"Dalmia Bharat Limited Q3 FY-20 Earnings Conference Call"

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

Moderator: Good day ladies and gentlemen and welcome to the Q3 FY20 Conference Call of Dalmia Bharat Limited 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 ended December, 2019 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 handover the floor to the management of Dalmia Bharat which will be followed by interactive Q&A. Thank you and over to Singhi sir.

Management: Happy morning friends. First of all let me wish you very happy 2020. We are quite happy with the results which have come out yesterday with good performance of Q3. Hope you had a chance to look at these numbers.

So friends let me highlight few things which have impacted positively or otherwise there were challenges. One of the major challenges in India has been the cement demand. If we look at nine months demand it maybe flattish or 1% plus or minus and we have also seen that from mid November that demand has slightly showed positive signs, more particularly in Eastern side and some other areas of country. But at the same time it continued to remain negative in South. In view of this subdued demand in South and a better demand in East we have been able to clock a good growth of 14% in this quarter and this has mainly come from East and to some extent from North East. And if we look at nine months number, this is 8 percent growth. So this has been possible because of brand equity, this has been possible because of the team efforts and this has been also possible because of the good premium brands which we have.

On the prices front; let me share with you that prices have remained quite subdued and under pressure and particularly in the East also the prices have remained subdued except that in last one-and-half month or so it has shown some good signs because of the better demand. Otherwise in South it remained negative. North east they are broadly stable. Now we are making all our efforts to further improve our trade sales as well as the share of our premium brand.

On the cost side; there has been positive impact on account of better prices of coal and pet coke which are hovering around $74 that is already got factored inin Q3 and it doesn't look like that now pet coke prices may further go down. In terms of raw material side and on the overall variable cost you would find some increase in cost and that is on account of major two factors, one shut down during this period and at the same time to some extent we had to purchase clinker for feeding better demand as well as we were waiting for our new clinker line to materialize, so on that account this one-time cost that has come in variable cost. In totality we have been able to achieve EBITDA of Rs. 885 per ton. On net debt to EBITDA side I would like to say that now at the end of the quarter it has come down to 1.32. During the nine-month of FY20 we have made a total repayment of 620 crores. The incentives accrued during the quarter have been around 33 crores and collection for these nine months has been around 200 crores.

On the new capacity, friends; let me share with you that we have already started trial production of our kiln at Rajgangpur in East and we are expecting that by March end that should get stabilized and commercial production would start. Our grinding units both at Bengal and Orissa, they are in progress and will get commissioned in time.

In terms of our progress in DDSPL which is a Kalyanpur unit, now this plant has been able to stabilize and so far we have been able to get 65% capacity utilization and we are quite hopeful that FY 21 would be far better. Now in terms of other matters, I would like to highlight that for our one of the subsidiary company Calcom, there has been some dispute which was on account of some financial matters and one company GuarantCo, they had filed petition in NCLT. But later on we have reached to a settlement and now this GuarantCo and Calcom, they have reached to settlement and now this petition has been withdrawn. Further in regard to Murli Industries Limited after we got a favorable order from NCLT, the promoters and others, they had gone to NCLAT but good news is that on 24th of January, NCLAT has given orders in our favor and now shortly we will be able to now acquire this asset.

Now if I look at FY21 friends; on account of the budget which has been announced, it looks like that government is thinking of further increasing capital expenditure as per budget they have increased overall outlay by 17%. It all depends that how much now CAPEX get spent and if that happens then definitely augurs well for infrastructure and on that account when there may be better cement demand. So, on a conservative basis I would say that FY21 can see a demand of 5% to 6%.

Lastly I would just like to say that in regard to our mutual fund matter, there has been positive development. So, on that account I think courts are taking favorable decisions and now we are hopeful that in short time we should be able to recover our mutual fund units. So with this I will just like to hand over for comments to Mr. Jayesh Doshi. Thank you and all the best.

