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"Exchange Plaza", Plot No. C-1, Block G
Bandra - Kurla Complex, Bandra (East),
Mumbai - 400 051
Symbol: DALBHARAT

Subject: Transcript of Q4FY22 & FY22 – Earnings Conference Call

Ref : Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir/Madam,

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, please find attached transcript of the Q4FY22 & FY22 Earnings Conference Call held on May 10, 2022.

The same will also be uploaded on Company's website: www.dalmiabharat.com.

We request you to please take the same on record.

Thanking you,

Yours faithfully,
For Dalmia Bharat Limited



Dr. Sanjeev Gemawat
Group General Counsel &
Company Secretary
Membership No. F3669

Dalmia Bharat Limited

11th & 12th Floors, Hansalaya Building, 15, Barakhamba Road, New Delhi-110 001, India
t 91 11 23465100 f 91 11 2331 3303 w www.dalmiabharat.com CIN : L14200TN2013PLC112346
Registered Office: Dalmiapuram, Dist. Tiruchirapalli, Tamil Nadu- 621 651, India
A **Dalmia Bharat Group** company, www.dalmiabharat.com



“Dalmia Bharat Limited Q4FY22 Conference Call”

May 10, 2022



MANAGEMENT: MR. PUNEET DALMIA – MD, DALMIA BHARAT LIMITED
MR. MAHENDRA SINGHI – MD & CEO, DALMIA CEMENT BHARAT LIMITED
MR. DHARMENDER TUTEJA – CFO, DALMIA BHARAT LIMITED
MR. RAJIV BANSAL – PRESIDENT & CHIEF TRANSFORMATION OFFICER
MS. ADITI MITTAL- HEAD INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to Earnings Conference Call of Dalmia Bharat Limited for the quarter, and the year ended 31st March 2022.

Please note that this conference call will be for 60 minutes. And for the duration of this conference call, all participant lines will be in the listen-only mode. This conference call is being recorded, and the transcript of the same may be put up 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 mode.

Before I hand over the conference to the Management, I would like to remind you that certain statements made during the course of this call may not be based on 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 the call, we have with us:

Mr. Puneet Dalmia – MD, Dalmia Bharat Limited

Mr. Mahendra Singhi – Managing Director & CEO, Dalmia Cement Bharat Limited

Mr. Dharmender Tuteja – CFO, Dalmia Bharat Limited

Mr. Rajeev Bansal – President and Chief Transformation Officer and other Management of the Company.

I would now like to hand the conference call over to Ms. Aditi Mittal – Head (Investor Relations). Thank you and over to you, ma'am.

Aditi Mittal: Good morning, everyone. Welcome to the Q422 and FY22 Earnings Call of Dalmia Bharat Limited. Hope you had a chance to go through the results and the earnings presentation which is available on our website and can be downloaded from the investor sections there.

I will not take much time and hand over the call to Mr. Dalmia for his opening remarks. Over to you.

Puneet Dalmia: Good morning, everyone. It gives me great pleasure to welcome all of you to the Q4FY22 and FY22 Earnings Call of Dalmia Bharat Limited.

Let me start by giving you my assessment of the year gone by and how I see the next year play out, after that Singhiji and Dharmender will give you more details about our performance.

If I can put it very candidly, last one year has been a mixed year for us, with a few hits and a few misses. During the last one year, we have increased the capacity by 17%, entered the Western market through commissioning of our Murli plant and we became the first cement company to put out a formal capital allocation policy.

- We increased our dividend payout as a part of that.
- Laid our vision of 110 to 130 million tonnes by 2031.
- Set up a strategy and Transformation Office under Rajiv Bansal to help us realize our vision.
- Addressed the concerns of investor on non-core assets.
- We improved our governance through appointment of EY as our Internal Auditor and Grant Thornton as our Statutory Auditors.
- And we made some very important strides in our journey towards ESG.
- We also created a formal risk management policy and framework. We improved our communication and transparency and laid out a clear Treasury policy in line with the best in class.

We have also asked Rajiv to head most of our corporate functions in addition to his role as the Chief Transformation Officer to help us transition into a globally respected professional organization.

Just talking about it, I realize that in line with our vision to be a globally respected organization, we have done a lot of work last year to transform this company. But at the same time, we have had a few misses. During the last year gone by, we had expected, like everyone else, a very strong demand environment coming out of the pandemic, with a strong push from the government for increase in infrastructure spending, focus on low-cost housing and rural demand.

However, the year turned out to be quite volatile in terms of demand. The demand was good in a few months while it was completely disappointing in a few others. The input costs during the year have gone up beyond anyone's expectations. And it was challenging to manage the cost inflationary pressure without being able to pass on to the consumer. As you would know, there is a time lag between input costs going up and our ability to pass it on to the consumer. We had to absorb a large part of it during the year, and that impacted our EBITDA and resultant cash flows. In spite of the volatility and challenges, I would say that we have done a phenomenal job in our cost management, growth and the transformation journey.

