Dalmia Cement (Bharat) Limited
Conference Call
Restructuring Proposal of the Businesses of the Company and its Subsidiaries
March 18, 2010

Moderator: Good evening ladies and gentlemen. I am Vishwanath, the moderator for this conference. Welcome to today's conference call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would like to handover to Ms. Nidhi Agarwal. Thank you and over to you ma'am.

Ms. Nidhi Agarwal: Thank you Vishwanath. Good evening ladies and gentlemen. Welcome to Dalmia Cement (Bharat) Limited's call to discuss the restructuring proposal of the businesses of the company and its subsidiaries. I am Nidhi, and I have with me on the call Mr. Puneet Dalmia, Managing Director, and Mr. Deepak Sogani, Executive Director of the company. Let me give you a brief on the advisors to the restructuring exercise. Enam Securities have acted as financial advisors and also provided the fairness opinion to the board of our company. Ernst & Young acted as advisors to the transaction and on the tax matters. BMR acted as a transaction and valuation advisors, while Amarchand & Mangaldas have acted as the legal advisors. We thank each one of them for their contribution. We will now commence with comment from Mr. Puneet Dalmia and Mr. Deepak Sogani, and this shall be followed by Q&A session. Let me just mention that certain statements may be made or discussed on the call which may be forward looking and actual situation may vary significantly from the forward-looking statements. Thank you and over to Mr. Dalmia.

Mr. Puneet Dalmia: Thank you Nidhi. DCBL today is a diversified conglomerate. We are present in cement, sugar, power, and refractory businesses. The company has delivered exceptional results in the past with a 4-year revenue CAGR of about 40%, EBITDA CAGR of 64%, and a PAT CAGR of about 51%. In order to provide growth avenues to various businesses, earlier in the day today, the board of directors approved the restructuring of DCBL to a scheme of arrangements. Under the scheme, DCBL will demerge the cement undertaking, refractory undertaking, thermal power undertaking, and other businesses into Dalmia Bharat Enterprises Limited, which at present is the wholly-owned subsidiary of DCBL. Further, the cement and thermal power undertaking will be demerged into two wholly-owned subsidiaries that is Avnija and Dalmia Power Ltd. respectively. The sugar operations will be retained under DCBL. Dalmia Bharat Enterprises Limited will issue 1 equity share of Rs. 2 each of Dalmia Bharat Enterprises Limited for every 1 equity share of Rs. 2 each held in DCBL, thus giving rise to the company with mirror shareholding. The restructuring aims to create independent entities focused on cement, sugar, and power. It gives the platform to the new entity to pursue independent opportunities, deploy different technologies, and attract different financial and strategic partners. The demerger is expected to be completed by end of this year depending on the time taken to get all the necessary approvals. We believe that DCBL is at an inflection point. There are excellent opportunities for growth in each of the independent businesses, which need to be explored with the more focused approach. We believe restructured DCBL will unlock value for the shareholders. It will offer two pure-play listed entities to investors allowing them flexibility for capital allocation. It realigns the management structures and increases transparency and accountability, thereby enhancing corporate governance. It will streamline decision making and increase efficiency in business processes through focused management team. It will provide a platform to raise funds for growth of respective businesses. It will provide shareholders additional liquidity and choice of ownership.

The company is Southern India's third largest player with 9 million tonnes capacity with Tamil Nadu and Kerala accounting for 74% of dispatches. It has excellent brand equity, optimal product mix, and operational efficiencies which translate into higher cement EBITDA. We have a strong blueprint for growth in cement. Building on our operating progress, we are undertaking an additional Greenfield capacity of 10 million tonnes, which is expected to come on stream by 2013. The company has over 45% stake in OCL India, which has dominance in Eastern India with a cement capacity of 5.3 million tonnes.

Coming to the sugar business, DCBL is one of the largest integrated sugar players in UP with a capacity of 22,500 TCD and a cogen capacity of 79 megawatt. Despite the changing dynamics of the sector, we see this business gaining a strong foothold on account of global demand supply mismatch. We are selectively pursuing growth opportunities in the sugar sector too.

In power, the company has a thermal power capacity of 72 megawatt at Dalmiapuram and Ariyalur, which is self sufficient for in-house power requirements and any surplus is sold to the grid. We see tremendous potential for growth in this business going forward as we equip ourselves for merchant power sale. The company is committed to creating enhanced shareholder value with the highest levels of corporate governance. I will just come to the end of my perspective and would like to invite Mr. Deepak Sogani to take the discussion forward.

Mr. Deepak Sogani: Thank you Puneet. The company has consistently taken a lot of initiatives to stay ahead of the curve. The projects have always been implemented on schedule, which has helped us gain confidence of institutional investors and bankers. DCBL's capacity increase in cement from 1.5 million tonnes to 9 million tonnes in 4 years bear the testimony to our execution capabilities. On the product front, we implement the same proactive approach. The company was the first to develop and market speciality cements, which enabled it to charge a premium price for its products. Also, the increased volume in the trade segment has augmented margins of the company. The recent expansions have begun bearing fruit, and we expect to consolidate the doings of the previous rounds of capex. Sugar forms an important part in our business model. Our total sugar capacity is of 22,500 TCD leading to sugar manufacturing capacity of about 3 lakh metric tonnes per annum, and a cogeneration capacity of 79 megawatt and distillery of 80 KLPD. We have constantly strived for technological excellence in the sugar business. We have consistently delivered performance through cyclicality typical to the sector. We have plans to convert one of our boilers to multi-fuel boilers which could run in coal as well as bagasse in case of shortage of the latter, and would lead to cost optimization.

Coming to the power business, we have currently self sufficient power. As a company, we are fairly bullish on the segment on a go-forward basis. It is our endeavor to consolidate our presence in the sector by commissioning independent power plants to capitalize on future opportunities. Even at this point of time, part of our power generated within the company is sold on merchant power basis in the cement business. We are committed to creating enhanced shareholder value, and we will take forward all initiatives more vigorously. To the scheme of arrangements, we have sort to balance efficiency structure with out growth objectives. Thank you for being on the call once again. We would now be glad to take up any questions that you may have.

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first in line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now. First in line, we have Mr. Soumen from Jet Age Securities.

Mr. Soumen: Good evening sir. Sir, I had this question on your cement capacity and cement capacity utilization. Your current cement capacity is almost 9 million tonnes, where as on a monthly run-rate basis, you have not gone beyond 4-1/2 to 5 million tonnes, so why is it so, and what is your clinker capacity if you can give it to me?

Mr. Puneet Dalmia: I think there are two points in this. One is our Ariyalur plant, which is 2-1/2 million tonnes has just been commissioned, and our Dalmiapuram and Kadapa plant are about 6-1/2 million tonnes in total capacity. So, the Ariyalur plant will slowly ramp up over the next 6 months because we are not aggressively pushing material into the market because the demand growth in South India has been little lackluster this year as compared to the rest of the country. Overall, the way we disclose our capacity is that we disclose capacity on 100% PPC basis, and on a cement-clinker ratio of about 1.5. So, our current clinker capacity in Dalmia Cement is about 6 million tonnes and with a cement clinker ratio of 1.5, the total capacity is 9 million tonnes. However, our past performance on cement-clinker ratio was 1.41, which is currently running at the rate of around 1.3. So, the total capacity available is 9 million, but we will change the product mix and change the capacity utilization to keep in mind the realities of the market place and ensure that all the growth that we are pursuing is profitable growth.

