



“Dalmia Bharat Q1 FY-19 Results Conference Call”

August 13, 2018



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



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Moderator: Ladies and gentlemen good day and welcome to the Dalmia Bharat Q1 FY19 Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, for the duration of this conference all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the presentation. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. I now hand the conference over to Mr. Vaibhav Agarwal of PhillipCapital (India) Private Limited. Thank you and over to you sir.

Vaibhav Agarwal: Good morning everyone on behalf of PhillipCapital (India) Private Limited we welcome you to the Q1 FY19 call of Dalmia Bharat. On the call we have with us the entire Management Team of Dalmia Bharat and at this point of time I will hand over the floor to Ms. Himmi Gupta – Head (Investor Relations) at Dalmia Bharat for opening remarks which will be followed by management commentary and interactive Q&A. Thank you and over to you Himmi.

Prateek Kathuria: Hi, this is Prateek Kathuria from Investor Relations Team of Dalmia Bharat Limited .We welcome you all to the Dalmia Bharat Q1 Earnings Conference Call and we have with us on call Mr. Mahendra Singhi – he is group CEO (Cement) and Whole-Time Director of DCBL. We also have Mr. Jayesh Doshi – he is group CFO and Whole-Time Director of DBL.

I would like to request Mr. Mahendra Kumar Singhi to start with the opening comments.

Management: Happy morning friends and welcome to this conference. First, I would like to share certain macro facts about economy and then thereafter I will discuss that how we have fared and what we are expecting. We all now, today know that our country India has become the fastest growing economy and definitely it is a proud moment for us that we have now become the sixth largest economy in the world with accelerated GDP of 2.6 trillion due to sound macroeconomic policies we have witnessed healthy growth in GDP and the same I think is expected for future also. GDP growth during the period October 17 to March 18 was 7% YOY surpassing China’s growth.

One of the major contributors to the same was construction sector which registered healthy growth of 9%. We are also witnessing buoyant cement demand growth in last 8 months and it is almost 16% if you look about these eight months which has been led by strong uptick in road construction and affordable housing and our capacity utilization has increased from 63% in Q1 last year to 72% in this Q1. Cement demand is supported by broadly three major ongoing initiatives which were taken up by the government. One is on affordable housing, second road construction and third is rail metro. In addition to this the way GDP growth is growing up I think it is also helping in increase in rural demand also. Now if you look at road sector at all India level - 2345 kilometer road were constructed by NHAI in Q1 FY19 at 26 kilometer a day with a plan to construct more than 16,000 kilometer of road in overall FY19 whereas in case of affordable housing 1.1 million houses were constructed in this quarter.



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There is another factor which is supporting strong demand in southern region one in Andhra irrigation project have picked up in a big way and they are also now happening such irrigation projects in Telangana and Karnataka. East demand is also being majorly driven by strong traction in trade segment more particular the rural demand. So we expect that cement demand would remain robust in near term also and long term also and in FY19 it maybe 9% to 10% overall cement demand growth considering the present four months.

Now I would like to highlight about our organization. So we are pleased to share with you that our company is well poised to trade on path of sustained profitability. Our sales volume during the quarter are up by 13% to 4.51 million ton against 3.99 million ton. EBITDA for the quarter was 524 crores and EBITDA per ton stood at 1135. Let me highlight here that EBITDA per ton of Rs. 1135 is also the highest EBITDA per ton amongst our peers in this quarter also. Further we have deleveraged the balance sheet. I am happy to share with you that we have repaid around Rs. 700 crores in last one year and Rs. 203 crores during this quarter.

Our net debt to EBITDA has come down from 2.3 to 1.7 on YOY basis. We are committed to maintain our financial discipline. Now to come back to regional cement demand growth. We expect that East demand is growing it has grown by 12% on CAGR basis for last three years and in the East cement sector the capacity utilization is almost 85. On this account we are now you all are aware that we are adding about three million ton new capacity at Rajgangpur in Odisha and almost near to one million ton in Kalyanpur and this would add to our nine million ton cement grinding capacity in East in next two years and this would definitely provide us a competitive edge and after two years we would be the leaders in cement sector in East.

In South the overall cement demand has been 16% and in North East it is 17% and in East the quarter it has been 13%. Now to have edged our won past also and over others also. We have worked in a big way on our premium grinding of cement, one by putting up a better quality of cement in comparison basis as well also on branding basis as well as on packing basis. And I am happy to share that our premium brand Dalmia DSP is creating deeper penetrations and more particularly in eastern side and to some extent they also made inroads in North East in Assam. In South also we had launched in Tamil Naidu and it is now being put up in Kerala and I am sure within one year it will also take its own shape.

