



**Dalmia Cement (Bharat ) Limited**  
**First quarter Results Conference Call- Financial Year -2008-2009**  
**July 23, 2008**

**Moderator:** Good evening ladies and gentlemen. I am Sanjay, the moderator, for this conference. Welcome to the Dalmia Cement (Bharat) Limited 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 hand over to Mr. Puneet Dalmia. Thank you and over to you sir.

**Puneet Dalmia:** A very warm welcome to all of you for our first quarter conference call. I am joined by Mr. Somnath Patil, our Group CFO, and Nidhi Aggarwal, Head of Investor Relations. So, in the first quarter of FY '09, our net sales were 415 crores. It was up 19% year-on-year. Our EBITDA was 131 crores which is down 8% year-on-year largely on account of lower other income. We had a higher operational EBITDA as compared to the first quarter of last year. Our net profit is 50 crores, which is down 38% year-on-year. Overall, we are facing cost pressures in the cement business largely driven by heavy increase in energy cost driven by increasing coal prices. We expect this trend to continue because of high oil prices, although it may stabilize by next year, but this year we expect the pressure on energy costs to continue. We were also able to, you know, pass on a part of this cost increase to the customers though we could not pass it on fully.

Our greenfield projects in Andhra Pradesh and Tamil Nadu are running satisfactorily, and we expect to commission the Andhra Pradesh plant in November-December this year. In one of our associate companies OCL, we started doing trial runs of the grinding unit in Orissa which is a 1 million tonne grinding unit, and our two million tonne expansion that is also more or less on schedule. We have also announced major expansions in cement capacity through our subsidiary where we are going to put up 10 million tonnes in phases over the next three years, and this will entail a CAPEX of over a billion dollars in that subsidiary.

So, those are the results for this quarter. Overall, I feel that we have managed the inflationary pressures pretty well, and we continue to see a fairly optimistic outlook in both our businesses.

In sugar, we are seeing an upward price trend. The current spot prices are trading at about 16 rupees a kg, and the futures prices in December 2008 are at about 18 rupees a kg. So, we are seeing that worst in terms of sugar prices is over, and the cycle is bouncing back. However, the cane price uncertainty still remains, and we have to accept that as a part of regulatory risk in doing this business. Although best efforts are being made to continue a dialogue with the government to ensure that we can find long-term sustainable solutions which is in mutual interest of all



stake holders, but I think that is something which is not progressing as well as we had anticipated given the election year, but we hope that in a reasonable period of time, we will be able to come up with a better cane pricing mechanism for the industry. So, if there are any questions, I will be happy to take them.

- 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 their questions. To ask a question, please press \*1 now. Participants, who wish to ask questions, may please press \*1 now. First in line, we have a question from Mr. Ajay Vora from Enam AMC. Go ahead sir.
- Ajay Vora: Yeah. Hi. Good evening sir. Congratulations for good set of numbers. First question is, can we just get a sense of what are your power and fuel, for the cement business especially, power and fuel cost per tonne and the freight cost per tonne post hikes of coal prices?
- Puneet Dalmia: Yeah. I will give it to you.
- Somnath Patil: Yeah, this is Somnath Patil here. The power and fuel cost per tonne of cement is around 950 rupees.
- Ajay Vora: Okay, and freight charges sir?
- Puneet Dalmia: Our freight charges are roughly about 750 rupee.....
- Somnath Patil: 750 rupees or so.
- Ajay Vora: 750, and regarding coal, I think we import almost the entire requirement?
- Puneet Dalmia: Yes.
- Somnath Patil: Yes.
- Ajay Vora: Okay and sir, what are the current realizations somewhere close to right now?
- Puneet Dalmia: Our net realization ex-factory was about 3000 rupees.
- Ajay Vora: 3000?
- Puneet Dalmia: Correct. Yeah.
- Ajay Vora: So, is this net of freight?
- Somnath Patil: Yeah. This is net of freight.
- Nidhi Aggarwal: See. I think the best is to look at our net sales realization.



Ajay Vora: Okay.

Nidhi Aggarwal: Close to about 3600 plus.

Ajay Vora: 3600 plus.

Nidhi Aggarwal: It has slightly moved up, yeah.

Ajay Vora: Okay, and these power and fuel charges are likely to remain the same throughout year right?

Somnath Patil: Depending on how the coal prices move.

Ajay Vora: Okay.