Mr. Soumen: But even the capacity utilization in the Kadapa facility is still pretty low?

Mr. Puneet Dalmia: In Kadapa, we are doing about 1 lakh tonnes per month.

Mr. Soumen: Yeah, even less than that where as we could be doing more than twice that amount.

Mr. Puneet Dalmia: Yes, that is right. Kadapa plant has been on for about a year now, almost 10 months. Initially, you know, we had power cuts for the first 2 months, and then we had ramped that keeping in mind the realities of demand growth. Andhra Pradesh has grown at -2%, and Karnataka has grown at 0%. These are the two markets which Kadapa services, and we have gone from 0% market share in these states to about 3% to 4% in a matter of 9 months, but I think if you look at our production capability, we can produce the entire capacity. We have tested our plants, suppliers have met their guarantees. In fact, we have exceeded the guarantees that we had, both in terms of production volume and operating efficiencies and operating costs but I think we will limit or enhance the production depending the demand.

Mr. Deepak Sogani: At the same time, to add on to what Puneet said, we focus on profitable sales, so for a certain period in time in Andhra, the prices were not very attractive, and we did not want to kind of, you know, go overboard in terms of sales at that point of time. So, in all the states where we operate, we are cautious. We want to maintain a certain level of profitability and want to do our volumes based on those thresholds only. So, to that extent also partially, you know, we have had a little bit of lesser capacity utilization in the current year.

Mr. Soumen: And do you have captive power plants in all the three plants?

Mr. Puneet Dalmia: We have captive power plants in Dalmiapuram and Ariyalur.

Mr. Soumen: Okay.

Mr. Puneet Dalmia: But not in Kadapa.

Mr. Soumen: Okay, and what I noticed was that for these three cement majors in the South, Dalmia, Madras Cement, and even Ultratech, the capacity utilization over there is also pretty low, so what I mean is that there is probably conscious curtailment of production because of lower demand, so would not that create some kind of a cap in terms of the pricing power going forward also?

Mr. Puneet Dalmia: I think the pricing will be a function of demand supply, and our own view is that the third quarter in South was a little turbulent, given the monsoons, but if I look at the fourth quarter, prices have actually gone up significantly, and the excise duty increase and the freight increase due to diesel price increase has been passed on to the consumers very successfully. Price increases have been close to Rs. 20 to 25 rupees a bag which more than offsets the cost increase. However, having said that, we are little cautious about pricing in the next 18 to 24 months as I have always maintained, but this will be a quarter to quarter situation and in fourth quarter I think we are seeing a reverse in the trend, which we saw in the third quarter.

Mr. Soumen: No, what I meant was that there is so much of capacity lying idle and which can come into production as and when there is effective demand, so that would create some kind of cap in terms of the ability to increase prices from current levels.

Mr. Puneet Dalmia: I think, you know, we really look at the long-term demand outlook, and in our view is that if the infrastructure story takes off and if the capex cycle comes back and if the economy really grows at 10% what the finance minister was talking about in the budget speech, once demand growth is in the 12% to 13% range, all this fresh capacity will be absorbed. Our view also is that it takes much longer now to bring new capacity to market, land acquisition, environmental permits, including mining leases, they are very competitive, so it takes about 4 to 5 years from conceptualization to actual production, and then even the ramp-up takes much longer, so to that extent bringing new capacities to market is also not very easy, and if the demand growth in India continues in double digits for the next 10 years, our view is that all the capacity which has been created will get absorbed in a matter of 18 to 24 months.

Mr. Deepak Sogani: Absolutely. In fact, you know, if clearly the capacity is setting up by necessary law, there are various scenarios in which if the cement demand grows significant above 12% or 13%, it is more than likely that one could even have the situation where the capacity is not adequate and there is significant shortfall in capacity. That cannot be ruled out, in fact it is very likely to happen as we go along. All this capacity obviously needs to be set up and you know, one tries to match the demand and supply and then maximize ones business potential, that is one is trying to build a long-term business model here, given the long-term significant demand potential of the sector, and that is why we remain very positively inclined with the sector and want to continue to grow our business in this sector.

Mr. Soumen: That is true, I think there is some problem in the South only because of this excess capacity creation which has happened this year. Rest of India probably is much better placed than players in the South.

Mr. Deepak Sogani: No, I think each part of the country from a long-term demand perspective will have its own growth trajectory. Obviously, you know, this business is a cyclical business, and capacity does get added in such function mode. That does not mean that the South is in any manner inferior. In fact, in South, in Tamil Nadu and Kerala are the two areas which contribute 74% of our sales. These two areas have limestone deficit. Kerala does not have any limestone at all. Historically, they have been significantly better in terms of pricing. On a go-forward basis also, lot of industrial and infrastructural projects are coming up in the Southern States as we are all aware. With that medium to long-term outlook, these sectors are significantly well positioned from a long-term sector outlook perspective.

Mr. Puneet Dalmia: We also feel that if you look at the last 10 years, the growth rate in Southern States have outperformed the growth rates in the rest of India.

Mr. Soumen: That is true. I think that it is just only in the last 1 year or so when things have not really gone well, but are things improving a bit in AP and Karnataka, what is your outlook over there?

Mr. Puneet Dalmia: I think we continue to see fluid political situation in AP and a weak government, but our view is despite that, hopefully demand will come back in the next 3 to 4 quarters. If India continues to grow, I think there is no way that the core sectors will not grow. All IIP numbers are strong, and we are seeing capex cycle coming back. We are seeing a lot of liquidity in the market. Saving rate is going up. So, I think in general we are very positive about the economy, and this is a derivative play on the economy at the end of the day.

Mr. Soumen: Sure, that is it from my side. Thank you so much.

Mr. Puneet Dalmia: Thanks Soumen.

Moderator: Thank you very much sir. Next in line, we have Mr. Vivek Maheshwari from CLSA India.

Mr. Vivek Maheshwari: Hi everyone.

Mr. Nidhi Agarwal: Hi Vivek.

Mr. Puneet Dalmia: Hi.

Mr. Vivek Maheshwari: My first question is on the structure that you have proposed. See, you have Avnija which will be a 100% subsidiary of Dalmia Bharat Enterprises Limited, right?

Mr. Puneet Dalmia: Yes.

Mr. Vivek Maheshwari: And which will further have 100% in Dalmia Cement Ventures and 26% in Dalmia Power Ventures.

Mr. Puneet Dalmia: Yeah, that is correct.

Mr. Vivek

Maheshwari: So, what would be the rationale of, you know, having Avnija, you know, as a step-down company rather than, you know, housing and everything in Dalmia Bharat Enterprises Limited itself.

Mr. Puneet Dalmia: I think there are two rationales. One, we believe that the current structure allows us to access different segments of capital. We can access private capital in unlisted vehicles, where people want some extra rise which is hard to give in a listed vehicle. We can also access listed capital which will be the only listed capital to play the cement sector with us, which is the Dalmia Bharat Enterprises Limited. So, one, I think it gives us flexible capital raising options. Secondly, I think this structure gives us additional fire power to accelerate our growth over the next decade. So, I think these are the two things which we feel are very positive in the current structure, and we are committed to disclosing consolidated results on a quarterly basis, so one of the differentiators which we have promised and we will continue to work on, you know, for the group is our corporate governance and transparency. So, I personally think it addresses those needs and gives us flexibility to access different pools of capital and significantly accelerate our growth through increased buyer power. Deepak, you want to add.