Management: Morning everyone. Just wanted to add to what Mr. Singhi has just briefly summarized; is that we have continued our progress on the Eastern expansion and spent about 275 crores for the quarter and in the same endeavor also have maintained repayment of debt and reduction of our net debt to EBITDA. The bump up in the cash which you are seeing this quarter is primarily because we have in the first week of January purchased back about 250 crores of high cost debentures, so that is being utilized even in this quarter which is not captured in the last quarter of December. Our endeavor as committed is that we will grow steadily and we will continue to ensure that we keep on repaying the high cost debt and keep the cash balance as minimal as possible. The board has also announced the interim dividend of 100%, Rs. 2 per share which would be paid and credit before 31st of March. I would now like to leave the floor open for any questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sumangal Nivatia from Kotak Securities.

Sumangal Nivatia: First question is with respect to volume growth; can you share how we've done in East and South because South industry growth was negative and we still managed to have a very strong overall growth. So if you can share how the industry has fared and how we have outperformed versus the industry.

Management: On the volume side. South there was a negative growth and we have been flattish, East had some amount of growth in single-digit growth but we managed to have a double digit growth in the Eastern region and North East had the double-digit growth and so did our growth was in double digits.

Sumangal Nivatia: Jayesh sir second question is with respect to Murli acquisition, we said we got the required permits. So just wanted to clarify the mines are renewed and whatever incentives we were asking has been restored, so if you can confirm that and also quantify what sort of incentives do we expect there?

Management: On terms of Murli, yes, we have got both the permissions, the renewal of mines as well as the incentives. The total incentives which we have got on Murli is about 1100 crores which will be till 2032. Both of the permissions have been received and we were waiting for the NCLAT order which also has been passed on 24th of January as Mr. Singhi conveyed too. So we would in this quarter be paying for the Murli and taking it over.

Sumangal Nivatia: With respect to Murli what sort of volume ramp up one can expect next year and when do we expect the plant to start and also what sort of CAPEX we'll require to spend there initially?

Management: So, it is expected that it will take about 9 to 10 months to start production in full capacity and in terms of CAPEX it's about…. Initially it will be 350 crores and then there may be further something for efficiency and improvements.

Sumangal Nivatia: Just one last question with respect to from material cost, so slag prices do we see any further benefits or at Rs. 1000 we are close to the bottom?

Management: It looks like that it will remain around this price only.

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

Jigar Shah: My question pertains to the sustainability practices in the cement industry and I'm aware that Dalmia Bharat is doing a great work on this initiative. One of the recent developments is that a European research house has talked about very strongly on the climate change actions and a possibility that cement industry may get very heavily impacted if a development like what BS6 happened in India for the auto sector. So I want to know your thoughts around this and what kind of actions you expect and how well prepared is the industry and Dalmia Bharat?

Management: It's a great question. I think that report which has come out has talked about very high carbon tax which can be put up in European Union and on that account there may be some extra cost to the cement companies which are operating in Europe. So wherever any cement company has high carbon footprints they would be incompetitive and they will incur extra cost. Indian cement sector is also fully aware of that ultimately if not in 2-3 years maybe 5-7 years such situation may come and on that account Indian cement sector is fully preparing itself that how they can compact this impact. Now in terms of Dalmia Cement I would like to say that we have been anticipating that this is the future trend as well we were also fully aware that for better society, better climate this is required. On that account we had taken lot of steps so that we can bring down our carbon footprints and you will be happy to know two things, one, we have the lowest carbon footprints in global cement world and our carbon footprints are 40% lower than the global average. Secondly we have also prepared ourselves for low carbon transition and there is a rating organization which is called CDP. So in 2018 report they have ranked Dalmia Cement as #1 in global cement world for our preparedness. So, on that account we are quite confident that whatever actions we have taken so far as well whatever action plan we have to bring down our carbon footprint ultimately to zero would bring in better results. Let me also share with you that we have already thought of capturing CO_2 from the cement process and we have already signed contract with one UK company on account of which we can capture carbon dioxide and then same material can be utilized as raw material for fertilizer, for protein, for carbon rod, for concrete etc. We are quite cautious of this fact and I would say that we are leading global cement world in terms of how to decarbonize the cement.

Jigar Shah: One small follow up on this.

