



“Dalmia Bharat Limited Q2 FY-22 Earnings Conference Call”

October 28, 2021



MANAGEMENT: MR. PUNEET DALMIA – MD, DALMIA BHARAT LIMITED
MR. MAHENDRA SINGHI – MD & CEO, DALMIA BHARAT LIMITED
MR. DHARMENDER TUTEJA – CFO, DALMIA BHARAT LIMITED
MR. RAJIV BANSAL – GROUP HEAD, STRATEGY & TRANSFORMATION, DALMIA BHARAT LIMITED
MS. ADITI MITTAL – HEAD, INVESTOR RELATIONS, DALMIA BHARAT LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Earnings Conference Call of Dalmia Bharat Limited for the quarter ended 30th September 2021. Please note this conference call will be for 60 minutes and for the duration of this conference call all participant lines will be in listen only mode. This conference call is being recorded and the transcript of the same may be put on the website of the Company.

After the management discussion there will be an opportunity for you to ask questions. Should anyone need assistance during the conference call please signal an operator by pressing * then 0 on your touch tone phone. As a reminder all participant lines will be in the listen-only.

Before I hand the conference over to the management, I'd like to remind you that certain statements made during the course of this call may not be based on the historical information or facts and maybe forward-looking statements. The forward-looking statements are based on expectations and projections and may involve a number of risks and uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statements.

On this call we have with us Mr. Puneet Dalmia – Managing Director, Dalmia Bharat Limited, Mr. Mahendra Singhi – Managing Director and CEO, Dalmia Cement Bharat Limited, Mr. Dharmender Tuteja – CFO, Dalmia Bharat Limited, Mr. Rajiv Bansal – Group Head, Strategy and Transformation and other management of the Company.

I like to hand the conference over to Ms. Aditi Mittal – Head Investor Relations. Thank you and over to you ma'am.

Aditi Mittal: Thank you so much Vikram. Good morning, everybody. A very warm welcome to all the hope you in the Q2 earnings call of Dalmia Bharat Limited. Hope you had a chance to go through the results and also the earnings presentation which we have uploaded on our website. If not, you can of course download it from our website under the investor section. I will not take much of your time and handover the call to Mr. Dalmia for his opening remarks. Over to you Mr. Dalmia.

Puneet Dalmia: Thank you Aditi. Good morning, everyone. It gives me great pleasure to welcome all of you to the Q2 Earnings Call of Dalmia Bharat Limited. We sincerely hope that you and your family are safe, healthy and vaccinated.

Continuing our growth journey; the Company has yet again delivered a healthy performance during the quarter which was driven by our robust operating model, a strong brand and an agile team. I'm delighted to note that we at Dalmia Bharat have remained positive in our outlook and productive in our lives despite cruising through one of the most exceptional times in human history. The Indian economy has rebounded very strongly after the second wave with the output of infrastructure industries expanding it 11.6% in August, primarily driven by coal, natural gas, steel and cement. The Indian economy is expected to grow between 9.5% to 10% in FY22 and

between 6.5% to 7% over the next few years. This growth is going to be driven by an increase in rural consumption, housing and commercial real estate and a massive thrust on infrastructure spending, such as on roads, highways, ports, airports etc. Hence, we are very excited about a favorable macro-economic environment for the sector. We feel thrilled about the opportunity and are well positioned to capitalize on the favorable demand environment.

Our vision is to be a pan India pure play cement Company and we are aiming to take our cement capacity to between 110 to 130 million tons over the next decade. The market opportunity which we foresee ahead of us only reinforces our conviction about our vision. We are building plants of tomorrow with deep technology integration which will enhance both our operational efficiency and sustainability. Keeping our commitment towards our stakeholders, we have continued the disinvestment in non-core assets including IEX and the retail undertaking. The details of which will be shared by our CFO Mr. Dharmender Tuteja later on this call.

The board of directors of the Company have proposed an interim dividend of Rs. 4 per share for the financial year '22 in line with the capital allocation framework we rolled out last quarter. As we are expanding capacity, we are also making significant investments in our human capital. As we desire to build leadership teams which are future ready and aligned to our long-term goals. We are making collective efforts to multiply our people power and create leaders of tomorrow. With the swiftness of transformation which I'm witnessing across our Company and our people, I believe that we are just getting started and the best is yet to come. I thank you all once again for your valuable inputs and constructive feedback. We will continue to seek your guidance, support and feedback from time to time. I would now like to handover the call to Mr. Singhi for an update on the quarterly performance. Thank you.

