



“Dalmia Bharat Limited Q4 and Full Year 2020 Earnings Conference Call”

June 15, 2020



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MODERATOR: **MR. VAIBHAV AGARWAL -- RESEARCH ANALYST,
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Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call for the Quarter and Year Ended March 31st, 2020, of Dalmia Bharat Limited. This call is 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 would now like to hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Vaibhav Agarwal: Thank you, Margreth. 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 2020, for Dalmia Bharat Limited. On the call we have with us Mr. Mahendra Singhi – Managing Director and CEO, Dalmia Cement Bharat Limited; Mr. Jayesh Doshi – Group CFO and Whole-time Director, Dalmia Bharat Limited; and Ms. Aditi Mittal – Head Investor Relations, Dalmia Bharat Limited. I will now hand over the floor to the management of Dalmia Bharat, which will be followed by interactive Q&A. Thank you and over to you, Singhi sir.

Management: Thank you, Vaibhav. Thanks for holding this call. Happy morning friends. Hope all of you are safe and healthy. I also hope that you have taken care of your family and friends, and vice versa also. I think this is the first time that we are sitting separately, myself, Jayesh, Aditi and my colleagues in this investor call, but hopefully next time when we meet, we will be sitting together, of course, virtually. So, our next call would be a virtual investor call.

Friends let me share with you what happened in last 90 different days,. We have now reshaped ourselves; we have rebooted our business with new vigor, and we have relooked at our strategy and future. The first and foremost step which we took after understanding the impact of pandemic as well as the lockdown is to take care of people. The first step was how to ensure that all of our people and all of our stakeholders afterwards also remain safe and healthy. On that account, all the necessary steps were taken considering MHA guidelines, considering the state guidelines, and considering our own Dalmia guidelines, which ensures that everybody in our organization is taken care of, and nobody takes risk on account of his health.

I am very happy to say that the steps which were taken by us and by all our team members have resulted in all people remaining safe, all people's morale remaining high. And the way we could create connectivity amongst our people, of course, virtually, that has helped us in a big way to keep up the morale high of the people. The way we started dealing with the people was to communicate to them that we all are together, we will be taking care of each one of you, each one of your family member also, as well as of any stakeholders. For this purpose, immediately in few days' time we came out with, , Dalmia Support Line that was a helpline



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meant for 24 hours every day to extend any type of help, whether it's medical, whether it is any communication, whether it's a travel arrangement or whatever it may be. And there are umpteen number of cases in which our people, their family member, our customers, our transporters, or our vendor also sought support from this Dalmia Support Line, and we were able to make them happy. So that has really helped us to keep the morale high of the people.

Similarly, there were apprehensions in the mind of the people that when they would get salary, wages, and more particularly amongst the workers or contract workers. So the step which we took was that in the month of March we advanced the payment of salary and wages by four to five days, just to give a message that we are there to take care of you, and you need not to worry on this account, take care of your health. And afterwards also, we are quite regular in making payments to them. And that has helped us in ensuring that whatever operations we wanted to start at any point of time, that runs smoothly.

Then this message was there that another step which we took was to keep spiritually also high, to keep them also physically active, and for that various type of courses was started, Geeta classes were started, physical yoga training was also started. And with these all initiatives, we found that now we are getting more and more closer. We could also meet so many people, which, personally if I say, I could not see in last three years, which in last 90 days, I could meet. And virtually, every day we were meeting 50 people, 100 people, 200 people also. And on the first of May, we addressed about 2,200 people virtually together just to communicate that, yes, we are all together, we are facing this difficult time in a very different way. And the result was that wherever required, we were able to start our operations well in time. If I may say that our four plants started well before time, and they were the first amongst the few others to start because of having taken required permission from central government or state governments to allow the cement industry also and to permit them even before lockdown was lifted. And that has helped us to, again, boost the morale of the people also and that people felt that, yes, we are able to reboot ourselves.

There were challenge that how, with lesser number of people, particularly lesser number of workers, considering first 33% allowance of workers in the plant, and afterwards 60% with physical distancing, how that could be done. But the way our team could manage that, that was remarkable and all required precautions like taking temperature checks at the gate, then sanitizing the people, then keeping physical distancing, and virtually inspecting the people, etc., that has helped us to restart the plant well in time. And the result is that we have been able to completely do better in plant operations, plant efficiencies, even with 60%, 70% of the labour force at the moment. Maybe some challenge would come when it will go to 100%, and at that time how we are able to take care of labour.