Somnath Patil: So.....

Ajay Vora: Okay, and finally could you just give a sense of what as to the number of capacities which are coming up before the end of this year, and will it be, you know, the detrimental to the realizations going ahead?

Puneet Dalmia: We think that the pricing, you know, we will be able to maintain and actually improve during the course of the year. In south, we expect about, you know, 12 to 15 million tonnes to get commissioned, but most of this capacity is going to get commissioned in the later half of the year....

Ajay Vora: Okay.

Puneet Dalmia: ....and it will take some time to ramp up. So we do not expect any, you know, pressures in terms of, major pressures in terms of pricing. ....

Ajay Vora: Okay.

Puneet Dalmia: ....because the incremental demand , we will be able to take care of, you know, most of the available capacity this year. However, coal prices are difficult to predict, and our response to the, you know, volatile coal prices is that we are trying to use high-moisture Indonesian coal as opposed to low-moisture South African coal, which is you know cheaper on a prorata basis. So, we have already started using 25% of this high-moisture coal which will help us contain, you know, some of the inflationary impact in coal prices.

Ajay Vora: Okay. Thank you very much.

Moderator: Thank you very much sir. Next in line, we have a question from Mr. Prasad from Birla SunLife AMC.

Mr. Prasad: Hello?

Puneet Dalmia: Yeah.

Mr. Prasad: Good evening sir. Sir, one of my question has been answered that about cement prices. I just had some queries related to your FY '08 annual report. Could I just take those? Hello?

Nidhi Aggarwal: Yeah.

Somnath Patil: Yeah.

Mr. Prasad: Yeah. See sir, first thing is you have mentioned about there is a cost which I saw, I mean, your co-generation plant and the cost of generation of power through this plant, you have mentioned is around 3.19 per unit, and the realization is around 3.08. Can I just understand how is it, I mean, why is it so and why is it negative? Is the realization lower than the cost of generation?

Nidhi Aggarwal: Hi. This is Nidhi.

Mr. Prasad: Yeah, Nidhi.

Nidhi Aggarwal: See, co-generation also caters to our in-house other units as in sugar as well as distillery and ethanol.

Mr. Prasad: Okay.

Nidhi Aggarwal: And hence, there is some element of transfer pricing.

Mr. Prasad: Okay.

Nidhi Aggarwal: So, in fact you know it might seem as if you are making a loss there, but that is not the case because at the end of the day when we sell to the third party.....

Mr. Prasad: Okay.

Nidhi Aggarwal: .....the cost is much lower in terms of generation.

Mr. Prasad: Okay. Secondly, you have mentioned about this CAPEX, taking your capacity to 10 million tonnes through a subsidiary. Could you just throw a light on that, how exactly are you going to go about it. I mean what are the arrangements for financing and also, you know, the resources. How do you plan to have, you know, coal arrangement as well as limestone arrangement?

Somnath Patil: Yeah. You know, we are actually implementing this 10 million tonnes plants in our subsidiary company of Dalmia Cement, and this is going to be implemented in a phased manner actually over the next three years.

Mr. Prasad: Okay.

Somnath Patil: And, it will cost over a billion dollars.

Mr. Prasad: Okay.

- Somnath Patil: Preliminary work in terms of land identification and limestone sourcing that has been completed, and the project had also been appraised by a bank.
- Mr. Prasad: Okay, it means land has already been spotted or it has been already acquired?
- Somnath Patil: Yeah, partly acquired. The acquisition process is going on still.
- Mr. Prasad: Okay.
- Somnath Patil: We have received prospecting licence in some cases, and in some cases, mining licenses. So, the appraisal of the project has been completed and it will be funded partly by debt and partly by internal accruals.
- Mr. Prasad: So, what will the proportion of debt and equity in this at project level?
- Somnath Patil: Yes, it will be 2:1.
- Mr. Prasad: Okay.
- Somnath Patil: Yeah.
- Mr. Prasad: This will be 2:1 and to be spent over three years period?
- Somnath Patil: That is right.
- Mr. Prasad: This would be in which region, the existing Tamil Nadu, AP, or some other regions?
- Somnath Patil: No, this will be in some southern part of partly in Karnataka and partly in some other part of the country in the northern part.
- Mr. Prasad: Okay, but you would also require environmental clearances and all those things, and this is going to be a greenfield, right?.
- Somnath Patil: That is right, yes, and work is going on for getting environmental clearances.
- Mr. Prasad: Okay. Another thing, sir, which I saw in your annual report is your investments, basically the trading and investments is quite high. I mean sale and purchase is as good as your balance sheet size. Can I just know what is your investment policy and how do you monitor risk which arise out of fluctuation in the market?
- Puneet Dalmia: Actually, we answered this question in our last conference call also. Our policy was that, a part of our surplus treasury is earmarked for CAPEX, was being invested in debt mutual funds and part of it was being invested in the equity markets. Now, since our projects are, you know, consuming capital, you know, we are not investing any further accruals

into the equity market...

