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BSE Limited
P J Towers, Dalal Street,
Fort Mumbai - 400001
Scrip Code: 542216

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

Subject: Transcript of Q2 FY-24 & H1 FY-24 - 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 Q2 FY-24 & H1 FY-24 Earnings Conference Call held on October 16, 2023.

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

We request you to take the same on record.

Thanking you,

Yours faithfully,
For Dalmia Bharat Limited

RAJEEV KUMAR
Digitally signed by RAJEEV KUMAR
Date: 2023.10.20 19:52:44 +05'30'

Rajeev Kumar
Company Secretary

"Dalmia Bharat Limited Quarter-Ended 30th September 2023 Earnings Conference Call"

October 16, 2023

MANAGEMENT:	**MR. PUNEET DALMIA – MANAGING DIRECTOR, DALMIA BHARAT LIMITED** **MR. MAHENDRA SINGHI – MANAGING DIRECTOR AND CEO, DALMIA CEMENT (BHARAT) LIMITED** **MR. DHARMENDER TUTEJA – CFO, DALMIA BHARAT LIMITED** **MR. RAJIV BANSAL – PRESIDENT & CHIEF TRANSFORMATION OFFICER, DALMIA BHARAT LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call of Dalmia Bharat Limited, for the quarter-ended 30th September 2023.

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 transcripts may be put on the website of the Company. After the Management Discussion there is an opportunity for you to ask questions.

Should anyone need assistance during the conference call, please signal the operator by pressing '*' then '0' on your touchtone 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. These statements are based on expectations and projections and may involve a number of risks and uncertainties such that the actual outcome may differ materially from those suggested by such statements.

On the call we have with us Mr. Puneet Dalmia – Managing Director, Dalmia Bharat Limited; Mr. Mahendra Singhi – Managing Director and CEO, Dalmia Cement (Bharat) Limited; Mr. Dharmender Tuteja – CFO, Dalmia Bharat Limited; Mr. Rajiv Bansal – President and Chief Transformation Officer, Dalmia Bharat Limited and the other management of the Company.

The "Earnings Release" has already been uploaded on the Company's website.

With this, I will now hand the conference over to Mr. Dalmia for opening remarks. Thank you and over to you, sir.

Puneet Dalmia: Thank you and good afternoon, everyone. I want to start by wishing all of you and your family members a very Happy Navratri. It gives me immense pleasure to welcome all of you to the Q2 Financial Year '24 Earnings Call of Dalmia Bharat Limited.

After almost a decade of reforms under the leadership of the current government, our country is transitioning from a reformed stage to a growth stage. As the GDP of India expands, Cement and the Building Material sector will automatically become a direct beneficiary. The Indian economy is undergoing a large-scale metamorphosis and a young, ambitious and massive middle-class is already seen to be driving the much-needed consumption story. I am glad to say that we were one of the first ones to foresee this upcycle in the industry, as we started building our capacity ahead of time.

In the last three and a half years, we have added about 17.2 million tons per annum of Cement capacity, which is about 65% growth over the Financial Year '20 Cement capacity. With the ongoing Cement expansion and the acquisition of Jaypee Associates' Cement assets, we are expected to reach 56 million tons by the end of this fiscal.

You are already aware that Singhiji has successfully completed his decade long tenure as CEO and Managing Director at DCBL. And after 8th December, he will continue with us as a Director, as well as a Strategic Adviser to me, in our growth and profitable journey which is lying ahead.

In the last 10 years, we have witnessed incredible growth and have laid a strong foundation for future growth and profitability. We are now steering our Company's transformational journey Dalmia 2.0. In the past month I have had the opportunity to engage with most of our leadership team. And together we have started brainstorming on how we should navigate the future. Collectively, we have all reiterated that we have a clear mission to build a scalable, sustainable, predictable, and a consistent organization, Dalmia 2.0. We have categorized our priorities into four buckets of Growth, Financial Performance, Sustaining Trust and Organization Building. This includes a deep focus on leadership development, and digital transformation.

