"Dalmia Bharat Q4 FY'18 Earnings Conference Call"

May 21, 2018

MANAGEMENT: **MR. MAHENDRA SINGHI – GROUP CEO & WHOLE-TIME DIRECTOR, DALMIA BHARAT**
MR. JAYESH DOSHI – GROUP CHIEF FINANCIAL OFFICER, DALMIA BHARAT
MS. REENA BHASIN – HEAD, STRATEGY & M&A, DALMIA BHARAT.

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

Moderator: Good Day**,** Ladies and Gentlemen. And welcome to the Q4 and Year-Ended March 31st, 2018 Conference Call of Dalmia Bharat hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. I now hand the conference call to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you Mr. Vaibhav Agarwal.

Management: Good morning everyone on behalf of PhillipCapital (India) Private Limited, we welcome you to this call for Dalmia Bharat for the Quarter and Year-Ending 31st March 2018.

On the call, we have with us the entire Senior Management Team of Dalmia Bharat and at this point of time I will hand over the floor to Ms. Himmi Gupta – Head (Investor Relations) at Dalmia Bharat for opening remarks which will be followed by management commentary and interactive Q&A.

Thank you and over to you Himmi.

Vaibhav Agarwal: Thank you, Margaret. Welcome to Dalmia Bharat Q4 and Year-Ended March 31st, 2018 Call. I have with me on the call Mr. Mahendra Singhi – Group CEO (Cement) and Whole-Time Director of DCBL, Jayesh Doshi – Group CFO and Whole-Time Director of DBL and Reena Bhasin – Head (Strategy and M&A).

I would now like to request Mahendra Singhi to start the call with opening comments.

Management: I have pleasure to welcome you all to that call.

Now first of all, I would like to highlight that we are preparing ourselves for better future and on that account, we have been working on various fronts so that we can transform ourselves into low-carbon economy and based on those results CDP, which is an NGO, which helps in climate change initiatives, they have ranked Dalmia Bharat globally #1 which means that we are fully-prepared to take care of low carbon economy benefit as well as we are also fully efficient as you say in regard to climate change, in regard to environment.

Just for information, let me share with you that their first report was released in 2016 when global cement company Lafarge Holcim was globally #1 and this year we have become number one globally.

Friends I also want to share with you that our organization has become Water Positive 2.5x as on 31st March and we are targeting that by 2020 we should be 4x Water Positive.

This is with the purpose to serve the society also and at the same time to conserve the precious material, water.

Now I would like to highlight our real actual performance of the year:

Friends based on whatever we have been committing to ourselves, committing to our shareholders, coming to our stakeholders, we have been able to perform in that way and that is great pleasure in sharing with you first that our overall net debt-to-EBITDA is 1.72x and if you think that in last 3 years whatever we have been promising we have been able to deliver and it looks like that now we would be fully prepared to increasing our capacity, take on the new initiatives which will strengthen our market share further.

Secondly, our operations have been very efficient. It has become as against philosophy of excelling and branding and managing the plants in logistics and that has helped us to maintain broadly the profitability as well to take care of various challenges which we have faced and maybe Indian Cement Industry has faced more particularly in Eastern India on slag front and on pet coke front all over India.

Slag prices have almost doubled whereas pet coke prices have gone up by 30%. Now the pet coke prices are broadly say $108 and it looks like that it will continue at this price. What we have done to counter this is even in last year also that as earlier also I had shared with you that all our plants are now fully-equipped with using any type of efficient fuel, which is economic fuel. We have started to some extent using lignite in our Southern plant. We have started in a big way now our focus on alternative fuel which we call Green Fuel.

This year FY19 we are targeting that our Green Fuel percentage of overall fuel consumption should be around 5%. So last year FY18 it was about 1.7%-1.8%. So, we are quite confident that we will be able to deliver what we have committed to ourselves. In our view our EBITDA per ton is one of the best in our peer group and we hope that we will be able to maintain that.

Our freight cost has almost remained at same place in spite of 19% increase in diesel prices. Next year we are expecting somewhat reduction in freight cost because of various initiatives which we have already taken up in our Q4 and those results would come in FY19. These initiatives are also based on various digital initiatives which we have taken with our sales team as well as with our transporters and we expect better results.