Mahendra Singhi:

Thank you Puneetji. Friends, a very happy morning to all of you and welcome. I am so happy to share with you a great performance made by our team despite witnessing heavy monsoons, floods and some of the most unprecedented coastal headwinds across our value chain. The revenue for the quarter was 2577 crores which grew 11% on YOY basis. The sales volume displayed growth of 6% YOY at 5.1 million tons. While prices strengthened on YOY basis there was a sequential decline in prices in our market particularly east. The EBITDA for the quarter was at 621 crores including a few one-off items which our CFO, Mr. Dharmendra will elaborate in his opening remarks. Friends it is known to all of you that the energy market is witnessing some unprecedented pricing and supply chain disruptions which seems to be affecting the economies world over. With economic activity picking up in most geographies and winter setting up in most parts of the globe, the demand for crude and fossil fuel is only expected to inch up, thereby offering the little scope for a spike in prices. The domestic supply of coal which got materially impacted till September has now seen some little improvement in October. This sustainability has still to be come. In fact, the good news is that in last two days China and few global countries, they are now trying to curb the abnormal prices of coal, abnormal prices of fuel. We hope that maybe in a month or two its impact may be visible in our country also. The escalation of input cost has been very steep over the last 1 year but despite that our EBITDA

margin remained healthy at 24.1% owing to our efficient and adaptable operating model. In fact, the focus which our team has been making on the cost management, on price management, on brand management has got in good results.

As you all been know that the slag prices have seen a considerable increase over the last few quarters and hence in order to mitigate the impact, we successfully moved our product mix from Portland Slag Cement to Portland Composite Cement which quality-wise is comparable as well the more sustainable product and reduce the usage of slag. The PSC production declined from 27% in Q1 to 14% in Q2. The petcoke prices too have continued to increase and are at now maybe level of \$220 to \$240 compared to \$80 to \$120 in first quarter last year. Once again, our team has managed to moderate the impact through a reduced usage of petcoke from 47% in Q1 of this year to 33% in this quarter and increasing the usage of coal and other lignite etc. can be used. But given the current coal situation in the country and disruptions in the coal supply and prices we could once again expect high usage of petcoke in the coming quarters which could drive up the variable cost. From a long-term perspective we are putting appropriate efforts at increasing the proportion of green fuel during Quarter 2. Percentage of the green fuel stood at 12% as compared to 9.1% in Q1. This is all the proactive actions which our team could take. Our team could visualize the future and could take right actions at right time. We are also expecting to add 9 MW of WHRS power and (+70) MW of solar power in the latter half of this year. All these investments will not only help in minimizing our costs but would also help us to achieve our clean green sustainability goals.

Now let me also share with you the update on the ongoing expansion. The new line of KCW in Orissa having a capacity of 2.25 million tons has been successfully commercialized in September and now our current cement capacity stands at 33 million tons. Furthermore, clinker debottlenecking of 0.2 million tons has been already commercialized during the quarter. The trial production of Murli has begun now and we are on track to start commercial production by December '21 which will take our cement capacity to 36 million tons by March '22. There has been significant progress made towards the balance cement and clinker capacity expansion months which has been committed for completing by March '24. I'm quite hopeful that the actions which our team has taken to expand the capacity and reach to a level of 48.5 million tons by March '24 would be completed well in time.

Friends, we were in the global spotlight again at the TED Climate conference at Edinburgh, UK where we shared a blueprint of our business philosophy and heralded our journey towards a better future with the philosophy of clean and green is profitable and sustainable. This has been the first time that on the global TED platform a cement Company could share their thoughts which is otherwise called as hard to cement sector. Our bold commitments have also been well received and we are now set to partner global leaders first global coalition which is called FMC at COP 26 which would be launched by Mr. John Kerry at World Economic Forum in Glasgow.

Our Company has been appointed as COP 26 business leader by COP 26 presidency and accordingly our Company has been invited to attend and deliver our thoughts on how global cement sector can be also made possible to Abate sector.

I'm so happy that our journey towards clean and green is moving at fast pace and then our commitment of delivering low carbon cement or the blended cement only after FY25 is in the place.

