this is broadly the capacity utilization. Still India has even market wise also there is a big dispatch between demand and supply.

Nipun Sharma:

Are these Dalmia's capacity utilization in these markets or this is the industry level?

Management:

You know 1% and 2% here and there.

Nipun Sharma:

So, if the East continue to show robust growth, Dalmia will participate in that growth if not we already have maxed out capacity wise?

Management:

We have still 20% capacity to ramp-up, so we have got good scope and our productivity is also going up, so whatever demand growth would be there we should be able to get good pie out of it.

Nipun Sharma:

Okay. So, the out performance should still continue in the East and there was no capacity bottleneck here. Okay, excellent. Thank you so much sir.

Management:

It is outperforming team. So, we should be able to outperform, thank you.

Moderator:

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



*Dalmia Bharat Limited
August 08, 2017*

Ritesh Shah: Sir, my first question is on the CAPEX plans and second is there have some news flows around Binani Asset which is also on the block. If you could please provide some color on this aspect?

Management: On CAPEX part at the moment there is not much CAPEX except one waste heat recovery project which we call a green power project that is going on as per plan and that is not big one in totality it is about Rs. 111 crores out of which some amount had already been spent and this will get commissioned by year end. And secondly, in terms of Binani or any other plant we do not comment on it. And definitely we do explore each and everything since we are in cement sector but we do not comment on it.

Ritesh Shah: Okay. Sir, just to take this question forward, would it possible for you to give some guidance on net gearing or net debt to EBITDA, if we are going forward some organic or inorganic growth, we will be basically taking this into account so that we have some comfort on the balance sheet?

Management: Jayesh, would you like to talk?

Management: Yes, I think as earlier also last you have seen last 3 - 4 years we have given a complete guidance that we would now utilize our assets with the assets and get the gearing in place. You will see in quarter-on-quarter that what we have achieved and today, we have come to about 2.4 times. As Mr. Singhi said that we do explore all opportunities but we will take care even if we do something that now the gearing is properly balanced in a way which ensures that we stay within a range and for us the range is anything between 2% to 3%; 3% - 3.5% net debt to EBITDA. We had earlier also said that once we come down to 2 times we are more comfortable to look at new growth opportunities and we maintain our same stance.

Ritesh Shah: Okay. And Jayesh, sir question for you, are we looking at lower interest cost going forward given like...

Management: Certainly.

Ritesh Shah: So, would you like to guide for that?

Management: Yes, I think we have done most of the re-financing possible. Today as you have seen our average cost of debt is about 8.4%. Today MCLR of top of the banks which is SBI, HDFC, and Axis is about 8.15 - 8.2. So, the question is that we are now having a margin of 0.2. And whatever the higher cost is for the debentures which I already have and I am trying to buy back some of the debentures from the cash which we have, we have been successful in buying about Rs. 200 crores of debentures at an appropriate pricing and we will continue our endeavor to bring the cost down. But in the same time, we have to be cognizant of the fact that our maturity and average maturity of the debt continues to remain within the manageable timeframe and risk



*Dalmia Bharat Limited
August 08, 2017*

which we would like to take. But at the end of the day yes, we would continue to see that we will work to ensure that the interest cost keeps on coming down.

Ritesh Shah: Okay. Sir, just follow up question on Binani, would we open asset overseas or our growth story remains India specific it might not be for Binani general basically from a capital allocation.

Management: I think there is enough growth in India for me enough to...

Management: We are India focused.

Moderator: Thank you. We will move to our next question which is from the line of Rajesh Lachani from HSBC. Please go ahead.

Rajesh Lachani: Sir, my question is regarding one on raw material cost. So, if you see our raw material cost was significantly down YoY as well as QoQ. So, if you can throw some light on that? And second question sir, if you see OCL had reported volumes of around 1.6 million tonnes and if we annualize it it's close to 6.4 million tonnes and the capacity is 6.7 million tonnes. So, the capacity utilization at OCL itself is 95%. So, just want to understand why is our capacity utilization in East so low are the other plants running at very low utilization?

Management: You said 95% OCL?

