



“Dalmia Bharat Q2 FY18 Conference Call”

Nov 08, 2017

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Moderator: Good day, ladies and gentlemen and welcome to the Q2 FY'18 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, Margaret. Good Evening, everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q2 FY'18 Call of Dalmia Bharat Limited. On the Call, we have with us the entire senior management team of Dalmia Bharat.

At this point of time, I hand over the floor to Ms. Himmi Gupta – Head, Investor Relations at Dalmia Bharat for Opening Remarks followed by Q&A. Thank you and over to you, Himmi.

Management: Thanks, Mr. Vaibhav. Good Evening, Ladies and Gentlemen. I have with me on the call, Mr. Mahendra Singhi -- Group CEO and Whole-time Director; Mr. Jayesh Doshi – Group CFO and Whole-time Director and Ms. Reena Basin – Head, M&A & Strategy.

Management: Happy Evening, everyone. I am very happy to welcome all of you on behalf of all of us. I am very pleased to share with you that we have been able to sustain profitability through enhancing efficiencies amidst rising cost. The company continues to add value to its operations through branding, high realization, cost optimization and innovation. You must have noticed that our sales volume has gone up by 6% on Y-o-Y basis from 3.42 mt to 3.64 mt. We have maintained our growth beyond the industry average. The company has earned EBITDA of Rs.441 crores, which is 5% more than last Y-o-Y quarter. The important part is that EBITDA per ton is 1,211. So company could maintain its EBITDA margin of 24% on Y-o-Y basis.

Friends, higher realization of 2% and low fixed cost of 17%... I will talk later on the fixed cost part. The key reasons for maintaining EBITDA margin of 24% even though variable cost had gone up on account of higher Pet Coke prices and higher Slag prices. You might have also seen that currently the Pet Coke prices are hovering around \$105 and in one year it has gone up by 20% from \$85 to \$105. Though company could maintain its consumption rate lower than the purchase rate on All India industry basis our consumption rate has been \$85 in comparison to market rate of \$125.

The few efficiencies part was that company has been able to improve its kiln productivity by 9% Including in power plants; reduced power consumption by 1% which helped in reducing its power generation cost. The company is focused towards enhancing efficiencies through digitization and initial results are quite welcome and quite encouraging. We are also now able to improve upon our logistics services and improve the satisfaction of our customer by delivering



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the material faster which is being supported by one, the Digitization, secondly, due to GST, now, the travel time of trucks have reduced. Our freight cost has marginally increased by 3% on Y-o-Y basis whereas the diesel prices, they have gone up by 7%. But in totality, our Logistics distance has reduced to 270 Kms.

Friends, the company has been on a deleveraging mode because of retained cash profit and realization of other current assets, we have now reduced our net debt and it has come down by 29% from Rs.5,984 crores to Rs.4,276 crores. Net debt-to-EBITDA has been brought down from 3.8 to 2.2. This has been done with the support of retained cash profit and income received from investment of KKR shares. During the quarter if I talk, the company has repaid about Rs.180 crores and net debt as on 30th, September is down by Rs.326 crores. As I have said earlier, net debt-to-EBITDA has reduced from 2.4 to 2.2. In the quarter, total gross debt also reduced by Rs.508 crores and net debt reduced by Rs.965 crores.

Now, on account of various initiatives, the interest rates have been brought down from 9.4% to 8.1% as of September 30th. The refinancing of high cost debt and buyback of high cost debentures and innovative actions taken by our finance team has helped in reducing this interest cost.

We had invested, friends, about Rs.450 crores in IEX earlier and now recently IEX got listed and now investment value is double of what we invested.

You might have observed that there is an increase in working capital by around Rs.250 crores which has been a conscious decision and decision on account of creating high stocks of Slag and Pet Coke at competitively better prices so that we are able to take advantage of our high stocks and can bring down prices to some extent.