Now coming to the Financial Performance of our Company during H1 of Financial Year '24:If I break the earnings into revenue and costs, I would like to say that the first half of the year was a bit soft in terms of volume and revenue growth. But on the cost side, I am pleased that our variable cost performance is in line with our expectations.

With a softening fuel prices to the tune of around $60 on a YoY basis, we have seen that delta flowing into our variable costs, including savings coming in from our sustainability efforts, such as increase in RE power consumption, and some positive movement in our other manufacturing KPIs.

With this, I would now like to hand over the call to Mr. Singhi for his opening remarks.

Mahendra Singhi: Thank you Puneet ji Happy afternoon, friends. Starting with our Operating Performance:

During the quarter we delivered a volume of 6.2 million tons and revenue of Rs. 3149 crores which translates to a YoY growth of 6.6% and 6% respectively. Like the previous quarter, weakness in south prices has persisted which led to a slight drop in the realization for our Company. Having said so the trade sales for the Company improved during the quarter to 68% which was primarily driven by Southern region, and that too with a complementing increase in the low-carbon cement sale.

For the last three quarters our low-carbon cement mix has consistently been at a healthy rate of 88%. In fact, Q2 of last year, it was 83%. For the last five quarters our CC ratio has been at 1.71 on average. We will continue to follow this path in order to enhance our resource efficiency and reduce our carbon footprints further.

On the cost side, our raw material costs have increased moderately by 2% YoY to Rs. 785 per ton of Cement production due to an increase in slag and fly ash rate by almost 10% and 5% respectively. This is also, somewhat increasing the raw material cost on account of higher low carbon Cement consumption. However, since this line item also includes purchase of stock in trade goods under the tolling arrangement from Jaypee you will see that the increase in the financial as a much higher number of Rs. 928/ton.

Coming to the power and fuel cost:

During the quarter, our power and fuel cost declined to 26% on a YoY basis to Rs. 1,140 per ton of Cement production. As Puneet ji mentioned, our fuel costs declined due to $60 per ton of petcoke correction and fuel consumption cost compared to Q2 FY'23. But as you all know, the fuel prices have inched up again from the set bottom of about $105 to $110 to now the spot being $130 to $135.

Other Items, which majorly added to our cost efficiency is the increase of renewable energy consumption to 29% from 18% in Q2 FY'23. During the quarter, our sales team has been able to bring down lead distance from 308 kilometer to 277-kilometer YoY, but most of it got offset by the levy of busy season surcharge for the month of July, and some one-time railway incentive which were there in Q2 FY'23, but not in this quarter. Sequentially under the freight costs we saw the benefit of lead distance reduction., and the upliftment of the levy of busy season surcharge in August, September. And also, in the last quarter, there was an inter-regional movement due to planned shutdowns, which was much lower this quarter and hence a cost reduction from Rs. 1,156 a ton to Rs. 1,024 QoQ. As a result of all the above, our EBITDA per ton during the quarter improved 46% YoY to Rs. 955 a ton from a low figure of 655 a ton in Q2 FY'23.

Friends on the expansion side while Dharmender, will give you the detailed update on CAPEX and cash flow I would like to update that during the quarter we have commercialized 2 million tons new grinding cement capacity at Sattur, Tamil Nadu and also have debottlenecked our clinker capacity by 0.5 million tons of clinker in Ariyalur in Tamil Nadu. Going forward we have ongoing work for 2.9 million tons Cement grinding capacity in the South which in totality will come by March '24. And we are expecting 0.9 million tons Cement grinding capacity shortly. 2.4 million ton in northeast by FY'26 also would be coming up.

In addition to this the Board of Dalmia Cement (Bharat) Limited has approved the proposal to adding 0.5 million ton of capacity in Rohtas Cement Works in Bihar. We already have a clicker capacity of 1 million ton in the state which will cater to the increasing grinding capacity. This expansion will help us to improve our volumes in the high contributing state of Bihar. The work with regard to the acquisition of Jaypee Cement assets is underway. And we are expecting to complete the acquisition before the end of this financial year.

I wish all of you friends Happy Navratra, as well in advance, Happy Dussehra and Diwali.

Now, I would like to hand over the call to our CFO – Mr. Dharmender Tuteja for key financial updates. And we will be happy to answer all your questions in the Q&A following his remarks.