Now friends, I would request our CFO – Mr. Tuteja to take over. But before that let me wish you and your family members, your team members very Happy, Clean and Prosperous Diwali. Thank you.

Dharmender Tuteja:

Thank you Singhiji and good morning, everybody. I'm pleased with the all-round performance which our Company has delivered during Q2. The Company has been continuously repaying its gross debt and I'm happy to share that we are a net debt free Company, with net debt to EBITDA at (-0.48) times.

As Mr. Singhi had mentioned I would like to highlight a few one-off P&L items which happened during this quarter. The incentive accrued during the quarter includes an amount of 56 crores pertaining to prior period from April 2019 to June 2021. It pertains to our unit in Dalmia DSP Limited. We have also written back liabilities to the tune of 24 crores pertaining to Dalmia DSP Limited which are no longer payable. These are classified as exceptional items.

During the quarter we have made provisions of 30 crores towards an inter corporate loan given to Reva Sport in 2010. Though we continue to explore the legal options for complete recovery. The CAPEX during the quarter has been 440 crores and during H1 it is 780 crores. We are on track on our expansion plans and believe that during current year we will be able to spend about Rs. 3000 crores. At the recently concluded AGM, the shareholders had appointed M/s Walker Chandiook & Co. as auditors of Dalmia Bharat Limited. They are member firm of Grant Thornton and are one of the big five audit firms. This was the first quarter with them as the statutory auditors of the Company. Keeping our commitment to divest non-core assets we have sold 21.4 lakh shares in IEX and our stake in IEX now stands at 14.8%. In line with our capital allocation framework and our vision of building a pure play cement Company, the board has approved the sale of master wholesaler business for construction and building materials of the Company as a growing concern on a slump sale basis to Hippostores Technology Private Limited which is a promoter group Company. The buyer has expressed its desire to acquire this business as a growing concern by way of executing its business transfer agreement and have submitted a binding offer for the same. The Company had appointed two independent valuers M/s Pricewaterhouse & Co. were appointed on behalf of the independent directors of the Board besides appointment of registered valuer Mr. **Ashish Dedhia** for the sale. The independent directors considered and reviewed the valuation reports. The independent directors also considered and reviewed the binding offer of the buyer. After deliberation amongst the

independent board members and the members of the management team the board has approved the sale of the business to buyer for a consideration of Rs. 115 crores. This consideration is as of 31st August 2021 and any further cash infusion in this business from 1st September onwards till the closure of this sale will be added to the agreed consideration of Rs. 115 crores to arrive at total consideration. As per the terms approved by the board 20% of the total consideration is to be paid immediately on closure of the sale and the balance 80% is to be converted into unsecured non-convertible debentures redeemable after 2 years. The NCDs would carry interest rate of 10% per annum to be paid half yearly. The buyer has the option to prepay the amount of NCDs at any time. Based on discussions with buyer we are given to understand that they are most likely to pay 100% of the consideration at the time of closure of this sale itself. The board has also directed the management to close the sale within 45 days from the execution of the business transfer agreement but not later than 31st December 2021. During the quarter ended 30th September '21, the assets and liabilities of this business have been shown as held for sale and presented as discontinued operations.

With this I would now like to open the floor for question answer. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have a first question from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: Congratulations to the management on the progress on multiple fronts as we see an impressive transformation in the last 12-18 months on the overall capital allocation strategy. We are divesting non-core assets, paying out debt, dividends and also, we see a lot of improved transparency in the overall disclosure level. It's very commendable. I have a couple of questions I want some clarification on. Firstly, on the east pricing. Do you think pricing in the east continues to be a bit weaker than other regions? We do pick up from our dealers that when the top 2-3 players are battling there for market share. Any thoughts on east pricing how do you see in coming quarters and what has been the key reason for the weakness given our leadership there?

Mahendra Singhi: Thanks, Sumangal for your appreciation and compliments. I would like to highlight to you is that east normally in the second quarter always remains weak and if you look at the same quarter last year Q2 FY21, you will find that the prices are almost in the same level. The same is this time as well with very heavy rains and floods in many areas. Plus there has been after effects of COVID also, that has led to a dropping of overall cement demand, and that has hampered the pricing also. Now what we are seeing particularly from 1st October onwards that prices have started inching up and November onwards demand would also grow up, I think prices of east may go up. Whenever new capacity comes up, people do try to overreach and gain market share and that may sometime hamper the pricing. As far as our operations are concerned, our pricing is concerned, our market leadership is concerned that's quite intact and we have been doing good. If I look now from August-September-October numbers we are fairly now inching up and the

acceptance of our new product which we started from April now it has been established very well and we are quite hopeful that when we end by March we will be doing quite better in east.