Now to again work on sustainability as well as on cost optimization seven months back we have decided to produce composite cement which is a blend of slag and fly ash with clinker and gypsum. We could produce better quality of cement and the cement got launched and two months back we have launched a premium brand in this composite cement which is Dalmia FBC. FBC stand for fine blend composite and the attraction that it got is that people as consumers are able to build more with this cement and that is why the tagline is also buy less build more. This is helping us to expand our portfolio in super premium category. We are continuing to use economic fuel whether it is petcoke, coal which is sometimes linkage coal

also sometimes washery reject coal as well as the lignite. Currently petcoke usage to some extent got reduced on account of its economic viability in certain areas in certain months and pet coke got replaced to some extent by lignite in South as well as to some extent by other coal in East also.

We have been able to now secure to some extent the linkage which is being auctioned by coal India limited for East and slowly and slowly that will also be a big hedge against rising fuel cost and rising petcoke prices. We have earlier focused on green power. So, we have successfully installed and commissioned 10-megawatt waste heat recovery power plant which is called green power in East and we have our action plan by which we will be able to increase waste heat recovery system power plant in other places also. We are working in a big way on usage of alternate fuel which we call it a green fuel because it is environmental friendly and profitability friendly also and which is expected to increase from current level of 3% to 4% to 8% by year end.

We are investing in our people, we are investing in our raw material management and we are fully poised for getting full benefit of GDP growth and overall cement demand growth in the country. Friends we have been able to contain the logistic cost and I may add that because of various initiatives we are having one of the lowest logistic cost among our peers and I am sure with the digital initiatives which have been taken up in logistic we would be better placed in future also. So, these were some initial thought and I will be very happy to answer your questions. So let me now wish you best for Happy Independence Day and let us take forward. We were working on overall consolidation of reconstruction of our group structure. We have been able to successfully get all permissions from the NCLT and now one permission is expected in regard to transfer of mines and which we are expecting that within two to three months we should be able to get it and that is why our major initiative of simplification of organizational structure will take place definitely by December end. Now you can open up forum for discussions.

Moderator: Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Ritesh Shah from Investec Capital. Please go ahead.

Ritesh Shah: My first question is any update on the Murli industries limestone lease that is one and secondly any timelines on the Kalyanpur cement basically by when do we hear commissioning of the plant?

Management: On account of Murli Cement, I would like to highlight that so far this matter is pending in NCLT and we have not been handed over the company. So once that process is over then definitely we will be able to share with you what would be the status of mining lease, but we are hopeful that discussions which we had earlier with the state government that we would be able to get limestone mines for Murli Industries. Now on account of Kalyanpur we have already started



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revamping the plant and we are expecting that trial production of cement with better quality with better consistency would start by mid-September and we should be able to consistently produce cement from 1st November onwards. Let me also highlight here that the way we were expecting that limestone mines would be restored by Bihar government so that has already been done and we are finding very favorable attitude and favorable approach from the Bihar government.

Ritesh Shah: My second question is what is the percentage of PPC is right now for us and if you could please help on the slag prices how it is trending and how do we see the market for composite cement basically size, profitability it would be quite useful?

Management: Overall on a group basis the PPC would be about 35%-38% and composite cement I would like to say that yes it has got good reception and people are able to understand that yes, it is giving qualities and strength and benefits of both slag and fly ash. So we are expecting that it will get good traction in the market and one of the other reason is that on account of slag becoming expensive I think it has been the right move in a positive way by us and many other cement companies would follow the same.

Ritesh Shah: Now what is the average costing for slag?

Management: It depends from area to area, but yes landed cost would be working between say like in our case at somewhere it is 600 and it maybe 1800 also in some areas.

Moderator: The next question is from the line of Sumangal Nevatia from Macquarie. Please go ahead.

Sumangal Nevatia: First question is more industry specific I mean freight fuel cost is industrial wide issue if you could just share a thought do you see cost peaking-out and how cost could shape in the coming two or three quarters?

Management: On which part?

Sumangal Nevatia: Freight, fuel.

Management: Like on freight part until there is a big jump in diesel prices nothing much should change, only thing is that now, slowly the benefit of increase in axle load has started coming up and on account of fuel it looks like the prices of petcoke have picked up but we do not expect much cost to go up on this account and of course there may be some optimization benefits.

Sumangal Nevatia: Sir you mentioned something about coal India linkage in the East if you could share, I mean if you secured anything and what are the premium there in the linkage auction?