We are also very happy to share with you that we have commissioned our first waste heat recovery plant which we call Green Power Plant in Rajgangpur and this is a 9.2 megawatts capacity power plant and we expect that with better efficiency in this plant, we should be able to generate 50 units per ton of clinker from this plant for that unit which would be one of the highest in the industry. Based on our commitment to renewable energy, we are now contemplating to put up two more waste heat recovery plant in other locations as well, we would also go forward for putting up Solar Power plants.

Friends, we have also tried to acquire few assets in IBC process. First one was Kalyanpur so we have already started our work there and we are expecting that by September we should be able to produce cement from Kalyanpur Cement. In regard to second case Murli Cement, the matter is pending in NCLT and we are expecting that by mid-June or so, we should get approval of NCLT. In regard to third matter which is of Binani Cement you might be aware that we had given our best bid and based on that Committee of COC had approved our plan and has submitted to NCLT. Thereafter, the matter has gone into the court and now the court proceedings are going on and since we are on the right side of law, we have done everything as per the law, so we would be awaiting the final decision of the judiciary. Since this matter is subjudice, so I may not be able to talk or share much detail on Binani Cement.

Now our initiatives to increase our capability and capacity first in Eastern region. We have decided to put up new capacity of 7.8 million tons that would be entailing investment of about Rs. 3700 crores and 7.8 million ton would be put up in totality maybe in 30 months' time. The clinkerization line would be at existing location Rajgangpur and then grinding units would come up in Orissa, Bengal, and Bihar. So our total capacity along with Kalyanpur Cement will be almost 18 million ton capacity in east region in next 2 years' time and that would definitely give us a leadership position.

Further, to manage the mineral resources we had decided to come out with new product which is composite cement. Now we have already started producing composite cement and we expect that by March '19 we should be the biggest producer of composite cement also in India, we should be biggest producer of slag cement in India and that would give us good margin in our profitability also as well and help us maintaining our position as one of the lowest CO2 emitter in global cement sector.

We are expecting good cement demand particularly if we look at last 3- 4 months the cement demand has revived and considering 7.5% to 8% GDP projections as being talked about and with government's focus on infrastructure, low cost housing and irrigation and NHAI, etc., it is expected that yes, cement demand should be in the range of maybe 7% to 8% and we are fully ready to reap the benefit of this demand. And I think certain hiccups which overall cement industry had received on account of sand problem or something that is all over. So, we expect that FY19 should be good year for Indian cement sector also as well as for us also and we would continue to excel in efficiency.

Friends lastly, let me tell you that we have become Monument Mitra of Red Fort. This is our effort to give back to the society as well as to create pride in all stakeholders because once the Red Fort becomes more and more popular on account of the experiences which we can create along with government I think it will further increase the pride in all Indians. So we are also now contemplating to take up one more Monument as Monument Mitra or Forts in Kadapa and these are all efforts to join together with the society, with the government to do something better for all of us.

So, these are my small initial comments. Now I will be too happy to respond to you. Thank you.

Moderator: We will now begin the question and answer session. The first question is from the line of Rajesh Lachhani from HSBC. Please go ahead.

Rajesh Lachhani: My first question with regards to power and fuel, so we have seen that the power and fuel cost for Dalmia Bharat in Q4 has come down significantly compared to the previous quarter. So just wanted to understand the reasons for that, is number one. And number two is that if you see the expansion in the East is that intensity of USD 70 per ton which is significantly lower than what we have experienced for other companies or what has been the history of close to $100 to $140 per ton. So is this a new benchmark for CAPEX for the plant or is this because it is in the East where the clinker capacity is lower compared to other regions and hence we have lower clinker capacity there and that is why the capital cost in lower.

Management: Let me just share with you starting with question number two. One with East this is the cost which we are expecting we would be incurring and if the cost is lower it is on account of management efficiency as well as the conversion (cement clinker ratio) factor to some extent is higher in East, but East conversion factor should be higher for all companies who put up a cement plant. Now the beauty with our group maybe that we are able to market blended cement in a very premium capacity and that is why we are able to consider 100% blended cement and another thing is that we would be producing composite cement so that would also give us some advantage.

At the same time let me tell you that because of management efficiency, project cost comes down. Now in regard to your power and fuel cost to some extent because of one, shipment of pet coke whose cost was a bit lower it has come down. Second was our waste heat recovery system pertaining to cooler which was 40% of waste heat recovery system that quarter started in the month of January so that has given us some better results. And then blending ratio has also gone up in last quarter because of composite cement and South also we have been able to produce higher PPC so all that has brought in reduction. But otherwise let me tell you that costs are going up, pet coke or coal prices are going up so we do not foresee much reduction in power and fuel cost except with this waste heat recovery system we should be able to generate 15 crores to 20 crores addition saving in FY19.