Management: And let me also share with you that we are the first cement company globally to join business ambition for 1.5° which in totality on the globe 175 countries have declared their commitment. I may also share with you that ours was the only cement company which was invited by the

United Nations to share our journey so far on carbon footprint as well to say is that what we are doing. In fact there was a very positive response with our philosophy of clean and green is profitable and sustainable. Lastly let me also share with you that BBC Worldwide this organization has identified five climate defenders in the world and one of the climate defender in the world is Dalmia Cement.

Jigar Shah: That was very positive. Just one more thing is that what kind of investment you are particularly making for this purpose, are you making some extraordinary investments to get to your objectives?

Management: There are no extraordinary objective investment and in times to come these investments would happen in which various other global climate funds, IFG etc. they would also support, so there would not be any major burden on our balance sheet.

Moderator: The next question is from the line of Bhavin Chheda from Enam Holdings.

Bhavin Chheda: Two questions, what is the update on the CAPEX plan, how much is it pending and how much spending to be spent in 2021 and 22, so we can get how much is the pending number? Second is what's the further deleveraging plans, where can we see the net debt levels by March '20 and again going forward into '21?

Management: In terms of the CAPEX plan we already spent about 1540 crores as of cumulative on project East of which about 900 has been this year and 600 has been prior year. We would expect to spend another at least 400 crores on Murli this quarter as well as about 200-250 crores on the eastern expansion. In terms of net debt EBITDA as you said and your question also about next year we would spend about another 250 to 300 crores on Murli CAPEX as well as about 700 crores on eastern expansion. So roughly about 1000 crores would be spent next year. I said next year we would be spending about 1000 crores including roughly about 250-300 crores on Murli expansion. So with this CAPEX plans we expect to remain well below the average of 1.8 to 2 net Debt EBITDA and considering of course whatever cash we generate, the first it will be used from internal generation. As you know we've hardly borrowed for the entire CAPEX spent till now about 1560 crores, we hardly borrowed anything. In fact our debt has been reducing on a quarter-on-quarter basis. And as I explained to you in January also we have repaid about 250 crores of debentures.

Bhavin Chheda: Next year 1000 crores would be this Capex doesn't include maintenance CAPEX, right?

Management: No, none of my numbers including maintenance CAPEX. Maintenance CAPEX is about 100 to 150 crores.

Bhavin Chheda: So next year roughly we will hit the number of around 1200 crores odd?

Management: Yes.

Moderator: The next question is from the line of Ritesh Sheth from CRISIL.

Ritesh Sheth: My question is on your expansion plan, can you just briefly guide us what sort of expansion you're planning in East with the capacity number and what will be the timeline?

Management: As per our plan we were to set up one kiln of 3 million ton in Rajgangpur in Orissa and then three grinding units and upgradation of one grinding unit, so upgradation of one grinding unit has already happened, trial runs of kiln has already started and two grinding units would get commissioned during this year and third grinding unit would be commissioned in FY22.

Ritesh Sheth: So, two grinding units this year would include both your West Bengal and the Orissa one?

Management: You are right.

Ritesh Sheth: That is 2.2 million each I guess?

Management: You are fully right.

Ritesh Sheth: And Bihar one would be in FY22 that is 2.5 million ton?

Management: Right.

Ritesh Sheth: And Bokaro has already been commissioned?

Management: Yes.

Ritesh Sheth: So that is 0.8 million ton, right?

Management: Yes.

Ritesh Sheth: And one last on the prices; so you said that prices have been good in last 1-1.5 months, so can you briefly guide us that what were the price hikes in East, South and maybe North East as well?

Management: In East maybe the price increase has happened in various states between Rs. 10 to 15 and in North East maybe Rs. 5 to 10 and in South prices are under pressure and in fact in last 1.5 or 2 months they have reduced only. If the demand improves now then there are chances of improvement in prices.

Ritesh Sheth: South they have reduced from the December closing?

Management: Somewhat.

Ritesh Sheth: But there were price hikes taken but I think they have been rolled back in South.

Management: It's all demand and supply.

Moderator: The next question is from the line of Amit Murarka from Motilal Oswal.

Amit Murarka: Just couple of questions, once the clinker is commissioned which you are saying is as of March end what will be the ramp-up schedule like? By when can we expect let's say 70%-75% utilization on the clinker?

Management: That would be in the third quarter.

Amit Murarka: 3Q, FY21?