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- Management:** This is in the process and definitely some benefit would be there and quantity may not be very large, but then definitely it will help in bringing down our fuel cost. I may not be able to exactly share the premium and all this. This process is on and it will continue I think till first week of September.
- Sumangal Nevatia:** One just small clarification in the opening remarks you mentioned cement demand in the East 13 odd percent and North East and South also. I missed some part of it can you repeat that sir?
- Management:** In East it is 13%, in northeast it is 17%, in South 16%.
- Sumangal Nevatia:** So this is for Q1 19 for the industry?
- Management:** Yes.
- Moderator:** The next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.
- Gunjan Prithyani:** I had a follow up on this Murli transaction, is there any risk to the transaction not closing or maybe the transaction gets delayed a lot I mean what is the real issue out here?
- Management:** There is no risk as such, there were some matter pending in high court which is expected to be cleared and once that matter gets cleared maybe in a week or two that matter would be taken up by NCLT and then our resolution plan would be approved by NCLT and then the process handing over will take place.
- Gunjan Prithyani:** Is it just the procedural issue, you do not anticipate any risk to the transaction closing out or getting deferred a lot?
- Management:** Yes, so far this is the situation.
- Gunjan Prithyani:** Second question is I do not know if I got this right, you mentioned about 3-million-ton expansion and I recollect last quarter you mentioned about 8-million-ton expansion?
- Management:** You are right, so I mentioned 3 million ton new capacity of clinker and you are right that increase in capacity in cement would be 8 million ton.
- Gunjan Prithyani:** Any timeline if you can give, will this all be coming through in three, four years together or it is going to be phased commissioning of plant, any timelines around these?
- Management:** Last time also we had highlighted it will be two years.
- Gunjan Prithyani:** So all of this gets commissioned in two years?



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- Management:** You are right.
- Gunjan Prithyani:** And just last question this market growth trend which you mentioned South, North East, East all of these growth trend are fairly high and our volume growth is 13%, so is it that we are trying to withdraw from some business in the region or is there is a capacity constraint that you are facing, why would our growth be lower than the market growth?
- Management:** Industry growth number are basically high to some extent because of the lower base number, in fact if you look at our numbers last year they were quite high than the industry number and we expect that yes, we will be able to do better than the industry if you look at FY19 in totality. So there are no capacity constraint and we will continue to do better.
- Moderator:** The next question is from the line of Prateek Kumar from Antique. Please go ahead.
- Prateek Kumar:** My first question is on freight cost you mentioned that benefit of increase in axle load has started coming up, so the axle load norms have been applied retrospectively as you see I mean because both inside cement and outside sector there is a mixed opinion if it is applied on retrospective basis?
- Management:** What do you mean by retrospective basis?.
- Prateek Kumar:** The axle load norms on retrospective fleet are the older fleet as well as the newer fleet so you mentioned that benefit of that has started to come in already.
- Management:** So what we would like to say is that whatever vehicle plying on the road that would also get this benefit.
- Prateek Kumar:** So the older vehicle which are already plying on the road also are getting benefit already?
- Management:** Yes.
- Prateek Kumar:** Any estimate on what the benefit industry could be or yourself can get from this, I mean on a per ton basis on freight cost from these changes in norms?
- Management:** It maybe 4% to 6% but difficult to quantify it, but of course within three months we will come to know when we meet next time in Q2 call, we will be able to share with you.
- Prateek Kumar:** In the affordable housing segment you said the growth is coming from affordable housing as well as infra, so just for your understanding affordable housing sales are from trade segment sales or non-trade segment sales and are you also able to sell premium product in this segment?



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Management: Normally, premium product would not be sold in this segment and majorly this will go from non-trade, to some extent it goes from trade also. It depends on project to project or contractor to contractors, but at the same time this helps in getting the volume for the overall cement sector.

Moderator: The next question is from the line of Murtuza Arsiwala from Kotak Securities. Please go ahead.

Murtuza Arsiwala: My question is on the composite cement can you give us a sense on the cost advantage that composite cement gives on a per ton basis and given that it is sold as a premium product what the overall profitability is, let say the 1130 average that you talked about for the company?

Management: This detailed analysis maybe off line basis it can be discussed to some extent but otherwise we would say that and you can understand also that in East particularly when the slag cost has gone up and if we bring down the slag percentage in cement and add more of fly ash then definitely cost will come down, so this is what I can at the moment share with you.

Moderator: The next question is from the line of Jigar Shah from Maybank. Please go ahead.

Jigar Shah: I have couple of questions, can you give us idea about the total cost of acquisition in case of both Murli Cement and Kalyanpur cement, debt equity and any other liabilities that you are taking over and the total capacity at full operational status?