I continue to be bullish on the outlook for the sector and the industry. With the GDP growth pegged at 6% to 8% over the next couple of years, the cement industry could in turn deliver a demand growth of an average of 8% to 9% annually even the government push towards

infrastructure building and low-cost housing. We see robust rural demand, which would help us in the markets where we operate.

What also gives me the confidence is that over the last two to three months, we have seen demand come back, and also price inching up simultaneously. The only major headwind that I see today is further rise in energy prices. It's very difficult to predict how this will play out, given the geopolitical issues in Europe, and the shutdown in China because of the pandemic. This has resulted in supply chain disruptions across the globe, resulting in supply constraints and rising inflation. The resultant increase in interest costs would also impact our cost of expansions. This would mean that we have to be prudent in our expenses and run a very tight ship and we are committed towards doing that.

There have been recent media news about Holcim selling their stake in Abuja and ACC. The very fact that there has been widespread interest in these assets from so many players, including new players, shows the potential of this sector and the contribution it would make to India's growth story.

As you would recall, Dalmia Bharat was a part of government's Adopt-A-Heritage Project and was identified as "The Monument Mitra" of nation's iconic 17th century heritage site the Red Fort. We have been bestowed with the responsibility to enhance and uplift its tourist potential and cultural importance in a planned and phased manner.

Under the umbrella of Azadi Ka Amrut Mahotsav, we hosted a 10-day Cultural Festival showcasing the rich, diverse culture and heritage of our country. And the event witnessed a massive footfall of over 150,000 people, along with the presence of dignitaries from government and business houses.

Going forward too with an endeavor to showcase our country's rich heritage on a global stage, we will be undertaking a series of events at the Red Fort. And I personally invite all of you to be a part of the upcoming events.

This is all from my side. And I thank all of you once again, for always being our well-wishers and sharing your valuable inputs and constructive feedback. I would like to hand over the call to Mr. Singhi.

Mahendra Singhi:

Happy morning, everyone. Last year has indeed been a dynamic one for the industry, with fluctuating volumes, and an unprecedented impression in input costs. Friends I am happy that we ended the year on a positive note with strong momentum in terms of cost management, price and volume. We have delivered a strong performance in Q4 after a weak Q3 and we believe that we have the momentum entering into a new Financial Year FY23.

In Q4, we have been able to perform better than Q3 and we have delivered a volume growth of 16% while our EBITDA grew by 67% to Rs. 683 crores. Furthermore, we were able to improve the EBITDA per tonne by almost 43% from Rs. 700 per tonnes to Rs. 1036 per tonnes in Q4. On a full year basis during Financial Year 2022, we delivered a volume growth of 7.3% at 22.2 million tonnes and revenue growth of 12% at Rs. 11,286 crores respectively. We have also seen a YoY price increase of 3.8%. This was however too little an increase to offset the massive increase in energy prices and other input costs.

During the year, the imported petcoke price has almost doubled from \$128 USD to \$246 USD per tonnes. And even the diesel prices also went up by 20%. However due to proactive initiatives by the team, we have successfully been able to mitigate the adverse impact to some extent. And the decline in EBITDA was contained at 18% to Rs. 1,091 a tonnes.

Friends, a few years back, we had set a foot on a strategic journey to reduce our dependencies on external fuel supplies, and also add consistency and predictability to of our performance. In line with the same, we started to announce the usage of green fuel and wind power. Green fuel in our fuel mix, it has been growing and I am happy to share that over a very short period of time, the percentage of green fuel on full year basis has increased to 13.4%. In Q4, the Green Fuel % was even better and stood at 16.4%. At the time, when you witnessed steep inflation in the fuel pricing our team's foresightedness and swift actions has yielded results in terms of mitigating the adverse impact.

Recently, we have also won the Brinda-Sisai Coal Block in Eastern India, which in years to come will not only add to the above objective but will also bring out cost efficiencies.

For our company, the overall fuel consumption rates almost doubled from \$78 in FY21 to \$141 in FY22. In fact, the surge was quite significant even in the last quarter where our fuel consumption cost increased from \$158 per tonnes to \$181 per tonnes, between Q3 and Q4. The inflationary headwinds are expected to sustain for some more time, and it is estimated that the fuel consumption costs may further increase.

Friends, I am happy to share that despite the diesel price escalation, our freight cost increase was again reasonably contained to 5.9%. And on the back of many extended initiatives including digitization, we have managed to retain our leadership position in the freight cost at Rs. 1,060 per tonnes. And we also continue to have one of the lowest lead distance in the industry. On full year basis, the adverse impact of just the input costs going up in our P&L account has been more than Rs. 850 crores.

During the year, we have also doubled our renewable energy capacity from 31 MW to 62 MW. Having said so, you also realize that the base is low, which also offers us higher headroom to generate incremental selling from these investments.

On the operation side, we are continuing to take long term strategic project and during the years to restrict the product mix and improvement in operating KPIs, we actually have delivered, and we see improvement of close to Rs. 64 per tonnes but considering the steep increase in input rates, it just wouldn't show up in output numbers.