Mr. Deepak Sogani: Yeah, Puneet, I just wanted to add. Clearly, you know, I think the first point to note is that Avnija and the Dalmia Power Limited and Dalmia Power Ventures Limited, all of them are private vehicles, and therefore the listed company after the restructuring Dalmia Bharat Enterprises Ltd. will be the only entity to access the cement business for the investors, so from an investors point of view, they have access to cement which is pretty much a pure-play cement for quite some time to come, and they are getting additional benefit in power. That is the first point. The second point that I would like to add is that with the help of this structure, we are able to create a platform to develop our power business also which would have been a little difficult if everything was there on top, and thirdly, obviously, Puneet has highlighted the fact that the structure enables raising of capital. In our various conversations with different segments of capital providers, it was very clear that you know both the strategic players as well as the private equity players would prefer a completely pure play private vehicles to begin with, so that they can start participating in the next decade of long-term growth journey with us. So, given their preference, given the fact that this structure was unlocking additional business models and clearly from a listed shareholder perspective, you know, it is pretty much the same because, you know, we will publish consolidated financials and you know for all practical purposes, it is pretty much the same as it is, as it is getting held in Dalmia Bharat Enterprises Limited, with the additional benefit of unlocking capital raising ability within the structure.

Mr. Vivek Maheshwari: Sure, okay, and within Dalmia Enterprises, you have also mentioned real estate as one of the, you know, perhaps a vertical. Could you elaborate on real estate there?

Mr. Puneet Dalmia: I think basically all the real estate in the group which is our corporate office and some properties that we have in Delhi are basically located here. We don't see real estate as a core business. It will basically be a business which can provide additional liquidity to continue fund growth.

Mr. Vivek Maheshwari: So, per se, this entity would not be involved in any further development of properties, etc. It is going to be only cement and power, right, other than what you already have?

Mr. Deepak Sogani: Yeah, I think that is not the intent. At this point of time, it is not on our blueprint to start a real estate business if you would. We already have certain real estate assets, and it is important to provide them with particular housing, and that is what the structure is enabling. What if we enable is some liquidity over a period of time to fuel growth in the power business, and in the cement business. That is what is intended.

Mr. Vivek Maheshwari: Would it be possible to, you know, may be indicate what all, you know, other than corporate office, what all this would….?

Mr. Deepak Sogani: We can subsequently share, I mean, we do have, apart from the corporate office, we have certain properties in Haryana. There are certain properties in Uttar Pradesh. There are certain properties in Hyderabad, certain in Bombay. You know, the group is a pretty old group, right, it has been there for the last 70 years, and over its long existence, it has acquired various properties. It was into several other businesses in the past, which are now restructured and the focus is now cement, sugar, power, and refractories. So, all those real estate assets are here. That is how it is.

Mr. Puneet Dalmia: We will be happy Vivek to send you more details.

Mr. Vivek Maheshwari: Sure, sure, right. Next is on this 10 million tonne capacity addition. Would it be possible to share at which stage we are in, in terms of this next round of expansion.

Mr. Puneet Dalmia: Vivek, as I said, we are going to do this expansion in phases.

Mr. Vivek Maheshwari: Sure.

Mr. Puneet Dalmia: We are yet to start construction in many of the sites. So, right now, our board has not approved, you know, capex, but our view is that over the next 3 years, we should be able to bring some of this capacity to market in stages. So, I think at this point in time, you know, we cannot give you additional info, but over a period of time, I think at the appropriate time, we will share.

Mr. Vivek

Maheshwari: Okay.

Mr. Puneet Dalmia: As I said, we are in the process of raising capital from some leading private equity investors, and once the background of capital raising is complete, we will start some of these projects.

Mr. Vivek Maheshwari: That would happen at Dalmia Cement Ventures Limited level right.

Mr. Puneet Dalmia: That will happen at Avnija.

Mr. Deepak Sogani: At Avnija level.

Mr. Vivek Maheshwari: At Avnija level, okay.

Mr. Deepak Sogani: Because see, that is why the private equity players…… pure play cement entities which has operational assets as well as growth assets, and the OCL assets, all put together in one place, and therefore, you know, it helps them to value the business effectively.

Mr. Vivek Maheshwari: Okay, I mean, I am not sure again if you can comment on this, but what is the plan in the power business other than you know the excess that you are selling at this point of time.

Mr. Puneet Dalmia: I think this is just an enabling structure. Our current focus is to get the cement plans going.

Mr. Vivek Maheshwari: Okay.

Mr. Puneet Dalmia: And you know, we are basically going to incubate some projects on a merchant basis in power, but it is too early to talk about it. I think once we have firmed up, created some momentum, you know, I think then it will be probably appropriate to share some of those plans, but we are looking at you know some projects which are thermal power base, which are captive coal mines, but I think as of now they are very early stages of development.

Mr. Vivek Maheshwari: Okay, and lastly on the OCL, what would be the plan, you have already upped your stake there to 45%, so…

Mr. Puneet Dalmia: I think there is no real event here with respect to OCL. It is just an event which is creating pure-play corporate entity, so in OCL, basically we are leveraging synergy benefits as much as we can. We have technical teams transferring best practices. We have commercial teams, you know, creating procurement synergies, and we have a deep level of management integration, so I think that is about it, it is an associate company, and as of now it continues to remain an associate company.

Mr. Vivek Maheshwari: Okay, and just one more question, while you have answered this partially in the first question, but in terms of realizations, are we you know above the third quarter levels or we would be still lower after all the price hikes, I mean, adjusting for excise duty hikes that have happened?

Mr. Puneet Dalmia: So, Vivek, clearly the prices are significantly better in the current quarter related to the last quarter, right?

Mr. Vivek Maheshwari: Okay.

Mr. Puneet Dalmia: At the same time, you know, because the prices take a little bit time to settle down in terms of realization, the non-trade prices for example that blocked at a lower price in the earlier quarters when the prices were a bit lower, so it will take a bit of time to kind of settle down. We are expecting our exit EBITDA in this quarter to certainly be better than the last quarter if you would, right.

Mr. Vivek Maheshwari: Right.

Mr. Puneet Dalmia: But the prices are significantly better. I think, I am sure you are aware that the prices had gone down, let us say on an average by about 50 rupees per bag in the key states where we operate it right, and through Jan and Feb and through partly March, the prices are back by about 25 rupees at least at the retail level. However, you know, part of the discounting structure that has started in the past has not yet come back to the normal levels, and part of the non-trade prices, you know, that were ruling lower are still, you know, yet to catch up with the higher prices, so to that extent the blended prices have not yet, you know, started giving us the entire benefit, but clearly, the various players are not finding it attractive to sell at the lower prices, and it appears that market is working towards better realization.

Mr. Vivek Maheshwari: Okay, sure, thank you sir. That is all from my side.

Moderator: Thank you very much sir. Next in line, we have Mr. Ajit Motwani from Emkay Global.