Dharmender Tuteja: Good afternoon, everyone. Let me quickly give you the key financial updates before we open the floor for questions and answers.

With regards to the incentives the accrual during the quarter is Rs. 63 crores while collections during the quarter is Rs. 25 crores. For H1 FY'24 the total accrual stands at Rs. 141 crores and collections at Rs. 64 crores. The incentive receivable as of 30th September stands at Rs. 785 crores. For FY'24 we expect the total incentive accruals to be around Rs. 275 crores to Rs. 300 crores.

Moving to the fixed costs:

Our employee costs have increased by Rs. 37 crores to Rs. 226 crores on a YoY basis, primarily due to the annual increments and increase in the number of headcounts owing to the addition of new capacities across different locations. The other expenses have however remained flattish at Rs. 472 crores on a YoY basis.

Our depreciation during the quarter has increased by Rs. 69 crores on a YoY basis. Of this total increase, Rs. 40 crores pertain to certain components of plant and equipment which are being replaced as part of our overall debottlenecking projects. I mentioned this during our Q1 Earnings Call as well as in that quarter there was an additional depreciation impact of Rs. 57 crores this is a one-off charge and around Rs. 15 crores additional depreciation charge will be taken in the next quarter.

On the debt side:

Our gross debt has increased by Rs. 907 crores during the quarter. And the closing debt stands at Rs. 5,294 crores as on September 30th. At the same time, the cash and cash equivalents have increased by Rs. 615 crores. As a result, the net debt of the Company has increased by Rs. 292 crores to Rs. 1,500 crores. The net debt to EBITDA is 0.59 times as on 30th September.

With regard to the capital expenditure, we have spent close to Rs. 611 crores during the quarter and Rs. 1,517 crores during H1 FY'24. With the commercialization of our 2 million Cement plant at Sattur, Tamil Nadu our grinding capacity has increased to Rs. 43.7 million tons while our clinker capacity has also increased by 0.5 million ton to 22.2 million tons.

Our total budgeted CAPEX spends during the Financial Year '24 could be around Rs. 6,500 crores of this about Rs. 3,500 crores for Jaypee and the balance Rs. 3,000 crores for the organic expansion, including the expansion projects at Northeast and RCW. The Board has declared an interim dividend of Rs. 4 per share.

With this I would now open the floor for questions and answers. Thank you very much.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. We have the first question from the line of Indrajit from CLSA. Please go ahead.

Indrajit: Hi Thank you for the opportunity I have two questions first Singhi ji thank you for your contribution to the sector not just to the company we have learned a lot from you. I just want to understand the management structure post these changes. So, Mr. Dalmia currently holds the MD position in both the entities. So, would that be the structure or are we looking to make some more hires, or we will continue with the current structure?

Puneet Dalmia: Can you please repeat the question?

Indrajit: So, as you would be taking over, Mr. Dalmia as the MD of the operating unit DCBL as well. So, would we continue with that structure? Or are we looking to hire externally for the MD?

Puneet Dalmia: No, this is going to be the structure. Mr. Singhi is transitioning and he will continue to be associated as a Strategic Adviser to me in the group. So, there will be complete continuity. And this is the structure where I will be the MD and CEO of the operating company as well.

Indrajit: My second question is on the Jaypee acquisition. Now, this has been delayed a couple of times. So, what is the current status now? Where is it exactly stuck? And how confident are you to complete it within this fiscal year?

Puneet Dalmia: So, as we told last time also, we have to get approval from several banks for closing this transaction. And I think there are about 35 banks to process this. And that is taking a little bit longer than what we expected. We are quite confident that we will be able to conclude this transaction by the end of this fiscal year.

Moderator: Thank you. We will take the next question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Good Afternoon and thanks for the opportunity my first question is on the volumes if you could share what is the tolling volume in this, the number which we have reported?

Mahendra Singhi: It’s a total 3 lakh tons in the quarter.