Management: You are right.

Amit Murarka: In terms of the Murli, so Murli will also commissioned by roughly December-Jan maybe?

Management: Hopefully.

Amit Murarka: Also in terms of these new grinding units, I couldn't get the timelines properly. So the two grinding units we commissioned by what March-April roughly?

Management: Yes, so one trial production should start first grinding unit in March and second should start in September-October.

Amit Murarka: And in the Bihar one will come by when?

Management: That is FY 22.

Amit Murarka: On refractory business I remember you had mentioned earlier that there is a plan to divest the business. So what is the status on that?

Management: We have put the scheme with NCLT, so right now we had to get the approval of the Sebi. We got the approval from NSE as well as Sebi, Kolkata Stock Exchange approval is pending. So the divestment is actually on track, probably couple of months delay but the appointed date and everything was April 19 and April 20, so we are expecting the actual thing to move in probably 7 to 8 months from today. But all the actions required to divest the refractory business has been considered and taken and the scheme of demerger has been filed.

Moderator: The next question is from the line of Indrajit Agarwal from Goldman Sachs.

Indrajit Agarwal: I just wanted to understand your views on the East market given the consolidation news, so recently in terms of Emami asset and then your expansion coming up, Ultratech expanding some capacities. So how do you see the demand supply dynamics in that market over the next 12 to 18 months?

Management: If East continues to grow by 8% to 10%, the trend which we have seen now in last 2 to 3 months then the balance would remain as it is and we don't see much disturbance.

Indrajit Agarwal: How is the clinker capacity utilization in that region? Do you think clinker could be a stress even though there are lot of grinding capacities coming up with several players?

Management: Except our capacity which also has started trial, no new clinker facility is coming up and on that account that's why there will not be much disturbance. In terms of Emami also which now as per the SEBI, would be acquired by Nuvoco. So we don't find that there will be any difference as such.

Moderator: The next question is from the line of Gunjan Prithyani from JP Morgan.

Gunjan Prithyani: I had two follow-ups; you mentioned that 5% to 6% growth for F21. Could you give some sense on how you are looking at various regions, do you expect South to grow or is it going to be majority of growth coming from East and North East?

Management: 5% to 6% it is for all India in general.

Gunjan Prithyani: I'm just trying to get sense on your regions that how are you seeing growth for your region particularly South, East and North East?

Management: East may grow by 6% to 8%, North East again maybe 8% to 10% and South we are not sure but maybe 2% plus minus.

Gunjan Prithyani: Again on this East capacity, we have a fairly large capacity; in addition to that there is other expansion as well. So do you anticipate that the prices in the market would continue to stay under pressure given there is lot of commissioning coming through the market?

Management: Which are the other expansions coming up?

Gunjan Prithyani: Shree has more expansions in the market and yours is a fairly sizable one.

Management: So as I said that no new clinker expansion is coming up except ours and since market would be growing around 8% or so then that market will be able to take care of this capacity expansion.

Gunjan Prithyani: Second question is on the fiscal, now you mentioned that Murli you got that clarity. So when we look at the fiscal incentive for next year we should have a similar level as this year or there is going to be run down in F21 on the fiscal incentive?

Management: On the fiscal incentive let me revert because Murli, the production is not going to commence. The fiscal incentive on Murli will be available only once the sales happen. So right now for everyone's purposes we would continue to guide between 130 to 150 crores of fiscal incentive which is against repeating which excludes Murli and which excludes my East expansion.

Gunjan Prithyani: This is for F21, right?

Management: And till date everybody is aware that we have accrued about 100 crores and we've received about 200 crores.

Moderator: The next question is from the line of Rajesh Lachani from HSBC.

Rajesh Lachani: My question is with regards to the trade and nontrade mix; so are you seeing a significant change in mix in 3Q because the pricing seems to be much lower than what we were expecting? So is there been significant change in trade and non-trade mix?

Management: It's almost same.

Rajesh Lachani: Second question is with regards to clinker purchase; so you were doing clinker purchase and now that Rajgangpur clinker plant is now ramping up. So wanted to know how much positive impact can we see in the coming quarter due to this?

Management: Exactly I may not be able to quantify but then yes, this quarter it may have impact of 5 to 8 crores.