Another good part was that as our previous policies, we were almost having residence or the quarters for almost everybody, whether it's staff or workers in and around our area. On that



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account, we have not faced much problem, except in one or two place in regard to migrant workers. So there was no migration, no labour who were working with us, who were belonging to few other states. But since they were living with their family members at our plant area, so we have not faced any problem with regard to restart of the business.

Similarly, another important aspect was, how to remain connected with the customer. Because that's the philosophy of our organization that customer is king. So for that purpose we started a virtual program to connect with each and every customer almost on daily basis. Our sales officer and technical officers would be around 600, 650, they started contacting each and every dealer, and then getting connected virtually, not only with them, but their family members also and their customers also. We also organized many types of events, programs, contests, so as to get them engaged, as well to assure them that we are with them and further that they can feel assured that as and when business starts, we would be there to support them, as well we could also get confidence that as and when businesses start, we would get their support.

During these 90 days also, we were also very sure that each and every dealer of us, each and every customer of us is having sufficient money with them, that was the first priority. And based on this philosophy, we went on pushing them also, we went on collecting money also. And I would say that in the month of May, as part of April and the month of May we had good collections, which also gave us confidence that we have the right customers as well as the right sales team.

In regards to sales also, it was first time that we launched Konark bags virtually, otherwise it used to be a physical activity in which you would be calling dealers etc., at various places, would be showcasing them the bag and everything. But this was done for them virtually and it was appreciated very well. Similarly, we do organize certain award ceremonies every year, but this time in our northeast area, we organized award ceremony virtually, and that was also liked by most of the people. So slowly, we have converted ourselves from physical contacting to physical distancing, and at the same time, we never followed the concept of social distancing, but we follow the concept of social closeness virtually.

And friends, let me share with you, that has helped us in a big way. And when our sales operations started in the month of April, then we could see the positive and proactive response from our customers by having sufficient number of orders from day one. And that has helped us also to fare better comparatively. In fact, the similar activity was done with the transporters also, with the vendors also. And that was also resulting in sufficient number of trucks, sufficient supply of material, and not a single day we faced a problem of having no raw materials, no packing bag or no fuel. So this is how I think we have been able to keep up the morale of the people high, we could keep the people safe and healthy. And during this process, we could unlock and we could find out many, many new leaders in this time, and which augurs well for our future.



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Now, let me say that in addition to the business we carried out in the month of April, May, and now June also, the way this pandemic impact started from, say, slowly, slowly from 15th March onwards, but on 24th March everything got stopped. And on that account, we lost quantum of sales. And if I look at from EBITDA point of view, it might resulted in lower EBITDA of about Rs. 145 crores in the month of March, and similar or somewhat more impact was there in the month of April.

Now, if I talk of last year's performance, FY '20, then I would say from volume point of view, we had growth up 3% against overall all Indian growth is minus 1%. And as we have been assuring all our stakeholders, including you, that in most of the times we would be faring better than the industry, and the same has been the case in FY '20. Similarly, various initiatives have also helped us, including the brand management etc., on better profitability for FY '20. And this is what we expect now for FY '21 also. You all are aware of uncertainty of FY '21, we are also now in the same uncertainty. But at the same time, with rebooting and reshaping of our team, we are quite confident that whatever the crisis would come, whatever uncertainty would come, our team would be able to create certainty out of it.

Now, if I talk of few other measures, one, on account of incentives. Friends, we were able to collect Rs. 409 crores in FY '20. Now, in terms of our project Pride, I am happy to share that we were able to commission our Line-3 Clinkerization plant, and on that account, now we have sufficient quantity of clinker which would be used for any type of demand, which would be coming up, which has been coming up but whatever would be coming up will be full of clinker, which otherwise we had faced problem in past on account of which sometimes we had to buy clinker also.