Rajesh Lachani: Yes, sir. So, if OCL reported 1.59 million tonnes production if we annualize it then it is 6.4 million tonnes annualized and the capacity is 6.7 million tonnes for OCL. So, it is close to 95%.

Management: Capacity is now almost 8 million tonnes because whatever improvement efficiencies we have brought in, so we are now able to produce around 8 million tonnes and this is how I think you should consider capacity utilization of OCL.

Rajesh Lachani: Okay. So, OCL capacity is now 8 million tonnes after debottlenecking and...

Management: Yes. It is around 8 million tonnes.

Rajesh Lachani: Okay, sir. Understood. and Sir, on raw material cost if i calculate these changes to inventory, stock adjustment and the cost of raw material and if I divide on a per tonne basis, it is a Rs. 790 per tonne, this is much lower compare to Rs. 896 per tonne in the previous year and Rs. 927 in 4Q. Most of the beat in EBITDA has come from the lower raw material cost, so just wanted to understand why is the raw material cost so low when slag prices are also higher?



*Dalmia Bharat Limited
August 08, 2017*

- Management:** This has some effect on account stock pricing and stock booming. So, on that account this raw material cost has slightly gone up on account of that and that impact we would now buying to some extent in quarter two.
- Rajesh Lachani:** So, in quarter two, the raw material cost will go up. That is what you are hinting at?
- Management:** A little bit.
- Rajesh Lachani:** Okay, sir. And last question, if I may? The finance cost was Rs. 212 crores this quarter, it was lower than 4Q, when we are deleveraging and the cost of debt is coming down. Why should it be higher than the previous quarter?
- Management:** There is about Rs. 30 crores of non-cash charge here on a MTM basis though my hedge accounting is there for the about €150 million which we have borrowed but even though I am fully hedged as per hedge accounting we have to mark-to-market depending on the volatility as determine by the auditors. There were two ways of accounting it, one is take it as other comprehensive income below PAT but we have decided that we would continue to put it in the interest cost because we do not know when it is getting reversed or not getting reversed. So, it is a non-cash payment, the cash payment is about Rs. 180 crores.
- Rajesh Lachani:** Yes, just a follow-up. So, going forward we can assume a rate of Rs. 180 crore interest outgo?
- Management:** Yes, lower. But as I said mark-to-market we do not know how they calculate the volatility because I have done hedged accounting and I have got about 150 million of euro of borrowings. It is a non-cash, there is no outflow at all.
- Moderator:** Thank you. We will move to our next question which is from the line of Akshat Gandhi from Kotak Mutual Fund. Please go ahead.
- Akshat Gandhi:** And last year we had indicated the break-up of 15.3 million tonnes volume, 6 million tonnes was from South; 2 million tonnes from Northeast and 7.3 million tonnes from Northeast/. Can we have the same break-up for this quarter please?
- Management:** We do not share it. But I think Mr. Singhi has mentioned the capacity utilization, so you can very well get the numbers from there.
- Akshat Gandhi:** Sure. Secondly, we indicated in our Press Release that imported petcoke has been reduced from 62 to 55. So, have we reduced this petcoke consumptions mainly in our Southern operations?
- Management:** In southern operations we have not reduced any consumption, only thing is that in case of East where we are able to get somewhat economical coal that we are using and at the same time



*Dalmia Bharat Limited
August 08, 2017*

Indian petcoke which we get from Paradip Refinery that we are using and on that account percentage has come down.

Akshat Gandhi: Okay. And sir the total petcoke consumption was 78 in Q4 FY 2017. How has that number moved quarter-on-quarter, is it stable or increased?

Management: No, it is around 75 for this quarter.

Akshat Gandhi: Okay. And lastly, we were expecting some subsidy for our Northeast operations to come back. So, have we received any subsidy in this quarter from the Northeast operations?

Management: Yes, some amount we have received and some amount roughly around Rs. 30 crores or so that would be received in this quarter. Government now is in process of releasing subsidy which was pending since long.

Akshat Gandhi: Okay. And sir, we just came across public hearing document for Salboni Grinding Unit where OCL has taken the permission to increase from 1.35 million tonnes to 4 million tonnes. So, is there some capacity expansion which we can expect over next 2 - 3 year or is it a routine which we have done?