Rajesh Lachani: You said that you are shortly expecting recovery of the mutual fund unit, so if you can just give us some timeline and what's the status currently?

Management: The question is we are trying our best to recover the units and we have met Sebi, also pursuing legal things in getting our units back because it has been conclusively proved evidence from Sebi forensic as well as the EOW forensic and the signature forensic that the units have been stolen. And one more addition which has happened in the charge-sheet which has been filed that even ISSL which is the clearing member of ILFS has also been charge-sheeted and relevant person has also been taken into custody. In these developments it is conclusively been through that the units belong to us and are in frozen state, so we are taking all legal recourses available to get the units back. Looking at the legal thing it is very difficult to pinpoint whether it's going to be 3 months or 6 months but always we would like to guide between 3 to 9 months though we are trying everything possible to get the units back at the earliest.

Moderator: The next question is from the line of Apurva Bahadur from Jefferies.

Apurva Bahadur: Wanted to understand what's the update on this North East coal mining?

Management: Yes.

Apurva Bahadur: On North East coal mining what's the update there? When is it expected to begin?

Management: It's still unsure that it would start.

Apurva Bahadur: There was I believe some coal stock lying with the state that had to be auctioned, is that happening?

Management: That process has also not started so far.

Apurva Bahadur: So, all the coal is being transferred into the state?

Management: Yes.

Apurva Bahadur: I see in your cash and cash equivalents you've mentioned about your IEX stake, so is there any possibility of liquidating that anytime soon?

Management: We are thinking about it and as you would have heard Mr. Dalmia speak that it was a strategic investment and I could not on call just say that what are we thinking. Yes we are thinking, we have got the investor feedback that we should look at this very critically and see whether what we need to do. And Mr. Dalmia has also gone on record and saying that yes we will think about it and revert back to you shortly.

Apurva Bahadur: On the cement demand recovery, so versus December how are you seeing January across your region?

Management: In January in East I would say it's about 6% to 8% growth, in South is still its negative and in North East I would say about 8% to 10%.

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

Gaurav Rateria: Firstly you have done a great job in growing volume in a difficult year given your capacities coming next year and industry is likely to recover to 5% to 6%, what kind of volume growth one should anticipate for you next year?

Management: It will be higher than the industry. This is broadly I can say at the moment. We are fully geared up, fully prepared and whatever preparations we had done for ramping up the volume, the results have started coming up.

Gaurav Rateria: Jayesh sir just one question for you, what is the minimum level of cash you would like to maintain and over and above which you will keep repaying from a gross debt perspective?

Management: Though there is no absolute square box around that how much we would like to maintain. But I would be more comfortable with probably 1 to 2 years of principle repayment and 1 year of interest.

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

Rajesh Ravi: I just wanted to know on expansion plans, East we are almost through. Your clinker plant is done and grinding stations are also expected to come soon. Any plans in the North market that you are exploring currently?

Management: So far no concrete plan.

Rajesh Ravi: So, no land pooling, no squatting of limestone and all we are doing currently?

Management: No, that's a continuing process because we have one mine in Rajasthan, one mine in MP and those processes are on. But there is no specific deadline or date line which I can share with you that from this date we will start our plant activities.

Rajesh Ravi: As you said the January has been strong at least in North East and East market on demand front. Could you share some thought how had this been in Q3 and for last nine months Northeast and East market demand growth?

Management: On East side it was about 6% to 8%, so high single-digit and then same is the case with North East.

Rajesh Ravi: So both North East and East you have seen for nine months there is a 6% to 8% sort of a growth which is sustained.

Management: Yes.

Rajesh Ravi: What would be your trade, nontrade mix currently even from a nine-month perspective that would be helpful?

Management: 60-40.

Moderator: The next question is from the line of Gunjan Prithyani from JP Morgan.

Gunjan Prithyani: I have a question, not related to your results but you guys have been doing extremely well on your operating performance. But unfortunately the ROE does look very-very inferior. I do understand that there has been restructuring but can anything be done to basically either spell it out in every quarter on your presentation that how the ROE is on the core business or can anything be done to balance sheet so that optically the ROE start to look better?