Similarly, considering the expected demand need, we have also inbuilt sufficient capacity of grinding given the expected demand. Our two grinding units, one is at Bengal, another is Orissa, they were, of course, greatly impacted by this pandemic, by this migrant workers, by the working conditions. And on that account, yes, that would be delayed. But at the same time, we wouldn't be feeling impact of this, because at the moment considering the degrowth in cement demand in FY '21, we are fully adding capacity in our east. As regards south and northeast, we have sufficient capacity to meet any demand.

So this is what I wanted to share with you that we are fully poised for right time, and as and when situation would come we would be able to face them together, And in regards to raw material prices, in regards to petroleum coke prices, to some extent the petroleum coke prices have softened, but not to the extent which we were expecting considering the drop in oil prices. Similarly, on slag price, particularly for east, it is broadly stable now. And we are also taking various measures now to ensure that yes our variable cost remains in control. And in regards to various CAPEXs which will be happening on project sites etc., for two grinding units, that



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would all be depending on whatever the cash flows are there, whatever time is there. But yes, we are fully flexible.

So, in the end, friends, I would like to quote from Bhramkumari's messages, which speaks very clearly the character of our people. And I would just highlight that, and just bear with me that it's in Hindi, "I am a fearless and victorious soul who resolves every problem. Those who are Mahavir can never pretend that the circumstances were like this, it was like this so lost. The problem is to come and Mahavir's job is to solve the problem rather than give up. Mahavir is the one who always wins victorious without fear, not weak in small things. Mahavir victorious souls are happy with their body, heart in every step, they never become sad, they cannot have a wave of grief in their dreams."

So friends, we all are Mahavir of Dalmia Bharat. Thank you for your patient hearing. Now, I will request to my colleague, Jayesh, to share his thoughts.

Management:

Sure. Thank you, Mr. Singhi. And thank you for such a nice quote. I just want to add one thing on what Mr. Singhi said, is that, we went about these 90 days in a very disciplined manner, in a very humane manner and reaching out to all the families of the employees. We went about in a manner which we were very clear, people, safety, security and cash. I think it's very important to have that strategy of cash also, because all of you would definitely want to ask and understand that why did we borrow some money in March when we were not required. But the times were such that the strategies have been changed according to the time. In February, we had paid down a lot of debt. as you have seen, last two and a half years we have paid down Rs. 2,600 crores of debt.

In March, when we were shutting down, we didn't know how the things will be opened up or how things would have evolved, and it was very important for us as a team to convey to the entire employees of Dalmia Bharat that we are together, and even if things don't work out for six months, one year, we are absolutely ready for any contingency, whether it is statutory payments, whether it is loan repayments, whether it is salaries, whether it is fixed cost. And that is what we did that we drew down about Rs. 600 crores additional in March, which has carried as cash as of March balance sheet. But as we speak today, as you can see, clearly some amount of cash flow coming in, we have already started drawing and paying down that debt by Rs. 300 crores. So, we will evolve our strategies month by month depending upon the situations, because there are a lot of things which we are not anticipating could come in. And we want to be fully ready with those challenges and on top of that. So we will take our strategy month by month, week by week, on how the things evolve. As Mr. Singhi has said that, because of the faith and the trust of the people, we were able to restart all our factories and sales productions and operations in a most efficient manner in a timely manner.

In fact, as Mr. Singhi has already said, that we are now so tune to virtual that we are ready to even get under this conference call on our virtual Zoom call, which we will from next quarter onwards, try and endeavor that.

I leave now the floor open for questions for all our analysts and investors. And we are ready Mr. Singhi and myself, we are ready to answer each and every of them. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Inderjeet Agarwal from CLSA. Please go ahead.

Inderjeet Agarwal: The first question is, how do regional demand and pricing has been in fourth quarter? And how has it been in this quarter so far? We have heard news of some significant price increase, how is the pricing environment on that perspective?

Management: So in terms of demand, I would say that the quarter four was good quarter till 23rd March. But at the same time, on account of lockdown, all activity got closed from 24th March. And on that account, there has been a drop of, I would say, around 7% to 8% in demand. And on that account, if you look at all India demand also, the figures which are broadly available to everyone, so there has been in totality (-1%) growth which otherwise it was happening about 1% and (+2%) growth. And in the month of April, May, June, it looks like that, one, there was some pent up demand which came up; second, there were some road projects got started by the government so as to take care of employment; and third, the rural market has started showing some positive signs on that account. There was demand, but still I would say in totality, the industry might be working at about 40%, 45% capacity utilization.