There has been a major initiative by the government's roll out of GST. GST, as far as our company is concerned, has been quite beneficial due to our full preparations, we have been able to carry out our operations very fast and it has not created any disruption, and in general, as far as Cement sector is concerned, there has not been much debt on it.

Another thing which I would like to talk is that still company is going with its sustainability development initiatives and it is helping us to bring down our CO2 emissions and at the same time is also helping us to conserve mineral resources. Company is also in continuous spree of supporting the society by concentrating its activities on skilling the people, creating and enhancing the livelihood income, conserving and harvesting water and these are all activities which is helping us to create happiness in the society.



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Now from marketing point of view, I would like to share that East region where housing shortage is higher, the work on affordable housing is going on in full swing and the Eastern region has grown by 9% on Y-o-Y basis and for the quarter it is 19% on half-year basis. South is currently flat in terms of demand growth, of course, Andhra and Telangana is still showing strong demand growth of 18% on Y-o-Y basis. Rural Housing demand is on a higher side now. In South, Karnataka is stable at 6% growth and it looks like that Maharashtra demand is showing its revival and it has grown on 6% basis.

Now, if you look at future understanding of the market, it looks like that the various irrigation projects which are going on in Telangana and Andhra should continue to give good demand growth, and in adjacent to irrigation projects, I think few SEZ which are coming up, that would also help in increasing the demand, and in time to come, now the big construction work which has to start on a new capital of Andhra, Amravati in Vijayawada, that should also help in creating the demand.

Broadly, we are positive on Cement demand and the focus impetus on infra civil development and affordable housing by the government should revive cement demand growth in all India basis also and same aspect in our regions also.

You all are aware that the recent announcement of infrastructure projects of Rs.10 lakh crores including Bharatmala which was announced recently of Rs.6 lakh crores and Sagarmala which was announced earlier of Rs.4 lakh crores, would definitely give incremental demand of cement maybe 3% or so in time to come. Similarly, various infrastructure road projects which are going on should also give us good cement demand.

So we are quite hopeful that cement demand in time to come should grow and we as a company are fully committed to bring in more sustainability in our operations and more improvements in our efficiencies and we are sure that we will have good volume. So friends, this is broadly what we thought, we share with you and then definitely we will be too happy to have your questions so that we can give you right answers and our whole team is here to support you. Thank you.

Moderator: Thank you. We will now begin with the "Question-and-Answer Session." The first question is from the line of Saumil Mehta from BNP Paribas Mutual Fund. Please go ahead.

Saumil Mehta: The volume growth in OCL looks to be very strong. So just want to understand, are there any Clinker sales or we have taken market share because the East as a region would not have grown so much, what are your thoughts on that?

Management: It is to some extent market share has gone up. Clinker sale is not in a big way.



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- Saumil Mehta:** Is it possible to quantify the Clinker sales in OCL for this quarter?
- Management:** May be offline these numbers can be shared.
- Saumil Mehta:** While we have built up inventory on Pet Coke and Sand, how should we look at the overall issues with respect to sand mining issues or some of the other headwinds which can impact overall cost of production in the foreseeable quarters?
- Management:** Sand issues only disturbs the construction activities. So it looks like in Bihar now it would be settling down, to some extent improvement is already visible in October and November also and may be it looks like by 15th November, all sort of 10 licenses will be issued in Bihar, otherwise, I do not look at sand issue as an impact on our cost part.
- Saumil Mehta:** The impact of the higher Pet Coke will come in the fourth quarter since we have built up inventory or we will have third quarter results where we can see some power cost inching up because of that?
- Management:** Little bit extra cost may come because this quarter our consumption price has been 85, so it may be \$1 or \$2 here and there.
- Saumil Mehta:** If I look at the other expense on a per ton basis, that has fallen very sharply, are there any one-offs in that?
- Management:** There is no one-off here. It is just that some of the variable costs affiliated to the volumes have come down like packing and advertising and it is a conscious effort. So it is not that there is one-off, but also that does not mean that this is the trend which we will have. So probably between the first quarter and the second quarter, the other expenses should continue.
- Management:** One more thing is that since we had some good productivity, and on that account the shutdown which was expected in the quarter has not come. So maybe in October-December quarter, some extra stocks may come.
- Saumil Mehta:** But with respect to our increasing focus on value-added segment and HDPE prices going up, what would have led to savings in the packing cost, I am just trying to understand that?
- Management:** When you say, packing and marketing and advertising, total expense is Rs.10 crores, Rs.15 crores or lower, so it is not about specific thing. Some of the volume does not come because packing expenses are a little lower because what happens is that depending upon our branding and marketing any advertising done to launch something happens in a particular quarter and in some of the quarters,