Sumangal Nevatia: So, Singhiji, from what I understand no region-specific issues there and east prices should not be underperforming the other region in the coming quarters, is that a fair understanding?

Mahendra Singhi: Maybe, may not be like if you just scan the prices of last quarter India wide, you will find that the prices have gone up high in north and west, thereafter central and then south and then the east. So, it doesn't go equally everywhere. But what we are now trying to understand is that one consumer has been able to give some extra price, not only on cement but steel and few other also because of the very high cost of import particularly energy. That's why we have seen that the prices in east have gone up ranging from state to state from Rs. 10 to 25 a bag. This is how I think we are expecting that the prices should go for the better.

Sumangal Nevatia: Second, Singhiji on the quality, what we are picking from the dealers is there's been some issues in pushback on the quality of our cement in the last couple of months. So, any thoughts on what are we doing to address this and by when can we resolve this issue?

Mahendra Singhi: Mr. Sumangal I would like to share with you that quality issue has not been per se but it was perceived earlier that a new product which we have launched which is composite cement may not have the same quality of slag cement but now the acceptability has come and that's why this perception to some extent might have come. But if you would look now at the number of say September or October then everybody would find that there are no pending issues in terms of perception of quality. Another thing is that now other players are also joining this journey of low carbon cement, low slag cement and with that I think acceptability would further go up and up.

Sumangal Nevatia: Moving on to the capital allocation side, we've spent only 800 crores odd in the first half which is almost 20% of our full-year guidance. How should we read this, is it backended or are we on track for the full year guidance or there are some execution delays on ground what we are witnessing?

Mahendra Singhi: First you have rightly understood, it is backended. Second, we are expecting now that we may be able to spend about 3000 crores in totality in this year. To that extent there may be some gap here and there but at the same time I think we have been able to now complete our order for cement mills which was a major task. We have already committed for it. We are hopeful that our target of completing 48.5 million tons in next two years' time would be in place.

Sumangal Nevatia: Just one last question if I may squeeze in, on this IEX, we had a very good start to the year by divesting 25% of our stake. Now given that IEX stock has done very well, do we expect and also given we have a huge CAPEX lined up do we expect to continue on this journey of gradual divestment of our stake here?

- Mahendra Singhi:** So, as and when Sumangal we decided well for the strategy definitely we would share because you must have seen that now whatever our thoughts are, we are able to transparently share with all our stakeholders.
- Sumangal Nevatia:** But that's the broad strategy, to gradually a grip and divest completely, is that right?
- Rajiv Bansal:** That is right, I think we have clearly said in our capital allocation policy that we will keep coming out of our non-core assets. And IEX as we see the need for making CAPEX investment, we will keep diluting IEX. So, that is on track.
- Moderator:** We have next question from the line of Bhoomika Nair from Dam Capital.
- Bhoomika Nair:** My first question is in terms of the east demand which was kind of impacted in 2Q and thereby given that we're taking further price hikes to pass on further cost escalation will that have an impact on the likely growth in the second half given that we already have a fairly decent base of last year?
- Mahendra Singhi:** I would say that normally in cement that the prices do not have a material impact demand because it's very less elasticity on prices, but at the same time I think the good months are coming up, so both demands would go up and prices should go up.
- Bhoomika Nair:** And so far, we said that we took about a Rs. 15 to 25 kind of a price hike. What kind of price hike do we need to take further to kind of pass on the rising raw material and fuel prices, particularly in terms of coal? And if you can talk about what was the consumption level in 2Q and what is the likely impact that we might see into the second half?
- Mahendra Singhi:** So, broadly I would say on fuel prices, there's uncertainty. Good part is that we have a large amount of petcoke which we already booked. So, we don't expect any disruption in supply but at the same time the prices of even Indian coal have been also going up even in auction government has also been increasing the prices. So, I may not be able to quantify per se but then definitely looking to what overall the impact on cement cost is companies and the market will go on levelling the prices.
- Bhoomika Nair:** If you can talk about the consumption, what was the coal price average petcoke consumption in 2Q?
- Mahendra Singhi:** Yes. I would say that if I compare with Q1 to Q2 of this year then we have been able to bring down our petcoke consumption to 34%, to some extent our coal consumption of imported coal has gone up, our coal consumption of Indian coal has gone up, to some extent we have also started using lignite. And then like I highlighted earlier also that we have been able to increase the usage of a green fuel or you might be calling oil and fuel to 12% which will also inch up. That way we have tried to manage the overall cost. One more thing here I may highlight is that