Management: At the moment I would like to talk about Kalyanpur cement. So in Kalyanpur cement, capacity is 1.1 million ton cement.

Management: Our expenditure would be in the range of 300 crores out of which 150 crores has already been paid to government and various CAPEX also and we expect that 150 crores would be further spent to build up capacity on a continuous basis so that we can continuously get the right production and right quality.

Management: Jigar the total cost of Kalyanpur would be about 300 to 325 crores which should be 150 is our equity portion which has been already taken as per the resolution plan which we have already taken over when we have taken the company. balance would be CAPEX which we take the loan at the Kalyanpur level that would be over a period of 1.5 to 2 years as and when it happens. An estimate about Murli is the resolution plan was about 400 crores and CAPEX on that would be about 350 crores, so total would be about 750 crores for a 3 million tons plant.

Jigar Shah: And one more point which is on the industry is that this recent thing where CCI has got an upper hand on the cement company in terms of the penalty etcetera, of course you are not impacted but what impact it has overall on the pricing of the industry.



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Management: The order of CCI and the prices of industry has no connectivity, and then this is the old battle of maybe seven, eight years. Only thing was that the penalty was upheld again by **NCLAT** so that is a situation, but otherwise on account of this judgment of **NCLAT** to continue to witness penalty has no impact on pricing.

Moderator: The next question is from the line of Tejas Pradhan from Citi Group. Please go ahead.

Tejas Pradhan: I just wanted to check what is the incentive amount in this quarter and what was there in the fourth quarter first, and the second is what has been your capacity utilization in all the three regions in this quarter.

Management: To answer your second question, our total capacity utilization is 72%, we usually avoid giving region wise breakup as we've said it quite a number of times and in terms of incentive this quarter is about 39 crores which we booked which is 50% lower than what it was in the previous year.

Moderator: The next question is from the line of Subhankar Ojha from SKS Capital. Please go ahead.

Subhankar Ojha: Sir wanted to understand this process of merger, do you say that December is the final when you expect a merger completed or it will take more time for the entire process to be done.

Management: You have understood rightly.

Subhankar Ojha: Why is it taking much longer than what we expected in earlier than today.

Management: When this merger takes place and then there is a process of transfer of mines also and for that process I think it is taking time and that is why we expect that maybe two to three months' time it will take and then we have to do all processes and that is why we have actually applied for extension of AGM which would be by three months of the last year hopefully we would be getting it done.

Subhankar Ojha: But there is no risk right.

Management: There is no risk and as I said earlier also that we have court approval, so everything is in place and as per the court order that we have to wait till transfer of mines takes place in the name of the company.

Management: And earlier the delay happened because of the NCLT everything was shifted from the High court to NCLT and in the meanwhile, IBC act was coming. So there are series of things which happened which was beyond our reach to actually to try and hurry it up, but the delays have happened.



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- Management:** Now finality will come.
- Moderator:** The next question is from the line of Tejal Shah from Reliance Life Insurance. Please go ahead.
- Tejal Shah:** Just wanted to look at the number of incentive that we could look at for a sustainable period of time while you said 39 crores is for this quarter, what is amount that you could look at for the full year considering if the Murli assets is also not commissioned.
- Management:** We may not like to share the future numbers but then yes whatever incentive which have been sanctioned to us that are in place. Incentive is also depending on how much we sell in each state. So today it will be very difficult to quantify every quarter, as and when we get it would be the sustainable which we actually earmark. So, every quarter we will go on sharing with you the numbers which we have got.
- Tejal Shah:** So, but why was it down for this quarter to this thing on a year-on-year basis 50% down that you guided, any specific reason for that?
- Management:** Incentive has its own period and on account of that it has come down because incentives are not forever.
- Moderator:** The next question is from the line of Rajesh Lachhani from HSBC. Please go ahead.
- Rajesh Lachhani:** Two questions from my side. Number one is, what is our share of premium and super premium brand as a percentage of total, and trade and non-trade that is number one and secondly, if you see OCL growth was close to 8% which is bulk of our East demand which was much lower than the industry growth of 13% as you explained so are we seeing some constraints in capacity utilization there?
- Management:** In East we have two organizations – one is OCL and second is Dalmia Cement East Limited so when we talk of East then it is a capacity and sales of both these organizations and on that basis the number comes up.
- Rajesh Lachhani:** What is share of premium and super premium as a percentage of total and trade and non-trade.
- Management:** Premium and super premium would be about 12% to 14% and our trade sale would be about 64% to 65%.
- Rajesh Lachhani:** Sir how were these numbers compared to previous year?
- Management:** The trade sales are improved by 6% to 7% and super premium by about 4%.