Rajesh Lachhani: Sir just to follow up on this eastern region expansion what is the clinker capacity there out of the 8 million tons overall capacity?

Management: It is 2.8 million ton.

Rajesh Lachhani: Do you think there will be any issues with slag availability given you know the slag price have been moving higher and the availability has been really tight in those markets, what are our options there for additional slag availability?

Management: One, steel demand is going up, so slag production would consequently increase that is one. Secondly, new capacity maybe expansion of Tata that may come up after 2.5 years to 3 years that may give us the better results. Third, since we are going ahead in a big way on composite cement which only consumes maybe 25% to 35% slag so to that extent it would ease. But of course, challenge would be there, and it is great to have such challenge and we would meet this challenge. And at the same time since we have supply contract of slag at Bokaro so there we are quite safe and otherwise also in comparison to other cement companies, our blended cost per ton is still lower.

Management: Also because of the resolution plan now getting effective for few steel companies, the production would definitely increase. As Mr. Singhi pointed out the demand of steel, so we expect a higher slag production once the resolution of the steel plant like Tata having taken over Bhushan.

Moderator: We will move to our next question which is from the line of Jimesh Sanghvi from Principal Mutual Fund. Please go ahead.

Jimesh Sanghvi: Just wanted to reconfirm on the clinker capacity you said it is 2.8 million tons right?

Management: You are 100% right.

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

Sumangal Nivetia: First question is on the volume growth guidance. In the last two, three years we have been performing extremely well here outperforming peers and markets but looks like now we are kind of close to rated capacity in East and South of course is overall low utilization for the industry. So, in the next 1 to 2 years do you believe we will continue on outperforming market or at least till the new capacity comes in say 2 years we should be in line with market?

Management: We will continue to outperform industry. Like last time we had said that our growth would be at least 1.5x of overall Indian cement sector growth so that would continue and we will be able to sweat out our assets fully. In East also we have the capability to produce something more which we should be able to do it. And at the same time since there is a good growth happening in South as well in Northeast so we should be able to outperform even our targets also and we can assure that with better DSP, better branding of PCC, we should be able to clock better growth. And plant capacity will not be the constraint as let me tell you that in FY18 our plant capacities have gone up by 5% to 6% in terms of clinker production as such which have been able to give us good control on the cost.

Sumangal Nivetia: When we expect 7% to 8% volume growth for the industry in FY19 so can we grow at 1.5x which is like 12%, 13% volume growth in FY19?

Management: Yes 1.5 times is our target to ourselves.

Sumangal Nivetia: One small clarification sir in the opening remark you said that you expect freight cost reduction next year despite high diesel prices can you elaborate what quantum of saving are we expecting?

Management: Quantum of saving I may not explain, but I can explain that various initiatives which our team has taken up and the way transporters have responded to digitization and the way even to some extent logistic distance has also come down little bit. So we are expecting that logistic cost should come down.

Moderator: The next question is from the line of Deepak Krishnan from Goldman Sachs. Please go ahead.

Indrajit: I have couple of questions, do you have adequate limestone for this expansion in East and in terms of land how much additional lands do we have to acquire or is it just on our existing plans that we are expanding in the next facility?

Management: Yes, we have adequate limestone reserve as well as we have the adequate land also, but since this is not just the last expansion more expansion will come up so we will be acquiring land also. So, there is as land element on project cost and at the same time we will be acquiring limestone land which will further increase our limestone reserve.

Indrajit: The guidance on CAPEX on this includes the CAPEX on land as well right?

Management: You are right.

Indrajit: Given the expansion that you and your peers are doing in East, how do you see the overall capacity utilization in a region and pricing scenario shape up over the next couple of years?

Management: I expect better scenario because in FY18 as per us East has grown by 17% to 19% so if it is growing by even 15% also I think whatever capacity we are putting up, whatever capacity few others players they are putting up demand should be able to absorb the capacity also and prices should not be a question.

Indrajit: Any expansion in Northeast that you are looking at, what is our current utilization in that region?

Management: Presently not, but then if government spending goes up factually and on ground then it maybe a trigger.

Indrajit: One last question from my side could you guide how this lead distance have moved in FY18 vis-à-vis FY17?

