“Dalmia Bharat Limited Quarter and Year Ended Earnings 31st March 2019 Conference Call”

May 10, 2019

MANAGEMENT: **MR. MAHENDRA SINGHI – MANAGING DIRECTOR & CEO, DALMIA CEMENT**
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MODERATOR: **MR. VAIBHAV AGARWAL-PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Good day ladies and gentlemen and welcome to the Earnings Conference Call for Dalmia Bharat Limited for the quarter and year ended 31st March 2019 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 morning everyone. On behalf of PhillipCapital (India) Private Limited we welcome you to the Earnings Call for the quarter and year ended 31st March, 2019 for Dalmia Bharat Limited. On the call we have Mr. Mahendra Singhi – Managing Director and CEO, Dalmia Cement and Mr. Jayesh Doshi – Group CFO and Whole-time Director, Dalmia Bharat Limited. I will now handover the floor to the management for opening remarks which will be followed by interactive Q&A. Thank you and over to sir.

Management: Happy morning and welcome friends. Hope everybody is doing well. Friends I am very happy to share with you that post the amalgamation of all our companies and our subsidiaries, the combined entity has been now listed on both NSE and BSE and the renaming process is also now complete. The single listed entity will now again be called Dalmia Bharat Limited. So with this process our restructuring process has been completed and whatever we had dreamt of a one single entity it has come into the picture.

Friends now let me take you through what we have been doing in previous quarter and during the overall financial year 2019. But before that let me also share that our country has enjoyed the biggest festival of democracy which is election and elections which have started in April and would be shortly coming to an end and in the last week of this month we would see the newly elected government. At the same time in first week of May unfortunately, we had seen the cyclone in Orissa Fani which has devastated 30%-40% of area of Orissa. But the good part is that Orissa government took very proactive steps with the support of central government. But still life is not normal in part of Orissa and particularly coastal areas.

Now let me share with you first of all the new activity which we are doing on and that's the project Pride. This Project Pride of 8 million tonnes capacity which we started last year now that's on track and we expect that by last quarter of FY20 we should be able to realize our 50% of the capacity i.e there is full Clinkerization as well as cement grinding capacity and that would give us good edge in East in taking up and ramping up our market share. As you are already aware the growth in the cement demand has been quite healthy in last quarter as well as in overall year also.

On the annual basis we achieved a YOY demand growth rate of 10%. It would have been bit better but because of some constraint of clinker in East we have achieved 10% and with this new production line coming into production by end of this year, we are hopeful now that we will be able to get major market share. Like we had mentioned last quarter as well the impetus of the government on infrastructures and affordable housing remains very strong and there is remarkable amount of work that is getting executed on ground with speed and that will definitely going to further boost up the cement growth. At the same time the retail demand from individual home builders is also healthy and at industry level we are expecting that there can be growth rate of 8% to 10%. That is also based on the expectation that the GDP growth of our country maybe around 7%-7.5%.

Our capacity utilization for the company as a whole has increased to about 72% against 68% of last year. East and North East the utilization is comparatively higher than the South where still there is a gap between supply and demand and that's why still 72% and as per our understanding overall capacity utilization of the Indian cement sector would also be around 70%-71%. The prices during the last quarter have been stable mainly because of good demand in last quarter and there was some increase in some markets of South. In the April month also and then in the month of May also because of expectation of good demand either prices are stable or there has been some increase in the prices.

Moving on to costs, there has been some modest cost saving between Q3 and Q4 and since we maintained inventory of our major raw materials we could not see full benefit in this quarter. Starting with the slag cost, the decline in cost have started happening and the reason being that to some extent the demand of slag has gone down from Nepal nowadays and at the same time there has been some increase in slag production also. And on that account we are saying that the cost which went up had started coming down and we are expecting that by last quarter of this year they should come again to normalcy.

The introduction of Portland Composite Cement which we did last year has helped us to contain some cost impact and it has also given us a good number and good lead in the market and today we are market leader both for Slag Cement and Composite Cement in the country. Composite Cement has constituted almost 14% of our total volume.