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it is not there. But, as I said, that this is not the trend, the trend could be probably the average of both the quarters put together.

Moderator: Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

Manish Ostwal: Sir, can you quantify the impact of this Pet Coke price increase in Q2 numbers?

Management: Whatever is an increase in power and fuel per ton cost that is on account of the Pet Coke prices. Otherwise as far as performance parameters are concerned, like the power consumption or grid consumption, they are broadly the same.

Manish Ostwal: Second question on the southern market, how is the demand and the pricing scenario currently And what is our outlook going ahead?

Management: From pricing point of view, there is not much change, sometimes, yes, there is an increase or there is a decrease of prices by Rs.5 to Rs.10 looking to the demand, but now it looks like from November onwards, prices should remain stable till maybe May or June.

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

Ritesh Shah: Sir, on the expansion plans, we had WHR which was planned and also expansion at OCL. Can you please provide some detail on the status on how we are looking at it right now?

Management: Yes. WHR work is going on and may be by March or April, we should be able to complete it as per our plan. In terms of expansion in East, we are showing all preparatory work so that when we decide in some time to come, we will be able to do it because we have Brownfield and Greenfield possibilities also.

Ritesh Shah: Sir, any indication in the capacity expansion like we are going to 4 mt or 2 mt initially, how should we look at it?

Management: Maybe in some time to come, we will be able to share exact details, but it will be more than that.

Ritesh Shah: Any other major cost saving projects that we have besides WHR?

Management: These cost saving majors are mainly one, how to optimize on fuel, so sometimes if we are able to get some other coal which is lesser than Pet Coke or Pet Coke which is lesser than present Pet Coke sold, then we will go and do it, otherwise, yes, to some extent, by next quarter we may be able to bring down some reduction in raw material cost, and another would be this logistics cost,



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we expect that if diesel prices remain the same, then we may be able to bring down our logistics cost by 3% to 5%.

Ritesh Shah: Sir, on subsidies in Northeast. What is the total outstanding and have we received any quantum in this quarter?

Management: No, the total outstanding subsidy is about Rs.350 crores. We have not received any amount this quarter.

Ritesh Shah: Sir, anything that you are hearing over hereby when we can actually get the sizeable amount?

Management: I cannot really pinpoint that when it will be received. It is due and payable by the state governments to us. We have been expecting in last probably six months or nine months, we have not received it. All efforts are being done to educate the state ministers that if companies and groups like us who have invested this kind of money in the states, it is very-very necessary to have the subsidies released at appropriate time.

Management: Let me just add on that for many companies, this amount may be in totality Rs.2,000 crores plus is outstanding which is to be paid by the government for the recent subsidies which they have claimed.

Moderator: Thank you. The next question is from the line of Vaibhav Goel from SBI Life Insurance. Please go ahead.

Vaibhav Goel: What is the status of this OCL merger, and which all things are pending as of now and if you can give me some timelines on that?

Management: The Scheme-1 has already passed. We are waiting for the final order of NCLT's reserved order. The scheme which is merging of the OCL into DBL. We expect that the dates happen with the course in this month and probably then we will go for majority/minority. So all said and done, right now I am not changing my direction that we should be able to complete the entire merger by this financial year.

Moderator: Thank you. The next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: On the Northeastern market, can you give some idea on how the pricing has been in this quarter as well as what is happening right now and also on the demand side?