Mr. Ajit Motwani: Yeah, good evening all. Sir, my question is on the power surplus that the company would have, you know, that would be meaningful only for FY'11, something like 17 odd megawatts of surplus power to be sold, but you know, in FY'12, that will not be meaningful, so you know, by creating this different structure of Dalmia Power, what is the eventual plan here?

Mr. Puneet Dalmia: I think we will have about 30 megawatt of surplus immediately, and as I said that you know this is an enabling structure pursued for the power projects.

Mr. Ajit Motwani: Okay.

Mr. Puneet Dalmia: The captive power plants of Dalmia Cement Ventures Limited which will be another 150 megawatt could potentially come in here, and as per the captive definition, if 51% of the power is sold to captive units, you know, it still remains captive, and a 26% shareholding. So, theoretically, we could do double of what we have on a captive basis. So, if there is 72, we could do 150 and still balance. Similarly, if there is 150 megawatt requirement in Dalmia Cement Ventures, we could do 300 megawatt and sell the balance. So, I think we want to just explore all options carefully, and this structure enables us to explore those options and create superior profitability.

Mr. Ajit Motwani: So, is the Ariyalur CPP on?

Mr. Puneet Dalmia: Yes. It has just started in March and it is under trial run right now. So, from 1st April, it will be hopefully coming in.

Mr. Ajit Motwani: Okay, so from quarter one itself, we will have surplus power?

Mr. Puneet Dalmia: Yes, yes.

Mr. Ajit Motwani: So, are there any arrangements of selling in place, some sort of….?

Mr. Puneet Dalmia: The Tamil Nadu Government is doing a tender every year, and right now, we are selling some surplus power from our Dalmiapuram plant to the grid at 5 rupees 90 paisa, and I think the latest prices…so that was the one year price, the new tender will come in June, but the sudden prices on a spot basis is about 5 rupees 78 paise net to us.

Mr. Ajit Motwani: Okay, and just wanted to know this Dalmia Power Ventures Limited have double holding, one is from Dalmia Power 74, and one is from Avnija. So, just wanted to understand this structure?

Mr. Puneet Dalmia: So, Dalmia Power Limited is our main power vehicle, which will have merchant and captive power plant. Dalmia Power Ventures is our captive power, so 26% has to be held by the cement company which is Avnija to retain the captive status. So, that is the reason why it has 26%, but Dalmia Power will have several SPVs which are merchant as well as captive or blend of the two.

Mr. Ajit Motwani: Okay.

Mr. Puneet Dalmia: So, the cement company need not have a stake in the main power company.

Mr. Ajit Motwani: Sure, and one last question, you know, OCL is still held by 25% by the erstwhile promoters, so just wanted to know what would be the strategy there, you will acquire there, or they will continue to remain the promoters for OCL?

Mr. Puneet Dalmia: I think as of now we have, you know, no real roadmap or announcements there. We are consolidated OCL on an associate basis.

Mr. Ajit Motwani: Okay.

Mr. Puneet Dalmia: As I said, we are leveraging the synergies on commercial and technical to the fullest.

Mr. Ajit Motwani: Okay, yeah, that is it from my side sir.

Mr. Puneet Dalmia: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Rajesh Kumar Ravi from PINC Research.

Mr. Rajesh Kumar Ravi: Good evening sir.

Mr. Puneet Dalmia: Good evening.

Mr. Rajesh Kumar Ravi: Sir, most of the questions have been answered. Just to ask few questions, what would be your volume growth that you would be expecting for FY'11 and FY'12, volume growth?

Mr. Puneet Dalmia: I think we are not giving any forecasts and guidance right now.

Mr. Rajesh Kumar Ravi: Okay, and what is the capex amount that would be related to the 10 million tonne expansion?

Mr. Puneet Dalmia: It is around 4500 crores.

Mr. Rajesh Kumar Ravi: 4500 crores, and sir, you were talking regarding the power business where you said that around 150….you were talking about something like 150 megawatt, can you please elaborate on that?

Mr. Puneet Dalmia: The Dalmia Cement Ventures Limited 10 million tonnes need a captive power of 150 megawatt.

Mr. Rajesh Kumar Ravi: Okay, so this 4500 crores is including this 150 megawatt power plant?

Mr. Puneet Dalmia: No, it is excluding the 150 megawatt. This is for the cement business alone.

Mr. Rajesh Kumar Ravi: Okay, so this 150 megawatt is scheduled to come along with the cement business itself, by 2013.

Mr. Puneet Dalmia: Yeah, we are going to evaluate that, where it makes sense to put up the power plant, where it does not make sense.

Mr. Rajesh Kumar Ravi: Okay, and sir, coming to the cement clinker ratio, for the last 3 quarters, the CC ratio has been deteriorating. It has come down from like 1.36 to 1.2, any particular reason for that?

Mr. Puneet Dalmia: Cement clinker ratio is 1.3 right now, and basically, it is due to the change in the mix from PPC to OPC.

Mr. Rajesh Kumar Ravi: Okay.

Mr. Puneet Dalmia: I think we will continue to optimize the product mix depending upon the growth in the market and the demand in the market place.

Mr. Rajesh Kumar Ravi: So, but going forward you are saying that you would be expecting it go to 1.5, is it so?

Mr. Puneet Dalmia: Yes. I think we can take it up to 1.5 if there is demand and if that is what we want to. The production flexibility exists in the plant, and the eventual plan is to take it to 1.5.

Mr. Rajesh Kumar Ravi: Okay, so what would be your debt and cash figures as of late?

Mr. Puneet Dalmia: I think it has already contained in the presentation. If you want any specific queries, you can talk to Nidhi.

Mr. Rajesh Kumar Ravi: Sure. That is all from my side, thank you very much.

Moderator: Thank you sir. Next in line, we have Mr. Salil Desai from IDFC.

Mr. Salil Desai: Sir, one small question when you said you are talking to certain investors for investing in Avnija. These are financial investors or strategic investors?

Mr. Puneet Dalmia: Mostly private equity firms.

Mr. Salil Desai: Okay, that is all sir, thanks.

Moderator: Thank you sir. Next, we have Mr. Mihir Jhaveri from Religare Capital.

Mr. Mihir Jhaveri: Sir, just wanted to know the breakup of the 10 million tonnes where you are expecting this 10 million tonnes, and secondly, sir, as you said that it takes 4 to 5 years now from conceptualization stage to getting the plant fully commissioned, where as generally it was a case that for equipment suppliers, it takes around 18 to 24 months to build the power plant, so just wanted to know more from you that where exactly is the bottleneck in terms of, you know, the capacity expansion….as far as the capacity expansion goes?

Mr. Puneet Dalmia: I think the first phase of expansion that happened in the cement industry was the brownfield expansion.

Mr. Mihir Jhaveri: Okay.

Mr. Puneet Dalmia: People did not have to buy land, they did not have to put additional infrastructure like roads, power transmission lines, railway siding, etc., and these projects, because there was existing infrastructure and existing people, it was easier to complete in 18 to 24 months, but the new phase of expansion is Greenfield because brownfield expansion potentially is largely exhausted, and Greenfield expansions are harder to complete, and they take longer to build. You have to go buy land, you have to build roads, railway sidings, etc., so it just takes…the incubation period and the construction period for these projects are much longer than brownfield, so it takes 2 to 2-1/2 years, large bottleneck is land, and MoU clearances, and the second bottleneck is even construction, if you are managing multiple sites, just organizing labour and making sure that you have the fully resourced project in terms of materials and people, and this takes much larger, so just management capability and execution bandwidth gets sucked up. So, we are seeing that it takes 2 to 2-1/2 years to incubate and 2 to 2-1/2 years to kind of construct, so it is 4 to 5-year project if you are executing flawlessly, and if you are not executing flawlessly, it can take longer.