Management: Two things. One, we have done some debottlenecking, on account of that I think we will be able to make higher capacity effective to around 2 million tonnes by year end that is one. And secondly in time to come we would be expanding our capacity in East and on that account, we are making preparation.

Akshat Gandhi: Okay. And one last thing if I can squeeze in, in our top-line consolidated sales how much would be our incentives amount if we can just get an idea?

Management: We are all part of sales realizations, etc., that is why I am not able to indicate you at the moment separately.

Moderator: Thank you. The next question is from the line of Divya Solanki from Naredi Investment. Please go ahead.

Divya Solanki: There is one suggestion from my side, if I may? Can you please update con-call transcripts on your company website? We have e-mailed you several times but there was no reply. So, we would really appreciate it if you do it.

Management: Yes, we will consider.



*Dalmia Bharat Limited
August 08, 2017*

- Moderator:** Thank you. The next question is from the line of Ujwal Shah from Quest Investment Advisors. Please go ahead.
- Ujwal Shah:** Sir, I wanted to understand about the Southern market first. What has been the volume growth in the Maharashtra and A. P., Telangana market during the quarter and considering the drought kind of situations in key markets like Tamil Nadu is facing severe water shortage, Kerala has also seen. Do we think that there will be a de-growth as compared to a flattish outlook that we are thinking about?
- Management:** Like when we talk of this quarter Andhra Pradesh it has grown by 20%; Karnataka by 5%; Kerala it was negative growth of around 4%; in Tamil Nadu, there was no growth. So, in all South saw 4% growth and even Maharashtra also has shown good growth. Now Tamil Nadu, etc., and Kerala they may be showing 2% growth or 2% de-growth something it looks like the good news is that since last few days there has been some rains in Tamil Nadu otherwise yes, situation was **grim 34.33** for a month or so. So, we do not expect much disturbance or disruption but still we are confident about demand growth.
- Ujwal Shah:** Right, sir. And sir, the growth rates that you mentioned are those market growth rates or Dalmia growth rates?
- Management:** I am talking about market growth. We have been able to do better than that.
- Moderator:** Thank you. The next question is from the line of Jigar Shah from May Bank. Please go ahead.
- Jigar Shah:** I had a follow-up question on the waste heat recovery project which you mentioned. So, I want to understand which all plants will be implementing this and what kind of savings can we expect from there?
- Management:** Jigar, at the moment it is being implemented in one plant in Odisha (Orissa) and this is a 9-megawatt waste heat recovery plant and which will get completed by March end. So, we can expect some savings out of it next year.
- Jigar Shah:** Anything that you can quantify?
- Management:** Difficult to quantify at the moment. But then as you must be knowing waste heat recovery power savings, so it should be able to generate about 20 - 25 units per tonne of clinker.
- Moderator:** Thank you. The next question is from the line of Jinal Fofalia from AlfAccurate Advisors. Please go ahead.



*Dalmia Bharat Limited
August 08, 2017*

- Jinal Fofalia:** Sir, could you please give us segment wise market share? I mean geographical market share like North, East, South?
- Management:** We have given the market share last quarter, so more or less we have been maintaining our market share.
- Moderator:** Thank you. We will move to our next question which is from the line of Shaurin Shah from Enam Holdings. Please go ahead.
- Shaurin Shah:** Sir, just want to understand under GST we would be having some benefits like excise benefit or VAT benefit at some of our plants. So, how would we consider that post-GST?
- Management:** In fact, state government have now to come out with how they would give an effect to I think by August end state government will come out that these are the rules and regulations by which they would be replacing the earlier benefits with the new benefits. We are quite hopeful that by August end it should come out.
- Shaurin Shah:** If you could just quantify what are the benefits right now?
- Management:** Benefits are sales tax benefit in Odisha (Orissa) as well as in Bengal. So, these are the two major benefits and some benefit in Northeast only of that.
- Moderator:** Thank you. The next question is from the line of N. Rajendran from SMART Securities. Please go ahead.
- N. Rajendran:** Sir, you have got a very good operating cost. But what I am unable to understand is some of your peers have raw material cost at a very low, at around Rs. 300 - Rs. 350, how is that possible whereas in your case it is almost Rs. (700+).
- Management:** The raw material cost is lower for some of the peers because of the locational advantage of some of the limestone mines and plant where they are. If you see in South primarily most of our plants and that is true for all the peer the limestone mines are little further away. Similarly, in Northeast being a rough terrain also, the cost of freights are very high. And also, which I would not like to comment but one or two peers also do not account rates and duties which you have to pay for limestone mine as royalty in raw material cost which they account it as rates and duties. So, on an apple-to-apple basis because of the locational advantage which they have like say for example Shree, Shree has a large limestone mine in a particular area and that is why their raw material cost is much lower. For us, it is culmination of four locations and with different set of terrain that is the whole idea why the raw material cost is higher as compare to peers.