Management: Prices are stable.



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- Management:** In half year, the market has grown by 7%.
- Madan Gopal:** We have maintained our market share there?
- Management:** Yes.
- Moderator:** Thank you. The next question is from the line of Rajesh Lachhani from HSBC. Please go ahead.
- Rajesh Lachhani:** Sir, my question is regarding the availability of slag. So with no supply of slag is becoming tighter each day and the demand in East is growing at such a brisk pace, just want to understand what is your outlook on the pricing, what are we paying currently and what is our outlook going forward for per ton of slag?
- Management:** Since last one and a half years or so now again steel production has started growing because you must have seen that it is now growing by 8%. So now steel production increase would be there and that may result in some increase in production of slag, that is one. Secondly, we have also found out some slag source which we were not getting earlier because of some extra cost. So on that account, as far as we are concerned, we are quite confident that we will not find shortage of slag, but at the same time, yes we have to remain cautious on slag part because more new cement grinding units come up for PSC, then they may face problem, but as far as we are concerned, now we have tied up to a greater extent.
- Rajesh Lachhani:** Sir, can you just give me what was the cost per ton of slag last year and now that we purchase?
- Management:** From Rs.700 it went up to about Rs.1100 plus.
- Rajesh Lachhani:** In this quarter, we paid Rs.1100?
- Management:** I do not know quarter-to-quarter but it could be a mix of both, a little bit, but more on the 1,000 plus side.
- Moderator:** Thank you. The next question is from the line of Rajendra Meyyappan from Smart Securities. Please go ahead.
- Rajendra Meyyappan:** Have you accounted any income during this quarter towards incentives or subsidy?
- Management:** This is a part-and-parcel of normal business. So definitely incentives would be there and they would be accounted for as per Indian accounting standards.
- Rajendra Meyyappan:** No, last year it was around Rs.388 crores. I am just wondering how much is it during this quarter?
- Management:** Definitely for the whole year, we will share you when we discuss our annual number.



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- Rajendra Meyyappan:** How long this subsidy will last?
- Management:** At least till next March, it is there.
- Moderator:** Thank you. The next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.
- Gunjan Prithyani:** Two questions; firstly, would it be possible for you to share some sense on the capacity utilization for your regions please -- where are we in terms of South capacities, East and Northeast?
- Management:** Normally, we will not like to share with you year-wise capacity utilization, but in totality it is about 66%-67%
- Gunjan Prithyani:** Any range also if you could share if it is possible for you like where are the East capacities operating at?
- Management:** We will take this offline.
- Gunjan Prithyani:** Second question would be we have been delivering fairly well on the deleveraging for the past couple of quarters. Now that you are looking at some expansions going forward. What will be the leverage or the debt levels that you would be comfortable with and from there you can really take the expansion in a big way?
- Management:** I think there is no hard number at where we can project that where we will be comfortable. One thing I can say that it will be a very balanced growth which is going to happen with the strong backing of the balance sheet rather than take a one number.
- Management:** Let me also tell you that earlier also we were quite comfortable and today also we will be comfortable because we all take very conscious decision and for a year or two, somebody may see higher number or something. But that is all to create better value in the organization and for the shareholders.
- Management:** Also the advantage of organic Brownfield or capacity utilization can also be phased out in a manner which is much more comfortable the way we think as a team to see at what rate and what leverage levels we are comfortable with.
- Gunjan Prithyani:** Any internal target that net debt-EBITDA or net debt-equity that you typically have in mind?
- Management:** You are asking me to again give a hard number. Yes, of course, we have our internal targets or internal benchmarking, which we want to do it. But if you ask me a range, without being held



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back probably I will be comfortable anywhere between 2-3.5 kind of thing, but depends on situations and circumstances.

Management: As you rightly said, it is internal, so it is internal.

Gunjan Prithyani: What would be the fuel mix now in terms of Pet Coke and other fuel sources?

Management: Pet Coke is 76%.