Management: Gunjan thanks for this question. In fact all our efforts and my efforts and Aditi's efforts in have always been that how we look at ROE and ROCE. I'm very clear and simple person that whatever we invest as cash, returns on that cash is what ROCE and ROE means to me. I do understand that the analyst community at large and published results have always quoted ROE and ROCE at 3.5% or 5% or something. But let me very categorically tell you that any restructuring credit which has been considered in my fixed assets; which is intangibles and goodwill as well as any business restructuring of 2010 have to be removed for the calculation of any ROE. I'm not saying that it is a textbook ROE calculation of what we study in colleges or in CA but the question is what is the business generating for the capital employed and for the equity. If I look at it today, if I consider this my return on capital is in mid-teens and my ROE is actually high-teen. But I take your point that you all have maybe 100 companies to track and all you guys do is take the published numbers and report it as a ROE and ROCE what is published. I have requested Aditi based on your request that I think from every quarter onwards let me work out my ROE, ROCE; the way we look at it and we want people to look at it because if you really look at it the cash generation in the nine-month has been over 1300 crores for us. Now the question is yes, if you look at my PAT the entire restructuring has been done to get the businesses in one bucket and one company and one listed, also while doing the restructuring we have been cognizant of the fact that how we are able to actually ensure that we pay the least amount of taxes and the maximum cash is generated and kept within the company for the use of as you have seen that we have paid off debt quite a bit and we are funding the entire CAPEX through our internal accruals. So we are having a proper balance in terms of repayment of debt as well as CAPEX funding without any additional borrowing and you have seen it from last one year 2 debt EBITDA, we are today at 1.32 post even spending (+) 1500 crores in Eastern expansion. So that's my response to you on ROE and ROCE and I will at least try and see that as we did on incentives from the feedback that now we give a complete clarity on incentives; we will try and make everybody clear that the how and ROCE we are looking and ROE we are looking. So it would be probably better for the entire investment community to look at it the way it is and our presentation will put this for this next year as well as on quarterly basis.

Gunjan Prithyani: If we can have that disclosure for larger audience because everybody doesn't know the restructuring reserve out there and if there is anything on accounting I am not sure how it can be dealt with but at least the optical ROE starts to look better.

Management: Sure, we will definitely come back on this.

Moderator: The next question is from the line of Shreyas Bhukhanwala from Canara Robeco Mutual Fund.

Shreyas Bhukhanwala: Just one question how much M2M we have taken for the IEX in this quarter?

Management: About a 100 crores odd. The price of IEX as on 31st December was about Rs. 143.

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

Nitin Bhasin: Little long-term question, we have seen you participate in the bids in acquiring Binani in the last year or so. You had that means an intention to enter that market; so can we now get some sense from you how are you looking at that foray that you had planned then but now from here on at what time, what new geographies over the next 1 or 2 years you are considering, whether it is West, whether it is Central, whether it is North. If you could help us how do you think that leg of growth in the long term?

Management: Yes, we have the intention to enter these markets also and it would happen but if I say about next 2 years…. Let me repeat again, that as far North and Central is concerned we don't have any specific plan so that we can enter in this area in the next 2 years. But at the same time as I said earlier we have two mines in which we are now making all efforts to mature it in terms of availability of land also as well as environment clearance also. If you say of long-term which as per us is 3 to 5 years then definitely we would be in both these areas but not in next 2 years. At the moment there doesn't seem to be any opportunity of inorganic.

Nitin Bhasin: Second question will be over the next 12-15 months what are the cost initiatives and realization improvement initiatives that you are working on and what are the benefits that you are targeting in either of these initiatives because you keep on working towards moving up the brand in most of the geographies and also work around cost. Can you help us in terms of what is the targeted realization increase apart from the market increase and targeted cost reductions; from what parts are you targeting?