Friends, before I move ahead, I am happy to share that with all the productive efforts of the management and the team we have one of the lowest total cost per tonnes of Rs. 3,989 per tonnes, for a full year FY22. In terms of pricing, even though industry price growth of 3% is ahead of the historical average, YoY price increase the prices didn't grow at the same pace as the input cost. Things are now looking up with the bulk of pricing still coming in the last quarter of the year, and prices increasing YoY at almost 6.5% to 7%.

We are seeing Rs. 30 to Rs. 50 increase between December '21 against March '22 across all over regions and the trend is continuing.

Moving on the regional performance, if we look at regional volumes for our company, both in South and Northeast market, we outperformed and delivered double digit growth. The performance in South is especially encouraging where over the last couple of years, we have continued to strengthen our market share and now are amongst the Top 2 to 3 companies by volume share.

With regard to the market in East, there has been a marginal decline in the overall market size during the year. But despite that, our confidence in the East market potential remains intact as we have continued to work on strategy projects, including continued investment in the region. During the beginning of the year, we had undertaken some controlled experiments in terms of product mix and packing, which initially has led to some displacement of market share of ours. But with the new product stabilizing gradually, we were able to regain our position before end of the year. We remain committed and upbeat about the growth in the Eastern Region.

On our part, we will additionally be focusing on improving our share of trade sales and increasing share of premium product in the overall product portfolio. We are happy to share that the share of our bigger brand DSP as a percentage of trade sales stood at 20% during the year, as compared to 18% last year.

Now in terms of CAPEX, in line with the announced growth plan, we diversified and entered the Western region through commercialization of the Murli plant of 2.9 million tonnes capacity and closed the year with an overall 35.9 million tonnes of installed capacity. By March '23, we are targeting a total installed capacity of 40 million tonnes and clinker capacity of 23.4 million tonnes. And further, we remain on track to reach 48.5 million tonnes by March '24.

Friends, I also want to mention that while internally, we are working on detailing out the growth trajectory beyond 48.5 million tonne but given the recent global turmoil, the volatility of the

energy prices and the potential consideration in the sector, we believe that it is prudent to put a short pause to announcement of any incremental new capacity expansion. Having said so we would continue our efforts to line up the project and we remain fully committed to reaching out our vision of 110 to 130 **million** tonnes by 2031.

As we march forward ESG will form a cornerstone of all our decision making. And during the year, our CO2 emissions per tonne of cement has further reduced to 489 kg. And our water positivity rate of 12.5x is one of the highest in the industry. And we are friends genuinely proud of this.

In order to further accelerate our journey to be carbon negative by 2040 under the Green Strategic Partnership of India and Denmark Government, the company has signed an MOU with FLSmidth Denmark a cement and technology company to collaborate and develop best innovations to support sustainability in cement industry.

For rest of the details and key financial updates I would now like to hand over the call with our CFO Shri. Dharmender Tuteja and I will be happy to answer all your questions following with the remarks. Thanks friends and good day.

Dharmender Tuteja:

Good morning, everyone. As all the major updates have already been covered by Puneetji and Singhiji I will quickly move to the key financial updates.

Regarding incentives, this quarter, we have accrued Rs. 52 crores of incentives, which takes the financial equity to numbers to about Rs. 231 crore. The collection during the quarter has been Rs. 77 crores and the total collection for FY22 has been about roughly Rs. 237 crores. Incentive receivable as on 31st March stood at Rs. 665 crores, going forward including Murli we expect an incentive accrual to be about Rs. 240 crores for FY23 and FY24 each. That being said during the quarter we also received a revised letter for the Murli incentives entitlement where the time limit for availment of incentive now stands revised from 2032 to 2036.

On the debt side, on full year basis our gross debt has reduced by Rs. 602 crores and the closing debt as on March 31 stands at Rs. 3140 crores. The net debt to EBITDA as on 31st March was negative 0.6 times.

With respect to CAPEX, we have spent close to Rs. 1,900 crores during FY22. And our budgeted CAPEX spend for FY23 is in the range of Rs. 3,000 to Rs. 3,500 crores. In line with our capital allocation framework and our vision to build a pure placement company, the company has successfully completed restructuring of its refractory business.

Regarding legacy holding of the shares of Dalmia Bharat Sugar, we have during the quarter, taken an accounting call where under IndAS 109 the investment which needed to be fair value, has been revalued accordingly. And the corresponding gain and loss has been adjusted through

the other comprehensive income. A detailed note to this effect has been given in the financial results.

Also, in line with the capital allocation framework, the Board has proposed a final dividend of Rs. 5 per share, which is subject to the approval of the shareholders in the ensuing AGM. This is in addition to the interim dividend of Rs. 4 per share, which was paid in October 2021. The total payout of dividend for the year works out to Rs. 169 crores compared to Rs. 25 crores paid for Financial Year '21.

The Board has also decided to induct M/s. Walker Chandiook & Co, a member from a Grant Thornton Group as Statutory Auditor in the operating subsidiary companies also, accept in Calcom where Deloitte will continue to be the auditors and M/s. Chaturvedi & Shah will continue to be Joint Statutory Auditors in Dalmia Cement Bharat Limited. The appointment of Walker Chandiook & Co. as auditor is subject to approval of shareholders of respective companies and their AGMs.

We will continue to work towards strengthening the balance sheet further, and ensure that while we improve our operating performance, we also ensure implementation of best accounting principles and practices.

With this, I now open the floor for question and answers. Thank you.

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

Sumangal Nevatia: First, on the cost front, so overall very good cost management during the quarter, just want to understand what sort of cost inflation do we expect in the coming quarters especially on the variable cost side on the coal front?

And second, in 4Q just some clarification given diesel price was relatively flat. What led to almost Rs. 80 increase in a per ton basis for the freight cost?

Mahendra Singhi: I would say that still the petcoke prices are at the level of Rs. 250 or so and imported coal price was also very high. So, it looks like that the cost may go up to some extent in this quarter also, and maybe another quarter also, difficult to predict at the moment. But of course, our journey to announce green fuel would continue and that may to some extent mitigate the cost increase.

And on this cost of freight, logistic cost, yes, we had, because of high quantity, we had moved some quantity by rail and some more steps were there on account of which this freight cost has gone up. But we are confident that we will be able to maintain the unit cost freight cost.

- Sumangal Nevatia:** So, just on the coal cost, I mean, we can see its quite strong, but April has already gone, and we generally maintain 30 to 40 days of inventory. So, is it possible to share some more quantification on the cost inflation that we are seeing at least for 1Q.
- Mahendra Singhi:** I would say that the prices of coal in our case would be around \$220 to \$230.
- Sumangal Nevatia:** Second question, on the CAPEX and the expansion, I missed, what are we budgeting for FY23, as far as CAPEX is concerned? And overall we had announced almost 10,000 of CAPEX, last year. And there should be some cost inflation on the overall this front as well. So, for us to complete these 48 million tons of capacity, now what estimates are we running?
- Mahendra Singhi:** For the year FY23 we are expecting that we should be able to spend Rs. 3,000 crore to Rs. 3,500 crores which will include some ROI CAPEX also but mainly on the growth plan. And we are quite confident that CAPEX in FY23 and FY24 would take us to 48.5 million tonnes by March '24.
- Moderator:** Thank you. The next question is from line of Mayur from HDFC Life Insurance. Please go ahead.
- Mayur:** The WHRS and solar capacity, which we are adding in FY23, it's a bit aggressive one, which we see in your presentation. What is the kind of cost savings that we are estimating in coming years because of this aggressive addition of power?
- Mahendra Singhi:** I would say the different or the delta between the power rate which will come either from CPP or grid, and the WHRS and solar would be ranging from say Rs. 6 to Rs. 7. So, accordingly, it will make the impact.
- Mayur:** And any additions after that basically if I can get some idea of what is the CAPEX that we are doing in FY23, and maybe in FY24 also, where we can expect basically in the next two years, this total capacity of power going to?
- Mahendra Singhi:** Like in FY23, we will be adding about 41 MW of the WHRS. And on solar plant, it will be about 66 MW.
- Mayur:** Yes that is there in your presentation, I am asking about '24. I mean, you must be having some long-term plans for this, right.
- Mahendra Singhi:** Yes from WHRS point of view, I think we will be completing all of our projects all of our kilns will be treated with the WHRS except one kiln where we have the requirement of waste heat. And on solar, yes, gradually, we will ramp up.
- Dharmender Tuteja:** Yes, to be specific, Mayur, FY23 savings are close to about Rs. 150 crores, which we expect on this power. And also, in FY24, close about Rs. 240 crores.

- Moderator:** Thank you. Next question is from line of Indrajit from CLSA. Please go ahead.
- Indrajit:** Two questions, first, we have seen large inflation across all construction materials be it cement or to an extent lesser for cement, but more for steel, PVC, etc. Are you seeing any impact on IHP demand as a result of that, mainly on the Tier-II or Tier-III or rural regions?
- Mahendra Singhi:** I would say that yes, there is a little impact and more particularly people are quite apprehensive about the prices of steel, to some extent maybe in Tier-II and Tier-III cities, it may be adding impact, and another impact may also come because of interest costs may go up for housing loans, but this is what is the impact of the inflation.
- Indrajit:** So, would that change our like FY23 industry demand assumptions in terms of growth in any way? Or do you think we are still on track to do high single digit kind of demand growth for the industry for the years?
- Mahendra Singhi:** With our interactions with certain rating agencies, what we understand is that the growth demand is projected between 6% to 8% and we expect that our growth will be better than that.
- Rajiv Bansal:** See this is too early to say how inflation is going to impact the housing demand, because housing demand has been kind of muted for the last many years. And there is a lot of pent-up demand after pandemic. So, there is going to be balance and the inflation is a lot of it is supply constraint because of lot of geopolitical issues also. So, depending on how that plays out, I think it's too early in the day to predict as to how this will impact. But honestly, if you ask us, given where we stand as a country in terms of our growth trajectory, and I think, even if there is a mild inflation, I do not see an impact on the demand for infrastructure spending or for housing and other things. So, we are working on that model right now, our assumptions are that we will see strong cement demand at least for the next couple of years.
- Puneet Dalmia:** I agree with you Rajiv.
- Indrajit:** And I just want to clarify one number. So, for 4Q our coal cost was blended \$181, and the spot prices that we are procuring or at inventory is \$220 to \$230. Is that correct or there is some mistake in my understanding?
- Mahendra Singhi:** No, it's correct.
- Moderator:** Thank you. The next question is from line of Girish Choudhary from Spark Capital Advisors. Please go ahead.
- Girish Choudhary:** Firstly, how are you thinking of inorganic opportunities? There were media reports of Dalmia bidding for Holcim asset. So, in terms of balance sheet size, how will you address this? And as a follow-up with the second largest group, also changing hands, how do you see the dynamics change for the industry and for you, specifically and also your read on the valuation?

Rajiv Bansal: There have been media reports about the Holcim wanted to sell their stake in Ambuja and ACC. And I would say that it's a great asset that the company has built on. They are large players in country and cement sector is actually looking good.

You know, what gives us a lot of confidence, and also actually excites us is the fact that there are so many new players who are new to the cement sector also looking at these companies. The fact that they are looking at investments in cement and ACC and Ambuja are not cheap assets, if they are looking at investing in this sector it just shows how important this sector is for in the next couple of decades for India's growth, and what their expectation on the sector is going to be. So, it gives a lot of confidence in terms of our growth trajectory, we are talking about 110 to 130 million tonnes. And we created our position saying that, look, the sector is going to get rerated. There is a lot of potential of this sector in the country.

And any developed consolation would definitely help and also be able to command prices and also be able to pass on the inflation to the customer. So, on the news of Dalmia looking at it, I think it's all media speculation I would not like to comment on the media speculation. We have a very active M&A function which looks at all the opportunities that come our way. And ACC, Ambuja as a part of that would keep evaluated, but again, we are not commenting on specific thing, question of how we will absorb right in the balance sheet, I think that is for the details to be worked out as and when we have the opportunity. So, at this point I cannot comment specific on this opportunity.

Girish Choudhary: Secondly, if you can just talk about the Murli asset ramp up, how is the ramp up like and what is the cost structure or profitability of the asset, let's say your average profitability at the company level?

Mahendra Singh: I would say that our team has been able to commercialize this project plant which was closed for years and years, and had lot of problems, but then we could first restart it and then we could start commercial products also in the month of January. Now, ramping up is good and we do expect that capacity utilization of 60% to 70% during the year FY23. Cost has gone up mainly on account of energy prices, but otherwise on CAPEX front on various operating parameters front, in a year's time it will be almost equivalent to what the Dalmia Groups best figures are.

Girish Choudhary: So, one can expect for more than Rs. 1,000 per tonne level even from the CAPEX, is that the understanding?

Mahendra Singhi: So, it will be the function of prices in the market, the energy costs that will decide but at the same time we have got, yes the incentive available with us, like what Mr. Dharmender highlighted so that will help us in getting the right EBITDA.

Girish Choudhary: Lastly, just on the capital allocation front, it's been a while since you partly offloaded the IEX stakes, so any thoughts or timelines on the remaining part of the investment.

Dharmender Tuteja: This is being reviewed and of course at the appropriate time, definitely calls will be taken to offload as and when necessary. Specific timing, we cannot comment right now.

Rajiv Bansal: See, if I can just add, see IEX is a public company and we are also public company, so I cannot comment on the timeline, but I think we have clearly demonstrated our intent to offload all the non-core Assets. And this part if you look at it we have done the refractive business restructuring, Dalmia Sugar also has got fair value. So, I think in terms of the journey, I think we have fully committed journey, cannot comment on the timeline as Dharmender is rightly saying, but we are Net Debt / EBITDA (-0.6). So, as and when we need the money for expansion, and we also have to ensure that we have a good leverage on our balance sheet so weighted average cost of capital comes down. So, I think considering many factors, we would take the right call on the timing part, but definitely we are committed to making a difference, we are placing in company.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: I just wanted to understand, with this change of hands at Holcim, do you think it changes anything for the industry and for us? And related question is, our talking about sort of hiatus in capacity expansion after reaching the 48, which itself is substantial, I don't deny it, had that got anything to do with this change of hands at Holcim. So, if you could address both of those?

Rajiv Bansal: Would it change anything in industry dynamics, I think would depend on who buys it. If it is bought by if we believe media report, as we understand right now. So, for example, hypothetically, Ultratech, buys it, it will lead to more consolidation in the industry. They will have to offload the assets because from CCI Perspective so we will have to see how it plays out. If, say for example, a new player buys this asset, then it depends on you know, because they are going to leverage the balance sheet, they also want to look at, it's not a very cheap assets, it's an expensive assets.

So, what does it mean for the pricing in each of the sectors or each of region it operates, so I think this will definitely change some of the dynamics, very difficult to comment on exactly what will happen, because a lot will depend on the price at which it is bought, who buys it, and what their future strategies would be around it.

So, I think it would be too early, to be able to comment on that, at this point of time. In terms of what we have said we put a shortfall, I think that many factors are playing into it, right, you know, there is too much volatility in energy prices, the world doesn't seem to be the same place as we saw it probably about four or five months back. There is a lot of geopolitical tensions, China shut down, supply chain disruptions, inflation is going up, interest cost hardening. And on top of that news of consolidation in the industry, I think there are a many factors, which are considered when you look at a holistically when you look at the road map so while we are committed 110 to 130 million tonnes, we still believe in the vision and we are working towards

that. I think we decided to just delay our announcement. And if you look at it, we also have been trying to tie up our raw material security we have started bidding for coal block, we have started bidding for limestone blocks.

So, in line with our strategy, we are already taking a lot of steps. But I think we just decided it's prudent to delay the announcement of further expansion beyond 48.5 because we want to see what happens on some of these macro factors and also on the consideration view, and then it will be the right time to announce. So, I think it was just we felt it was too immature to announce anything at this point in time.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: My question was pertaining to the capital allocation framework that we had announced in last July, you had indicated target ROC of 14% to 15%. And you had also indicated that basically, my question is, is this number the same basically, if you had to look at any inorganic opportunities. And I think there was also asterisk that was put on the target net debt to EBITDA, which was less than 2x that there could be a deviation in case of any inorganic opportunities. So, just wanted to understand two numbers ROC and net debt to EBITDA if at all for any inorganic opportunities, if we had to chase?

Rajiv Bansal: When we spoke about ROC, I think we believe that this sector would deliver ROC of mid-teens. And there is no data point that I am seeing, which makes it believe that it is not the case. It could be volatility as we go along, because for example, the energy prices are so much, I mean that has bitten our cash flows and the returns. And to that extent, we see volatility in the earnings. But on a long-term view, if you ask me, I think 14% to 15%, is what we are working towards and I think it's absolute achievable.

The question of what happens in case there is a large M&A opportunity which comes we regret it last time also when we announced the policy. See over a 10-year period, we are committed to this one, if for any reason, suppose there is a great opportunity, which comes our way in terms of acquisition opportunity, just because we have announced a net debt EBITDA of 2, doesn't mean that we will start giving up on opportunities and it will lead to competition. So, in terms of M&A, when you look at a long-term strategy, there are many things which come into play, this capital allocation framework helped us define what we want to do, define our intent, but there will always be a few exceptional lead and the whole idea is that when you make exceptions, you come out to everybody, say that these are the reasons that we have made an exception. And these are reasons why you had do it and time duration to comeback within the framework.

So, I think the idea was to create more transparency and also to create boundary conditions for us to work with. But it doesn't, we don't want to tie our hands and legs and say that because this is a policy and we can't do anything beyond that, because as I told you even last year, when we announced this, I believe that this sector will see a lot of consolidation, because it's still a very

fragmented market, the Top 5 players only have about 54% to 55% Capacity share. And I think you will see consolidation in this industry.

We don't want to shut our eyes to an opportunity if it comes our way, because we also have a PAN India vision. We also want to be a reasonable player, in every market that we operate. So, if this helps us accelerate the journey, of course we would look.

Ritesh Shah:

My second question is a more from an industry standpoint, I would like to hear Puneetji's view over here. We have been quite upbeat about the demand prospects in the country. But given the way in which the energy basket has been moving up, and also the construction cost, how do you see the impact of price elasticity of demand like will it have a bearing on demand? And if so, what impact it could have overall on the pricing environment, because both the demand and pricing are both critical. How do you look at this scenario, if say crude hypothetically remains at \$115, there is price elasticity of demand that is something this is real. So, how do you balance the two variables? Just a very hypothetical situation, but if the situation had to continue for next six months, how do you visualize it?

Puneet Dalmia:

Let me just give you my eye level thoughts. I think based on what we have seen in India, so far, even if cement prices move in the band of 20% to 30%, there is no elasticity of demand. So, demand doesn't go up, if prices come down, and it doesn't fall because prices go up. In the band of like, let's say, 20% to 30%.

If I look at the current situation where most of the building material prices have gone up, cement hasn't gone up that much. But we are not seeing a drastic demand contraction yet. In fact, I was even seeing the rural economy, Mahindra & Mahindra numbers were for April, the tractor sales were like 50% high on a YoY basis, almost like 89,000 tractors were sold. So, I think I am seeing good signs in the rural economy.

I am also, even though March quarter is a good quarter our YoY growth in March has been 16%, as opposed to the whole year being 7%. So, partly its seasonality. But I think demand is going to be reasonably strong.

I also think that inflation is here to stay, I mean there could be some changes in the geopolitical scenario if the war gets over and depending upon how the Central Bank decides to balance growth versus inflation. So, I am a little cautious about our ability to pass on the cost spike fully. And I think H1 is going to be tough compared to last year, because last year, H1 was quite strong. And I think H1 is going to be quite difficult. But H2, hopefully things should be better than H1.

But on the volume side, I am not seeing a significant headwinds, I just see like, last year growth was 7% I think this year should be better than last year for sure. But on the margin side, I am cautious, I am very cautious. I think so far, there is a lag in terms of how much we can pass on

and how soon we can pass it on. And I think that condition remains challenging for the next six months at least, as I see it.

Ritesh Shah: Last one question for Singhiji, we have done a phenomenal job on green fuel, just wanted to understand on a Rupees per Kcal basis how should one look at it, does it do good, the overall rupees per kcal for the fuel cost? Or is it like we are chasing ESG and hence, we are okay to spend a little bit more for ESG?

Mahendra Singhi: It will be always economical as well, broadly to be stable, and it will be maybe 30% or something lower than the fuel prices. But it all depends on what are the fuel price is. We are spending money for like plants and machinery so that we can use it in a right way as well we are also able to avoid usage of fossil fuels, which also helps us in bringing down our carbon footprint and making the globe better.

Moderator: Thank you. The next question is from the line of Amit Murarka from Axis Capital Limited. Please go ahead.

Amit Murarka: My question is on the capacity commission schedule, so you have shared it WHRS, could you also lay it out for the cement expansion from 35.9 to 40 and then to 48.5?

Mahendra Singhi: Yes, like we said earlier, our capacity of cement would be 40 million tonnes by March '23. And then rest would be commissioned in FY24 so that we become 48.5 million tonnes by March '24.

Amit Murarka: That I understand, and I was just like wanting to know if it is possible to have a 1H, 2H breakup, just as you shared for WHRS solar?

Mahendra Singhi: This balance, maybe 0.6 million tonnes would get added in the next three months in cement, and then balance would be the second half for the year FY23. And in FY24 maybe two or three million tonnes may get added in first half, balance in second half.

Amit Murarka: And just another question on capacity utilization. So, it was about 65% in FY22 which is actually lower than industry and you have another 35% expansion lined up. So, how should we think of capacity utilization in that context?

Mahendra Singhi: We are expecting that we should be able to do better in our volume in comparison to overall industry, both in South region as well as East and Northeast, and that may help us in improving our capacity utilization. And we are quite hopeful that in time to come the growth of cement in India would be better in years to come and that will also help us in better capacity utilization, difficult to commit to any number but then yes, it will go on year-by-year.

Amit Murarka: And just a last question, which is on Murli, you mentioned that it will ramp up to 60% to 70%. But what are we operating at right now?

- Mahendra Singhi:** Say around 55% to 60%.
- Moderator:** Thank you. The next question is from the line of Shравan Shah from Dolat Capital Markets. Please go ahead.
- Shравan Shah:** Couple of data points, first of all our trade, non-trade share for this quarter and for full year and also the lead distance for fourth quarter and the for the full year?
- Aditi Mittal:** Yes, our trade mix for the quarter is about 65%, and the lead distance for the quarter we were at 318 kilometers.
- Shравan Shah:** So, the lead distance has gone up versus last quarter it was 298, so 318. So, that would be the reason in terms of the increase in the freight cost.
- Dharmender Tuteja:** One of the reasons.
- Shравan Shah:** The other question is, just trying to clarify me if I am wrong, the CAPEX total plan that we announced was Rs. 8,500 crores to Rs. 9,200 odd crore. So, out of that, how much already we have done till FY22, in FY23 we have said Rs. 3,000 crores to Rs. 3,500 crore we are going to spend. And out of that roughly what, in terms of the WHRS and solar, how much are we spending in FY23.
- Dharmender Tuteja:** Yes, FY22, we spent about Rs. 1,900 crores and FY23 budget as we check it, it is about Rs. 3,000 to Rs. 3,500 crores. And FY24, another about Rs. 3,500 crores to Rs. 4,000 crores, balance will go in the coming years, which is also the cost that's incurred but cash flow wise it gets deferred to slightly lesser after the commissioning also.
- Shравan Shah:** The other question is in terms of the, in the previous question, you have answered, if you can help us slightly better in terms of the upcoming capacity, which is there. So, you say, 0.3, 0.6 million to come in the next three months, but if you can open the presentation page 7 and if you can help us, would be better which region would be coming here for in FY23, 4 million tonne that will be coming 4.1, and the next capacities. So, that would be helpful, because there is not much clarity on that part.
- Aditi Mittal:** Just I may answer that, all of Greenfield and Brownfield will come in FY24, the 4 million tonne of cement if factored in FY23 is spread across regions, we will scale that out as we look at commercialization part of the cement debottlenecking
- Shравan Shah:** Sorry Aditi, your voice was breaking, if you can repeat again, I got a Greenfield and Brownfield will come in FY24. So, that is 3 and 1.7 million tonne will come in FY24 --
- Aditi Mittal:** And the 2.5 million tonne of Bihar will also be in FY24. The rest that comes in during FY23 is the debottlenecking which is across the plant.

Shravan Shah: Last one, in terms of the price increase in this April, so versus 4th Quarter average how much we have seen the increase on an average?

Mahendra Singhi: I would say there has been somewhat price increase on account of concentration in East and Northeast but there is hardly any price increase in South. And East the price increase must be different in the states ranging from say, Rs. 10 to Rs. 20.

Shravan Shah: So, East only Rs. 10 to Rs. 20 increase, we have seen verses from the last time and South nothing, no increase.

Mahendra Singhi: You are right.

Moderator: Thank you. The next question is from line of Navin Sahadev from Edelweiss Financial Service. Please go ahead.

Navin Sahadev: My question was on the CO2 emissions. So, for the year, you said, we have done about 489, versus I think we were at just about 492, last year. Our target is to I think go up to almost 373 by 2030, which implies a very stringent target of a reduction of 3% CAGR. This year, it's less than 1%. So, in the context of blending ratio that we were trying to improve, where are we and how do you see this CO2 per ton reduction roadmap?

Mahendra Singhi: So, two things, 1) Since we have started the old plant of Murli as well as the old plant of Kalyanpur which is DDSPL, on that account, in those two plants the CO2 emissions were higher than compared to our all-modernized plants. And that's why this year we could see only little improvement in CO2 reductions. And now, already all actions have been taken for bringing down the CO2 emissions in these two plants, which we will be able to see results in next two years. And 2) on making low carbon cement or the blended cement actions are on and then we are quite hopeful that we will be able to make good inroads more in the next two years.

Navin Sahadev: If you have the blending percentage handy with you, or I could take it later.

Dharmender Tuteja: It is 78%.

Navin Sahadev: My second question then was about this alternate fuel or green fuel, as you call it, and very commendable improvement there from 8% to 16%. I wanted to understand typically, if you can quantify the savings that it would have generated in this journey from 8% to 16%, that's one part of the question.

The second is, as we try to increase this use of alternate fuel, technically, and I could be wrong, but technically, there is usually some hit on the output of the kilns typically, that happens. So, first of all, are we working towards any sort of upgrades or does it further require any modernization or upgradation to increase this usage further to let's say, 20% to 25%, and how geared or prepared are we on this one to handle that?

- Mahendra Singhi:** First let me tell you that whenever we take up such projects, then we do try to understand the technology possibilities as well as the peoples training. So, we have done both and that's why we have been able to ramp up. Initially when we start using at higher percentage output impact does come, but then with various improvements in processes also as well as the stabilization of the equipment which we put in, we are able to manage that. And, I may tell you that we have become the first in the industry to put up a chloride bypass system on account of which also we could use more and now industry is also following. So, that's also good part. And we are hopeful that with all actions which we have taken for 1) training our own people, 2) getting the right material and 3) putting up the right plants with the technology, we will be able to use higher percentage.
- Dharmender Tuteja:** So, for the full year it will be close to about Rs. 200 crores, and the last quarter itself, it could be around Rs. 90 crores.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Jefferies India. Please go ahead.
- Prateek Kumar:** My first question is on the expansion output post FY24, which you said is a pause, as of now. So, does it, I mean as I understand these expansions were in North and Central North. So, does this impact like I mean, there was this change in MMDR Act for which I think you were looking to expand faster for our lease lines. So, does anything changes on that front?
- Mahendra Singhi:** As far as the 48.5 is concerned, this is all in our existing region, where we have all right resources. So, there is no impact on that.
- Prateek Kumar:** No, I am asking beyond 48.5.
- Mahendra Singhi:** So, that's why, we are exploring various possibilities. And we have been also able to get few blocks also, like one block in Rajasthan which was highlighted in last call. So, both actions are in the process and surely when we quantify and concretize will share with you.
- Prateek Kumar:** Secondly, what will be our fuel mix right now? And when we say that our cost of fuel went up from 158 to 181, does this also include some implied domestic coal and green fuel prices or it just for imported coal.
- Mahendra Singhi:** So, this price is in relation to the petcoke which we consume Indian as well as the imported coal.
- Dharmender Tuteja:** The fuel mix, primarily petcoke is 64% and rest of the fuel other than petcoke is around 36%. -
- Mahendra Singhi:** And this will be quite dynamic depending on the prices of imported coal or petcoke as well as the availability of Indian coal.
- Prateek Kumar:** So, 36% includes domestic coal and imported coal both.

- Mahendra Singhi:** Yes, as well the green fuel.
- Prateek Kumar:** And my last question, while you alluded on year-on-year growth for FY22 like South grew double digit, East saw a small decline. Can you highlight the same for like 4Q? For fourth quarter, how did the South and East region perform when you had like a 3% growth? So, how did the region performance was?
- Mahendra Singhi:** So, I would say that we have done better in South and Northeast. And in East we could recover the losses which we had earlier.
- Moderator:** Thank you very much. Ladies and gentlemen, we will take that as the last question. I now hand the conference over to Mr. Dalmia for closing comments.
- Puneet Dalmia:** Thank you, everyone for joining the call. I think, we are ending on a good note in a tough year. And I think, as we step into the next year, there is a lot of action in our sector, and some headwinds continue. But I still continue to remain quite bullish. Our expansion plans are on track, even though there is inflation. And we continue to believe in this sector. And I think the best is yet to come. Thank you again for joining and thank you for all your feedback. I look forward to continued engagement with all of you. Thank you.
- Moderator:** Thank you very much. On behalf of Dalmia Bharat Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.