Mr. Mihir Jhaveri: Okay, and sir, what about this 10 million tonnes, can you break up and you can tell which state is…?

Mr. Puneet Dalmia: I think largely it is going to extend our South and East India footprint, but long-term we want to be a pan-India player, and we have projects in different stages of development as of now, and which projects we are going to start first is something we are not giving guidance on right now because the board has not given us that yet.

Mr. Mihir Jhaveri: Sure sir, and that is about it from my side sir. Thanks.

Moderator: Thank you sir. Next, we have Mr. Ajay Vora from Enam AMC.

Mr. Ajay Vora: Yeah, hi, good evening sir. Can you just give a sense of where do we stand as to Dalmia refractory business as to what is the topline and the profitability?

Mr. Puneet Dalmia: I think basically we can take this question offline.

Mr. Deepak Sogani: Yeah.

Mr. Ajay Vora: Okay, and sir, when we say that we are planning to sell some stake to some strategic partner in Avnija, will it be fresh issue or what?

Mr. Puneet Dalmia: We are looking at raising private equity by fresh issue.

Mr. Ajay Vora: Okay, thank you very much sir.

Moderator: Thank you sir. Next, we have Jharna Mazumdar from TickerPlant.

Ms. Jharna Mazumdar: Hi sir.

Mr. Puneet Dalmia: Hello.

Ms. Jharna Mazumdar: Yeah, hi, sir just I have few questions, that are, what is the revenue growth you are expecting by March end?

Mr. Puneet Dalmia: I think our YTD growth in revenues has been 25%, so I think you can do the model better than us.

Ms. Jharna Mazumdar: If you can just give a projection, and by FY'11, what is the revenue growth you are targeting?

Mr. Deepak Sogani: We obviously not able to give any forward looking outlook statement at this point of time.

Ms. Jharna Mazumdar: Okay. Now, I would like to go to the next question, that is, where does your margins stand and what kind of margins do you expect by the end of this quarter?

Ms. Nidhi Agarwal: I think if I could just repeat, we are not here giving any guidance on our numbers for the quarter or for next year.

Ms. Jharna Mazumdar: Okay, and this 10 million tonne capacity you plan to add, this will be by when?

Mr. Puneet Dalmia: Over the next 3 to 4 years.

Ms. Jharna Mazumdar: 3 to 4 years, and this would be cement capacity, right?

Mr. Puneet Dalmia: Yeah.

Ms. Jharna Mazumdar: And mainly you are focusing on South and East India footprint?

Mr. Puneet Dalmia: Right.

Ms. Jharna Mazumdar: Okay, and I would like to cross-check one thing, you just now spoke about raising private equity, can you elaborate on this?

Mr. Deepak Sogani: That is the only information that we wanted to share that we are working on it, as and when we have some more information to share we will obviously do that.

Ms. Jharna Mazumdar: But this would be for Avnija Properties right?

Mr. Deepak Sogani: Which is for cement business.

Ms. Jharna Mazumdar: Cement business, okay, thanks sir.

Moderator: Thank you ma'am. Next, we have Mr. Tian Ming from Navis Capital.

Mr. Tian Ming Huang: Hi, thanks very much for very interesting presentation and the very good restructuring plan. I had a question on OCL, but that has been answered, so I am fine, thanks very much.

Mr. Puneet Dalmia: Thank you very much.

Moderator: Thank you sir. Next, we have Jay Asher from JM Financial.

Mr. Jay Asher: Hi Jay Asher here.

Mr. Puneet Dalmia: Hi Jay.

Mr. Jay Asher: Hi, thanks for the presentation, really glad that finally demerger has gone through. I think it is step towards accelerating growth for your group, best of luck for it.

Mr. Puneet Dalmia: Thank you.

Mr. Jay Asher: Yeah, and just one question, what is the equity requirement at Avnija level?

Mr. Puneet Dalmia: I think the total equity requirement will be around 1000 crores.

Mr. Jay Asher: Okay.

Mr. Puneet Dalmia: And we have basically funded the capex through mix of internal accruals and fresh capital raise.

Mr. Jay Asher: Okay, and so once the demerger process gets through in the next two quarters…

Mr. Puneet Dalmia: Yeah.

Mr. Jay Asher: What will be net worth of the resultant new entity?

Mr. Deepak Sogani: See, we have shared, Jay.

Mr. Jay Asher: Net asset, that you shared actually.

Mr. Deepak Sogani: You know, we have already given some of the data points, and we will provide the net worth data as we go along through the scheme because clearly, you know, it is subject to creditor and shareholder approval and is possible that the balance sheet approvals will impact the net worth, the resultant net worth issual, but broadly, clearly, all the assets related to cement are going to cement business, all the assets related to sugar business are going to sugar business, and we have been maintaining divisional financials for these divisions any way.

Mr. Jay Asher: Okay.

Mr. Deepak Sogani: So, it is pretty much in line with what we have today.

Mr. Jay Asher: Okay, but can you just add that so that we are clear about the book value of the asset there.

Mr. Deepak Sogani: See, you know, again as I said like it goes back to the net worth question.

Mr. Jay Asher: Yeah.

Mr. Deepak Sogani: Today, the combined company net worth is anyway you have…

Mr. Jay Asher: Yeah.

Mr. Deepak Sogani: ….and we have already given you the broad intent of stating the liabilities and the fixed assets and the other operating assets, right?

Mr. Jay Asher: Yeah.

Mr. Deepak Sogani: As far as the breakup of the balance sheet for reserves and surpluses is concerned, give us some more time, and we should be able to kind of….I am sure that any more details we should be able to give.

Mr. Jay Asher: Okay, no problem, thanks a lot.

Mr. Deepak Sogani: Thanks Jay.

Moderator: Thank you sir. Next, we have Mr. Jigar Shah from Kim Eng Securities.

Mr. Jigar Shah: Good evening everyone. First of all congratulations on a very well presented plan and it gives a good clarity. I have two quick questions. One is what is the current promoter holding and how would it be after this exercise is completed, and once the dilution takes place, you know, what kind of…like 1000 crore equity will lead to approximately what range of dilution if you can give some idea?

Mr. Puneet Dalmia: I think all I can say is that we are currently exploring pricing which is significantly higher to the current market price, but you know, no deal is done till it is done, and I think we can make an announcement of the numbers only when we have concluded the transaction, and it is binding in nature. The current promoter holding in Dalmia Cement Bharat is 57%.

Mr. Deepak Sogani: At the same time, the dilution obviously is going to be a minority dilution.

Mr. Jigar Shah: Yeah.

Mr. Deepak Sogani: Small dilution what we are looking at because our intent is to fund the 1000 odd crore equity that we need partly through the private equity capital and partly through internal accruals as well, so that you can take your own call on how you know stake is….

Mr. Jigar Shah: Okay, so basically all 1000 crores need not really result into…?

Mr. Deepak Sogani: No, that is not the idea. That is not the idea.