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- Moderator:** The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.
- Ritesh Shah:** Would it be possible for you to quantify, how should we look at the incentive number which was around 400 crores last year like, is this number with Murli sustainable for FY19 and FY20?
- Management:** First of all, let me correct you it was not 400 crores it was about 325 crores. Secondly, considering Murli as I said that some of the incentives go, with Kalyanpur also there will be some incentives and with Murli also incentives so it will be very difficult because the spacing of the markets, and which market and which region it goes it will be very difficult to quantify but on a very steady state number it will be very difficult to really quantify to say the exact number. But it will be lower than last year that I can share that.
- Ritesh Shah:** Secondly, what is the size of the composite cement market like if you can highlight like whatever targets are over here or something because slag prices have been moving up to our understanding so how should one look at this?
- Management:** This is the new quality of cement which has been introduced in Indian Cement Market, Indian construction market. So it will take time, but at the same time whatever quantity we have launched, whatever quality we have launched it has got good reception so we expect good volume of this composite cement next year and at the moment it will be difficult to highlight what quantum can be even for us also and in general also.
- Ritesh Shah:** Lastly, would you like to provide some color on the cost mitigation factors that we are looking at, you indicated WHRS, AFR, linkage coal if you could provide some numbers over here it would be very useful?
- Management:** Difficult to quantify number on this conference call but at the same time let me assure you that management is fully conscious of these facts and on that account you will find that these new initiatives of composite cement or logistic cost or new projects which we are taking up so that ultimately the new technology and the new plant will also take care of lower fuel cost, lower power cost so that will go on happening.
- Moderator:** The next question is from the line of Madhav Marda from Fidelity Investments. Please go ahead.
- Madhav Marda:** Just wanted to check in the opening remarks you had mentioned that you are expecting overall sales to be about 10% and the first half that will be about 15%-odd in the region that we operate, so in second half will the base sort of become higher or we are expecting it to come down to about 6% to 7% is that the right interpretation to make?
- Management:** It is expected that the second half last year was very good, so the base numbers are higher. So, on that higher base number it may happen, but it is just guesstimate which one can talk of.



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Madhav Marda: Second question is that a lot of the incremental demand is coming from the non-trade segments which are rolled in the affordable housing segments, so how are our margins there compared to the trade segment? Could you quantify or give us a broad color about how should we think about margin here?

Management: Our shares in these areas are not that high and secondly, definitely the margins are better in trade still than in these sectors that is why I would say that to us it should not be impacting but since it takes care of the cement demand so many companies would like to sell more in this area, many companies would like to sell more in traded segment.

Moderator: The next question is from the line of Nikunj Gala from ASK Investment. Please go ahead.

Nikunj Gala: My question pertains to OCL India, is my understanding correct that in this quarter we might have taken some price hike in the OCL which have led to the loss in incremental market share because as I see lower volume numbers in OCL as compared to in a region where you operate?

Management: We do not have that perception and no market loss has been there on account of premium pricing. Only thing is that there has been very high demand growth in Chhattisgarh where we do not sell.

Management: And secondly, also when you are looking at OCL as earlier explained also for us East includes DCEL and I think all these anomalies should get over probably in next two, three months' time when the entire merger happens so there will be nothing like an OCL or a DCEL separately because for us it is different region.

Nikunj Gala: Secondly, on any price hike you have taken in that OCL India?

Management: No, there has not been any price hike except because of our premium product and pricing our NCR has been comparatively better.

Participant: I understand that point, but if I see your realizations both on a YOY and sequentially, even I consider your premium products and take the blended realization then also the realization in the normal cement is showing the improvement so just wanted to check on that front?

Management: One other reason is on account of higher trade sales if you compare last year to this year trade sale has gone up by 6% to 7%.

Moderator: The next question is from the line of Mudit Agarwal from India Nivesh. Please go ahead.

Mudit Agarwal: Sir even though the demand in the South is increasing at 16% but the prices in the South is comparatively low as compared to the first week of the April month, so is there any specific reason sir?