Moving on to fuel price:

Petcoke prices are almost stable but at the same time in last quarter we could get some good cargos and on that account we have seen some reduction in cost and at the same time the impact of our focus on alternate fuel as well as on green power that has brought down the cost on power and fuel to some extent. We expect some one-time benefit which we got in this quarter; the cost should remain comparatively a bit lower than what it was in Q3 or Q2.

At an EBITDA level year we are happy to state that we have finally gone back to our normal average numbers on per ton basis and achieved an EBITDA of Rs. 1144 per ton and this is basically because of better cost controls and some improvements in prices also.

Now the major highlight which I would like to bring to your notice is that we have carried out our focus on repayment of debt and for the year has been 1368 crores with 824 crores being repaid in Quarter 4 this year. During the previous financial year FY18 as well, total repayment of gross debt has been Rs. 772 crores. So overall we have reduced almost 2000 crores in two years which goes on indicating that we have a cautious focus on financial discipline and we intend to continue to do so. We closed the financial year FY19 with a net debt to EBITDA of 1.61. During the year FY19 we have received incentives of 635 crores out of which 131 crores have been received in Quarter 4. This is as against the total receivables of 1171 crores of incentives at the beginning of FY 19 and accruals around Rs. 200 crores during the year.

I would also like to share with you that the Kalyanpur Cement which we have renamed as Dalmia DSP Limited, the trial production has been completed and from 1st April commercial production is already started and we will definitely see its benefit in FY20. There are some bottlenecks which are still being debottlenecked and then we are also contemplating some improvement project in that so we expect better production in FY20.

Now let me also share one incident which has happened in our company and there is a fraud which was committed by depository participant and you must be aware that this was regarding 344 crores securities which have been fraudulently transferred from our account. Good part is that yes the SEBI and the other authorities they have taken action and now those securities have already been frozen by Economic Offense Wing of Delhi and proceedings are going on in SEBI, SAT and EOW also. We are quite hopeful and we have strong belief that we should be able to get these securities very soon. And since the matter is subjudice so definitely I would not like to share more details. But then you must be aware that all positive actions have happened and we are quite hopeful that we should be able to get our securities back shortly.

Now with these broad remarks I would also like to request Mr. Jayesh Doshi, who is our Group CFO to share his thoughts also.

Management: Thank you Mr. Singhi. I think Mr. Singhi has very aptly briefed you all about the last year's operations of the company and we are back to probably the EBITDA levels which we have always done it with the third quarter being exception. But more importantly our focus continues despite the addition of about 8 million tonnes of Eastern expansion that we would continue to bring down debt and continue to borrow as less as possible and use internal accruals and free cash flows to fund expansion.

Just to add on the fraud which has happened; I just want to state that this matter is subjudice and we are also confident that we should get the units back. We have internally worked quite hard on seeing our internal controls, revisiting each and every aspect of our internal controls which we decide on investment whether it's mutual fund schemes or debt mutual fund or AAA bonds. But also back-office processes I have personally looked into it with the entire team and wherever gaps are there I would not like to say that there were no gaps, yes probably there were some gaps which would have averted if we had been much more focused on our back office statements and that gaps have already been plugged immediately. However we have indicated an internal independent agency to look at it, the process is on. The board has also given a direction that a further probe and investigation should be carried out at an independent level which we are doing it so that there is not even an element of a doubt about the involvement of any of the team members of our company. So as of now we can definitely say that none of our employees were involved and we have substantiated proof about that. But it's always better that, an independent agency also looks at it. With these words I would like to put it open for questions for everybody.

Moderator: Thank you very much sir. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Rajesh Lachhani from HSBC.

Rajesh Lachhani: My first question is with regards to the GST reimbursement for the plant in Assam. So you have recognized 51 crores of income, just wanted to know is it recognized above the EBITDA or not?

Management: Yes this is a part of EBITDA.

Rajesh Lachhani: But this also includes the reimbursement starting from July 2017, so would that be for this quarter only?

Management: Exact number we may not be able to share with you but yes this benefit is now available to us and this will continue for 15 years.

Rajesh Lachhani: My second question is regards to the sharp drop in the power and fuel cost on a quarter-on-quarter basis. So I understand that the petcoke prices have come down but also wanted to know if there are some other major drivers for lower cost in power and fuel.