*Dalmia Bharat Limited
August 08, 2017*

Management: And there is one more reason that as we are the largest consumer of additives, so the additives cost gets into the raw material cost. But if you sum up raw material plus power and fuel, you will see us to be lower compare to peers except one or two.

Management: So, try to understand in totality about the variable cost and we may be second or third in terms of lower variable cost and our overall effort is to produce more than blended cement irrespective of whether we show high raw material cost or not.

Moderator: Thank you. The next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.

Gunjan Prithyani: Most of my questions have been answered. I just had a follow-up on this expansion which you spoke about in the East. Could you give some sense on how much Brownfield expansion is possible in our markets where we could debottleneck, or is there a GU expansion which could happen, any sense on that?

Management: In short-term it can be 1.5 million tonnes to 2 million tonnes which may come on account of various improvement and efficiency measures and debottlenecking. But at the same time in East because of our limestone deposits, etc., as well as wide spread branding units which we have, we have good scope for expansion but that will come up in next 2 to 3 years, so at the appropriate time we will be able to share the details with you. And my thanks to all of you for giving us your time and wishing for the good results.

Gunjan Prithyani: Sure, sir. And this 1.5 million tonnes to 2 million tonnes is something which you could just, if you see the market doing well that can come to the market in a fairly shorter span of time, right?

Management: Yes. And for short time it may be 6 to 9 months.

Gunjan Prithyani: Okay. And sir, the second follow-up I had was that you had given this 4% to 6% industry growth expectation, can you give some sense on how are you looking at let us say the markets that you operate in which will be the higher growth markets this year? South of course, I know you gave an idea but East and Northeast if you can give sense?

Management: So, higher growth market can be few state of East like Jharkhand, like Bihar and in Northeast it can be Assam, looking to Assam and Arunachal Pradesh booking to various road projects bridge projects which have been announced by the government.

Gunjan Prithyani: Okay. Any number for East market, how are you looking at East market grow this year?

Management: I would not be able to share the exact number but it should show better results.



*Dalmia Bharat Limited
August 08, 2017*

- Moderator:** Thank you. We will move to our next question which is from the line of Saumil Mehta from BNP Paribas Mutual Fund. Please go ahead.
- Saumil Mehta:** What is the timeframe for the incentives? Do we have till 2021 or beyond 2021, I am just looking for the timeframe for the incentives.
- Management:** This is all before 2020.
- Saumil Mehta:** So after 2020 we would not have incentives at all the 3 locations, is that a fair assumption?
- Management:** Naturally, yes.
- Saumil Mehta:** Okay. And sir, can you quantify your ballpark number what would be the total incentives put together in all the three states any rough range?
- Management:** That would not be possible.
- Moderator:** Thank you. We will take last two questions. The next question is from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.
- Siddharth Rajpurohit:** Sir, can you give me the total clinker production and consumption?
- Management:** Okay.
- Management:** Clinker production, we will give you offline.
- Siddharth Rajpurohit:** Okay. And also sir, this is actually repetitive, but I am not able to understand how the raw material cost during the year has gone down significantly, if you can please reiterate sir?
- Management:** So, Himmi will be able to share with you offline.
- Siddharth Rajpurohit:** And sir, what is our total captive power capacity currently?
- Management:** Principally, also the raw material come down. Himmi, can share the details with you. Is that now we have a complete clinkerization unit in Northeast where earlier we were buying clinker. When you buy clinker, you get into raw material, so there is one impact. The second impact as I said that now with Northeast now fully operational these things have but Himmi will get you the details.
- Siddharth Rajpurohit:** Yes, sir that is why I was asking for the clinker details but that would answer my question. Sir, can you give me the total captive power capacity currently?