Inderjeet Agarwal: And on pricing?

Management: On pricing, normally what happens that because of the low stocks leftover at the end of March, every time April and May prices goes a bit higher on account of various proactive actions which are taken by the dealers, etc. So, this time also we saw that the moment the market started, dealers started getting good prices. And based on that, almost each company was able to increase the prices. There was a need of prices also on account of very high cost of production due to washout from 24th March to, let us say, 20th or 25th of April. And on that account, fixed cost per tonne has gone up, this interest cost per tonne has gone up. But at the same time, I think it was the market who supported and that's why some price hike has happened. But no one knows that till what time this higher price may remain in the market. But at the same time also, let me share that still the prices are lower than what it was in April, May 2019.

Inderjeet Agarwal: And on interest cost, on the SEBI release that you have put out, Items 4E and 4F, are these all cash costs? Or some bit of it is accounting and could be reversed in future quarters?



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Management: Yes. If you can see my Page 17, we have given the actual breakup of the fluctuation. The interest costs and other charges are actual cash payment, other charges include LC, bank guarantees and other charges. Whereas FOREX fluctuation, non-cash component for the year is about Rs. 58 crores, and hence, could be reversed depending upon how the rupee moves. I hope I am able to clear that. So out of Rs. 438 crores for the year, Rs. 58 crores is non-cash item. And for the quarter, Rs. 42 crores is the non-cash item.

Moderator: Thank you. The next question is from the line of Amit Morarka from Motilal Oswal. Please go ahead.

Amit Morarka: So, one, I wanted to understand about the expansions. So the clinker has commissioned and few grinding units will commission by end of this calendar year and another few later on. So could you also help understand what will be the ramp up utilization expectation on these plants? Let's say, the clinker that has already started, what could be the utilization, let's say, in FY '21?

Management: One, the Clinkerization plant is fully on. And now whatever would be the requirement of cement considering the demand in the market, we will be able to supply the cement. Now, at the moment, it's very difficult to forecast the cement demand. And I'll be too happy if you can help us in forecasting how GDP would be growing or how cement demand would be growing or de-growing. And that's why like Jayesh has said that we will be creating a strategy month on month, on and on, but at the same time feed the market. And our plant is ready, our team is ready.

Amit Morarka: Sure, understood. And on the Murli Industry front, so what is the status there? Has the payment been made? And if not, by when?

Management: Some filing was to happen with the Ministry of Corporate Affairs, Registrar of Companies, and because the closure of offices, etc., because they have not taken up such matter on priority, and that is why that has not happened. And on that account, we are not able to make a payment, so we are expecting that by 15th of July we should be able to make first payment and we should be able to acquire. And afterwards, it would require at least one year to restart. So, this is the status of Murli, otherwise, things are in place.

Moderator: Thank you. The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

Pratik Kumar: Sir, you said that the company's flexible on CAPEX for the remaining grinding unit we are putting up. So, sir, this flexibility, I mean, we are talking about three to six months of delay for all the units, as is also mentioned in the notes to accounts of press release, or it is even higher which we could anticipate?



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Management: So, still we have not been able to get sufficient number of people because of a lot of restrictions on inter-state movement, and formalities which have to be done for this migrant labour. So we are expecting that maybe in six to nine months' time, so that is why we have set our deadline of year end. So as far as, say, funds are concerned, that's not a constraint. As far as, say, availability of machine is concerned, broadly that's in place. So, it will all depend on that how we are able to start up in terms of operation. And try to also appreciate now that doing project work with the right physical distance, etc., that is a challenge which is being faced by lot Indian companies also

Pratik Kumar: And just one question on your northeast operation, during recent floods that has the demand or sale has been significantly impacted versus what is the general trend in this part of the year?

Management: No significant disruptions. It was just for few days.

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

Gaurav Rateria: So firstly, sir, any colour on utilization rate on an average for FY '20 for east, northeast and south? Utilization rate for each of the regions for FY '20 on an average.

Management: We don't share the specific regional numbers. Am I right, Jayesh?

Management: Yes.