Management: There were major three drivers. One was some few petcoke cargos which we could get at lower price on that account of which the cost has come down and again the same saving we may not expect in next quarter that is one. Secondly we have been able to increase our alternate fuel and which we are expecting that in the time to come we should be able to get that benefit. Third one is about local Indian coal which we have now started using in some of our power plants on account of that also that saving has come. And fourthly maybe that green power which comes in our eastern plant so that got stabilized and that is giving us a better benefit.

Rajesh Lachhani: When can we expect the entire investigation in the 344 crores product getting over and what is your approximate estimate of this fund coming back to Dalmia Bharat?

Management: It is difficult to predict but what we understand from the proceedings which are going on in SEBI and SAT as well as on EOW that maybe in 6 to 9 months time we will be able to get back our securities but best part is that securities are safe and then whether its SEBI whether it's NSDL whether its EOW, all have understood that these securities belonged to us and they should come back to us.

Moderator: The next question is from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: First question is about volume growth guidance for FY20. FY19 we have underperformed the industry by couple of basis points and in the opening remarks you mentioned that it is because of constraint in the clinker capacity in the East. Our capacity expansion is also back ended in FY20 so can we assume that in FY20 also we will grow lower than industry and mid single-digit?

Management: It would be double-digit and we would be growing at par the industry in FY20 because in the last three months our clinker production would come up and then on account of some improvement in operations also we should be able to improve our volume and thirdly on account of Kalyanpur now having the commercial production that should also give us better results.

Sumangal Nevatia: Is it possible to give plant wise color on the timeline of commissioning of the 8 million tonnes?

Management: This is Q4 of FY20 in which Clinkerization line of 3.1 million tonnes that will get commissioned and then grinding unit also.

Sumangal Nevatia: Which grinding unit?

Management: It's a Bengal grinding unit which will get commissioned and maybe the Cuttack grinding unit which we said KCW that may start its trial production.

Sumangal Nevatia: And the remaining will be FY21 second half?

Management: Yes so this Cuttack that would be in the first half and then Bihar grinding unit that maybe in the last quarter of FY21.

Sumangal Nevatia: Second question is with respect to the Slag prices, you mentioned that there is a deflation in prices because of better availability. So FY20 can we assume it goes back to FY18 odd levels of around Rs. 1000.

Management: May not be FY18 level, it's difficult to project like there is a great difficulty in predicting what would be the oil price. But yes the cost has started coming down and we are expecting that we should get good benefit in our raw material cost and in EBITDA.

Moderator: The next question is from the line of Dheeresh Pathak from Goldman Sachs.

Dheeresh Pathak: First question is on the price outlook in the main markets that we operate in i.e the South, East and North East can you just give your comments.

Management: In view of expected demand, at the moment it looks like now prices are stable. I would say that whatever the prices were in the month of April that may continue.

Dheeresh Pathak: And in terms of these three markets individually if you can share what is your estimate for the volume growth for FY19?

Management: Difficult to predict because I think all of you must have also seen that nobody of you might have projected that there would be 13.5% cement demand growth for the FY19. But yes it has happened. In broad way we are saying that 8% to 10% would be the growth in all markets.

Dheeresh Pathak: In FY19 specifically what was the volume growth in the South markets where we participate as well as East?

Management: Normally we don't share individual region.

Dheeresh Pathak: For the industry, not for the company.

Management: For the industry we don't get those numbers because these numbers which we get or we say 13%-13.5% that also comes from the government. So there are no specific numbers which someone can give you.

Dheeresh Pathak: The incentives for the quarter how much have you booked total?

Management: About 90 crores odd.

Dheeresh Pathak: So 51 is that…

Management: 51 is this and so total about for the year the incentives about 200 crores.

Dheeresh Pathak: But quarterly run rate is higher than the Q3 run-rate?

Management: Because 51 crores was exception of Q4FY19 quarter.

Dheeresh Pathak: No ex of 51 also if you say 90 for the quarter and 51 is from that one-off, so the 40 crores is higher than the 14 crores quarterly run rate that we had come to.

Management: For the three quarters we were at 114-120 crores odd of incentive.

Dheeresh Pathak: But Q3 I had asked you had said that we are now at 14 to 20.