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- Management:** No, there is no specific reason.
- Mudit Agarwal:** Sir incentive is down because of the decline in the prices in South and West Bengal?
- Management:** No.
- Mudit Agarwal:** What is the percentage of fly ash in composite cement and slag percentage?
- Management:** Offline you can discuss this with our people
- Moderator:** The next question is from the line of Abhishek Ghosh from Motilal Oswal Securities. Please go ahead.
- Abhishek Ghosh:** Would it possible to share estimated CAPEX for FY19 and FY20?
- Management:** At the moment it is not possible please.
- Abhishek Ghosh:** Sir one more thing in terms of the net debt reduction quarter-on-quarter has been about 85 crores which we have generated fair amount of cash profits is it because of the 150 crores debt we have paid out for Kalyanpur?
- Management:** Partly because of that but it does not calculate that is why it has gone into investment, but we also have a higher net working capital because we are getting into monsoon that is why. I think the correct way to look at is the gross debt which is paid down.
- Moderator:** The next question is from the line of Tanuj Mukhija from Bank of America Merrill Lynch. Please go ahead.
- Tanuj Mukhija:** My first question is that demand has been strong in East and North East for quite a while in double-digit growth, but pricing has been flat, can you comment on pricing outlook for these two regions?
- Management:** Difficult to say about price outlook but then because it is all game of supply and demand, otherwise to us it looks like still demand would be robust, demand would be strong but otherwise difficult to project the prices.
- Tanuj Mukhija:** And second question was on your announced capacity expansion in Bihar, can you give an update about have you acquired land for it and when will that additional 2 million ton grinding capacity be commissioned in Bihar?
- Management:** Bihar grinding unit will take about two years let us say that by September '20 or so it should come up. We have identified the land and our discussions are on to finalize the land.



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- Tanuj Mukhija:** Sir have you ordered for equipment for the other grinding unit in East and Orissa?
- Management:** It is in final process.
- Moderator:** The next question is from the line of Ashish Jain from Morgan Stanley. Please go ahead.
- Ashish Jain:** Firstly, what is the status for land for the clinker capacity expansion. Do we have all the land we need for it?
- Management:** We have the land.
- Ashish Jain:** Secondly, if I look at our East capacity let us say two years out, we will have a clinker capacity of around 7.5 or 8 million tons and grinding capacity of 18 million, should we see this as some kind of a mismatch or if demand is there we can actually operate it at 100% utilization here?
- Management:** No there is a proper match and ultimately, we will have about 19 million tons capacity in East so with right conversion factor, right blend of slag cement and composite cement, we should be able to produce that much cement also, and at the same time this much grinding capacity also takes care of seasonal variation.
- Ashish Jain:** Rs. 150 crores you said is already reflected in June quarter debt?
- Management:** It is gone in June. 150 crores is equity investment it will be as equity investments partly June, partly July.
- Ashish Jain:** Firstly, is Kalyanpur now consolidated from September quarter?
- Management:** From the second quarter, we have just put in the money. Earlier we have given it as a debt till the time we got the approval from the stock exchanges to delist it which we have already got in July. Hence, a part amount was paid in June and part was in July and now the consolidation will happen from the second quarter. But there will be hardly any consolidation because we expect production to be somewhere October end or November. 150 crores is shown as investment and I think someone earlier also has asked about our CAPEX plan for the two years. The entire CAPEX plan of East is for the two years. The only thing is we will have to identify how much is to be incurred in which quarter and how the order equipments and everything takes care of it.
- Ashish Jain:** But should we build in any volumes from Kalyanpur in fiscal '19?
- Management:** Yes, of course from October onwards.
- Moderator:** The next question is from the line of Nitin Bhasin from Ambit Capital. Please go ahead.



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Nitin Bhasin: First question on the incentives again, you had a very good growth of 13% YOY with market largely very similar for your spread of sales, one quarter 70% decline in incentives, what does it mean? Does it mean some incentives have come to an end and hence, this year on a base capacity excluding Kalyanpur you should be looking at what sort of incentives compared to 330 crores as Jayesh mentioned?

Management: Nitin very difficult to really project how much of the incentive because it depends upon how much of sales happen in each region and each state because each of the incentives depends upon how much of the sales has happened in each of the states. In some of the states say a Bihar or Odisha or West Bengal depends on how much of the sales get allocated, but some of the incentives have got over as you had mentioned earlier also that something will get over in August 2018. So yes, it will be lower by 30%-40% at least it looks to us overall in terms of the projected or estimated incentive.

Nitin Bhasin: Why Jayesh I was asking that is because see broadly your sale split and production split will be very similar as compared to last year because the growth is very uniform.

Management: Nitin sorry to interrupt but depends because you are looking at East region, but for me where the East get supplied and as consulted from Kalyanpur, from Bokaro, or even including the South and how much of clinker goes where and how it happens. For you all are looking at one region but for me right now it is also specific unit wise please understand that.