Mr. Prasad: Okay

Puneet Dalmia: .....and we are in the process of running down the portfolio as the capital gets consumed.

Mr. Prasad: Okay. So, going forward, we won't see much of that investment related income?

Puneet Dalmia: Yes. I think, you know, that is going to get significantly lower than what we have seen in the past.

Mr. Prasad: Okay. Just last question. What is happening to the sugar inventory? There was a huge sugar inventory at the end of March...

Puneet Dalmia: Yeah.

Mr. Prasad: .....so what is the status now?

Puneet Dalmia: As you know, sugar is a, you know, seasonal business. So, we produce for six months in the year and we sell during all the 12 months. This inventory is getting consumed.

Mr. Prasad: Okay.

Puneet Dalmia: And currently, spot prices are about 16,000 per tonne.

Mr. Prasad: Yeah, that I heard.

Puneet Dalmia: Futures prices are 18,000 per tonne.

Mr. Prasad: So, what is the inventory as I would say June end, sugar inventory? It was 271 crores as March end. So what will it be now?

Somnath Patil: 150,000 tonnes.

Mr. Prasad: 50,000 tonnes?

Somnath Patil: 150,000 tonnes.

Mr. Prasad: 150,000 tonnes. Okay. Thank you. That answer my questions.

Puneet Dalmia: Yeah.

Moderator: Thank you very much sir. Next in the queue, we have a question from Mr. Bhavin from Enam Holdings.

Mr. Bhavin: Good evening sir, two or three questions just from the financial side. One is if you can give us June 30 gross debt and your cash balance?

Puneet Dalmia: For cash in the asset....

Somnath Patil: We have a gross debt of about 1800 crores...

Mr. Bhavin: Okay.

Somnath Patil: .....and cash and cash equivalent of about 400 crores.

Mr. Bhavin: This 1800 crores, sir, foreign currency will be how much sir?

Puneet Dalmia: It is very little.

Somnath Patil: That is a very small amount. That is not much.

Puneet Dalmia: And actually, out of this 1800, about 1500 is term debt....

Mr. Bhavin: Okay.

Puneet Dalmia: And the balance is working capital, right.

Mr. Bhavin: And balance is working capital? In this, your work in progress, I saw, 750 has been spent on new projects, right?

Puneet Dalmia: That is right.

Nidhi Aggarwal: That is for up till June.

Mr. Bhavin: Up till June, yeah.

Nidhi Aggarwal: Yeah.

Mr. Bhavin: So your work in progress stands at close to 750?

Puneet Dalmia: That is right.

Somnath Patil: Yes.

Mr. Bhavin: And sir, in terms of sugar inventory, you mentioned, it is 1,50,000 tonnes at end of June?

Puneet Dalmia: That is right.

Mr. Bhavin: Sir, regarding, again on the sugar business, what kind of volume guidance would you like to give for this sugar season and next, because now, all over India, the cane production is expected to be lower, so what kind of recovery, and what kind of sugar numbers you expect for this fiscal and next fiscal?

Puneet Dalmia: See, our total capacity of the three plants is to be able to produce 3 lakh tonnes of sugar.

Mr. Bhavin: Okay.

Puneet Dalmia: We believe that, you know, for this year, we are going to produce somewhere around 2 lakh tonnes of sugar.

Mr. Bhavin: Okay, and next year sir?

Puneet Dalmia: Next year also, I think, the numbers are likely to be, you know, pretty similar because we have done a lot of work on cane development and, you know, we have a fairly good cane security.

Mr. Bhavin: This you are giving April to March numbers, around 2 lakh tonnes this year and 2 lakh next year?

Puneet Dalmia: That is right.

Mr. Bhavin: Okay and sir, this cane provision in the books have been done at what prices and any contingency on that are there?