Management: Yes about 20, I said further it depends on how much sales and in which market actually go and what happened but I had mentioned that incentives would be anywhere between 150 to 170 crores for a year.

Moderator: The next question is from the line of Ritesh Shah from Investec Capital.

Ritesh Shah: My first question is any update specifically on Murli Industries and post Binani are we looking at further expansions into Rajasthan wherein we have couple of leases and I understand that we are doing some land acquisitions in Satna in MP, so how should we look at our expansion plans after this 8 million tonnes over next two years?

Management: First part is that the Murli Industries case in NCLT that was again heard in the month of April and now the matter is pending for final orders, so that is one. And secondly yes we have now started buying and acquiring land in Rajasthan also and in Satna MP also. So maybe because these are Greenfield projects so again timeframe maybe 3 to 4 years.

Ritesh Shah: You indicated in your opening remarks that you were short of clinker in Eastern India and that had some impact on our volume growth. Can you put this in context specifically after having Kalyanpur with us and we also had a contracted grinding unit at Bhabua which I think ACC now operates.

Management: Yes.

Ritesh Shah: So if you can help us with some numbers on cement and clinker volumes and how do you look at the cement clinker ratio going forward?

Management: The clinker which we had, we had fully produced almost I would say about 100% capacity utilization was there for our clinker in East and now with the new capacity only we will be able to take up our volume in addition to whatever would be coming out from Kalyanpur. And exact number we may not be able to share with you.

Ritesh Shah: Kalyanpur will have how much of clinker and grinding capacity if you can help with that?

Management: 0.7 is clinker and 1.1 is total cement.

Ritesh Shah: Bhabua was how much, that was1.5-1.6?

Management: That was taken up for a short time.

Ritesh Shah: How much was the capacity, was it 1.5 or 1.6? I'm just trying to do a math around that.

Management: What type of math?

Ritesh Shah: What was the contracted capacity I'm just trying to understand the cement clinker ratio for our region that's the reason I'm asking specific question?

Management: Maybe off-line you can understand because others may get confused.

Ritesh Shah: On the incentives Jayesh sir if you can explain how should one look at the cash flow impact of the incentives because if I look at our numbers last year it was 1171 crores, so you did indicate that the current year cash accrual was 200 crores and then you also said 635 crores of cash received.

Management: We went with opening up of about 750 crores odd. We expect another 150 to 200 crores to be accrued for the year and we expect at least 450 to 500 to be received during the year.

Ritesh Shah: This will be over next two years?

Management: I am saying next year, FY20. We start with FY20 with the opening balance of about 750 crores odd which is 200 crores of accruals and 1150 crores of opening balance. We received about 640 crores of the incentive cash inflow and we expect to accrue about 150 to 200 crores and we expect about 450 crores odd to be received this year.

Ritesh Shah: On the 7th Note that we have indicated in notes to accounts, for Assam we have got mega-power Project status. On what basis have we received this? Have we committed any incremental expansion in the region, how should one look at it? And related question over here is how does Alsthom Industries come into the North East capacities that we have?

Management: This benefit has been given on account of the Umrangshu plant in Assam which we had built up. So that case was pending with the government and now it has been approved. But there is no expansion which has been committed for this purpose. And the Alsthom which is a grinding unit of 4 lakh tonnes in Assam, so that is being used for supplies of cement to partly Assam also is partly to Bengal also.

Ritesh Shah: What is the ownership for Alsthom?

Management: That's a 100% subsidiary.

Moderator: The next question is from the line of Amit Murarka from Deutsche Bank.

Amit Murarka: Just on Kalyanpur, wanted to understand what is the ramp-up schedule now that the commercial production has started.

Management: We should be able to get now 40,000 to 50,000 tonnes of cement production every month.

Amit Murarka: That's broadly 50% utilization.

Management: 60%-65% utilization.

Amit Murarka: For FY20?

Management: Yes.

Amit Murarka: What kind of margins like will this be a plant generating normal margins?

Management: Yes normal margin.

Amit Murarka: And for Murli whenever this NCLT resolution happens, after that how much time you think to take for that plant to have commercial start up?

Management: First, let us get there.