Gaurav Rateria: Sir, you also talked about the impact on EBITDA due to the lockdown. So was it on account of all due to lost days or was there any other issue with respect to higher costs which was reflected in the raw material cost? Any clarification of that would be helpful.

Management: So, it was just because of loss of sales. And I would say that almost in the month of March we lost around 8 lakh tonne of the sale, and otherwise we would have definitely gone for higher sales. And the increase in raw material cost is on a count of, one, it was on slag and some quantum of clinker which was purchased earlier. And secondly, we produced more slag cement so that on the account the raw material costs have gone up, but at the same time, some savings we got in power and fuel. So in overall fuel you will find that the cost has gone down on account of two reasons, one because of more blended cement and DSP and secondly, on account of comparatively, lower prices of pet coke, which last quarter was around \$66.

Gaurav Rateria: Okay, Sir, last question from me. So, what would be CAPEX build for FY '21? And how much of the debt is up for repayment in FY '21 and FY '22? Thank you.

Management: So, I would say that the CAPEX it is difficult to project, because of this uncertain time. And in regard to other question, Jayesh?



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Management: Yes. As Mr. Singhi said, it's very difficult to project how the CAPEX cash flow will happen, because we will take it as, again repeating, month by month on how the cash flows come in. We are ready for everything, we expect that 4.5 million tonnes of the grinding unit which will come by March; and Murli, the payment of about Rs. 400 crores which will happen. Any other CAPEX or anything beyond it, we will take it as month by month comes. As far as our repayments are concerned, we have about Rs. 1,150 crores of debt repayment, which is on schedule. Of which, about Rs. 700 crores has already been paid for this in this quarter itself. And depending upon the cash flow, we will recoup this. We will not want to borrow any additional amount. So I think our debt-to-EBITDA is at 1.34. I don't see it significantly moving from these numbers beyond what it is.

Moderator: Thank you. The next question is from the line of a S. Ghosh from Franklin Templeton. Please go ahead.

S. Ghosh: So, can you please help us understand, you raised Rs. 600 crores of debt, which is good, and to be on the safe side, a prudent decision. But could we have not held back our buyback decision if we are very uncertain about our cash flows and maybe not raise the debt of negative carry?

Management: I think there are two ways to answer this. When we opted for the buyback, the COVID-19 situation was not as bad as it was looking at, or which happened. So, point one. Point two, we have the cash at Dalmia Bharat level, which we have enough cash to continue the buyback. And I cannot, in any case, use the cash available in the DCBL at DBL level for any buyback. As you are aware that no borings can be taken for the buyback of the cash. So, what we have done is utilized the cash of Dalmia Bharat to acquire the shares at which we believe is at a decent value. So, I have not transformed the cash of DCBL into DBL; point one, and which cannot be done even legally, because you have to utilize the cash at DBL level which is there to utilize it. So, I thought the prudent way rather than keeping it at the investment level was to buy back some portion of the equity at this kind of a pricing. So, point one. And it's not that we have completely gone ahead and done the entire Rs. 500 crores, we till now done about Rs. 272 crores, which we thought was nice and is still a good value. And that's what the company took the decision. And point two is that the employees and all the cash requirement of DCBL was at DCBL level. We have spent about Rs. 1,600-odd crores for our eastern expansion till March, and we had not borrowed anything more than Rs. 50 crores. We have a line outstanding credit available of Rs. 2,000 crores against the entire CAPEX. And as a prudent norm, this amount we borrowed just to ensure the security of cash. Now, things turn out better, it is good this is repaid, because there is no penalty on prepayment of this loan. That's why we didn't raise any NCD which were a far better option at that point of time from a COVID-19 related point of view. But any NCD to save a percentage of interest would have been certainly better, but I would never have been able to repay the NCD. Hence, we opted for a bank loan



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which could be prepared without any penalty at any point of time. And in fact, as I mentioned, as of today, we already prepaid Rs. 300 crores. So I hope I am able to answer your question.

Management: Jayesh, you may also highlight that we are not carrying the loan at negative cost.

Management: Yes. And what we did is that when we borrowed that Rs. 600 crores, we immediately put it into AAA bonds, only AAA bond of Rs. 600 crores. So there is no negative carry also on that.