Somnath Patil: That has been done at 125 rupees per quintal.

Mr. Bhavin: Okay, that has been done at 125?

Somnath Patil: Yes, yes.

Mr. Bhavin: Sir, on the cement side, in the absolute number if you can give us the coal price average per Q1 FY '09 and Q4 if you can give us the last quarter also?

Nidhi Aggarwal: Yeah, sure.

Somnath Patil: Yeah, see for this current quarter, it was 5800 rupees.

Mr. Bhavin: 5800?

Somnath Patil: Yeah and same quarter last year, it was 3700.

Mr. Bhavin: 3700, and sir Q4, if you can give us that?

Somnath Patil: It was 5000 rupees.

Mr. Bhavin: 5000, and sir it is landed cost, right?

Somnath Patil: Yes, landed cost at our plant.

Mr. Bhavin: Okay and currently, sir, it must be how much; it must be close to 7000 odd.

Somnath Patil: It will be around 6000 odd, you know, 6400 or something.

Mr. Bhavin: 6400.

Somnath Patil: Yeah.



- Mr. Bhavin: Okay, thanks a lot sir.
- Somnath Patil: Yeah.
- Moderator: Thank you very much sir. We will take our next question. It is from Mr. Vivek from RADA Advisors.
- Mr. Vivek: Hi, good evening everybody. Just a logical and obvious question, about this 10 million that, I mean it is fairly ambitious expansion, how do you even fund the equity portion, I mean, do you think that next 2 to 3 years, your cash accrual will be sufficient for the equity component? Hello?
- Puneet Dalmia: I think depending upon the market, you know, we may have sufficient cash accruals, but as you know, we have two balance sheets, one of Dalmia Cements and one of OCL, and second we can always get private equity financing in our subsidiary.
- Mr. Vivek: Okay.
- Puneet Dalmia: So, I think, you know, we have a choice of capital raising options. We can raise capital through internal accruals in either Dalmia Cement or OCL, or we can do capital raising in the parent company, or we can do capital raising in the subsidiary, so we have a range of options, and we do not think it is going to be hard for us to finance this kind of a plan.
- Mr. Vivek: Okay, but as far as any details, we are still not worked out, it is too early I guess?
- Puneet Dalmia: Yeah, it is too early.
- Mr. Vivek: Okay, second thing, as far as your optimism regarding higher cement prices going ahead at least for the rest of this year, just two things both for sugar and cement, given the inflation scenario, I mean, are you really optimistic government would permit that, I mean, last 6 to 9 months obviously prices have not really significantly increased in spite of what the demand-supply scenario is, and closer we have to election, I mean, is it really that prices can go up significantly given that sugar is also politically sensitive product?
- Puneet Dalmia: I think the prices have actually gone up in the last quarter. I also believe that the government is completely seized of the fact that, you know, the real inflation is being caused due to oil, so once the trust vote is over, I think all this, you know, political sensitivity will calm down considerably, and the government is fully seized of the fact that the only way to control inflation is to address the supply side problem, and temporary measures are actually not going to be able to contain inflation, so my own view is that we don't expect too much political interference in market driven pricing in the next 3 quarters.
- Mr. Vivek: Okay, I mean, even all of us hope for that, but the fact is last one year that has not been the case, so I just thought that is there any sort of, I would say, signal or message given by the government that, which is

what I was referring to?