Management: In totality, concerning our whole growth it is about 76%, because at some places and with some coal which is economical than Pet Coke, that much Coal is also being used.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Vallum Capital. Please go ahead.

Abhishek Jain: How you see logistics cost going forward?

Management: Logistics cost may come down by 3% to 5% in time to come as we are seeing some better results because of GST, because of that travel time of vehicles has reduced, and secondly, we have gone towards digitization which may also help in putting up flow of the trucks.

Moderator: Thank you. The next question is from the line of Murtuza Arsiwala from Kotak Securities.

Murtuza Arsiwala: Two questions from my side; One is the industry level you are seeing Supreme Court order sort of restricting use of Pet Coke in certain states. Do you think that could have a meaningful impact in terms of the quantum of the industry is consuming in terms of Pet Coke and could it be for players like us which are not there in the northern states that you could see Pet Coke prices coming off a bit, one? Second, given where Pet Coke prices are today, is there much of a cost differential left between Pet Coke and alternate fuels?

Management: There is no problem as such of Pet Coke for a cement plant. Supreme Court has rightly understood and they have said that for the timing, let us restrict it and let the use of Pet Coke, boiler and other types of activities which are taking place only in NCR region, it is not in real estate, it is just Delhi and nearby NCR region, Supreme Court has very clearly said that. Secondly, Central Pollution Control Board and ministry they have already given a clearance and they have said that it is better to use Pet Coke in cement plant so that we are able to absorb sulphur and that does not pollute the atmosphere. If Pet Coke is used in power plants which are not associated with the cement plant, then they do not have any material to absorb sulphur and that creates problem. It is very clear that it may not be having any impact on cement plants or many states also. This is what is our view and this is what when we hear the arguments which take place in the court.



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- Murtuza Arsiwala:** Second question is the factory ownership % that we have in IEX right now?
- Management:** 20% total ownership.
- Moderator:** Thank you. The next question is from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.
- Siddharth Rajpurohit:** During the quarter, how is other income gone up significantly by Rs.22 crores?
- Management:** Because one is the dividend received from the subsidiary which has been accounted this year which the previous quarter was interim dividend and second is MTM of all treasury income has to be marked out on day one.
- Siddharth Rajpurohit:** Do you have any repayment debt target for the year and next year?
- Management:** We do not have repayment debt. As and when I am able to repay high cost of debt or purchase back high costing debentures, we act in the market and use the treasury effectively. Over and above this specific buybacks or repayment, the normal repayment is as per the schedule which continues to happen on the debt down side.
- Siddharth Rajpurohit:** What is the tax rate we can assume for this year and next year, broad guidance?
- Management:** I think on the tax rate as I had also mentioned that we should be looking at the MAT as the tax rate and we expect this that restructuring would get completed by March.
- Siddharth Rajpurohit:** Can you give me a broad guidance in terms of volume growth expected at least this year?
- Management:** This year broadly it should be in the range of say 6-8%.
- Siddharth Rajpurohit:** Industry will be sub-6%?
- Management:** Yes, should be lower than us.
- Moderator:** Thank you. The next question is from the line of Ankit Fitkariwala from Jefferies. Please go ahead.
- Ankit Fitkariwala:** My first question is on the region wise demand pricing scenario that Mr. Singhi highlighted in his opening remarks. If it can be just expanded a bit as in across our three regions what is the market grown by and what we have grown by and if you could give out some state-specific details largely for the southern market because a couple of peers have highlighted concerns across Tamil Nadu and Karnataka markets?



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Management: Normally you must have seen that market in East is growing and definitely we will be growing better than that, in South Kerala and Tamil Nadu they are not showing growth as such but otherwise Andhra, Telangana, that would continue maybe 15-18% like Karnataka and Maharashtra may continue about 5% or 6% and definitely will be either as per the market or better than that.

Ankit Fitkariwala: How about Northeast?

Management: Northeast may grow by maybe 4-6% in totality for the year.