Sumangal Nevatia: So, continuing on the volume part, I mean, this looks like the second quarter where we have lost market share, whereas in the last call, we did share that there is some strategy which did not work out and we are kind of changing and from say Q2 onwards we will kind of recover the losses. So, if you could just explain a little bit on these three parts, one, what has gone wrong or what is not working? What are the changes we are doing it? And the third part is from next quarter onwards can we expect to continue or going back to old ways of growing at least one and a half times the market which has been guided in the past quarters?

Puneet Dalmia: So, I think we already explained in the last earnings call that we took certain pricing decisions in East which we think it did not work out as we had planned. We have already made corrections and I think we are going to start seeing results of that from Q4 onwards. We expect that we will continue to grow faster than the industry in the coming year despite the short-term blip. And I think we are very confident about our own marketing and sales strategy. We are also going to invest in a brand building campaign, and you will see that in the coming quarters.

Sumangal Nevatia: So, when we say Q4 onwards that means this year, we will continue to kind of underperform and then maybe from next year we should kind of expect the recovery?

Puneet Dalmia: Well, I mean, I spoke specifically about the Eastern market. In rest of the markets we are gaining share. And like, for example, in Central India, we had literally no presence our brand has already started gaining very good acceptance. And I think we will continue to further build on this. It's a market which is quite attractive, in the Northeast we are doing very well. So, there are some pockets where we have already taken steps which will impact sales, and I think you will start seeing that results from Q4 onwards in those markets.

Sumangal Nevatia: Understood. Just one last clarification I missed the opening remarks, is there any one-off element, any write back or anything in the cost items?

Dharmender Tuteja:: In the current quarter as well as the previous quarter we have got a buildup of the inventory. So, that, as per the accounting policies, includes the fixed cost buildup in the inventory, so which will get corrected in the coming six months which may have an impact of about Rs. 25 per ton. Besides that, I think the rest of the transactions are normal and very small impact will be there of any reversal of provisions.

Sumangal Nevatia: Got it. Thank you and all the best

Moderator: Thank you. We will take the next question from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Good Afternoon thank you for the opportunity So, my first question is on incentives. So, in the last two quarters, at least the incentives receivable has been moving up. So, is there any specific plant on which you are accruing incentives and receipt is getting delayed?

Dharmender Tuteja: Yes, see it normally depends on the allocation of the budget by the concerned state governments. But we expect that it will catch up in the coming second half. So, for the year as a whole, we expect that whatever accruals will happen will also get collected.

Amit Murarka: Sure, and freight cost dropped quite sharply this quarter what is the reason for that? I am looking at a QoQ basis, is there any one-time railway freight incentive or anything that came through?

Dharmender Tuteja: As Singhi ji explained in his remarks that we have reduced the lead distance to 277 kilometers compared to about 300 plus in the corresponding quarter last year. And there is no railway incentive impact, whereas it was there in the corresponding period last year.

Amit Murarka: I was looking at per ton it has dropped 13% QoQ on a per ton basis. So, is the lead distance reduction that sharp in this quarter compared to Q1?

Mahendra Singhi: One more thing was that in the first quarter there was a busy season surcharge whereas in the Quarter 2, it was only for July so that is also one of the reasons. And as well there has been a reduction in the lead distance also.

Amit Murarka: Okay Sir, one last question on capacity utilization, your utilization seems to be at only 60% currently, it's like while we are expanding capacity the ramp up seems to be a bit slower than what one would have expected to see. Why is it that the ramp up is taking so much longer?

Mahendra Singhi: Like we have explained, in the East, we are ramping up our volumes in time to come. From Q4 you would see better capacity utilization and better market share but otherwise there is no problem as such in terms of production, there is no problem in terms of now expanding in other regions.

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

Prateek Kumar: Good afternoon, my first question is on your leverage expectations so if you are able to close the JPA deal in FY'24 versus Rs. 1,500 crores kind of net debt, do we expect our net debt to cross like Rs. 5,000 crores or what is that number which we are looking at in terms of net debt?

Dharmender Tuteja: Yes, net debt will cross let's say the current limit which you are seeing at Rs. 1,500 crores, but of course we still expect net debt to EBITDA to be at least 1:1 in the current year.

Prateek Kumar: 1x?

Mahendra Singhi: Yes.