Management: It might have come down by 15 kilometer to 17 kilometer in spite of 11% increase in volume growth.

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

Ravi Naredi: Sir what is the cost of power from waste heat recovery and renewal power versus traditional one?

Management: In case of waste heat it will be 40 to 50 paisa.

Ravi Naredi: So reduced. What about this renewal power?

Management: So that means 20 paisa or something.

Ravi Naredi: This year the input cost rises too much, are we expecting that this current year we will be able to again gain the cost profit margin again on same pattern?

Management: Yes you can expect the same pattern. Only thing is that more the blending cement, more the blending material, more the raw material cost, but at the same time to some extent you can benefit in power and fuel cost also.

Ravi Naredi: Sir can you provide old Concall transcript it will be very helpful for us.

Management: They are there on the website.

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

Mudit Agarwal: My question is related to the pricing. Sir, Wholesale prices in the Hyderabad and Tamil Naidu is Rs. 55 and Rs. 70 per bag respectively higher than the Chettinad, and sir Chettinad is almost debt-free company then up to how much period the prices will be sustained at higher proportion?

Management: Now if you look at East you would find the difference between the Dalmia DSP and the same brand would be about Rs. 80 to Rs, 120 also. So, it all depends on others, but what I can tell about our company is that we would continue to sell at the best possible price because the better pricing also gives good confidence to our consumers that we are getting best products from the best people.

Mudit Agarwal: About incentive figure how much incentive is included in the revenue for the Q4 and for the whole year FY18?

Management: For whole year it is around 350 crore.

Mudit Agarwal: For Q4?

Management: Q4 was 82 crores.

Moderator: The next question is from the line of Ayush Sharma from Investec Capital. Please go ahead.

Ayush Sharma: A question on the expansion that you are planning in Eastern region you mentioned on the call that amount is your 3400 crore, but press release it is 3720 core?

Management: 3700 it was mentioned the difference would be because of the input credit.

Ayush Sharma: Sir where exactly is the location for the expansion?

Management: Basically, technically it is a new line which will be put up in Rajgangpur, in Orissa which is near Rourkela and then grinding would be in Orissa, would be in Bengal and would be in Bihar.

Ayush Sharma: And just a follow up question on the thing you have mentioned 30-month time for this expansion only right?

Management: Because it will be done in phases something may come up in 15 months, something may come in 19 months, something 24 months like this.

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

Dheeresh Pathak: This 2.8 clinker you mentioned on the call is this the existing clinker at Rajgangpur or it is the expansion of 7.8 and that is 2.8 what is 2.8?

Management: You are very smart it is in same capacity even existing also 2.8 and new one is also 2.8.

Dheeresh Pathak: After 7.8 clinker addition is only 2.8. The total post expanded capacity of 18.2 in East what would be our clinker capacity in East will be 5.6 in East?

Management: 5.6 plus 0.8 or something of Kalyanpur. Now you can find conversion factor right.

Girish Pathak: On this Binani thing if you can just give?

Management: I shared my thoughts and our strategy in the opening comments, that matter is subjudice, but otherwise you know everything.

Moderator: The next question is from the line of Sameer Jain from JM Financial. Please go ahead.

Sameer Jain: Sir, one question on the pet coke prices we are saying pet coke prices are going up, so any specific reasons that you would attribute that to maybe supply challenges or from the import market or on the domestic market or general rise in crude is doing this?

Management: Unfortunately, nobody is able to identify the right reason, and this is what happens when prices goes up and goes down. At the same time I think one usage of pet coke has gone up worldwide. Secondly in India also slowly-slowly companies have picked up and they are also using pet coke. And thirdly maybe to some extent the sea freight that has also gone up and looking to now the demand and supply scenario it looks like the pet coke may remain between say $105 to $120 and this is just assumption and why assumption is that because at the moment hovering around 110.

Sameer Jain: Secondly, on the realization side last two months there has been some uptake in realization, but overall assuming that this is the busy season of cement. We have not seen the kind of realizations that were expected, so maybe going forward in H2 do we expect the realization to inch up because again our input cost on let say freight, pet coke everything has gone up. So what is your sense on the realization from here on?

Management: Let me know what you are expecting?

Sameer Jain: I mean in busy season usually there is a good increase in realization, so I just wanted to understand from your side sir?

Management: To some extent our NCR has gone up and in time to come definitely difficult to comment on NCR or prices, but at the same time we can just assure that our prices would be one of the best in the industry and there is a full focus on logistic because of that our NCR will not go down.