Nitin Bhasin: So, on a base capacity you are saying 30%-40% decline from 330 crores is possible from last year and how much is the receivables outstanding today?

Management: I think we can take it offline how much is outstanding.

Nitin Bhasin: And the second one would be in terms of what sort of a debt intake for Kalyanpur would you have by March end and if Murli also goes through what sort of a debt intake would you have for Murli for the next 6 to 18 months?

Management: What do you mean by intake?

Nitin Bhasin: One is that you will pay down your present debt which is on the present capacities but for Kalyanpur debt that you will be assuming from the banks?

Management: 150 crores mentioned that for two years.

Nitin Bhasin: And for Murli.



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- Management:** Murlit depends on how the debt equity is, usually a 30-70, but as earlier mentioned also we are absolutely completely clear about our fiscal discipline and financial discipline. I do not think so we will let it slip.
- Moderator:** The next question is from the line of Amit Murarka from Deutsche Bank. Please go ahead.
- Amit Murarka:** So, on incentives again just wanted to understand for Kalyanpur what kind of incentives are you getting?
- Management:** Kalyanpur, we are getting about 150 crores of incentives but depends on again the sales and how much we make the sales in that same region.
- Amit Murarka:** So, this is 150 crores per annum or it is over what period as in?
- Management:** You know this incentive is for seven years and amount is 80% of the sales tax paid or GST paid but now once we start operations and once things get stabilized and once we get order from the government then specific details would be shared.
- Amit Murarka:** Broadly we can basically expect 150 crores for the seven years?
- Management:** Not at the moment it is just the number so maybe once we start our operations we can share those number.
- Amit Murarka:** For Murlit what are the incentives?
- Management:** Let Murlit happen, we will share with you.
- Moderator:** The next question is from the line of Jaspreet Singh Arora from Systematix shares and stock. Please go ahead.
- Jaspreet Singh Arora:** Just on this East expansion project you mentioned two years, are we referring to FY21 the second half is what exactly, what is there in terms of the schedule commissioning?
- Management:** You are right.
- Jaspreet Singh Arora:** Just the CAPEX on this is it close to 3800 crores?
- Management:** You are right.
- Jaspreet Singh Arora:** Just on the pricing front you mentioned about volume outlook, on the current pricing what is the scenario and any view on the balance part of the year?



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- Management:** For pricing, it is difficult to give the view.
- Jaspreet Singh Arora:** And on the raw material inflation petcoke the average you mentioned is about \$99 in first quarter so how is it now?
- Management:** It is almost same.
- Jaspreet Singh Arora:** Assuming I mean the slag was up 24%, petcoke 27% and diesel again 21% and if current prices were to go we are broadly looking at a (+20%) kind of a inflation from the variable cost perspective for the current financial year, is this what you would broadly agree with?
- Management:** No, we do not agree with this. So maybe you can do your proper working and then maybe you may interact with Himmi.
- Moderator:** The next question is from the line of Milind Raginwar from Nirmal Bang Securities.
- Milind Raginwar:** In terms of the overall revenues that we have shared, these are including the other segment that we used to share earlier, is that assumption correct?
- Management:** It includes refractory also.
- Milind Raginwar:** Any color on what would that proportion be for the management services in refractory, if you can please share that?
- Management:** Actually, if you look at my EBITDA per ton 1135 is actually excluding refractory and management services, it is pure cement if I add that, it is about Rs. 1165 per ton, but that is not the way we do it so.
- Milind Raginwar:** So you are indicating that the EBITDA per ton is 1135 which is purely for cement?
- Management:** Yes.
- Milind Raginwar:** So the incentive get reflected in the in the revenue itself right?
- Management:** One thing clear incentive is a part of the CAPEX done by any organization. The incentive received is purely because of the investments made in the state and takes into account a complete CAPEX plan in the investments made. So, I do not see any reason whether it is our company, whether it is Ambuja, whether it is Shree Cement whether it is UltraTech. Everyone reflects incentives in each and every of the revenues, it is a part and portion of the revenues. Why I am saying this because there were enough questions on the incentive, it is not that I am accounted



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yet. Unfortunately, we had to account it because IndAS has changed and that is why we have to account the way IndAS has explained us to account for it. So, I hope I am clear on incentive.

Moderator: The next question is from the line of Rajesh Ravi from Centrum Broking. Please go ahead.

Rajesh Ravi: Sir two things first on the volume guidance for the financial year if you could guide and second again on the incentive this quarter our incentive number has come down on sequential basis?

Management: Our incentive has already been explained by Mr. Jayesh.