Mr. Jigar Shah: Right.

Mr. Deepak Sogani: This is the equity required.

Mr. Jigar Shah: Right.

Mr. Deepak Sogani: But you know it will be funded through two channels, some external and some internal.

Mr. Jigar Shah: No, I think Puneet partly answered my question that basically you know, I mean, current prices, one can not look at it, because that would lead to considerably higher amount of dilution, I mean, I understood basically it won't be really that high whenever it happens.

Mr. Deepak Sogani: It will be a minority stake transaction for sure.

Mr. Jigar Shah: Right.

Mr. Deepak Sogani: And at the same time, please note in the current transaction, there is absolutely no change in the promoter shareholding in any form or fashion.

Mr. Jigar Shah: Right.

Mr. Deepak Sogani: It is completely with each and every shareholder, so whatever the structure is doing, it is equally benefitting all existing shareholders, the promoters, and the current shareholders. I just wanted that point to be amply clear to all of the participants on the call today that this structure is actually facilitating growth for all of the shareholders and it is not creating any biasing for the shareholders.

Mr. Jigar Shah: Right, my one last question is, you know, the latest couple of months or one and a half months of developments in sugar, you still have growth plans or you will just wait for some time and look at the situation?

Mr. Puneet Dalmia: I think we just want to see how the regulatory framework evolves in the country because you know we see sometimes the government takes one step forward, and a few steps backward, so we like the power opportunity in the sector, but we are a little cautious about the turbulence in sugar sector caused by government interventions and world market variables, so I think we are consolidating our position right now, and we are also looking at various selective investment opportunities.

Mr. Jigar Shah: Thank you Puneet and all the best to you.

Mr. Puneet Dalmia: Thank you very much.

Moderator: Thank you sir. Next, we have Mr. Rakesh Arora from Macquarie.

Mr. Rakesh Arora: Good evening sir.

Mr. Puneet Dalmia: Hi Rakesh.

Mr. Rakesh Arora: Hi. Let me start with a simple question, what does this word Avnija means and what is the background behind it?

Mr. Puneet Dalmia: Actually, there was a land filing, you know, act in India, so there are a lot of subsidiaries under Dalmia Cement which have bought limestone land to overcome the land filing problem, and eventually once you buy these limestone lands, we were transferring it to the parent company, so it is one of the subsidiaries which we have had.

Mr. Rakesh Arora: Okay.

Mr. Puneet Dalmia: Now, we have basically used that vehicle to house the cement entity.

Mr. Deepak Sogani: Obviously, you know, during the course of the scheme and maybe probably immediately thereafter, we will have to rechristen some of the companies names, you know, to give them more business oriented names than the kind of names they are, so that obviously will happen in due course.

Mr. Rakesh Arora: Okay, I thought it had something to do with mother or you know…..?

Mr. Puneet Dalmia: Ha..ha..ha.

Mr. Rakesh Arora: Now, second question is that when I look at this proposal, obviously the sugar part looks much more cleaner than the cement part, and obviously we thought that larger part of the value lied in the cement business, so meaning, what was the real motive behind keeping these refractories and real estate into cement?

Mr. Puneet Dalmia: Actually, I think we had to hive off the cement business due to transaction cost issues. The sugar business has lot of 80IA income in the power segment of the business, and it also has government incentives, which are currently under dispute, but you know, hiving off the company into a different company would have created bigger problems, and would have put some of those benefits to risk, so I think basically that is the reason why we did this. I think secondly we have taken all non-core assets into the Dalmia Bharat Enterprises Limited because that can provide liquidity and we can monetize them for future growth of the core business.

Mr. Rakesh Arora: So, would not it have been better to list Avnija than going with listing of the Dalmia Bharat Enterprises?

Mr. Deepak Sogani: Dalmia Bharat Enterprises Limited is an automating listing, Rakesh.

Mr. Rakesh Arora: Okay, after the demerger.

Mr. Deepak Sogani: It is an automatic listing.

Mr. Rakesh Arora: Okay.

Mr. Deepak Sogani: It is as you know, tax compliant demerger scheme under 391-394, and therefore, by virtue of the process itself, it is listed, and at the same time, Avnija is a private cement vehicle, provides ample opportunity to, you know, provide growth capital into it through multiple channels, the private equity that we spoke about clearly.

Mr. Rakesh Arora: Right.

Mr. Deepak Sogani: That was not possible. Getting private equity into a listed company, mark-to-market issues will be there, would have been practically impossible. We have been dealing with this issue for several months, and you know, this is the only way we will be able to get equity at a premium, so we want to obviously provide capital for growth.

Mr. Rakesh Arora: And sir, Dalmia Power is left out, because you will need capital also there?

Mr. Deepak Sogani: But you know over a period of time, there is some EBITDA generated in that business, right.

Mr. Rakesh Arora: Right.

Mr. Deepak Sogani: It only has 72 megawatt, and as we grow our SPV projects or the new 10 million tonnes projects, another 100 megawatt will be required, that will automatically become close to 200 megawatt kind of a vehicle, right?

Mr. Rakesh Arora: Yeah.

Mr. Deepak Sogani: And going with some capital with all the real estate and some liquidity that is left in Dalmia Bharat Enterprises Limited, we can start using that capital to push it down in capex growth in due course, but right now, as I said, it is an enabling structure because nothing substantive in the form of a business plan to pursue the growth at this point of time, but it will happen over a period of time.

Mr. Rakesh Arora: Right, understood, thank you so much.

Moderator: Thank you sir. Next, we have Mr. Pankaj from Kotak Mutual Fund.

Mr. Pankaj: Good evening everybody.

Mr. Puneet Dalmia: Good evening.

Mr. Pankaj: Just what are the time guidelines you guys have in mind for listing of Dalmia Bharat and when will be it effective from 1st April 2010 and how, what are the time guidelines if you can just share with us?

Mr. Deepak Sogani: Yeah, clearly, the scheme is effective from 1st April 2010.

Mr. Pankaj: Okay.

Mr. Deepak Sogani: It gets approved by the court post all the shareholders and creditor approvals some time in 6 to 8 months from now, and we will try and see how we can clear this process, but that is the outer limit in terms of guidelines. After approvals from the court, it takes about 30 days to 60 days with a stock split, it will take at least another 8 months to the stock to get listed.

Mr. Pankaj: Okay, and as promoter, the question is to Puneet now.

Mr. Puneet Dalmia: Yeah.

Mr. Pankaj: What would you be comfortable with your holding in cement ultimately. Can it go below 51%, or will you be still wanting a majority stake in the listed entity at the end of the day after the dilution?

Mr. Puneet Dalmia: I think, you know, we want to look at profitable growth opportunities and create shareholder value and we are open to dilution. However, I think we will be selective about dilution and we want to make sure that dilution happens for the right reasons to pursue, you know, the right opportunities, so I think I cannot give a sweeping generic statement.

Mr. Pankaj: Sure.

Mr. Puneet Dalmia: Currently, as I said, we had lot of projects in the pipeline which we thought could create significant value, but we did not want to dilute at the current prices because it would have been not accretive for current shareholders.

Mr. Pankaj: Okay.

Mr. Puneet Dalmia: I think we would be very careful about dilution. I think we are not averse to dilution. I think that is the only answer I can give.