Amit Murarka: One question on the P&L side; in the quarter the raw material kind of looked a bit higher I mean particularly given that Slag had declined in the quarter. I know that the full Slag reduction still didn't come through but the raw-material and also like you were ramping up on Composite Cement, so I would have thought that the raw-mat cost should come down, so just wanted to understand that aspect.

Management: When the consumption of fly ash goes up then also the overall power and fuel cost to some extent may come down but then the raw material cost that will go up. So with the increase in additive normally the raw material cost will go up but power and fuel cost may go down.

Management: And secondly also the inventory is carried at the high cost, so probably you will see some amount of consumption put to use in the quarters to come.

Amit Murarka: So you mean some high cost inventory is still there which will kind of be consumed later?

Management: You are right.

Moderator: The next question is from the line of Prateek Kumar from Antique Stock Broking.

Prateek Kumar: What was the CAPEX incurred during FY19 and what was its split between Eastern project maintenance and Kalyanpur expansion?

Management: About 450 crores was incurred on East expansion roughly and some more commitments were there on the East and about 100 crores was used on the maintenance CAPEX and about 80 crores on Kalyanpur roughly.

Prateek Kumar: So around 700-800 crores odd was the CAPEX.

Management: Yes around 600 crores roughly.

Prateek Kumar: What could be the CAPEX numbers now we are looking for the commissioning in early 4Q 20, so what would be the CAPEX in FY20?

Management: I think FY20 we are looking at anywhere between 1700 to 2000 crores in totality.

Prateek Kumar: This includes the payment on Murli and...

Management: This is excluding Murli.

Prateek Kumar: Including Murli and CAPEX on Murli how much it would be?

Management: Murli of course we need to receive, but Murli the total committed is about 700 crores. 400 crores to buy and about 300 crores is the CAPEX but we don't know when we will get it and how much of CAPEX of Murli will get into this year so that's why about 1700 to 2000 is CAPEX which we know is surely want to happen.

Prateek Kumar: The 1700-2000 is precisely East and maintenance CAPEX.

Management: Yes.

Prateek Kumar: In this particular quarter there was this higher other segment revenue, compared to previous trend of 120 crores odd, so what is this attributed?

Management: Refractory made some money. Refractory is in profitable again.

Prateek Kumar: 70 crores additional revenue is related to refractory.

Management: On the segmental you are asking?

Prateek Kumar: Yes, segmental so, 120 crores odd run rate has moved to 200 crores.

Management: Refractory is doing well actually.

Prateek Kumar: So that would have flown into EBITDA contribution accordingly also?

Management: If you see my EBITDA per ton, if the EBITDA of 649 crores its actually 1170 but if I remove the EBITDA of refractory that's why we are getting 1144 is the EBITDA.

Prateek Kumar: Just on cost front when you say that full benefit of cost decline has not factored in 4Q so which all costs decline has not factored in, I understand one is Slag, so petcoke, can it be fly ash of all them have not come in this quarter?

Management: One is slag then second may be alternate fuel and third some projects are going on for bringing down further logistic cost so there also we may see some benefits.

Moderator: We will take the next question which is from the line of Indrajeet Agarwal from Goldman Sachs.

Indrajeet Agarwal: Can you give us some idea, so what was the cement realization growth in this quarter?

Management: 2% to 3%.

Indrajeet Agarwal: What will be the tax rate guidance for the next year F20?

Management: Tax rate as I had mentioned earlier that due to now higher depreciation charge which is happening the tax rate actually is MAT. I think the price increase is 4% not 3% as mentioned earlier.

Moderator: The next question is from the line of Anupam Goswami from Strewart & Mackertich.

Anupam Goswami: Can you tell me the OPC-PPC and PSC composition?

Management: It is almost a 27%-28% OPC, 28%-29% PPC, 14% PCC and around 31% Slag cement PSC.

Anupam Goswami: What would be the clinker utilization in your site?

Management: We don't give clinker utilization as we earlier also said that we stick to cement.

Moderator: The next question is from the line of Madhav Marda from Fidelity Investments.

Madhav Marda: How much is the clinker to cement conversion factor be for the different grades of segment that we sell, the PSC, PPC, OPC etc.?

Management: Overall, we give is about 1.57-1.6.

Madhav Marda: Any color on how it varies across the product?

Management: We may not like to share.