Rajesh Ravi: I am saying that despite lower incentive on a sequential basis, our realization is significantly improved so could you throw some light where is it that coming from on a sequential basis and second on the volume growth?

Management: Sequentially also our trade sales have been higher, the trade sales are up by 4 on sequential basis and this share of premium brand has also gone up and moreover, there has been a price improvement in all the markets where we serve.

Rajesh Ravi: So our core EBITDA it has improved on a sequential basis?

Management: NSR per ton 3% on sequential basis which is the increase which we have reported. It is including the incentives which were there in Q4 and in Q1.

Management: Let me also say when we say core EBITDA in my mind and for whatever worth it is, it is always when we include a treasury income in EBITDA that is not core EBITDA when we include refractory it is not EBITDA but any investment done in cement business for cement business and any revenues or incentive or subsidies received is a part and parcel of core EBITDA. I do not think how we should actually identify what is core and what is non-core.

Rajesh Ravi: No issue, on the volume guidance for the financial year if you can?

Management: We would do better than the industry.

Moderator: The next question is from the line of Ravi Naredi from Naredi Investments.

Ravi Naredi: Sir power cost is too much, and other input cost also risen this quarter and Dalmia has had very good goodwill about the cost constraint but this time it is a too high, so will you comment something about this?

Management: The point is that on account of increase of fuel cost whether it is a lignite or whether it is a petcoke, the impact has come otherwise if we look at our own operating parameters of power



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consumption per ton of cement we are still one of the best. And on raw material side yes, we had earlier also discussed that slag prices have gone up, which have impacted on variable cost as well as profitability also and it is just not for our company but for the overall cement sector of East.

Ravi Naredi: Sir we are maintaining Red Fort, will you tell something about this what will be the cost to the company and us how the branding will be done?

Management: For Red Fort you are most welcome on 15 August.

Ravi Naredi: No but how is that going on and what will be the cost to the company my point is that?

Management: There will not be any advice or any future reference about Red Fort. Let this happen and once you visit Delhi, you visit Red Fort you will come to know what things are happening. It will not have any impact on costing.

Moderator: The next question is from the line of Rajesh Lachhani from HSBC. Please go ahead.

Rajesh Lachhani: Two questions sir since East regions is operating at significantly high capacity utilization, are we seeing some influx in that region from Andhra Pradesh or Telangana or nearby regions where it is a overcapacity in terms of clinker or cement volumes going into that region that is number one and second we are seeing that despite significant capacity expansion by the industry, most of this is into grinding unit so are we looking at a scenario where more and more blending is happening in the cement these two questions?

Management: For some players of South part of Odisha and part of other state is the natural market. So, their material is coming up from South. Now with good demand to some extent the cement movement has also started and third is to some extent in Andhra, Telangana prices are comparatively better than what used to be in the past and that is why not much quantity has come because otherwise the logistic cost from South to East is bit higher. Second on grinding unit part, many companies who could not put up grinding unit at right time because of either land problem or xyz. So those all grinding units are coming in place more particularly in Eastern India otherwise the capacities was put up by companies in Chhattisgarh, Raipur area and now they are putting up so that they are able to spread in all these states.

Moderator: We will be taking the last question from the line of Prateek Kumar from Antique. Please go ahead.

Prateek Kumar: Sir just to understand you mentioned about super premium sales I think first time what is the different between premium and super premium as such?



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- Management:** Premium, super premium it maybe Rs. 15 to Rs. 20 a bag. There are three categories A brand, premium brand and super premium. So if you consider A brand as base brand then it will be Rs. 35 to Rs. 40 higher prices.
- Prateek Kumar:** And both on combined basis are at like around 12% to 14% of sales for the company?
- Management:** Both on combined in the sense we did not get it that what is the total average increase.
- Prateek Kumar:** No premium and super premium as a total proportion of total volumes sold by company is 12% to 14% at this point.
- Management:** Let me highlight to you that it all depends from which to which brand you are comparing and if you compare say from B brand to super premium brand then there will be gap of even Rs. 50 also, yes you are right.
- Prateek Kumar:** Sir just one question on this fuel mix post now what is our fuel mix in terms of petcoke use in kiln CPP?
- Management:** We do not breakup Prateek on cumulative basis we have given a number that petcoke consumption is around 59% in the current quarter.
- Moderator:** Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited for this closing comments.
- Vaibhav Agarwal:** Thank you. On behalf of PhillipCapital (India) Private Limited I would like to thank the management of Dalmia Bharat for the call and also many thanks to the participant for joining the call. Thank you sir and you may now conclude the call Mallika.
- Moderator:** Thank you very much members of the management. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.