Mr. Pankaj: Okay, the other question is in OCL, at some point of time, when we become a majority shareholder, will it be merged with Avnija or you are looking at Dalmia Cement Ventures to carry out the OCL Ventures?

Mr. Puneet Dalmia: I think the holding of OCL is currently in Avnija, and I think as of now, you know, Avnija is going to be the main vehicle to play the cement game because all Avnija shareholders will have access to existing assets and our investment in associate company and the new projects, and I think the same pass-through is available to the holders of the listed entity, where they have a full exposure in the cement play of the group, absolutely directly without any issue, so there is full alignment of interest according to us.

Mr. Pankaj: Okay.

Mr. Puneet Dalmia: In our mind, you know, we don't plan to have another listed entity for the next 4 to 5 years at least. So, Dalmia Bharat Enterprises Limited will be the main public vehicle to be able to access cement growth of the group.

Mr. Pankaj: Okay, and at some of time, if power becomes a big vertical, you would like to demerge it again?

Mr. Puneet Dalmia: Possibly, but I think, you know, that is again you know longer term, so yes, absolutely.

Mr. Pankaj: Fair enough, thank you, all the best.

Mr. Puneet Dalmia: Thank you very much.

Moderator: Thank you sir. Next we have Mr. Dhimant Shah from HSBC. Hello sir?

Mr. Dhimant Shah: Hello?

Ms. Nidhi Agarwal: Hello, Dhimant?

Mr. Dhimant Shah: Yeah, am I audible?

Ms. Nidhi Agarwal: Yeah.

Mr. Dhimant Shah: Yeah, one or two questions here. I think you have answered most of the questions. One question is on the tax implication of the entire demerger, number one. Number two, I think so, why are you having a structure where, you know, DPL, the Dalmia Power Limited, will hold 74% in DPVL and Avnija will also hold 26%. So, are we looking at a further kind of dilution at DPL level and is that be intent?

Mr. Deepak Sogani: Dhimant, Deepak here.

Mr. Dhimant Shah: Yeah.

Mr. Deepak Sogani: You know, at this point of time, there is no dilution plan in any of the other vehicles other than Avnija at this stage. See there are certain laws and certain benefits of having a captive power plant to a cement business, right?

Mr. Dhimant Shah: Correct.

Mr. Deepak Sogani: And under the laws, the power vehicle should be held at least to the extent of 26% by the cement business for it to get qualified as a captive power plant to the cement business.

Mr. Dhimant Shah: Okay.

Mr. Deepak Sogani: And when the electricity in the sector is lower….right?

Mr. Dhimant Shah: Okay, so the regulation is 26% not 51%?

Mr. Deepak Sogani: Sorry, it is 26%, that is why there is a holding of 26% by Avnija into the Dalmia Power Ventures….

Mr. Dhimant Shah: Yeah, that is right.

Mr. Deepak Sogani: Please also note that, you know, we have created a two layered structure there in the power side, so that for all practical purposes, the captive power business continues to get owned a 26% by the cement business and does not impact the captive power related issues and any new merchant power as and when it develops it can happen in the Dalmia Power Limited.

Mr. Dhimant Shah: Okay, okay, and what is the overall tax implication for the entire demerger process?

Mr. Deepak Sogani: See, you know, if you look at it, the scheme really, you know, the first, scheme is a tax compliance scheme overall.

Mr. Dhimant Shah: You are read by provision of section 72?

Mr. Deepak Sogani: Right. So, I think, you know, if you I mean, we believe that on a corporate side, there aren't any tax implications, but let me just tell you, there will certainly be certain stamp duty implications, right. So, in the cost side, there are certain stamp duty costs….

Mr. Dhimant Shah: Right.

Mr. Deepak Sogani: ….which we estimate it to, you know, we have certain estimates but they are not very high, let the process happen and we have certain estimates for that.

Mr. Dhimant Shah: Okay.

Mr. Deepak Sogani: Other than that, you know, there isn't much that is happening in the overall scheme.

Mr. Dhimant Shah: Okay.

Mr. Deepak Sogani: Right in the tax compliance scheme.

Mr. Dhimant Shah: Okay and I mean you just answered this, sorry for being repetitive, but I missed that portion of the previous question as to what happens to the holding in OCL?

Mr. Deepak Sogani: The holding in OCL is becoming a part of the Avnija entity post restructuring, so that all the cement assets are together in Avnija.

Mr. Dhimant Shah: Okay.

Mr. Deepak Sogani: And that is what we can probably share at this point of time regarding OCL.

Ms. Nidhi Agarwal: So, there is no change in terms of stake.

Mr. Dhimant Shah: Okay, so combined with OCL, you are targeting roughly about 20 million tonnes?

Mr. Deepak Sogani: No 23 million.

Mr. Dhimant Shah: 23 million tones?

Mr. Deepak Sogani: Yes.

Mr. Dhimant Shah: Okay, okay. Fair point. Fine. I think that should be fine.

Mr. Deepak Sogani: Thanks Dhimant.

Mr. Dhimant Shah: Thanks.

Moderator: Thank you sir. Next we have Ms. Archana from Edelweiss Securities.

Ms. Archana: Hi, just one small question. In Dalmia Power Limited, what is the current power requirement for our 9 million tonne capacity?

Mr. Deepak Sogani: So, you know, let us look at it in each plant….

Ms. Archana: Okay.

Mr. Deepak Sogani: In Dalmiapuram, we have a 45 megawatt, you know, capacity installed over there.

Ms. Archana: Okay.

Mr. Deepak Sogani: And there we have surplus of around 10 to 12 megawatt, yeah.

Ms. Archana: Okay.

Mr. Deepak Sogani: In our Ariyalur plant, we have almost commissioned a 27 megawatt capacity over there and there again we should have a 5 megawatt kind of a surplus as we move along, right.

Ms. Archana: Okay, so you are saying that for a 9 million tonne…..okay, but your Kadapa….

Mr. Deepak Sogani: But in our Kadapa plant….

Ms. Archana: Okay.

Mr. Deepak Sogani: See, Kadapa plant, there were certain state incentives on the electricity side…..

Ms. Archana: Okay.

Mr. Deepak Sogani: ….for the initial few years, and therefore, we have not put up a power plant for our Kadapa facility as yet, okay?

Ms. Archana: Okay.

Mr. Deepak Sogani: So, what I am saying is not for 9 million. It is for 6.5 million.

Ms. Archana: 6.5 million?

Mr. Deepak Sogani: Yeah.

Ms. Archana: So, for 6.5 million, since you are selling surplus of roughly 17 million, so roughly for your total, you are saying for the 6 million tonnes, your power requirement is roughly to the tune of what 55 megawatts?

Mr. Deepak Sogani: Yeah, you know, absolutely, that would be the data, yeah. So, see, it all depends on the capacity utilization, the product mix and several other parameters, right?

Ms. Archana: Okay.

Mr. Deepak Sogani: And you know, if there are breakdowns and more energy gets consumed in between…so, there are multiple things at play…

Ms. Archana: Okay.

Mr. Deepak Sogani: ….but I would probably add to say that, you know, amongst all our competitive universe, especially in the South, our plants are probably the most newer plants. Two out of our three plants are, you know, less than one year old and even in Dalmiapuram, the two lines that we put up were recent. So, if you look at the new capacity to total capacity ratio….

Ms. Archana: Okay.