Moderator: The next question is from the line of J. Radhakrishnan from IIFL.

J. Radhakrishnan: Out of this 51 crore GST how much pertains to this quarter, I think I missed that.

Management: If the entire thing is from July '17 and the total has been now accounted for in this quarter which includes also previous year. So, depends upon how much we sell and everything that we would like to avoid at least for the time being.

J. Radhakrishnan: This would have been including the other income or the part of revenues?

Management: Part of revenues and part of EBITDA.

J. Radhakrishnan: And one more question to Singhi sir, so in fact in the opening remark, he was mentioning that there was cyclone in Orissa which impacted a major part. Whether there is any rebuilding efforts possible and the demand driver because of it?

Management: Not to a much extent, the major damages which has happened is on account of in the villages where there were huts, the sheets on the roof and then power has gone down and so on that account, I don't think there would be much demand for cement. On the contrary because of that now the cement demand has gone down in Orissa.

J. Radhakrishnan: So currently there is some weakness because of this event.

Moderator: Thank you. The next question is from the line of Nitin Bhasin from Ambit Capital. Please go ahead.

Nitin Bhasin: You mentioned that your CAPEX plan for the whole year is about 1700 to 2000 crores and given that you did about cash profit of 1500-1600 crores this year which should grow slightly more with the volume growth. Are we looking at largely debt remaining very same on a gross level next year, gross or net because cash profit will be only used to let's say investing in CAPEX? Is that thinking right or you are expecting some other major cash inflows or something to deleverage?

Management: Nitin, more or less the plan is the same that we have the same cash flows, we will try and use it and keep the borrowing only to the intermittent level of requirement because there is about 1100 crores of repayment which is scheduled repayment also.

Nitin Bhasin: How to look at the interest cost for this debt, in terms of because as the profits are now increasing your debt coverage is becoming more stable. So, is there any scope for some debt cost reduction in the years to come?

Management: Now fortunately our borrowing cost has already been not co-related with the EBITDA or profitability and we have one of the lowest borrowing cost and our cost of funding is pretty I would say competitive. I don't expect major reduction in interest cost but if yes we have seen one reduction by RBI which has not yet come down from the bank's level to us but if RBI cuts another 25 bps which is expected that I don't know how the economy is doing so we may experience a slight reduction but in terms of margin over MCLR as it is our margins are pretty thin in terms of what we pay to the bank. So, there I don't see a co-relation to the better EBITDA or better profitability to the interest cost.

Nitin Bhasin: If you look at your growth for the overall volume this year, can you explain that how much of that would have come from more retail penetration and the retail dependence for you today compared to infra which is one of the largest drivers for the volumes this year so if you can have a split on a YOY, indicative split for this year, indicative split last year?

Management: Difficult to share.

Moderator: We move to the next question which is from the line of Raashi Chopra from Citi Group.

Rashi Chopra: Just to clarify on the realization you mentioned the 4% increase that is sequential? Price increase of 4% is sequential growth?

Management: Q-on-Q.

Rashi Chopra: How it is that pan out regionally as in between the South and the East. Was there a divergence in that growth rate?

Management: It was mainly in South.

Rashi Chopra: So, East was more flattish?

Management: Yes.

Rashi Chopra: What is the capacity utilization in the South for the year for you?

Management: In totality for the group it is being 72%.

Rashi Chopra: Just wanted to check for the South if you can.

Management: We will not be able to share that with you.

Rashi Chopra: Refractory sales for this year, what was the quantum, the revenue number for refractory?

Management: For the year it is about roughly 600, 550 to 600.

Moderator: The next question is from the line of Prateek Kumar from Antique Stock Broking.

Prateek Kumar: You mentioned about price hikes in the month of March-April and May so any reasons what could be the general quantum of these increases during these two months cumulative?

Management: It is around Rs. 20 and in South may be Rs.10-15.

Moderator: The next question is from the line of Ashish Jain from Morgan Stanley.

Ashish Jain: On energy cost wanted to clarify, you said that this quarter you had some one-off gains from lower cost of fuel and which may not sustain so from the current levels should we build in our higher energy cost or these numbers are sustainable, do you think?

Management: 920-925 would be a proper number. So one-off probably will 80 or 100 bucks.