S. Ghosh: Yes, that is helpful clarification. And second question sir, the Murli acquisition, you said 12 months after you pay you can start operation. So I just want to know when you will start feeding the market, building up a team. And will that be very difficult as this is a new market for you and in a low demand environment situation which might persist for some time now, that ramp up in a new market becomes that much more difficult?

Management: One, as far as revamping of plant is concerned, we have the team ready with us with most of the people would be from our existing plant. And secondly, since it will take one year to, let us say, that the production may start around say June or July, considering the situation time to time. So, definitely from the early days of calendar year 2021, those marketing activities should start. And considering our plant position, considering the airport projects which we have, I think we will not face any problem.

S. Ghosh: Okay. Sir, and one related question to Murli. I think there is this August 2019 NCLT order which required you to consider the other businesses, the paper and solvent extraction employees and some compensation to them. So one, is there any update to that? And second is, the current limestone probably has limited reserves, and we will looking for an additional limestone to augment our capability. Is there any update to that?

Management: At the moment upgrade is COVID-19. Because of that in these three months on this part no further action or no further development. At the same time, whatever permissions were required from government in regard to mines or incentives that will play.

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

Rajesh Lakhani: Congratulations on a good set of numbers. Sir, my first question is with regards to the capacity utilization currently and during the quarter, 1Q FY '21 quarter. So you said the industry might be operating at 40% to 45% utilization. But I wanted to know what would be your utilizations currently in east and south.

Management: I would say that we are operating maybe 15%, 20% lower than what we were operating in totality last year. But at the same time, in east we have been able to do better because of two reasons, one, we have the same capacity there; as well, there has been comparatively better



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demand. And you must be aware that east region of the country is having lesser red dots or lesser red zones or containment zones. And secondly, now it looks like that because all migrant labourers came back from any part of the country to eastern India, so on that account, now homebuilding by IHB in rural areas, etc., that has also started. So things are better in east in comparison to south.

Rajesh Lakhani: Understood. And sir, my second question would be on the Rajgangpur clinker plant. So, earlier you were purchasing clinker from the market. So wanted to know how much was that quantity and what impact can we see on EBITDA or EBITDA per tonne due to the Rajgangpur clinker?

Management: So my dear friend, you can ask this information offline so that we will be able to get the right numbers. We have already stopped purchasing clinker and we are quite comfortable with our clinker availability. Thank you.

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

Ritesh Shah: Sir, my first question is on discounts, you did indicate about pricing, just wanted to have a sense on discount. So what we report is on net basis, other companies, UltraTech, Ambuja, ACC, Shree, they do report discounts in the annual report. So just wanted to have a sense of what is the discount quantum for us on an annual basis. And is there scope for this variable to actually go down in this difficult time? So that is the first question.

Management: So, I am not exactly aware about the reporting of discount, etc., separately. But then we will have a relook and maybe we will inform you that what is the status.

Ritesh Shah: Jayesh sir, is it possible if you could give some colour on what would be the percentage of discounts be basically?

Management: In my view, it will not be appropriate to discuss all these very specific things in our investor call.

Moderator: Thank you. The next question is from the line of Sumangal Nivethia from Kodak Securities. Please go ahead.

Sumangal Nivethia: First one, book keeping question. Could you share what would be the incentives accrued and outstanding receivables as an FY '20?

Management: Sure. We have accrued about Rs. 123 crores last year. The total incentives received was Rs. 409 crores, as Mr. Singhi said. And outstanding as of 1st April of 2020 is Rs. 700 crores.