- Puneet Dalmia: I think there are pockets which have seen increase in prices, so despite dialogue with the government, the government understands the compulsions of the industry, and they are not trying to either bring price controls or interfere in the market, you know, on a sustained basis to control prices. So, my own view is that we can't expect flaring up of prices, but I do expect incremental increase, which is you know moderated and you know which cautiously balances the needs of the industry and the need to control inflation at a national level.
- Mr. Vivek: But that would largely be to cover your higher cost this thing on the input side.
- Puneet Dalmia: I think we should be able to, you know, pass on some of our cost increases to the customers going forward.
- Mr. Vivek: Would you have the levy to increase prices beyond that also or it is difficult?
- Puneet Dalmia: I don't think it is a mathematical equation yaar. I think we will have to see it quarter to quarter how is the demand-supply. I think right now I am not able to give a forecast which is better than that.
- Mr. Vivek: Okay, just last bit of, it is technicality. What actually are the end-consumer prices in your market, is it 250, 260, or ...?
- Puneet Dalmia: It is about between 250 and 260 in Tamil Nadu and Kerala, so Kerala is slightly higher, it is 260, and Tamil Nadu is around 250.
- Mr. Vivek: Okay, thanks a lot.
- Puneet Dalmia: Yeah.
- Moderator: Thank you very much sir. Next in line, we have a question from Ms. Parul from Avendus Capital.
- Ms. Parul: Good evening sir, hello?
- Puneet Dalmia: Good evening.
- Ms. Parul: I just had a question on the macro front, how confident are you with respect to the demand growth in this sector to sustain say in excess of 10% for the next 3 to 4 years, you think the demand would sustain more than 10%, and if yes then, where do you derive this new sense of optimism?
- Puneet Dalmia: Actually, you know, for the first quarter, we saw All-India demand growth of about 8.2%. Tamil Nadu grew at 9.4, Kerala grew at 6%, Orissa grew at 8.5%, and West Bengal actually showed a negative growth of about 5.6%, so we are seeing varying growth rates across states, but at a national level, you know, we are still fairly optimistic that even though the

real estate market is showing a slightly less sober strength than earlier anticipated, we believe that the infrastructure story will make up for it, and our long-term demand outlook has always been in the 8% to 10% range, so the bonus of 11% to 12% if the infrastructure story really plays out.

Ms. Parul: So, you think that, that this is, say the demand were to sustain in the 8% to 10% bracket, then the incremental supply of about 100 million tonnes would be brought into this system?

Puneet Dalmia: I think we are seeing, you know, anybody can do this math, that the capacity utilization, if all this capacity comes on time, you know, may go down in the low 80s. The capacities do get delayed, and if the product mix changes from blended cements to OPC, we may see a capacity utilization in the high 80s or the low 90s. So, I think that is the range in which we have to plan for. The capacity utilization will be between 80% to 90% for a few years.

Ms. Parul: Since now you have drawn up these scenarios, I just wanted to know what probability would you assign to them in your sense to these scenarios where capacity utilization could be 80% to 85%, what do you think, I mean, do you think the cycle will turn immediately?

Puneet Dalmia: No, I think we plan for a 80% utilization, and we are making our business plan on that basis, so from a risk management perspective, we will look at the lower end of the band, and that is how we are going to manage risk in the business.

Ms. Parul: Alright, thank you so much sir.

Moderator: Thank you very much ma'am. Moving on to our next question. It comes from Ms. Darshana from Sahara Mutual Fund.

Ms. Darshana: Good evening sir. Actually, most of my questions have been answered. The only one question left is, can you give me a power and fuel cost per tonne for last quarter, I mean, for Q4 and Q1 as well?

Nidhi Aggarwal: Yeah, sure.

Somnath Patil: Yeah, it is around 950 rupees per tonne.

Ms. Darshana: That is in this quarter, right?

Somnath Patil: This quarter, and the previous quarter was around 820 rupees.

Ms. Darshana: Q4 is 820, and Q1 of last year sir?

Somnath Patil: Around 650 to 660 rupees.

Ms. Darshana: Okay, and sir, freight charges also is again shared?

Somnath Patil: Charges are around 700 rupees this quarter.

- Ms. Darshana: Okay.
- Somnath Patil: They have been more or less...the margin has gone up actually.
- Ms. Darshana: Okay.
- Somnath Patil: More or less in the same 600.
- Puneet Dalmia: There has been an increase in the transportation, but we have made up for it by changing the market mix a little bit, and even the railroad mix.
- Somnath Patil: The railroad mix.
- Ms. Darshana: Okay, that is it from my side sir, thank you.
- Moderator: Thank you very much ma'am. Participants who wish to ask questions, may please press \*1 on their telephone keypads. Next in line, we have a question from Ms. Teena from Kotak Securities.
- Ms. Teena: Hi sir, this is Tina from Kotak Securities. I just wanted to ask about the capacity of OCL currently and how is it growing and 3 years down the line, including OCL, Dalmia Cement, and the new expansion which you are planning, what is the total capacity of the entire group going forward?
- Puneet Dalmia: Our current capacity in OCL is 3 million tonnes.
- Ms. Teena: Okay.
- Puneet Dalmia: This is operational, although out of this 1 million tonnes is a grinding unit for which you know ramping is going on. Trial runs are completed, and we are currently doing the ramp-up. We expect another million tonnes of capacity to get commissioned by end of this year in OCL, so OCL will be about 4 million tonnes by December 2008.
- Ms. Teena: Okay.
- Puneet Dalmia: Once the whole SPV, that is Dalmia Cement Ventures Limited, DCBL and OCL are you know fully built up, we expect a total capacity of 22 million tonnes across the group, and with debottlenecking, we can take this up to 25 million tonnes.
- Ms. Teena: Okay, but that will be 3 years down the line once the new capacity gets operational.
- Puneet Dalmia: That is right, but by let us say June 2009, we should be 12 million tonnes, 8 million in Dalmia and 4 million in OCL.
- Ms. Teena: Okay, thank you sir.
- Moderator: Thank you very much Ms. Teena. Other participants who wish to ask