Ankit Fitkariwala: Sir, secondly on the tax rate question that was asked by another participant, so basically for the last two quarters we have given out booked tax rate of around 31%. So for the full year FY'18 should we assume a similar number and then assuming that the restructuring goes through by FY'18, FY'19-20 we should assume MAT rate of around 20% on book tax numbers, is it?

Management: No, if the restructuring happens by the financial year ending, we could assume MAT rate of tax if the restructuring will be effective from FY '15. So as and when it happens and more probably by March or if it happens a bit late also, then also the tax rate would be after restructuring and that is why we have advised that it will be MAT.

Ankit Fitkariwala: So broadly FY'18-19-20 all will become around 20%?

Management: Yes.

Management: There is very bumper profit.

Ankit Fitkariwala: Just in the last couple of calls, we have said that OCL has a scope of debottlenecking of around a million ton. So is it already through or are we doing it or we will do it along with the Greenfield, Brownfield that we are planning?

Management: Little bit has been done in two plants – one in Cuttack, second is in Rajgangpur. By March end we will also be able to confirm the details been done by about a million ton.

Ankit Fitkariwala: Is it possible to give the volume numbers in the three regions?

Management: We do not share those volume numbers separately.

Management: There was one question. Mr. Singhi would clarify. Murtuza had asked the differential between Pet Coke and Coal price.



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- Management:** Broadly, when we compare imported coal versus imported pet coke, then still 12-15% delta and pet coke is still economical and you might have observed that coal prices globally they have gone up very high because of high demand of coal and that may also be on account of very high cost of gas.
- Moderator:** Thank you. The next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.
- Madan Gopal:** What sort of new capacity additions you are hearing in your key markets particularly South?
- Management:** In Karnataka, one plant may come up by year-end. Otherwise, at the moment in Tamil Nadu there is on one, in Andhra there is no one.
- Madan Gopal:** Are you not hearing about any new order placement also at this point?
- Management:** Maybe one or two orders are there but still we are not sure because so far no groundwork has started.
- Madan Gopal:** The same thing there is a delay in even players who were talking about new capacities. So I think obviously the South is concerned about Tamil Nadu volume decline, slight postpone we can, that is the way we are seeing also.
- Management:** Thanks. Okay.
- Moderator:** Thank you. The next question is from the line of Pratik Maheshwari from Ambit Capital. Please go ahead.
- Pratik Maheshwari:** Sir, the unitary EBITDA for you has improved considerably YoY. So just wanted to know what are the current cost initiatives and future cost initiatives that you are taking?
- Management:** Not improved dramatically. I do not know which number you are looking at because YOY basis it is actually (-2%).
- Pratik Maheshwari:** Because sir other expenses were considerably low.
- Management:** As I explained you why other expenses are lower, because it depends upon where the branding and packing and other expense happen. But my EBITDA per ton is actually (-2%) YoY basis, even operating basis it is near about flat. So it is not a substantial increase. That is why I just wanted to point that out.
- Management:** But definitely we wish that it should increase substantially.