Ashish Jain: Jayesh, till last quarter we have been highlighting that incentives have been coming down and 40-50 crores is what you were guiding is a more realistic number from fiscal 20. So, what has changed apart from North East of this number to increase to 150 to 200 crores?

Management: Ashish, I have always said 150 crores. Maybe I apologize if you have understood 50 but I have always guided about 150 crores roughly 150-170 crores and this time as you are already pointed out 50 crores is Calcom thing which we have got that's why additional. And my guidance for even the next year would continue to remain 150 crores subject to what we can get when the East gets into accounts.

Ashish Jain: We have incentives at the expansions that we are carrying out?

Management: Not yet closed out.

Moderator: The next question is from the line of Rajesh Ravi from HDFC Securities.

Rajesh Ravi: Just wanted to ask on this Bokaro unit, how was the scenario in terms of clinker supplies? I assume it is from Jaypee Assets that you would be getting clinker, so is there any disruptions that you are facing over there because of issues at JPA plants?

Management: Yes please. Presently we are not getting any clinker supply from Jaypee.

Rajesh Ravi: So, when you are buying it from market, there are similar price that you would be paying to Jaypee?

Management: Little quantity which we are buying otherwise we are using our own clinker and that's all.

Rajesh Ravi: On this incentive that you guided 150-200 crore, even excluding the Eastern expansion that would be a recurring run rate for some 3-5 years, is that a right understanding?

Management: 2 years.

Rajesh Ravi: For FY20 and FY21 that you are expecting to sustain?

Management: Yes.

Rajesh Ravi: And thereafter it would largely depend upon how incentives play out for this incentive?

Management: Projects of Murli, Kalyanpur incentives these are not factored yet. I think let us not think of 5 years we want incentives probably yearly onwards or a couple of years would be a better to get you a proper picture.

Moderator: The next question is from the line of Pulkit Patni from Goldman Sachs.

Pulkit Patni: Given the fact that based on the government data segment volumes have grown up 13% last year, the fillers that we are getting is that the months of April and May because of elections has not seen that kind of strength. I am just trying to understand what is the kind of growth we are expecting in the balance 10 months to get to this number of high single to early double-digit for the industry, just trying to understand, are you seeing that kind of growth that it will be strong number for the full year and what segments do you see these growths coming from?

Management: Yes, you are right to some extent that because of elections the demand has been lower in April and particularly in part of May also but at the same time looking at the last year performance of various sectors like Infrastructure sector, Affordable Housing or Individual House builders demand etc. we expect that there can be 8% to 10% growth in totality for the year FY20 and mainly growth would be coming after once newly elected government comes in then there again the speed of these projects as well as any new more projects may come up. We are quite hopeful that demand should be around 8% to 10% as GDP is also expected to grow around 7%-7.5%.

Moderator: We will take the last question which is from the line of Madhav Marda from Fidelity Investments.

Madhav Marda: Just continuing with the previous participant's question, on the demand growth I am just wondering last year we have seen as you mentioned on the presentation almost 5.5 million houses on affordable, road construction is at about 30 km per day. I am just wondering where the extra jump will come in terms of execution so that we can grow another 8% to 10% on the space and we also keep reading in the papers about rural distress and water shortage in some of the states. Just wonder where the growth comes from?

Management: Growth comes from all this Infrastructure, Affordable Housing, rural demand also and if there been so much distress in rural etc. then economy might not have grown by 7% so considering that yes India's economy story of growing faster would continue and that's why we feel that yes this should grow by 8% to 10%.

Pulkit Patni: So, we do expect the Affordable Housing projects to scale up further from here? Can we expect the higher execution because that's what driven the growth last year?

Management: Yes, that and the roads. The policy of affordable housing for all and roads in all areas and construction of metros and so many new projects are going up so we are quite hopeful. What about you, what do you think?

Pulkit Patni: I don't know because today in the paper I read that Roads Execution awards have come down in FY19 compared to the previous year. So, I was wondering if the same case can continue, I am just talking about the next year because the awards numbers were lower, so.

Management: We are optimistic people; we are optimistic organization so we expect better.

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

Vaibhav Agarwal: 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 joining the call. Madhuri you may now conclude the call. Thank you very much sir.

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.