Moderator: The next question is from the line of Bhavesh Shah from CLSA. Please go ahead.

Bhavesh Shah: Sir our net debt to EBITDA is now down to 1.72, where do we see this standing as we close Kalyanpur and Murli assets?

Management: About 2.2.

Bhavesh Shah: And for the East expansion which you mentioned 2.8 million clinker?

Management: Including the East expansion I see this hovering about 2.4 to 2.5 because the East expansion also is not spending in one year it is in a phase of 2.5 year. So as the way if I look at it on a flattish EBITDA the way we calculate in finance situation. I expect the net debt EBITDA to be in the range of 2.2 to 2.4.

Bhavesh Shah: Secondly on the Kalyanpur Cement do we have any fiscal benefits in that particular assets?

Management: Yes, we have.

Bhavesh Shah: Sir I am not sure if you mentioned this I joined a call little late, but have you given any detailed about the fiscal incentive which you got in FY18 as an overall fiscal incentive?

Management: Yes, we mentioned it that what was booked, but what was not mentioned that we received about 150 crores in the last year and about 50 crores post March.

Bhavesh Shah: How much you have booked for FY18?

Management: About 345 crores.

Moderator: The next question is from the line of Shanu Bansal from SB Equities. Please go ahead.

Shanu Bansal: In the last few conference call Singhi ji has mentioned that you know the merger with OCL India would take place hopefully by the end of fiscal year 2018 and even the voting went through quite successful on 24 Jan, but there has been no further update on that?

Management: It was in my agenda and thanks for remembering. In fact we already have now the court order with us which has approved all our merger plan so there are no uncertainty as such only some procedure formalities are pending for mines name so that is happening. And we are expecting that by second quarter all should be over, and we should be able to list a single entity.

Shanu Bansal: So that is by September sir?

Management: Yes, second quarter and since September.

Shanu Bansal: So somewhere by September now because you earlier estimate was March

Management: But still if you look at it the entity would be one when the annual report comes out that is what we are planning to do, that what was also informed earlier.

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

Ashish Jain: Just wanted to confirm the total clinker available in East including our contract with JPA what will that be?

Management: It is 2.8 plus 2.8 so 5.6. 1 million from JP 6.6, about 0.8 from Kalyanpur so total 7.5.

Ashish Jain: Sir and the 7.5 you think can support the 18 million ton or we may have to do further clinker at some point in time?

Management: It can support something more than that.

Moderator: The next question is from the line of Mohit Jain from Deutsche Bank. Please go ahead.

Mohit Jain: On other expenses just wanted to understand was there some maintenance or something one off item that was there because it seemed a little higher than what we were expecting?

Management: No. There is no per ton extra cost.

Mohit Jain: This quarter has higher volume?

Management: High volume also needs higher cost.

Mohit Jain: For the new capacity, how much time do you think the approvals will take to come through?

Management: So there are different, different approval so that is why in totality we have said 30 months so like we have some approval for one grinding unit, we have approval for clinker realization plant, one or two approval maybe pending also. So now since board have finally decided so I think now work should go on in full stream.

Mohit Jain: So you think 30 months from today including approval?

Management: Yes 30 months from which are the board date?

Mohit Jain: 18 May.

Management: 18 May not today.

Mohit Jain: And any guidance from the tax after the merger once it gets completed what is the tax rate for the company?

Management: It will be MAT only.

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

Dheeresh Pathak: Sir, can you give the total clinker production for the company in FY18?

Management: I will give you offline.

Dheeresh Pathak: This incentive which we had 345 crores for FY18, whatever is the schedule that you have is there any change to be expected in next 3-4 years?

Management: No change.

Dheeresh Pathak: So in absolute terms is it going to remain same?

Management: Whatever schedule we had given and secondly one more thing just for the benefit of everybody. When we calculate net debt to EBITDA or whatever that number is it does not include the receivables coming from incentives. So on a conservative basis the receivables of entire incentives is not calculated as cash in hand or receivables.

Dheeresh Pathak: And what is that amount as of 31 March 2018?

Management: About 850 crores.

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

Nitin Bhasin: Sir, one account keeping question, if you look at the minority interest right now you actually provided for something like Rs. 25 crore, so if you could help us because we understand OCL is making profits you have to provide 25% for that, is there a loss in the other subsidiary right now which is the Calcom or other if you could explain us this thing?