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- Pratik Maheshwari:** So any cost initiatives then you are taking?
- Management:** I already shared that yes, one would be on logistic cost and there maybe some selling in raw materials.
- Moderator:** Thank you. The next question is from the line of Romil Jain from JM Financial. Please go ahead.
- Romil Jain:** Sir, since the monsoon season and the festive season are now behind, how is the on-ground situation in the last maybe two, three months? Also, if you can share some insights on the various infra projects or low cost housing or any other trend that you can tell us? The only thing that we knew that in certain areas there were sand mining issues and all.
- Management:** Except Tamil Nadu everywhere monsoon is over, now in Tamil Nadu more than monsoon which is happening in Chennai and other coastal areas of Tamil Nadu. There have been so absent particularly in Bihar and U.P. and earlier it was in Tamil Nadu also. Bihar it looks like that maybe 50:50 matter got sorted out and maybe balance will be sorted out maybe in a week or two, this is what we hear from them. Now definitely infrastructure projects and more particularly road projects, they are picking up the speed and this is the information which we get by the way Mr. Gadkari his team they are following up with the coordinators of infra road projects.
- Moderator:** Thank you. The next question is from the line of Ketan Chaphalkar from Zephyr Financial. Please go ahead.
- Ketan Chaphalkar:** My question was basically regarding OCs India where I can see that segments of cement revenue actually have really shown a flat growth on YoY basis. Is there any particular reason why it has?
- Management:** When you accounted YoY basis, the excise duty is a part of the sales revenue and now in GST accounted below. If you see on an absolute value basis it is lower. If you actually compare an apple-to-apple, it is probably 6% or 7% or 8% growth.
- Ketan Chaphalkar:** Is there any contribution like from related to floods and due to monsoon season the demand being slight to some extent?
- Management:** No, YoY basis last year also the situation was same.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.
- Ravi Naredi:** Singhi sir, main thing is our company is having too much investments like your maximum fund involved in the long-term investment, you have some investment in IEX, some investment in



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other companies, some investment you have made in Ramco Cement, polar pigment lines and RCom, so are you thinking to divert this division to another company?

Management: There is no such thing. I do not know what investments were made much earlier except IEX. As we speak, we are already out of Ramco just for a record because there was a comment made last call where someone said why are you investing in Reliance and we have taken the decision, we already sold RCom. I think being a cement player and Ramco is already an investment before either of us were there and continue to remain in an investment, we think it is a great investment for the shareholders to earn money. I do not know why you think that the demerger is the solution. I do not think demerger is the solution for anything.

Management: Ramco is about cement company.

Ravi Naredi: You see this September balance sheet again Rs.3135 crores is the investment.

Management: But of which about Rs.930 crores is IEX and mutual fund is about Rs.2,000 crores.

Ravi Naredi: So we are not diverting to the loan account but we are keeping in the mutual fund?

Management: We are not diverting anything anywhere.

Ravi Naredi: Old concall is not available on your either company website or any other places. I requested last time also. So can you post this concall also in your company's website?

Management: We would not like to put it on the website.

Moderator: Thank you. The next question is from the line of Amit Murarka from Deutsche Bank. Please go ahead.

Amit Murarka: Just a couple of things; one, your freight has fallen in the quarter. So just wanted to check, has the lead distance reduced for you?

Management: Yes, it is about 275 Kms now from 295 Kms.

Amit Murarka: It should remain stable over here or expect further reduction?

Management: Broadly it will be around this number only.

Amit Murarka: When you say you acquired some inventories of Slag, Pet Coke, just wanted to understand what is the normal level of inventory you maintain there and how much of traditional inventory would have been acquired in number of days basically?



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- Management:** Maybe we have increased by about 40-50%.
- Amit Murarka:** Normally how much inventory do you keep for these items?
- Management:** It depends from month-to-month, quarter-to-quarter, situation-to-situation. So it is very dynamic.
- Amit Murarka:** But broadly will it be like 15-20-days inventory or a two month inventory, just to get a sense?
- Management:** One month.
- Amit Murarka:** You had acquired few lines from mine. What is the thought of foraying into like newer markets like north and all – is it like quite some time away or it may start in a year or so?
- Management:** Still it will take a few years because now we are completing various formalities and we would start land acquisition. So any new Greenfield project anywhere when you start from the scratch, it may take three to five years.
- Amit Murarka:** On finance cost, is there any FOREX gain or loss recorded in that?
- Management:** It is about Rs.20 crores for the quarter and about Rs.45 crores for the half year and it is all MTM and no cash charges or payment has happened on that, also that we are fully hedged. So despite being hedged we have to account it on MTM basis.
- Moderator:** Thank you. The next question is from the line of Milind Raginwar from SBICAP Securities. Please go ahead.
- Milind Raginwar:** Last couple of quarters, we are seeing the run rate of external purchases in the raw material going on a higher side. Any reason for this? Last quarter it was Rs.29 crores, this time it is Rs.39 crores.
- Management:** We purchase from our contract of clinker which we have with the JP, so that come as a purchase of Clinker. Since our volume is growing, so to that extent that purchase may also grow.
- Milind Raginwar:** Now that sir you have touched this point. Our contract remains intact for probably on a longer-term, 15-20-years, right?
- Management:** No-no, it is not 15-20-years, but left over years are 26-years now.
- Milind Raginwar:** Sir, if I am looking at the interest cost this time coming down even on QoQ basis and in the earlier remark you somewhere indicated that the working capital requirement was on higher side. So anything there if you can throw more light on that?