we have been also able to bring down our heat consumption which has also helped us in containing the cost of fuel for current cement. Now our heat consumption, which was earlier, if I talk about last year it was ranging between seven 770 to 780. Now it's ranging around 730 kcal per ton of clinker. So, it has also helped us in containing cost of fuel by maybe Rs. 80 to 100.

- Bhoomika Nair:** I was asking for per ton cost of coal/petcoke in the current quarter, 2Q.
- Mahendra Singhi:** Exactly I may not be able to remember but then Dharmender are you aware about it should be 800 something as far as fuel is concerned.
- Dharmender Tuteja:** The total power and fuel cost is about the Rs. 990 per ton.
- Bhoomika Nair:** So, basically, actually I was trying to understand the coal consumption in price, an average of say \$120-\$140 versus today's spot of...
- Aditi Mittal:** On an average the consumption rate for our input on power and fuel has somewhere ranged around \$120 to \$130 per ton.
- Bhoomika Nair:** Just lastly in terms of freight cost we have seen a reduction in freight between 1Q and 2Q despite rising diesel prices? So, if you can elaborate on the reason for the same and what is the big distance is like?
- Mahendra Singhi:** So, on lead distance we had been able to bring down our lead distance maybe by 12 to 14 kilometers that the one part. Secondly various digitization initiatives which we have taken along with tracking our truck movements has helped us immensely. Third there is a one time element of 16 crores railway incentive which has also come in. On that account if I talked of YOY basis, our basic cost has gone up by maybe 3.7% but considering 16 crores our logistic cost has gone up by 1%.
- Moderator:** The next question is from the line of Girish Choudhary from Spark Capital Advisors.
- Girish Choudhary:** A couple of questions. Firstly, what is the kind of inflation you're seeing in the procurement of slag and then what would be the CC ratio now considering your biggest slag production?
- Mahendra Singhi:** Production of Slag cement has reduced but not necessarily the CC ratio ratio has changed because when we switched from PSC to PCC, we replaced the slag with fly ash and made the composite cement. Since the quantum of clinker did not get change much, the CC ratio is almost the same. Secondly, I would say that slag prices they are expected to go up. While to some extent we were able to maintain or reduce the impact of the increase in slag prices in this quarter, in times to come it may go up and it's difficult to project how much volume or price wise it will go up.
- Girish Choudhary:** Can you help us with the per ton procurement cost of slag in 2Q?

- Mahendra Singhi:** On average basis this would be ranging from say Rs. 1100 to Rs. 1300 it may not be right to just give you the exact number but then yes it could be ranging from Rs. 1100 to Rs. 1300.
- Girish Choudhary:** Let's say in the future hypothetically if price of slag comes down are you earning start increasing parse a mix?
- Mahendra Singhi:** Now we have decided that the composite cement, which is good quality cement, the sustainable cement, low carbon cement, low-cost cement, so we would continue to work on this composite cement and this is the cement of the future.
- Girish Choudhary:** Last question this is in terms of if you can help us on the blended sales of this quarter versus the last quarter? Given you've plans to increase blending 100% so if you can elaborate on the plans to increase that to a market level?
- Mahendra Singhi:** I would say that yes that plan of increasing blended cement and it leading to 100% by 25 that's in place and according these traditions have been created. Then we have been also able to increase our blended cement or PPC production plant in Southern India where it was mainly for OPC particularly institution sale and part of the retail sales in few states. So, through there we have been able to make good railroads and secondly the same is also happening in Northeast market also and Aditi would you like to give them a percentage of blended cement?
- Aditi Mittal:** Our blended cement that about odd 75% during the quarter; previously it was at around 80%. While there was just slight dip during the current quarter on the percentage of blending but I think for long-term we will remain intact in our thought process that we want to take it up to 100%. And even if you see the last 3 years consistently from around 70% to 73% on an average on a full year basis, we touched 80% the highest being about 82% in H1FY21. So, I think we are on track, with probably a little dip this quarter but confident that we should be able to take it to 100% in 25.
- Moderator:** The next question is from the line of Swagato Ghosh from Franklin Templeton.
- Swagato Ghosh:** This first question I had the real cost without purely rise from \$120 to \$130 per ton is really like cost and is it for the imported part only imported pet coke and coal combined, can you please confirm that?
- Mahendra Singhi:** This has been shared that if you take everything into account then a comparable price is \$120-\$130 this what Aditi has said.
- Swagato Ghosh:** I just want to understand how will you manage to get the cost to this level because if I take right if you want slag and pet coke and coal were both above \$150 so how will ours released cost this month. Can you help me understand this?