Management: There are losses in the Northeast because once they get merged definitely at the PAT level they are not making profit. So when you look at the minority interest the net minority comes in the consolidated amount. Now the Northeast at the PAT level losses is there.

Nitin Bhasin: When do we see and what is holding them back in terms of making profit at the net level?

Management: No, I think it is not holding back. The question is that Northeast have just started making higher EBITDA right now you can see year-on-year Northeast have improve their performance immensely and we expect that the region itself will be able to now turn around and make a profit after tax, but once the merger gets done it does not matter whether it is Northeast or East because you will have only one single company except probably Calcom which also would probably come into it.

Nitin Bhasin: The next question is Singhi sir said in the beginning that 7.5 million tons of clinker can possibly support even much larger than 17 to 18 million tons of cement. Sir because capacities are spread out, do you think that does not still pose a challenge and what number should we take if you think it is higher than 17-18 is it 20, is it 21 how should we think about it?

Management: For your purpose 17-18 is sufficient.

Nitin Bhasin: Third thing is in terms of the acquisition bid going on for Binani are we discussing that over here on the call?

Management: Since this matter is subjudice so I said that we will not be able to discuss that in opening call I said that we are on the right side of law. Our resolution plan was approved by COC and now the final authority in the judiciary would decide this.

Nitin Bhasin: What is the next 2-year CAPEX that you are building and I have joined a little late so my question maybe repetitive what are the next acquisition Capex

Management: It would be around 5000 crore including acquisition of Murli, Kalyanpur and the East expansion roughly over 2.5 years.

Nitin Bhasin: Includes maintenance and WHR everything.

Management: No it would exclude maintenance this is purely only the expansion and maintenance as you know is about 75 crore or 100 crores yearly.

Moderator: The next question is from the line of Amit Jain from Prabhudas Lilladher. Please go ahead.

Amit Jain: Just wanted to know about the 8 million ton which you have announced I wanted to know the region wise breakup of it?

Management: Region is East.

Amit Jain: It is totally East. So which locations this would add into?

Management: I have already said about Orissa, Bengal, Bihar.

Amit Jain: I have joined little late that is why.

Management: Orissa, Bengal, Bihar so it will serve the whole East and in totality it will give us capacity of 18 million ton. So that means Jharkhand also that means partly Chhattisgarh also.

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

Rajesh Ravi: Two questions first on the incentive just wanted to confirm so around 350 crore which was booked in FY18, so that run rate would continue at similar levels for next two, three years taking Murli and Kalyanpur in concentration?

Management: Looks like that it maybe bit lower, but then considering all this it should continue.

Rajesh Ravi: In the CAPEX number that you have mentioned so that would be inclusive of the new expansion of 8 million ton that has been that you have announced recently right.

Management: Right.

Rajesh Ravi: What would be the corresponding clinker expansion for that capacity sir?

Management: We have already shared so you can go through transcript.

Moderator: The next question is from the line of Akshit Gandhi from Kotak Mutual Fund. Please go ahead.

Akshit Gandhi: Just two questions from my side over 19, 20, 21 these three years, what kind of capacity additions we expect in the Eastern region at the industry level please?

Management: May be in this 3 years clinker capacity is coming, but only 8 million tons cement grinding capacity is coming up in addition to our 8 million ton cement capacity which have about 2.8 million ton Clinkerization. You can also share us your information at least it will help us update our record.

Akshit Gandhi: I should do that offline. Also, one more thing sir out of the 850 crores of incentives which are outstanding as on March how much do we expect to receive in FY19 any approximate number?

Management: It is difficult to commit at this moment.

Moderator: Due to time constraints we will take one last question. The next question is from the line of Tejas Pradhan from Citigroup. Please go ahead.

Rashi: Just to recheck if I missed on the incentive you mentioned it should just go down little bit over the next few years is that fair sir?

Management: Yes.

Rashi: And the other thing on the realization for this quarter when I joined late I might be repeating it, what has been the improvement across the various regions one and second is the freight cost increase on a quarter-on-quarter basis is that just due to diesel impact or it has been some sort of a change in the mix in terms of x works or FOR?

Management: Freight cost is up because of higher clinkers freight cost.

Rashi: And on the pricing for cement on a Q-O-Q basis.

Management: Broadly it is stable.

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

Vaibhav Agarwal: On behalf of Philip Capital 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 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. Call. Thank you for joining us and you may now disconnect your lines.