Management: I will not discuss exact number as such but the initiative which I can share with you is that we are working in a big way on energy efficiencies; we are working in a big way how to utilize alternate fuel in a bigger way. In last few months that improvements have already started and alternate fuel which we call Green fuel; so we will see better results out of that also and thirdly would be that how we can also put up waste heat recovery plants also for the generation of power, so one would get commissioned in FY21. So that would be on that account, we will continue to work on how to use more and more additives like fly ash and slag in the best possible way and with the increased volume we expect that yes, our fixed cost per ton should also come down. So this would be on variable and fixed cost. In terms of market, I would say that efforts are already on to one ramp up more volume, second to sell more and more premium brand. We have already started seeing better results in North East also and in time to come we are going to launch premium brand Dalmia DSP in South also. Definitely lot of efforts are being made on logistics, so with the help of digital etc. we should be able to make logistic more efficient which will be able to serve even customers in a better way as well should also bring down the cost.

Nitin Bhasin: What is the share of premium today in the South, North East and East respectively?

Management: In the East I would say its 20%, overall is 14% of trade sale.

Nitin Bhasin: And South will be very less, am I right?

Management: South we have to now launch.

Nitin Bhasin: WHRS what is the overall potential that you have on present capacity and what are the plans of putting up that?

Management: Yes, so that can be shared off-line but yes they are possibilities of putting up about 25 MW of WHRS.

Nitin Bhasin: And the last one is petcoke prices and very low prices and coal prices also presently. So how do you see the petcoke and coal procurement change for you in terms of fuel. If you could help us through what do low coal prices, low petcoke prices and your visibility change your procurement policy?

Management: Still the delta between coal, imported coal and petcoke is about 25% to 30% except some coal which is available in Eastern India on account of linkage etc. Everywhere broadly we are using petcoke, so petcoke prices are hovering around $74-76 and doesn't look like that there would be major change so it may range between $70-80, so there we are not expecting any major increase or decrease. But at the same time like we said earlier also that all our plants are equipped to use economic fuel. So I'm saying that all our plants are fully equipped to use any type of economic fuel whether it is petcoke, whether its coal, whether it's Green fuel. So we would continue to be efficient on this account. Thank you.

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

Prateek Kumar: What is the refractory revenue during the current quarter?

Management: The refractory revenue is about 130 crores and EBITDA is about is 6.5 crores.

Prateek Kumar: What is the second thing you said?

Management: EBITDA is 6.5 crores.

Prateek Kumar: Can you just clarification on CAPEX, so it seems like FY20 CAPEX should be around 1700 crores. I just totaled all the numbers which you gave including maintenance CAPEX?

Management: No what I gave you was cumulative. FY20 we have spent up till now about 1000 crores, 900 on is East and another 100 crores on refurbishment and other things.

Prateek Kumar: So 400 including Murli and 250 additional CAPEX which you will do on East, that adds up to around…?

Management: 400 we will do for Murli and additional 200-250, absolutely right.

Prateek Kumar: 1700 crores…

Management: 1700 depends, yes.

Prateek Kumar: So just adding up 1700 this year, next year 1200 so there seems some spillover of 500-600 crores of CAPEX on East and in FY22 as well, right? So FY22 again could be 800-900 crores…?

Management: Not 800, yes some spillover. See the total cost for our East is about 3000 crores and Murli is about 750 to 800 crores. So you just take it, we've started East in '19-20 and '21 that's how the total CAPEX is to be pan out. So just remove 3800 and just see how much you have spent and that would be the spillovers happening apart from maintenance CAPEX.

Moderator: The next question is from the line of Mohit Agarwal from B&K Securities.

Mohit Agarwal: I want to know the incentives, the 33 crores incentive book for this quarter. For which plant locations the incentive is accruing and up to which period it is accruing?

Management: Northeast and as we give a total incentives numbers we have accrued about 110 crores and we have received about 200 crores and as of today the balance receivables is about 850 crores.

Mohit Agarwal: So this is for the East and the North East plant location?

Management: No Only North East

Mohit Agarwal: Up to which period that will be available?

Management: Next year we will be accruing in the same manner excluding Murli, excluding East new expansion.

Mohit Agarwal: The second question is about the settlement with the GuarantCo, how much amount is paid for the settlement with current dispute?

Management: We paid the entire principle amount which we were always paying, every quarterly we paid it upfront and so that debt is also gone and our ask was much lower interest and there was much higher, somewhere in between it was settled.

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 for participants for joining the call. Thank you very much sir. Margaret 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 and you may now disconnect your lines.