questions, may please press \*1 on the telephone keypads. Next in line, we have a question from Mr. Dhiraj Agarwal from CRISIL.

- Dhiraj Agarwal: Hello, hello?
- Puneet Dalmia: Yeah.
- Dhiraj Agarwal: Yeah, I have a question on your tax rate for this quarter, it is actually gone up to 30% from 18% in the corresponding previous quarter, so could you give me the reason for this as to why this has gone up?
- Somnath Patil: Yeah, we had sort of deferred tax.
- Dhiraj Agarwal: The entire is because of deferred tax.
- Somnath Patil: Sorry?
- Dhiraj Agarwal: The entire effect is on account to deferred tax.
- Somnath Patil: It is mainly on account of deferred tax.
- Dhiraj Agarwal: Okay, and another thing, you are saying that you are going to set up this new capacity, 10 million at about 1 billion dollars, it comes to 100 dollars per tonne of capacity, I mean the current rate I would say is ideally 120 per tonne, and also how do you expect this to be around so low as compared to the current existing way. I mean, why do you think you will be spending lower than what the other industry is doing.
- Puneet Dalmia: Actually, we said that it is going to be greater than a billion dollars.
- Dhiraj Agarwal: Okay, so what kind of rate are you looking at?
- Puneet Dalmia: We are still doing a detailed CAPEX planning, and I am not able to give a more firm guidance on this because every site has its own nuances with respect to infrastructure, and you know, we are still in the process of doing a full detailed planning and sizing at each site.
- Dhiraj Agarwal: Right, one more thing, I mean, given your...we have seen that you have spent about 750 crores on your CAPEX so far on your additional CAPEX, and you have a turnover of about 1500 in your book, 1500 crores, so...
- Somnath Patil: That is correct.
- Dhiraj Agarwal: ....and the difference is on account of...I mean, I am just trying to understand, do we have carry over of old debts or is it that we are going for some other capacity expansion or something like that?
- Somnath Patil: This is basically carry over of old debts.
- Dhiraj Agarwal: Old debts, okay, yeah, that is alright. So, we expect the interest cost to kind of go up from hereon or it will be like in the same range?

Somnath Patil: Yeah, it will go up a little bit.

Dhiraj Agarwal: It will go up?

Somnath Patil: Yeah.

Dhiraj Agarwal: Okay, thank you so much sir. That is all from my side.

Moderator: Thank you very much sir. Next, we have a question from Mr. Abhishek Agarwal from PINC.

Abhishek Agarwal: Good evening sir. Hello?

Puneet Dalmia: Yeah.

Nidhi Aggarwal: Yeah.

Abhishek Agarwal: I just have one question. Regarding your material, raw material prices have come down from 92 crores to 40 crores in this quarter. May I know the reason, how come like you know it is a very drastic fall.

Somnath Patil: Actually, you have to look at it after taking into account the increase, decrease in stock.

Abhishek Agarwal: Right.

Somnath Patil: If you compare both, then it has come down from 86 crores to about 84 crores.

Abhishek Agarwal: Yes.

Somnath Patil: It is the same actually, it has not come down drastically.

Abhishek Agarwal: Okay.

Somnath Patil: We have consumed from our existing stocks actually.

Abhishek Agarwal: Okay, and how much of sugar inventory is taken into consideration, I mean how much we are offloaded out of that?

Somnath Patil: Around 35,000 tonnes, we have offloaded.

Abhishek Agarwal: Okay, fine, thank you sir.

Moderator: Thank you very much sir. Participants who wish to ask questions, may please press \*1 on the telephone keypads. We have our next question from Mr. Rajesh from SBI Cap Securities.