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Management: We have actually brought down interest cost QoQ as you have seen and that is why we made it very clear transparently how the interest cost has actually moved. So working capital is basically a 30-day inventory or a little bit more and we fund it in any case through effective cost management and finance management of buyers' credit and stuff. So I do not think that changes. What changes is probably the cash availability which gets blocked in inventory. So it is just an opportunity cost as far as earnings are concerned.

Management: There is no major change except yes it has because our debts have come down, our interest rate has gone down, increase in working capital to some extent will impact much.

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

Ritesh Shah: Sir, my first question is on Dalmia DSP volumes. Sir, how has been the trend like and how do you see going forward?

Management: Trend is good and more particularly in a market of Odisha, part of Bengal, part of Jharkhand, we are quite enthused with the response which has been given to a special premium product which is being sold at a higher price.

Ritesh Shah: Sir, would it be possible to quantify some numbers over here likewise also for Konark?

Management: Normally, we do not quantify but yes, for us and for outside world, cement is cement.

Ritesh Shah: Sir, what is the CAPEX that we should look at for this year and next year?

Management: This year only WHR which is pending and which I said total about Rs.100 crores, of which a portion of it will come this year, some portion may go to April, apart from maintenance CAPEX. Next year we will see as and when we think right at appropriate time to go in for Brownfield or whatever is, but right now we do not have any major plan on CAPEX.

Management: Anytime once we start buying land here and there, then that Rs.50-70 crores CAPEX may come, otherwise there is no major CAPEX and we have improved our capabilities, efficiencies at least CAPEX.

Ritesh Shah: What is the maintenance CAPEX that we should look at?

Management: Rs.75-100 crores.

Ritesh Shah: Sir, basically in past we were looking at inorganic growth domestically as well the likes of Binani and I understand there are certain assets in Maharashtra as well. So sir, are we looking at something of that sort, what is our strategy on inorganic growth?



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- Management:** Whenever opportunities are there, definitely we do attempt so that we learn about those companies and those markets also, at the same time we always should be open to such opportunities, we always say that we will take a hard look at every opportunity.
- Ritesh Shah:** Sir, would you like to put some balance sheet targets for a year basically gearing or net debt-to-EBITDA?
- Management:** I answered this question that we usually do not have targets which we say, we say that, yes, we will be having a strong and strengthening of the balance sheet will continue.
- Management:** Only thing which I can assure you is that everything would be done in a very prudent way.
- Moderator:** Thank you. We will take our last question from the line of Ashish Jain from Morgan Stanley. Please go ahead.
- Ashish Jain:** Is there any MTM related reversal this quarter?
- Management:** Yes, about Rs.15-17 crores.
- Management:** Before we close out, I just have one thing to say that we have launched a "Micro Site"...when I say 'we' the IR team have really done probably a commendable job as per me and I think all of you should have a look at our "Micro Site" for balance sheet and annual report, the link will be shared today. So request all to please have a look at it and if you have any suggestions if required you think anything which we can still improve, please let the IR team know.
- Management:** Thank you, everybody.
- 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:** Thank you, Margaret. 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 participants for joining the call. Thank you very much, sir.
- Management:** Thank you, Vaibhav and thanks to your team.
- Vaibhav Agarwal:** Most welcome sir. Thanks.
- Moderator:** Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.