- Mahendra Singhi:** Two things, one we had some inventory, second the Indian coal which we could procure that in time before these higher auction prices that is helped us. Third to some extent we could use lignite, forth the green fuel waste we are using, so mixed up many things has helped us to contain some costs.
- Swagato Ghosh:** So, just 120 to 130 is even considering the cost of Indian coal?
- Mahendra Singhi:** Yes.
- Aditi Mittal:** It's a mix of the consumption cost which also includes the green fuel, so I think average that's how our consumption cost has been on a comparable basis to the last quarter.
- Swagato Ghosh:** What is the mix of the domestic versus imported fuel when we consider both the CPP and Kiln?
- Mahendra Singhi:** I said that pet coke is 34% then maybe 28%-30% maybe imported coal and then maybe 28%-30% Indian coal and lignite and balance 12% is green fuel.
- Swagato Ghosh:** The next question I had is on that the write-off of 30 crores small amount but I just want to understand the timeline for this and when was this given and any details that can be shared around the rational for this loan given?
- Dharmender Tuteja:** So, this loan was given in 2010 and the loan was being serviced till about 2019 but last 2 years we saw some delays and defaults happening and considering the risks of recovery, we took a decision on the prudent basis to impair this loan. Of course, the legal options will be taken to recover this.
- Swagato Ghosh:** So, it's a rational and which industry versus corporate working wouldn't
- Dharmender Tuteja:** No, it was given to Rewas Port in 2010 as corporate purpose loan.
- Moderator:** The next question is from the line of Indrajit from CLSA.
- Indrajit:** First can you throw some light on the demand supply dynamic of this green fuel? Some of your peers have highlighted that availability of green fuel has now become very stressed and prices are flat as well meaningfully in the last few months, how are you seeing that for us in terms of.?
- Mahendra Singhi:** I presume they must be right because there are challenges in one procuring it, processing it and using it. It's not a cakewalk but at the same time we do have some long-term contracts which have helped us. Unless there are major developments at municipalities or at the chemical and pharmaceutical companies, the challenge would be there.
- Indrajit:** Maximum technically how much we can go in terms of proportion, can this 12% go to the 20% in the next few quarters?

- Mahendra Singhi:** It's still to be tried out because in India so far, the segregation of municipal waste, segregation of even product waste is not that proper. On account of that you have to just go step by step. Of course, you have to keep your emphasis high but you have to go step by step and then only the new technicalities will come in place. So, and this will not apply to each and every Company that if A Company is able to use this much or this fuel then B Company will also use because it also depends on what type of other fuel you use, what type of limestone qualities you have, so many factors and at the same time the mindset and business of the management team.
- Indrajit:** My second question is again relating to power cost. If I hear you correctly this quarter our power cost was Rs. 990 per ton. This is a sharp decline from about 1054 we had last quarter in your presentation. Is that understanding, correct? We had a declining power cost per ton and is it mainly because of mixed because absolute per ton basis cost had gone down?
- Mahendra Singhi:** This is power and fuel cost. It's just not all the power costs, it's the power and fuel cost that is one. Secondly two more reason what one whatever I've said about procurement of fuel and its cost. Secondly like I highlighted that we have been able to improve on two things - one heat consumption pattern of clinker from say 780 to 782 have been able to reach to 730. So, 40 kilocalorie makes the difference and secondly, we have also been able to bring down our power consumption pattern of cement to now 62 KWH a ton of cement and I would say in India and maybe globally also this would be one of the lowest power consumption per ton of cement so that has also helped us to contain the cost.
- Indrajit:** One last question if I may at EBITDA line, we have two one of incentives is that understanding, correct? 56 crores on the revenue side and 16 crores on the railway incentive, so total of 72 crores is that correct?
- Dharmender Tuteja:** Yes. Only thing is that the freight incentive we have one more year of freight contract depending. So, just the income will come again in the coming year, so you can say 1 year income has been accrued in this quarter but next year also 1 year income will come.
- Indrajit:** So, it's the lumpy thing will be there in one of the quarters next year is that correct?
- Dharmender Tuteja:** Yes
- Indrajit:** So, that 16 crores railway thing will come again sometime next year but 56 crores is onetime?
- Dharmender Tuteja:** Correct.
- Indrajit:** I just had a question on Bihar Grinding unit any progress on that?
- Mahendra Singhi:** So, we are in the final stage of identifying the land and computing and making a lender history, so that's the status today.