Mr. Rajesh: Good evening, I am Rajesh from SBI Cap Securities Limited. Just wanted to ask you the input-output ratio of manufacturing 1 metric tonnes of cement in terms of quantity, like you know how much quantity



of the limestone, fly ash and the coal is require to manufacture one tonne of cement?

- Puneet Dalmia: We consume about 1.5 tonnes of limestone for a tonne of cement.
- Mr. Rajesh: Okay.
- Puneet Dalmia: We are adding about 25% fly ash.
- Mr. Rajesh: Okay.
- Puneet Dalmia: And our coal consumption actually varies depending upon the type of coal we are using. You know, if we are able to use imported coal which is of high-calorific value, our approximate consumption normally is about 0.25 to 0.3 kg per kg of cement.
- Mr. Rajesh: 0.25 kg per metric tonne?
- Puneet Dalmia: No, no, per kg.
- Somnath Patil: 250 kg per metric tonne.
- Mr. Rajesh: Okay, okay, 0.25 per kg of cement. Okay thanks, that is all from my side. Thank you.
- Moderator: Thank you Mr. Rajesh. Next, we have a followup question from Birla SunLife AMC from Mr. Prasad. Please go ahead sir.
- Mr. Prasad: Hello?
- Puneet Dalmia: Hello.
- Mr. Prasad: Sir, I have one quick question. Your CAPEX you have given is around 1550 crores for 8 million tonnes capacity, right?
- Nidhi Aggarwal: No, 4.5 million tonnes.
- Mr. Prasad: Yeah, exactly, from 3.5 to 8 million tonnes, you will be spending 1550. I just want to know how much you would be spending this year, in the financial year 09?
- Somnath Patil: We will be spending around say 800 to 900 crores this year.
- Mr. Prasad: 900 crores this year, and the balance would be how much in this case, I mean you would have already spent something in FY '08.
- Somnath Patil: Yeah, we already spent something, so...
- Mr. Prasad: So, how much is spent in FY '08?
- Somnath Patil: Around 400 and....



Nidhi Aggarwal: 475 was in FY '08.

Mr. Prasad: Okay.

Nidhi Aggarwal: And balance was done in this quarter.

Mr. Prasad: Okay, okay, fine, thank you.

Nidhi Aggarwal: Yeah.

Moderator: Thank you very much sir. Participants who wish to ask questions, may please press \*1 on the telephone keypads. We have a followup question from Mr. Dhiraj Agarwal from CRISIL.

Dhiraj Agarwal: Yeah, hello sir. Sir, could you give me your debt equity ratio at the moment, what is it?

Puneet Dalmia: You want total debt and equity?

Dhiraj Agarwal: Yeah.

Somnath Patil: It is around 1.4:1.

Dhiraj Agarwal: 1.4:1, and I mean you are expecting a 2:1 debt to equity ratio for your CAPEX?

Somnath Patil: For the new plant?

Dhiraj Agarwal: Yeah, for the new plant that is.

Somnath Patil: Yes, yes that is right.

Dhiraj Agarwal: Thanks. Thanks so much sir.

Moderator: Thank you very much sir. Other participants who may wish to ask questions, may please press \*1 on their telephone keypads. At this moment, there are no further questions from any of the participants. I would like to hand over the floor back to Mr. Puneet Dalmia for final remarks.

Puneet Dalmia: I just want Nidhi to make a correction which we made a mistake earlier in the call.

Nidhi Aggarwal: Yeah, just like to correct that figure. It is going to be 100 to 150 kg of coal per tonne of cement manufactured. I think we wrongly said 250. I hope that is taken care of. Yeah, and Puneet for the final remarks.

Puneet Dalmia: So, I think we have had a, you know, fairly good start this year. We were able to manage the inflationary trend in the economy reasonably well. Our cement CAPEX plans are going satisfactorily. We are seeing the sugar cycles turning back. However, we are concerned about the rising steel prices which are adversely affecting our CAPEX planning. We are



also concerned about rising energy cost, which we have to, you know, find a solution to in the long term, but all in all, you know, we are still very optimistic in both our businesses, and we will continue to build scale as we see India as an attractive growth market for both the businesses in the long-term. So, thanks once again for participating in the call, and we look forward to continuing our interaction next quarter.

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. Thank you and have a nice evening.

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