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- Sumangal Nivethia:** And Jayesh sir, should we expect this run rate to continue? Or with the new clinker, incentive run rate will increase?
- Management:** No, I think right now we will assume Rs. 125 crores to Rs. 140 crores of accruals. As I said that depending upon once the grinding unit comes and what we negotiate with the states on how much we sell, that is still under negotiation. So, we will come back to you on how much of incentive we will accrue. So right now, for all of our calculations, we should consider accruing between Rs. 125 crores to Rs. 145 crores, depending upon how much we sell in each state.
- Management:** Clinker doesn't get us additional incentive, when you sell cement in that particular state, we will be able to get it.
- Sumangal Nivethia:** All right. Next question, with respect to IEX investment, a couple of quarters back we did share that by the end of the financial year we would share our strategy and how we are looking at that. So any update on that?
- Management:** We would certainly come back to you on IEX, and it is on the top of the mind. As I have already said that we have already started utilizing the cash for buying back Dalmia Bharat, and you will see some amount of strategy when we come out. Yes, we were to tell you by 31 March and come back, but because of these situations, probably, we could be excused in not coming back. But rest assured that it is on the top of our list, and we will address it as soon as possible in this financial year.
- Sumangal Nivethia:** Yes. Just one last clarification, thanks for that answer. With respect to the raw material, slag, fly ash, pet coke, any pricing trend in the last two months, three months, which you could share and which could impact our cost run rate going forward?
- Management:** In my view, the price of pet coke would remain in between \$60 to \$70, which otherwise in last year might have gone up to \$80. And secondly, on raw material prices like slag, fly ash, basically they would remain stable.
- Moderator:** Thank you. The next question is from the line of Jigar Shroff from Maybank. Please go ahead.
- Jigar Shroff:** So, my question pertains to the carbon management. I think Dalmia Bharat is doing a great work on that. One question would be, if you can update us during FY '20, a little bit, I think on the broad achievements on the carbon side. And secondly, the question is about, there is some discussion elsewhere in the western world of putting the carbon tax on many industries, or some kind of tax even on cement sector in particular. I mean, how do you look at that? And are there any internal views on that regarding carbon tax in India or on cement industry in India?



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- Management:** Good question, thanks for showing interest in sustainability and CO2 reduction. So, last question first. In fact, in regard to carbon tax, it is just in the discussion stage for overall globe. But at the same time, in the European countries as well as in part of U.S., this carbon tax is there in one way or the other form. And there are few groups which have been created to understand that how this carbon tax can play a role in bringing down CO2 emissions. And I may share with you that that Dalmia Cement is one of the Commissioner appointed by World Bank out of 17 people to work on carbon pricing mechanism. So, as far as developing countries are concerned, it is remote. But at the same time, maybe in the three years', five years' time, it may come up in one way or the other. Only other information which I can share with you is, that already different form of carbon tax is there by coal cess and in some other cess it is also called as a carbon tax. And that's going on in India since maybe four years or five years. Another one would be that we are working in a big way on reducing on reducing CO2 emissions. And one of the major steps which we have taken is we have identified that we will be putting up CO2 capture and utilization plants. And we have already signed contract agreement with the Carbon Clean Solutions of UK, and we are working on it. But of course, it's a three to five years project in which now Asian Development Bank is doing the project feasibility study, and then it will be taken up. And this will be one of the first in the world. And that's because of the leadership which Dalmia Cement is showing on this CO2 reduction. And we are also working at the same time on, one, going more and more for blended cement; second, we are now in principle also the alternate fuel which we call green fuel, last year it was 6%, earlier it was 4% FY '19. And now maybe this year it can be 9% or 10%, looking to now the situation. And otherwise also there are a lot of efforts which are in our organization to ensure that, one, awareness is there; and secondly, we put up such projects by which we can bring down over fuel emissions.
- Moderator:** Thank you. The next question is from the line of Hitesh Sheth from Edelweiss. Please go ahead.
- Hitesh Sheth:** So, firstly on your current debt, gross debt and net debt position as of 31st March, 2020, if you can give?
- Management:** Yes. The current net position as of 31st March, gross debt is about Rs. 5,900 crores and net debt is about Rs. 2,800 crores. And the debt-to-EBITDA is 1.34.
- Hitesh Sheth:** Okay. And on the incentives front, so till what time you are going to receive this existing incentives which currently you are accruing at the Rs. 125 crores to Rs. 140 crores run rate?
- Management:** Till next one or two years. And in fact, it will go up, depending upon our commissioning of the grinding units at the various locations, and what we negotiate with the state government.
- Hitesh Sheth:** Okay. And you will receive incentives from Murli plant and Kalyanpur as well, right?