- Moderator:** The next question is from the line of Kamlesh Bagmar from Prabhudas Lilladher.
- Kamlesh Bagmar:** I do appreciate the focus of the Company on the sustainability part, but if you see our waste heat recovery or renewable share even if I take FY24 then it would be moving up to 25% but if you see the peers, they are very ahead of ours like say I won't name the peers but all are targeting for 35%. The Company has been helping very aggressively that we are looking for the zero carbon and all those things. If we see on the numbers that really is not the picture, so can you give us some clarity on that?
- Mahendra Singhi:** So, first get the because of right reasons we started late on one WHRS and solar power plant but now we are catching up on the speed and the immediate action plan which we have created which says that by FY23 we should be 25% in our green power. At the same time now, we are getting some different-different borders by which we can share that how we will be reaching 100% by 2030. So, that would be in place. We are competitively you may say that we may be lower than one or two companies but the point is we are on our road map and we know that in next 1 or 2 years what sort of developments are going to take place which will help us not only making a green power but then that will also be helpful for us to creating the green carbon credit also. So, we are waiting for the opportune time to start those projects and that is a conscious call which we have taken. Like now, after a week the COP26 is going to start where some important decisions may come out in regard to international carbon market and then we will make out our strategy. We are fully committed for our carbon negative roadmap we have to fully committed for 100% renewable but at the same time we are also fully committed for what profitability also and we know how and when to take that extension decision.
- Kamlesh Bagmar:** Secondly sir on the part of this Bihar and the various CAPEX programs which are under way no doubt we have been telling or we had stretched our timeline for that unit, but 2 years back or 3 years back we were guiding that this unit would come up by end of FY22 or that particular period and till now we have not identified the land or maybe we have space to that particular stage. Now we are saying that the land acquisition would be getting under, so what's the clarity or what's the visibility on the expansions which we are working as well like two Greenfield grinding units we are committing on so what's the plan on that particular part as well?
- Mahendra Singhi:** In totality we are committed to a timeline and that there are actions on for 48.5 by March 24 that is one. Secondly, we already got land allotted from Jharkhand Government to put up a new grinding unit in Bokaro, so that process has already been completed and now we'll be starting our construction after getting EC etc. Third surely there has been some delays or major delay in Bihar grinding unit and we are trying to catch up. Definitely corrective actions are being taken and there has been a hick-up's in this and that's why we have been sharing the latest report there and at the same time we have already place order four cement mills and the progress regarding putting up grinding unit in south that's on so we are fully hopeful and we can commit to you that takes would be in place at the right time.

Kamlesh Bagmar: Has it been ordered because in the press release, we are saying that in H2 the ordering will be done?

Mahendra Singhi: And fortunately, H2 has started from 1st October and today we are talking on 28th as we have started it.

Kamlesh Bagmar: My last question on the two units, one in Northeast and in Tamil Nadu both the units have been performing way below our expectation. Like the both units are not able to even go beyond 60%-65% utilization levels and that is not for a year that has been for the 5-6 years consecutively. We are putting two Greenfield grinding unit in Tamil Nadu where I believe the clinker would be so strong the Tamil Nadu relived and another Dalmia Puram. How certain we are on the part of the higher clinker utilization at the Tamil Nadu unit and even Northeast?

Mahendra Singhi: First let me address Tamil Nadu, so in Tamil Nadu our volume is going up and the good part is that the cement demand is also growing most important is that the overall cement demand should grow but at the same time our market share should also grow and we are on that path and that's why the way judicious decision by us to put a grinding unit so that it can support both one a higher volume and secondly the higher blended cement also. That way all marketing activities are in place and by March when you see the results will find that yes that the graph is on upper side. Secondly on Northeast which unit you are referring to?