*Dalmia Bharat Limited
August 08, 2017*

- Management:** 186 megawatts.
- Siddharth Rajpurohit:** And this waste heat is how much megawatt sir your new addition?
- Management:** 9 megawatt.
- Siddharth Rajpurohit:** Sir, in the last conference call you told that you are consuming a different grade of petcoke that is why your petcoke prices are lower, I just wanted to know what is that grade?
- Management:** Reason of having lower petcoke price than the industry is not only that one, fluid petcoke which we have been using and would be getting again also but at the same time the more petcoke which we have been able to procure totally from Saudi instead of U. S. that has also been one of the reasons that comparatively our petcoke prices are lower, so in addition to that Saudi petcoke we are using some fluid petcoke also and that is helping us and at the same time as I said earlier also petcoke which you are getting from Paradip Refinery, that is also supporting us in keeping it down to some extent the petcoke prices.
- Moderator:** Thank you. We will take one last question from the line of Abhishek Ghosh from Motilal Oswal Securities. Please go ahead.
- Abhishek Ghosh:** Just one clarification from Jayesh sir. Sir, the net debt reduction on a QoQ basis has been close to about Rs. 640 crores, is that right?
- Management:** Yes, correct.
- Abhishek Ghosh:** And the share sale proceeds from KKR is to the extent of about Rs. 588 crores...
- Management:** Yes, Rs. 525 crores net.
- Abhishek Ghosh:** Rs. 525 crores net?
- Management:** Yes.
- Abhishek Ghosh:** But there has been serious amount of cash generation that also has been done in the current quarter close to about Rs. 350 odd crores. So, while the net debt has not reduced to that amount, so what is the gap.
- Management:** I will tell you the gap is about if you look at the cash this thing, we had a working capital increase of about Rs. 150 crores because pre-monsoon we try and stock up the inventories. So, about Rs. 150 crores has increased in the working capital and about Rs. 85 crores to Rs. 90 crores have been the maintenance CAPEX and stuff at all the plants put together. So, about Rs. 250 crores



*Dalmia Bharat Limited
August 08, 2017*

is there. And for the hedging premium we had to pay, when I said that we have completely hedged ourselves for the next 3 years the premium has to be made on one shot which is about Rs. 45 crores to Rs. 50 crores and it gets debited every quarter the premium, 3 years hedging we have done of €150 million, so that is about Rs. 400 crores.

Abhishek Ghosh: So, going forward, now similar profitability and cash flows generation continues you will see quarter-on-quarter net debt coming down, right which is not happening for this quarter?

Management: If you see quarter-on-quarter the net debt and the debt has been coming down. And sometimes what happens is you will see an anomaly or sometimes cash being higher. If you are not able to strike, I do not want to buy my own debentures at whatever prices, right if I am able to generate a higher return. I mean today, people know in the market that I am buyer of my debentures and they quote me prices which I may not want to pay. So, we have to wait and watch and patiently ensure that the debt comes down. But that does not mean that tomorrow morning I cut a cheque.

Abhishek Ghosh: Sir, just one more thing, what will be our total proportion of premium sales today and vis-à-vis Q-on-Q has it changed a lot or would it remain stable?

Management: Himmi, can answer but I think it is about 10% to 12% only.

Management: It is at 10% only.

Abhishek Ghosh: It is at 10%.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Vaibhav Agarwal for closing comments.

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

Management: One second, Vaibhav. First of all, our apologies, we were at different locations this time so the audio has not been clear you know we had a board meeting and there were some Indian rituals, so we were not there at some places and we will ensure that the audios are much more audible next time when we are getting to it. Apologies for that.

Vaibhav Agarwal: Sure, sir. No problem. Thanks a lot, sir. Thank you very much, sir. Thanks.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes the conference call. Thank you for joining us. And you may now disconnect your lines.



*Dalmia Bharat Limited
August 08, 2017*