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- Management:** Yes, yes. So, Kalyanpur already started coming in as much as we sell in Bihar.
- Hitesh Sheth:** So Kalyanpur, how much we are expected to receive?
- Management:** So, depending upon what we sell near about in that state, the total incentive which is available is about Rs. 200 crores.
- Moderator:** Thank you. The next question is from the line of Bhavnesh Jain from Prabhudas Lilladher. Please go ahead.
- Bhavnesh Jain:** Sir, one question on the pricing side. So, against the Q4 average realization, how are the relations currently in this, like, we are in the middle of this June, so how are the realization relations in this quarter or the current levels versus the average of last quarter Q-on-Q?
- Management:** Still there is uncertainty about price, etc. Though, you are right that we are almost in the month of mid June. So maybe when we meet again for June quarter, we will be able to share with you.
- Bhavnesh Jain:** And within east, which states are doing well? Like say is Bihar doing far better than other states, how is the spread among the states in the eastern region?
- Management:** Broadly, I would say, Bihar, Jharkhand, Orissa.
- Moderator:** Thank you. The next question is from the line of Aviral Jain from SG India. Please go ahead.
- Aviral Jain:** I have just one question, this was regarding EBITDA per unit scale for the past quarter, quarter four. There has been a significant fall over the same period last year. So has there been a big variation in your regional profitability on a per unit basis between northeast, east and south India for Q4FY '20 versus Q4FY '19?
- Management:** Not much, except that, yes, it has happened mainly on account of pricing changes in both the regions, particularly east and south. Otherwise, as far as quantity, etc., is concerned, it is almost same proportion.
- Management:** And also, some amount of fixed cost absorption because we were are not able to sell about 8 lakh tonnes of cement. So, absorption of fixed cost has also gone into a reduction of EBITDA per tonne.
- Aviral Jain:** So, it's not any particular thing which kind of pull down the number?
- Management:** No.



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Moderator: Due to time constraint, we will take last two questions. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead

Rajesh Ravi: Congrats, good set of numbers despite challenging times. Sir, two small questions. On the IEX, what is the value which is lying on the balance sheet on FY '20 number?

Management: As of mark-to-market whatever the price is into the number of shares which we have, because we do mark-to-market and the difference is considered as other comprehensive income which doesn't come in the P&L right. So we have to, as per law, do a mark-to-market on all our units.

Rajesh Ravi: That is okay, sir. What is a number which is there, would you have that off-hand?

Management: About Rs. 760 crores or something.

Rajesh Ravi: And sir, second on the status of the refractory sale, what is the status?

Management: We have got the order of the NCLT, 22nd July is the date for secured and unsecured creditors voting. After this results so we are actually on top of that, doing that only to send the financial results as of 31st March to all the secured and unsecured creditors of DCBL as well as DRL. We hope to get the approval of the secured and unsecured creditors in the July meeting. And probably post that, probably six to eight months. The approval from the Calcutta Stock Exchange is yet to give us, the Metropolitan Stock Exchange has already given us approvals.

Moderator: Thank you. We take one last question from the line of S. Ghosh from Franklin Templeton. Please go ahead.

S. Ghosh: So for the mutual fund case, the June 2019 F&O contracts, have they been settled and paid for, the counterparties by someone, maybe ISSL or someone? Can you just clarify on that?

Management: Yes, I know that it has been paid for, but I don't think so the SEBI or the authorities are able to trace the money anywhere else. So, as far as the units are concerned, we are at status quo, we have spoken to SEBI and written to SEBI rather, and we are doing the thing that now everything done we should get the unit back. And even till today, the culprits are still under lockup.

S. Ghosh: Okay. So, a revised timeline for resolution, your expectation?

Management: Very difficult to get really get into revised timelines on a pinpoint. We expected before these kind of, because it is a priority for me, but it may not be a priority for many other authority. So, though we expected that within nine months to 12 months, we should get our unit back. I am hopeful and please don't hold me on to that, but we are sparing no effort, lesser than what you



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are spending on any other place to get these units back. And that continues to remain our top priority, because everything has been settled, the forgery, everything has been done that the culprits have been accosted. The only thing which is pending is that the frozen units be now be transferred to us.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to Mr. Vaibhav Agarwal for closing comments. Yes, thank you on behalf of

Vaibhav Agarwal: Thank you. On behalf of PhillipCapital, we would like to thank everyone on the call, and also many thanks to the management for doing the call. Thank you very much, sir. Margret, you may now conclude the call.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect our lines.