Kamlesh Bagmar: Both.

Mahendra Singhi: They are performing quite well and we must try to understand that these all units are meant for Northeast and now in last 2 years you will find that the market the demand of cement is growing in Northeast and accordingly we have been also able to bring up our market share. Always the management strategy has to be and our Dalmia strategy is that we should take proactive action and we should be able to generate right EBITDA and right return on capital employed. Over last 2-3 years, the government focus on North east has also increased a lot and so, we are expecting good growth in cement demand in Northeast and accordingly we will always remain prepared.

Moderator: The next question is from the line of Amit Murarka from Axis Capital.

Amit Murarka: So, first question is on the East market actually, so while I understand that the East market saw tough quarter from rain and cyclone but out India did quite well and we've already seen that in some of the companies that are reported. So, the thought that was there is that you had a lot of expansion in East, so at least there should have been some market share gains which doesn't seem to have happened. Any specific reason that why earlier we used to talk about capacity constraints and now that constraints are not there. Why is the volume ramp up not coming through, just some thoughts on that?

- Mahendra Singhi:** I'm sure you know about the whole India market and if you scan the whole India market also then you would find that the cement demand on YOY basis has only gone down in East whether it's for A player or Z player. The demand overall has gone down then definitely it will impact each and every player it's just not A Company, B Company or C Company. Secondly our expansions are not subdued, tomorrow they are for next 5 years next 7 years, so accordingly the assessments are there and our market share you will find that definitely it will also go up because now our capabilities are in place. We don't expect that of our capacity placement will remain low next year, but then yes these are the ramp up processes which do happen and the natural calamities, the health calamities that has impacted every cement Company in East.
- Moderator:** The next question is from the line of Prateek Kumar from Antique Stock Broking.
- Prateek Kumar:** My question is on incentives, total incentive accrued in first quarter and first half and what is the outlook on annual incentives now?
- Dharmender Tuteja:** Gross Incentive accrued in the first half is 150 crores and you can expect around 120 to 130 crores in the second half also.
- Prateek Kumar:** In second quarter how much was that?
- Dharmender Tuteja:** 113 crores.
- Prateek Kumar:** So, now we are moving to 250 crores kind of annual incentives is this number which will sustain going forward because earlier we used to say 120 to 140 crores kind of annual incentive.
- Dharmender Tuteja:** Yes, because we don't start Murli operations also and the second half that will also we'll have incentives so that will sustain.
- Prateek Kumar:** So, (+200) is the right number now to take?
- Dharmender Tuteja:** Current year yes.
- Prateek Kumar:** No not for current year, as an outlook for 23-24?
- Dharmender Tuteja:** Yes.
- Dharmender Tuteja:** Just one question on I mean you've mentioned about September been very bad so is October also worst impacted because of some non-season rain some of the East market and down on year-on-year basis for industry?
- Dharmender Tuteja:** Yes right.
- Moderator:** The next question is from the line of Devesh Agarwal from IIFL Capital.

- Devesh Agarwal:** Quickly the realizations drop that we found a sequential basis. If you can help me understand how much was on account of mixed change whether it is a trade, non-trade or geographical mixed change?
- Mahendra Singhi:** Mainly the drop has been because of the dropping prices both in South also and in East also. On in totality if you want to plan then maybe 5% to 10% of the total drop maybe on account of mixed change but otherwise in general it is a the price drops of industry both in South and East.
- Devesh Agarwal:** What was the share of non-trade in the quarter?
- Mahendra Singhi:** 37% is the non-trade.
- Devesh Agarwal:** And the Bihar incentives that we have got in the quarter for how many years still we have the incentives to get?
- Dharmender Tuteja:** Till March 24.
- Moderator:** Thank you. Ladies and gentlemen that was the last question; I now like to hand the conference over to Mr. Puneet Dalmia for closing comments.
- Puneet Dalmia:** Thank you very much once again everyone for their interest and their feedback. As I said that the economy is bouncing back and we are very hopeful that with our CAPEX plans and with the positioning that we have in the markets, the best of the Company is yet to come. I look forward to continuing our engagement with you and wishing all of you a very Happy Diwali in advance. Thank you very much.
- Moderator:** Thank you. On behalf of Dalmia Bharat Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.