Mr. Deepak Sogani: ….it probably will be highest for Dalmia's if you would, and therefore, at this point of time, we believe our energy efficiency is amongst the best, probably the best in the Southern players.

Ms. Archana: Okay and this you said is the power requirement at an X utilization level right now?

Mr. Deepak Sogani: This is what we are using at this point of time.

Ms. Archana: At this point in time, correct. At a 100% utilization level for a 9 million tonne capacity, what will be the power requirement?

Mr. Deepak Sogani: See, what you should do is to take around 75, you know, units per tonne of cement, okay. That is the standard for us, 72 to 75 units.

Ms. Archana: 72 to 75 kilowatt hours.

Ms. Nidhi Agarwal: Yes.

Mr. Deepak Sogani: Yeah, for 1 tonne of cement, which for our competition is around 85 or 90, so that is where we are saying we are very efficient at this point in time.

Ms. Archana: Sure, and the 10 million tonne that we have planned expansion for, of course it is in the pipeline though, does it have any CPP arrangements also?

Mr. Deepak Sogani: You know, it will surely have some CPP as we go along, yeah.

Ms. Archana: As of now nothing is in the pipeline on that front?

Mr. Deepak Sogani: No, even the new projects are in the pipeline for that matter, you know, they have not yet started digging the ground, but they will develop the projects.

Ms. Archana: Sure, sure. Okay, that is it from my side. Thanks a lot.

Mr. Deepak Sogani: Thanks.

Moderator: Thank you ma'am. Next in line, we have CRISIL Research.

Female Speaker: Yes, hi, just a couple of questions from us please. One is if you could please clarify whether there is any long-term arrangement on power pricing for Avnija. Is there any long-term contract which protects, you know, your power cost as more cement capacity comes on stream? Now, that is the first question. Second is, you know, if you could just make some broad comment on the valuation environment for M&A in this sector, you know, how you are seeing things? Are you seeing more deal flow either as an acquirer or you know, how your own valuation expectations have changed versus the funding that is available to you, and you know, just may be put that in the context of replacement cost because in the past, you have given a fairly clear guidance on what you think replacement cost is done and finally just wanted a reconfirmation on pricing. Did I catch you right that fourth quarter average so far is better than the third quarter average, please if you can reconfirm and thank you very much for the call.

Mr. Puneet Dalmia: So, I think let me start in reverse order. I think prices have gone up in the fourth quarter in the Southern region, and you know we think that the, you know, final numbers will be probably close or slightly better than the third quarter in terms of average prices. In terms of replacement cost, we think replacement costs are currently in the 100 to 110 dollars per tonne kind of range, but as we will start constructions, we think some of the cost drivers of the projects have inflationary trends and this price to go up and it may head north in the next two to three years. If the economy grows at 8% to 10%, I think we may have severe supply shortages in India which most people don't anticipate. To your third question on M&A, I think the sector balance sheets are strong and we are not having too much, you know, opportunities for M&A currently. However, having said that, there might be, you know, some players who want to focus, who may not see cement as their core business and might want to focus on something else, so there might be opportunities but we think they will be far, you know, there won't be too many and there will be very selective M&A. Have I answered all your questions?

Female Speaker: Just one on the long-term power arrangement?

Mr. Puneet Dalmia: I think basically on the power side, we will have a, you know, basically a conversion type arrangement between the power company and Avnija which will ensure that the interest of, you know, both the power company and Avnija is fairly protected.

Female Speaker: So, when you say conversion type, you mean, just a pass-through?

Mr. Puneet Dalmia: Yeah, pass-through, yeah.

Female Speaker: Okay, cool. Thank you very much.

Mr. Puneet Dalmia: Thanks.

Moderator: Thank you very much ma'am. Next we have Mr. Jay Asher from JM Financial.

Mr. Jay Asher: Hello?

Mr. Deepak Sogani: Yeah, hi Jay.

Mr. Jay Asher: Yeah, hi, Deepak, just a followup question on, you were saying about this stamp duty implications.

Mr. Deepak Sogani: Yes.

Mr. Jay Asher: Since, you are mentioning in the PPT that about 2200 crores of net fixed assets will be transferred to the new resultant entity.

Mr. Deepak Sogani: Yes.

Mr. Jay Asher: So, is it fair to assume that about, stamp duty at about close to 5% about 100 odd crores will be just…...

Mr. Deepak Sogani: No, no, no, that is a pretty huge number Jay. Jay, I think, you know, we can obviously have an offline conversation on this.

Mr. Jay Asher: Okay.

Mr. Deepak Sogani: But the stamp duty depends on various states where the property resides.

Mr. Jay Asher: Okay.

Mr. Deepak Sogani: Okay and in different states there are different entries in the Stamp Act of those states and we have obviously looked at all of this very carefully in the process of forming our views on this scheme and we do not believe the costs are, you know, likely to be very significant on the stamp duty side for sure, okay.

Mr. Jay Asher: Okay and one more question on the 27 megawatt of power that exist at Dalmiapuram in KPPL. How is it being transferred to the power entity?

Mr. Deepak Sogani: See, that arrangement is a separate arrangement. Power entity really is going to own all the, you know, power assets. So, any arrangement of the organization will remain the way they were in past, you know, all the mining leases and everything, all other commercial arrangements, they anyway go independent of this particular restructuring.

Mr. Jay Asher: Okay, so that 27 megawatt for which you have a binding purchase agreement from KPPL becomes asset of Dalmia Power Ventures, that is what I understand.

Mr. Deepak Sogani: Absolutely, absolutely, that is also correct and it is also true for me the commercial arrangement that we have.

Mr. Jay Asher: Okay, fine. Thank you.

Mr. Deepak Sogani: Thank you.

Moderator: Thank you very much sir. I repeat participants who wish to ask questions, please press *1 on your telephone keypad. Next we have Ms. Jharna Mazumdar from TickerPlant.

Ms. Jharna Mazumdar: Hi sir, just one more question. Wanted to cross check with you your current cement capacity stands at 9 million per tonne?

Mr. Deepak Sogani: Yeah.

Ms. Jharna Mazumdar: Okay, thanks, bye.

Moderator: Thank you very much ma'am. Next, we have Jaspreet from Anand Rathi Financials.

Mr. Jaspreet: Hi sir, good evening.

Mr. Puneet Dalmia: Good evening.

Mr. Jaspreet: Just wanted to check our past….can the utilization rate in the two units in Kadapa and Ariyalur be, you know, increased and tomorrow if there is a pickup in demand in AP and neighboring states?

Mr. Puneet Dalmia: I think as I said earlier, we can produce more than our nameplate capacity, and we have tested the plant and equipment. We have got supply guarantees which have been fulfilled, but we will continue to ramp up the plant based on the market conditions and the demand.

Mr. Jaspreet: Okay, fair enough, thanks.

Moderator: Thank you very much sir. At this moment, there are no further questions from participants. I would like to handover to Ms. Nidhi Agarwal for final remarks.

Ms. Nidhi Agarwal: Thank you Vishwanath. Thank you all for being on the call with us today, and we appreciate and welcome your suggestions, comments, on the calls, on the process, and of course on the proposal that has been approved by the board today. Thank you once again and have a good day.

Mr. Puneet Dalmia: Bye, bye, thank you.

Moderator: Ladies and gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines.