



“Dalmia Bharat Limited Q1 FY23 Earnings Conference Call”

August 05, 2022



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MR. DHARMENDER TUTEJA - CFO, DALMIA BHARAT LIMITED
MR. RAJIV BANSAL - PRESIDENT & CHIEF TRANSFORMATION OFFICER, DALMIA BHARAT LIMITED
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Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call of Dalmia Bharat Limited for the quarter ended 30th June 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 you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone.

Before I hand the conference over 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 may be forward looking statements. The forward-looking statements are based on expectations and projection and may involve 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 & CEO, Dalmia Bharat Limited; Mr. Mahendra Singhi - Managing Director & CEO, Dalmia Cement Bharat Limited; Mr. Dharmender Tuteja - CFO, Dalmia Bharat Limited; Mr. Rajiv Bansal - President & Chief Transformation Officer and the other management of the company. I would now 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, Steven. Good morning everyone. Welcome to Q1 FY23 Earnings Call of Dalmia Bharat Limited. Hope you all had a chance to go through the results and the earnings presentation which we filed with the exchanges. If not, the same can be downloaded from our website from under the investor section. I will now hand over the call to Mr. Dalmia for his opening remarks.

Puneet Dalmia: Good morning everyone. It gives me great pleasure to welcome all of you for the Q1 FY23 Earnings Call of Dalmia Bharat Limited. Today, as we interact at the first call of financial year 2023, I am happy to share that during the quarter, we have delivered industry leading sales volume growth of almost 27% on a Y-o-Y basis. From the same time last year, we increased our capacity by 17% and due to the focused efforts of our team we have managed to increase the capacity utilization from 64% in Q1 of FY22 to 69% in Q1 of FY23.

Another area which is a prime focus for us is the sustenance of cost leadership and I am happy to share that on the total cost per ton of cement, we have achieved one of the lowest total cost at Rs. 4,360 per ton. What dampened the operating performance is the continuous upward spiral in the commodity prices and the inability of the price increase in our market to observe the cost inflation. The average fuel cost increased from \$180 per ton in Q4 to \$218 per ton in Q1 of this year which is a 20% increase. Against this, the sales price in our region lacked behind materially with a sequential delta of near 3%. In fact, the exit prices came in below the average prices for the quarter and this is the trend we witnessed across each of our markets. We have seen that in region such as North and Central, the price increase has been quite promising and we believe

that in other regions such as West, East and South, the trend should eventually follow. While operationally we continue the great work by our team, on the CAPEX side, the ongoing committed expansion plan up to 49 million tons is intact and remains on track for completion by March 24. During the quarter, we have commercialized 2 million tons of clinker, 1.1 million ton of cement and 41.4 megawatts of renewable energy capacity. I will ask Mr. Singhi to take you through this detail and all the other operational numbers. Thank you so much and I will be happy to take any questions that you may have later during the call. Over to Mr. Singhi.

Mahendra Singhi:

Happy morning friends. Thank you Puneetji. Friends, our team is making all best efforts to counter various adverse situations in the economy. We have been able to make promising start on the sales front as growth rate has been 27% leading to the quarterly volume of 6.2 million ton. The revenue for the quarter has increased by 27% Y-o-Y to Rs. 3,302 crores. The realization during the quarter improved in the Eastern and North Eastern market, but South was slightly weak and average. There was however a slight flattishness in the prices as we exited the quarter in June. From the exit prices, prices have been stable in July, but continue to be on the weaker side due to seasonally sectors ticking in. As a company, returning cost leadership is one of our prime objectives and I am glad to share that on Y-o-Y basis, while cost increased adversely for the entire industry, the adverse data at 37% was probably the lowest for us and our variable cost pattern came in at Rs. 2,224 per ton.

Friends, I am also happy to share that during the quarter, we have been able to install first floating solar power plant of 3.8 megawatt capacity in Bihar. On the variable cost front, we continued to experience the adverse impact of higher petcoke and coal prices. During the quarter, our fuel consumption cost increased by almost 20% from Rs. 180 per ton in Q4 FY22 to \$218 per ton in Q1 FY23. So, we are now finally starting to see a decline in prices of petcoke and coal. Given the average price cost in Q1, it stood around \$220. The consumption cost in Q2 is likely to remain higher in the range of around \$220 before eventually tapering down. We have seen now the petcoke prices hovering around 180 to 190 and the benefit of this we may see in quarter 3. Our freight cost continues to be lowest in the industry at 1096 per ton, though there is an increase of 4% Y-o-Y owing to both diesel price inflation and increase in lead distance. That lead distance for the company during the quarter was 311 kilometers.

Friends, as Puneet just said, again I am delighted to share that we have emerged as probably the lowest cost producer with total cost of Rs 4,360/T. In our journey for enhancing our blended cement, this quarter, we have been able to increase this to 82%. Our various other efforts and initiatives for becoming copper negative by 2040, we have been able to bring down our copper emissions to 468 kg per ton of cement which is probably one of the lowest in world cement sector. With regard to capacity expansion during the quarter, we have commercialized almost 2 million ton of clinker and 1.1 million ton of cement. The region wise details of clinker expansion and the plant wise details of cement expansion can be taken from our investor's presentation which is uploaded on our website. Friends, we remain on track to complete this lack of expansion by March 24 and reach 49 million ton. As Puneetji mentioned, we are side by side working

internally to get our ground work ready for future phase of organic capacity addition. Now, this year, we are celebrating our 75 years of independence across the country in approaching our 75th Independence Day. I take this opportunity to wish you a very Happy Independence Day and also wish you to celebrate 75th year of independence in a big way. Now, with this, I would like to hand over the call to our CFO, Mr. Dharmender Tuteja who will run you through the key financial results. Thank you.

Dharmender Tuteja:

Thank you, Singhiji. Good morning, everyone. Since the major updates have already been covered by Puneetji and Singhiji, I will now quickly get into key financial updates. Regarding incentives, this quarter we have accrued income of Rs. 58 crores and the collection during the quarter has been Rs. 44 crores. The incentive receivable as on 30th June stood at Rs. 683 crores. For the full year including Murli, we expect incentive accruals to be around Rs. 240 crores for FY23 and FY24 each. On the debt side, we have reduced the gross debt by Rs. 131 crores and the closing debt as on 30th June stands at Rs. 3,009 crores. The net debt to EBITDA ratio as on 30th June was negative 0.08 times. For CAPEX, we have spent close to Rs. 525 crores during the quarter. Our budgeted CAPEX spend for the full year is in the range of Rs. 3000 to Rs. 3500 crores and we remained on track to achieve that number.

While we continue to take initiatives to keep our cost under control, our fixed cost and other expenses on Y-o-Y basis have increased this quarter, primarily due to various plant shutdowns taken in this quarter. New plant commissioned during last year like Murli and Kapilas unit number 2 which were in project phase in the last year first quarter and also increase in packing expenses due to increased volume and higher granite prices. In continuation of our strategic initiative of turning carbon neutral by 2040 and using 100% renewable energy by 2030 and in forbearance to our addition of 36 megawatts solar power and 5.4 megawatt of WHRS during this quarter, we have at the board meeting held on 3rd August obtained approval to purchase existing wind turbine generators in Tamil Nadu hiring capacity of 16.5 megawatt from Dalmia Bharat Sugar Industries Limited. In terms of generation of power, these machines are equivalent to 7 megawatt of blue capacity, the transaction is on arm's length basis as determined by an independent evaluator. The transaction cost is Rs. 7.66 crores for wind turbines and the associated spares and Rs. 25 lakhs per year towards lease and license fee for using 709 acres of land. This has escalation clause of 10% once in 3 years and this transition is subject to necessary approvals being obtained from Tangedco and state government authorities. With this, I now open the floor for question and answers. Thank you very much.

Moderator:

Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

Rajesh Kumar Ravi:

Congratulations on good set of numbers in a tough environment, I have a few questions, first on the CO2 emissions which we have seen strong fall versus FY22, could you explain what is helping you, you are already on the low side and even in a short frame you drive these efficiencies?

- Mahendra Singhi:** I would say the efforts which we are making for enhancing the blending cement or low carbon cement ratio is one of the major sectors. Secondly, the way we have been able to enhance percentage of renewable power and green fuel that is also helping in a big way and thirdly, the efficiencies which we have been able to put in terms of reducing heat consumption and power consumption and also highlight our power consumption of 64 units per ton of cement is one of the lowest in the Indian cement industry and may be globally also, so these are leftwards as well as better efficiency is resulting in lowering our CO2 emissions.
- Rajesh Kumar Ravi:** And what is the cement to clinker ratio sir for Q1?
- Mahendra Singhi:** For the quarter it is 1.67, but month by month it is enhancing.
- Rajesh Kumar Ravi:** And sir, green power usage in Q1 and AFR usage in Q1?
- Mahendra Singhi:** These figures you can take offline.
- Rajesh Kumar Ravi:** And could you share on the Murli operations, what is the status, how has that ramped up for you and what is the total CAPEX to be spend for ongoing projects in FY23-24 to complete all the projects?
- Mahendra Singhi:** In this year, what we have said is that we will be spending Rs. 3,500 crores and during the next year, Mr. Dharmender how much is maintenance?
- Dharmender Tuteja:** Can you repeat the question, please?
- Rajesh Kumar Ravi:** What is the total CAPEX to be spent in FY23 and 24 including maintenance?
- Dharmender Tuteja:** For Murli?
- Rajesh Kumar Ravi:** No, total.
- Aditi Mittal:** So, total budgeted for this year is Rs. 3000 to Rs. 3500, similar number is for next year, what we spend in CAPEX in quarter 1 FY23 is Rs. 525 crores.
- Rajesh Kumar Ravi:** And status on the Murli operations, has it stabilized fully and what sort of margins you are making over there currently?
- Aditi Mittal:** This is the second quarter of operation, typically I think the plant takes about 9-12 months to stabilize completely and we had started the year that during the year about 60% utilization is what we target to achieve as we close the year. So, I think we are on track for that.
- Moderator:** Thank you. The next question is from the line of Pinakin Parikh from JP Morgan. Please go ahead.

- Pinakin Parikh:** My first question is on the cost which is based on slide 13, \$218 per ton in Q1 FY23 and you have mentioned that the cost will reduce in the second quarter, but based on today's cost prices, what should be this cost in the third quarter, the December quarter by which you will be benefiting from the lower pricing?
- Mahendra Singhi:** In my view, this cost can be anywhere between say \$170 to \$185.
- Pinakin Parikh:** My second question is on the capacity addition road map, we had come out and announced a roadmap of 2030 capacity at 110 to 120 million tons, in the interim we have seen two large business houses, cater the capacity addition plants that they have had, what is Dalmia's view of roadmap 49 million tons to 110 million tons, because we have not seen followup announcement come through so far?
- Rajiv Bansal:** So, I think right now, we are just evaluating which regions to invest in and our announcement plans are a little bit more delayed than what we had promised this year, but we will come back as and when projects get moved closer to finalization and we will announce it.
- Pinakin Parikh:** Just to clarify that, 110 million tons plant still remains on table or would you take a relook at it given the industry dynamics?
- Puneet Dalmia:** No, in fact, we think that Adani is a positive in this sector, it will lead to more consolidation and our belief is that sector attractiveness has gone up. So, our plants remains intact, first with volatility in the world, there will be some turbulence along the way, but we believe that India is poised very well amongst the major economies. Even despite inflation, our current GDP growth has forecasted to be around 7-7.5% this year. I think as our leadership in the central government has managed most volatility relatively much better than other economies, the pandemic, the war, the inflation, so I think overall we have a big faith in the India's future and we will continue to invest and we believe that sector attractiveness has gone up and more consolidation will happen.
- Moderator:** Thank you. The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.
- Sumangal Nevatia:** The first question is on the renewable power, we are adding really chunky capacities this year in 1Q and in the coming quarters as well, is it possible to explain us some bit of, how do we see cost income and utilization levels in FY24 from these plants?
- Mahendra Singhi:** Yes, if you just look at the operational cost without interest in depreciation, it is then just 25 to 30 paisa per unit in comparison to now presently what the cost is of say Rs. 8 to Rs. 9 of captive power plant or may be Rs. 7 to Rs. 8 of grid, so this is one part and we are able to utilize fully the renewable power or the solar power and in future wind power also because at the moment whatever power would be generated during the day time from solar that would all fully be consumed.

- Sumangal Nevatia:** And what sort of utilization level should we factor in 15-20% for solar and north of 80% for waste heat recovery?
- Mahendra Singhi:** So, in totality we will have about 172 megawatt of power both from solar and WHRS by end of the year and accordingly it may be around say 16% of the total consumption and maybe these figures will be reconfirmed shortly.
- Sumangal Nevatia:** And just a clarification on the power & fuel cost that you said, \$220/T was Q1 and how do we see this, \$170/T to \$180/T is for 3Q or that is 2Q level that we are expecting?
- Mahendra Singhi:** Q3.
- Sumangal Nevatia:** And is it possible to share some directional sense on 2Q and will it keep inflating in 2Q and then see a drop?
- Mahendra Singhi:** In Q2, it may be ranging around say 195 to 200.
- Sumangal Nevatia:** My second question is on the future growth that of course we are in the evaluation stage where we expressed, but from say 50 to 110 million ton, like we had seen in the past overall our contribution from inorganic growth has been quite substantial, in the future are we seeing any inorganic opportunities or the future growth will largely led by organic growth only?
- Rajiv Bansal:** Sumangal, Rajiv here. I think when we are looking at our growth from 49 million ton to 110 to 130 by FY21, I think it will be a mix of both organic and inorganics. I think as Puneet was saying in his reply earlier, we see the entry of Adani lead to more competition in the industry and I think there will be a lot of opportunity for we have been looking at good inorganic assets, so I think we are open to both. I think we will have to keep looking at all the opportunities in front of us, whether organic or inorganic, but the objective is that we want to be a pan India player and reach about 110 and 130 million ton by FY31.
- Sumangal Nevatia:** But just to extend a small argument, in the last 5-7 years there were lot of assets which were very obviously on the block, given the balance sheet stress, NCLT, etc., currently the industry has been at one level of consolidation, going into future, do we see availability of inorganic opportunities or it will be substantially lower now from current point onwards?
- Rajiv Bansal:** Again, it is very difficult to predict something like this, but I believe that whether input cost going the way we are going up and EBITDA margin are falling and everybody announcing, you know over the last year is announcing large capacity announcement, there have been as I have been saying over the last 4 to 5 years, almost 90-95% from the top 5 players, so small players are definitely seeing pressure within market. I think we will have to see how it plays out, but assumption is that you will see a lot of opportunities come up, good asset will come in the block in my view and we will have to see this opens the doors as and when that happens.

- Moderator:** Thank you. The next question is from the line of Raashi Chopra from Citi Group. Please go ahead.
- Raashi Chopra:** Just continuing firstly from the previous question on the inorganic growth, one is that a lot of other players are also looking at the inorganic growth as well, so while there may be acquisition targets available, would there enough like everyone to kind of pursue this path one, secondly is to get to this 130 million ton even keeping in mind the mix, at what stage would you need to use your auction limestone, that is the question on capacity?
- Puneet Dalmia:** Puneet here, M&A is always a competitive process and I think there will always be some uncertainty, but I think we have been quite decisive in the past and we have demonstrated our ability to close these and turn them around. So, I think depending upon the process, depending upon the target, I think we will have to review this case by case and you will win some, you will lose some, so I don't think the competitiveness of an M&A process will go away in a hurry and the only point is that since Holcim has exited India, I expect more competition from domestic players rather than overseas player in the short run. Secondly, I think in terms of auction limestone blocks, I think our approach is to just keep developing projects whether they are brownfield or Greenfield, some of our land acquisition is in process and overtime as and when we are ready to announce our projects consistent with our pan India footprint ambition, we will let you know.
- Raashi Chopra:** Just another question, is there any update on the employee welfare trust that you had created, anything, I am not sure if you have seen any details in the annual report, but were we can get some details on about the trust corpuses and what the use is?
- Dharmender Tuteja:** The last trust that was round up, so that was no more and that was never consolidated in the company, that is why it never appeared in the books of Dalmia within the past or even now.
- Raashi Chopra:** So, it is round up, you are saying?
- Dharmender Tuteja:** Yes.
- Moderator:** Thank you. The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.
- Amit Murarka:** My first question was around the region wise plant utilization of volume growth, so could you just throw some light on that given that you saw good growth this quarter?
- Mahendra Singhi:** We will not be able to share the region wise volume, but we could say that we had comparatively good growth in South in compared to East, but in both the region available in North East we have grown and that has given us 27% growth during this quarter and we do expect also growth continuing.

Amit Murarka: My second question is on mining land acquisition that you were doing, so could you throw some more light on it as to what exactly is the plan, by when will it be done and how much of results accretion could happen from this?

Mahendra Singhi: You are referring to which place?

Amit Murarka: The East mining land acquisition that you are doing in East?

Mahendra Singhi: That process is already on and we have been able to get all the necessary government approvals for majority of the land and we have already acquired some portion of land, so that process of acquiring that is in full control and we hope that in 1-1/2 years' time, the whole process will be complete and may be in 6 months' time, we will be able to also start expecting limestone out of it, so that way I would say we have full confidence and we have full reserve for many years to come.

Amit Murarka: And what kind of reserves accretion could happen if you give a ballpark sense on that?

Mahendra Singhi: Once we are able to fully acquire the land and then do certain exploration will be able to share that, but at the same time we would say that by acquiring whole thing, we will be able to get more than 20 years reserved.

Amit Murarka: For the Rajgangpur operation that is?

Mahendra Singhi: Yes, we are referring to that only.

Amit Murarka: And also, just on slag prices like the cost of clinker production has gone up significantly, so what is the trajectory that we have seen on slag prices now?

Mahendra Singhi: Slag prices are just matter of generation also as well as requirement of various other cement companies, but we do expect that there may be 10% plus or minus or may be 10% increase in slag prices, that is all, but otherwise what we have understood and what we have seen from our own tieups that we will be able to get that slag price also.

Amit Murarka: But could you just give indicative like number, say like 1500 per ton right now or 1700-1800 per ton like what is the ballpark range of the cost?

Mahendra Singhi: It would be difficult to project those numbers, though internally we have but very difficult to project on this call, what would be the number.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: My first question is on passing pricing, Puneetji mentioned in the opening remarks that East pricing was lower versus other regions because other regions had better sense in terms of passing

pricing and you should follow, but clearly like while this sense was prevailed in early part of this quarter, but one of that sense is out of the world and right now prices are down across regions to probably pre March level, so that case of East pricing going up because other region pricing are better probably doesn't stand like so clearly. So any news there on other regions pricing falling a decline as well?

Mahendra Singhi: I would say that in South, prices are at the moment stable and in East there is a bit sluggishness, but may be after two months, when the demand goes up, then there may be possibility for better prices.

Prateek Kumar: And we see that Adnair's entry is positive for the sector, we are particularly high on non-trade segments like most of the last year, so how do we see non-trade segments generally playing out with Adani and ramp up in this business?

Mahendra Singhi: I don't think impact of Adani Group wholesales will have any impact on non-trade segment as such because non-trade segment is all based on competition and on that part, competition will continue there and then if you are able to compete the way we have been doing it, we would be losing on that part.

Prateek Kumar: What will be our trade mix for the quarter?

Mahendra Singhi: Trade mix for the quarter may be 63%.

Prateek Kumar: Just the number which was given earlier on incentive accrual during this quarter was Rs. 58 crores, is that right?

Mahendra Singhi: That is right, yes.

Moderator: Thank you. The next question is from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain: Sir, my first question was on this inorganic growth that you are talking about, sir, historically whatever deals and all you have seen in this sector are predominantly driven by the balance sheet concerns of the larger groups other than weaker industry profitability, so do you see a face where industry profitability could be under pressure for elongated time because if that doesn't happen then I don't know why should we see a massive inorganic growth opportunity for anywhere in the sector because Rs. 1,110 EBITDA per ton, the profitability is fairly attractive for the sector, so do you see that concern emerging at all that competitive intensity could increase and there is a prolonged pain on profitability for the sector?

Puneet Dalmia: Look, mostly the balance sheets of large companies are fairly strong right now. I think some companies in certain pockets may have some balance sheet spread and in this short term, I still believe that there are headwinds in this sector and there is margin compression. This quarter is a monsoon quarter, so it will be hard to pass on price increases commensurate to the cost spike,

but I think M&A in my view will not get so much barring a few situation, it may not get driven by stress as much as it may get driven by focus on other businesses or focus on other markets, so my view is that in the short term there is few assets which may be experiencing stress, but larger part of the M&A opportunity may be driven by focus on other businesses, our focus on other markets.

Ashish Jain: Sir, if I can just extent that point, I would still have thought that if I look at the cement industry today, for most of the groups cement is actually one of the leading businesses, but in that context again?

Puneet Dalmia: Well, I can't discuss individual assets on this call, I mean I hope you will appreciate that and as opportunities will come, all of us will come to know, so I think it is hard for me to discuss individual assets in this call.

Ashish Jain: Sir, secondly on waste heat recovery, can you give some roadmap where our waste heat recovery could be let us say 3 years, 4 years down the line because even on the FY23 target at 16-17% we seem to be on the lower end versus where our peer aspire to be, can you give like, let us say FY25-FY26 roadmap in terms of how much waste heat is scalable from our existing capacity?

Mahendra Singhi: I would say that all our kilns will have the waste heat recovery system by end of FY24 except one kiln in South because of heat requirement for raw material there, but otherwise all our plants would be equipped with waste heat recovery system.

Ashish Jain: Sir, can you just kind of quantify that in terms of, versus 72 MW in FY23, where could that number be in FY24 or FY25, whatever is the reasonable timeframe?

Mahendra Singhi: That can be shared by Aditi offline.

Moderator: Thank you. The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: I have some follow-up questions to Mr. Tuteja on this employee welfare trust area, just wanted to understand you said it has been bound down when was this done if you could just share that timeline to start with?

Dharmender Tuteja: That was done about more than a year ago.

Sumangal Nevatia: And is it possible to share and what was the share in their position earlier and why is it not visible in our treasury shares now?

Dharmender Tuteja: This trust was never part of the consolidation, so that will never come in the books.

- Sumangal Nevatia:** But there were some shares in their projection, so what is the position, where are those shares lying right now?
- Dharmender Tuteja:** They must have sold this with the new buyer which most likely new trust they would have got it.
- Sumangal Nevatia:** And is there any outstanding loan advances or any other transaction from the parent entities with them now?
- Dharmender Tuteja:** No, there is no loan. All the loans are repaid long time back.
- Moderator:** Thank you. The next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.
- Satyadeep Jain:** On the first expansion I think the company had decided to go slow on Satna in light of the Holcim situation, now that we have more clarity on that front, is the management going to ramp up land acquisition in both Satna and Navalgarh and when can we expect the formal announcement on the go ahead or announcement for timeline for these projects in next days of growth, again type of that would be I think if I heard it correctly in one of the earlier questions, you mentioned you are looking at other regions and other businesses also as possible inorganic opportunity, what could be the other businesses Dalmia might be interested in if that is correct and if there are any regions that would be more preferred for inorganic growth over the other regions?
- Rajiv Bansal:** Let me just clarify Rajiv here, I don't think so anyway in the call we have said that we are looking at in other businesses, so probably let me clarify that we are not talking about assets on other businesses we have. Having said that from a land acquisition as Puneet was saying in his opening remarks, I think we are fully committed to 49 million tons for FY24 and our long-term vision of 110 to 130 million tons by FY31 stays intact. There are a lot of developments happening in the industry as we speak. The world is far more volatile than what it was a year back and there could be a little bit of jump in that short to medium term. I think we have all kinds of opportunities whether organic or inorganic, I will not like to speak specifically, but in project as if organic or inorganic opportunities, but the market sense is when you're looking at opportunities to expand the footprint across India and to that extent whether it is Satna or whether it is Western India or Northern India all of them are being looked actively at.
- Satyadeep Jain:** Second question would be, I think there is a bit slight changes in the CAPEX scheduled, you possibly compared to the earlier expectation, the ramp down, the expansion in Murli and ramped up expansion in Tamil Nadu, is there anything, is it just market demand supply that is driving that decision, was there anything operationally with the asset or limestone that is driving these change in the CAPEX?

- Mahendra Singhi:** There is no such case or such situation in which it is happening, in fact we have thought that we have to some extent we can announce our capacity in South and that is why we have added capacity there and in Murli, yes, it may take few more months to start that capacity expansion.
- Satyadeep Jain:** Just one quick question if I can squeeze, there were apparently some market share loss in the quarter for Dalmia, if I understand correctly if that is correct, was it because of the debottlenecking on maintenance in Rajgangpur or was it a conscious decision to not sent more volumes in the market?
- Mahendra Singhi:** No, there were no such instance where there was short availability of material, so it was not this case.
- Moderator:** Thank you. The next question is from the line of Sanjay Nandi from Ratnabali Investment. Please go ahead.
- Sanjay Nandi:** Sir, can you just throw some light on our renewable power consumption like what kind of waste heat recovery capacity do we have at the end of the Q1 FY23?
- Aditi Mittal:** We have about 37 megawatt of waste heat recovery.
- Sanjay Nandi:** And this year planning to take it by how much, FY23?
- Aditi Mittal:** By the end of the year FY23, our receivable energy capacity is projected to increase to about 170 megawatts. The complete details are mentioned in the earnings presentation which has been uploaded on the website, you can get the final details there.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Question is for Puneetji, sir, we have given a stiff target of 110 to 130 million tons by 2030-31, it impounds a pretty stiff CAGR, now just to remind two quarters back and in between we have Adani has actually pop in, wherein they have also indicated that they would look to add another 70 million tons in next 5 years, now India growth story is fantastic, but when we have to look at it from a market share standpoint versus profitability, how do we look at this variables, so the reason to ask this question to you specifically is the company has a very comfortable balance sheet and when it comes to execution nobody is going to question. So, I think we become a key player to determine on market share versus profitability and hence ask this question to you?
- Puneet Dalmia:** We look at both market share and profitability in the long term and my belief is that the sector attractiveness has gone up as I said earlier. India growth story is something that we believe and I think we will do our best, participate in this through Greenfield and brownfield projects as well as through M&A. Now, obviously M&A is uncertain and depending on the competitiveness and the strategic value of the asset, we will decide at that point in time, what is it worth to us and ultimately it will play out the way it will play out, so I think it is hard for me to really comment

on market profitability in terms of absolute profitability. I think in business scale is important and we have realized that. When we started, 1 million ton probably one of the most profitable plants in India on a per ton basis but you need absolute profitability and cash flow to grow and participate in the opportunity that is in the offers, so our scale is very important. There could be blips along the way a few quarters, few years could be depressed, if it is a cyclical business that is the nature of this business, but at the end of the day unless you build scale, you will not be able to sustain internal accruals to participate in the cash when you won't make money in the cash flow and you won't make money in the boom part of the cycle, so we have also seen how well Ultratech is consolidated, they may have paid good prices for some assets, but once we were able to turn them around and bring them to your own cost structure, reshape the brand, I think we have all those capabilities on bringing the companies to Dalmia efficiency and reshaping them. So, I think after a few years of turnaround, these assets become very profitable, so my view is that you have bid this sector if you want to participate in the opportunity that India offers and building scale is a process which could have some turbulence, but it is imperative to participate. So, I think we look at profitability and market share in a long term and we will continue to behave in the same way while maintaining a strong balance sheet and I think we have also guided that our net debt EBITDA will remain under two in this phase except it is the sync of some very strategic, very attractive acquisition in which we may preach it, but we may again come down to our desired amount. So, I think that is how we think about it. I don't know whether I answered your question or not, but I just share what came to my mind.

Ritesh Shah:

Just a followup question, sir, how critical do you think limestone as a resource will be for us in our journey from say now to 110-130, is that something that we will have to build up incrementally by our options or do we have adequate resources even if one has to look at it post expiries come 2030, is this going to be a key determinant because we have the other variables in place, I think limestone has one missing variable, if you could provide some color I think it will help a lot?

Puneet Dalmia:

Look, I can tell you one thing that when we acquired Murli and when we acquired Kalyanpur, these were questions which were asked to us repeatedly and we have seen that once we get into an asset there are lots of innovations which are possible to improve the limestone usage because we have very good R&D in our company, we have very flexible processes in terms of usage of limestone, so many time the reject ratio has gone down and we have been able to improve the usage of the limestone which other companies and erstwhile companies were rejecting. Similarly, once you get into an area we have been able to buy land, we have been able to win auctions and we have been able to augment our resource, so I personally think that this is the overrated risk, it is being blown out of proportion. We are very comfortable in all our plants and we continue to augment our resources in a way which is consistent with the long-term sustainable growth of the company and I think we will have adequate resource in all our plants. The challenge is there in Greenfield project. I think their land acquisition is taking longer than what we think it would and I think that is an area which we would work upon and that is an area where there is some delay from our side, but I am sure with the focused approach of our team, overtime

we will be able to develop these tips and announce the expansion on that. So, my view is that for a large part of our organic plant, limestone is not a risk, land acquisition is a bigger risk and I think that is something which we are focused on and it might take little extra, it might be a little bit more expensive than we thought, but in the overall larger scheme of things I think it is not something which is going to derail the growth plans in anyway.

Moderator: Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: There are two questions, first as the follow up on what the earlier participant was asking, so you said that despite this ambitious expansions of 60 to 80 million tons over next 7 years, what one should be mindful is that until it is a major inorganic net debt to EBITDA will be comfortably in the 2x, is that understanding right?

Puneet Dalmia: Absolutely correct.

Rajesh Ravi: And so even that would mean that initial years, the expansions in it could be more comfortable and later on only when you have strong OCF would be going forward? Second on the fuel, you mentioned \$220 on a per ton basis, given that the fuel mix is dynamic and keeps on changing, would it be prudent if you could share the numbers on a per kilo cal basis, how did these number fair in Q1 versus Q4 and where that stands in Q2?

Puneet Dalmia: I think we had shared the dollar per ton number of petcoke. It is a good proxy for the rupees from million kilo calorie, the fuel mix varies from plant to plant, so I think it is a good proxy in terms of.

Rajesh Ravi: What you mentioned is purely for petcoke, it is not a blended mix of coal and petcoke?

Puneet Dalmia: I know, but it is a good proxy, but I think that numbers Aditi can give you.

Aditi Mittal: So, that 220 is actually a blended cost but on a Kcal it is 2.47 for Q1 FY23.

Rajesh Ravi: And Q4 what was the number?

Aditi Mittal: 2.07.

Rajesh Ravi: And Q2 currently.

Mahendra Singhi: That we can't tell.

Aditi Mittal: That I would not want to tell, but I think.....

Mahendra Singhi We will share in October.

- Rajesh Ravi:** No issue, I am just trying to, directionally it will go up in Q2 that is what I am more keen on, is that understanding right, before cooling off in Q3?
- Aditi Mittal:** Yes, considering the inventory, we maintain and the purchase that we are seeing, it is likely to improve probably by a couple of more dollars.
- Rajesh Ravi:** And last question on, Singhi sir was talking about captive generation cost of Rs. 8 to Rs. 10 per unit, so how have these numbers moved say over Q4 and Q1 or versus last year to current period?
- Mahendra Singhi:** Wherever we have found that the cost of coal and then cost of generating power is higher than to that extend we have brought down our captive power plant generation and has started taking more power either from IEX or from grid, so that way it is the dynamic situation in which we have been able to manage our power and fuel cost in that....
- Rajesh Ravi:** And last the blended number would be how much sir for this quarter, blended cement production?
- Management:** It should be around 82% plus maybe 1% or 2%.
- Moderator:** Thank you. The next question is from the line of Kamlesh Bagmar from Prabhudas Lilladher. Please go ahead.
- Kamlesh Bagmar:** Sir, one question on the part of capacity addition, I know lot of questions have been asked on that part, but like say if you want to break it up, like say by 2026 or 2027, how are capacities would be coming up because 110-130 million ton is a target for 2031 and I appreciate that in view of the company, but like say the way the land acquisitions are going on the ground and the way we are moving our resources, so by 2026-2027, how much capacities we see because 50 million ton visibility is there, but beyond that there is no visibility?
- Puneet Dalmia:** We appreciate that, I think we are working on our plants and we will let you know in due course. We are conscious of the fact that we are delayed by a few quarters on this, but we have to keep some patience, we will come back to you sooner.
- Kamlesh Bagmar:** And sir, secondly on the part of like that the cost would cool off, but where do you see these margins to get settled in, 1,000 or 1,200 be a good range for the industry to operate as the new competition comes and they want to expand their market share and all those things going into market, so where do you see the margins getting settled or where the Dalmia is more comfortable with the margin range?
- Mahendra Singhi :** It is past, the EBITDA margin has been hovering around 23 to 28% and I think that margin would be the comfortable margin, but at the moment if you look at the overall Indian cement industry, the margins are now ranging between 15% to 20%, so which is not the comfortable

margin for ourselves as well as any company, so definitely we will be looking at the margin around 25%.

Kamlesh Bagmar: And sir, lastly like ours is the only company in the entire cement factory where we have to more focus on your notes to accounts, like say rather than saying the number, the focus is more to look at the notes to accounts, so can we have like all the adjustments or all the accounting treatments being done at one go, like say on the goodwill part, we give those announcement or those statements in our account to note, can we curtail it out because that particular announcement or that particular highlight is not required anyway, so can't we work on those like say getting that goodwill amortized at one go, I know that in the in the tax authorities mind that would look relatively like say abnormal, but can't we take one hit at one go and clean up this entire balance sheet?

Rajiv Bansal: Kamlesh, Rajiv here, I think it is a point well taken. I think this year we are, actually we have started initiatives to benchmark our accounting policy, practices with the best in the industry and not in the industry but best in the country and that is something that you would see as working very closely over the next 2-3 quarters. I think by the end of the year, you will see it cleaning, but this feedback well taken and we will give you an update on that.

Kamlesh Bagmar: And appreciate your work on the way waste heat recovery and solar, great work on that. I appreciate that.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question for today. I would now like to hand the conference over to Mr. Dalmia for closing comments.

Puneet Dalmia: Thank you very much for joining on this call. I wish you and your family a very Happy Independence Day in advance. Please fly the tri color on your houses and we are proud to be an Indian. Jai Hind. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Dalmia Bharat Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.