Prateek Kumar: So, that would mean like the net debt to EBITDA, so net debt around maybe something in the range of Rs. 3,000 to Rs. 4,000 crores which the peak net debt which you are expecting?

Dharmender Tuteja: Yes, please.

Prateek Kumar: And regarding freight costs, is there any element of freight subsidy in Northeast which is also part of cost and which is like changing on a quarter to quarter basis or there is no component there?

Mahendra Singhi: No component of freight subsidy is there.

Prateek Kumar: Last clarification on Northeast like we will be increasing stake in Calcom with additional investment, how do we value such kind of investments like when we are taking stake from 75% to 95%? Also, is there an update on legal dispute with the promoters there?

Dharmender Tuteja: See this is the rights issues, rights issue is given to all the shareholders in the same proportion. So, it is valued at par. So, there is no valuation required for this. And secondly, the arbitration, which was decided in our favor, finally, it was shut down by the High Court. So, other Group has gone to the Division Bench, and that is still pending. So, currently the High Court has decided in our favor.

Prateek Kumar: Okay In regards to the investment structure, so rights issue so the other investor would not have thought of participating at all in this, that's why our stake goes up significantly?

Puneet Dalmia: Very few investors participated in the rights issue, it was a small participation. So, that's why our stake has gone up because many people did not participate.

Prateek Kumar: Sure, Thank you.

Moderator: We will take the next question from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: Hi Thank you just couple of questions, first a clarification question, considering the volume growth that we have seen for Dalmia in this quarter is it fair to say that Dalmia did lose market share in some of the markets it operates in just clarification on that.

Mahendra Singhi: It may be in just two states of East where we might have lost but otherwise our market share has gone up in South and it has gone up in Northeast and the Central definitely, we have taken up 3 lakh tons share.

Satyadeep Jain: Secondly, on power and fuel cost there is obviously moderation in fuel costs this quarter. Where is the fuel cost inventory right now compared to spot? And is it possible to see more fuel costs moderation in the coming quarters?

Dharmender Tuteja Yes, currently the rate is about 1.58 which has gone to the consumption this is the blended rate. And we expect some marginal reduction in the coming quarter sequentially also. But that would be around 3% or so.

Satyadeep Jain: So, you are saying the consumption cost has gone to 1.58 this quarter.

Dharmender Tuteja 1.58 Rs per Mn Kcal rate.

Moderator: Thank you. The next question is from the line of Jashandeep Singh from Nomura. Please go ahead.

Jashandeep Singh: Thank you for the opportunity, I just wanted to ask you that since now we will be adding another 2.9 million tons so what is the new CAPEX for our total organic expansion? And also, if you can provide, if there has been any update on the FY'24 and FY'25 CAPEX guidance?

Dharmender Tuteja First part question, can you repeat?

Jashandeep Singh: So, what is the total CAPEX for our organic expansion now from 43.7 million ton to 49.5 million ton?

Dharmender Tuteja I will come back to you, but on the second part of the question the current fiscal year guidance is about Rs. 6,500 crores total CAPEX including about Rs. 3.500 crores for Jaypee acquisition.

Jashandeep Singh: And on this second question, so, we have seen strong price hikes in the South and some reversal in East, so if you can give a sense on how the current prices are, that would be great?

Mahendra Singhi: So, one I would say that the East for us price have not slided down they are holding, and we are able to see about Rs. 40 to Rs. 50 price increase. And at the same time in the South yes price increase has happened because now demand is improving. So, we are quite hopeful that we will be able to get that benefit also.

Jashandeep Singh: And last question, if I may, there was a news article on a legal dispute in the Jaypee Bhilai plant that JV with SAIL. So, anything that will impact our takeover of that?

Dharmender Tuteja That news item which came I think it pertains to an old development about two years back, because there is nothing new development all this was already known to us when we (entered into the agreement to) acquire. So, this withdrawal of the claim by SAIL from NCLT is one of the preconditions of the acquisition.

Mahendra Singhi: So, it won't impact our deal.

Jashandeep Singh: Thank you Sir

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Thank you, I have three questions, so everything is interrelated. So, just trying to ask, so on the volume front for this year FY'24 previously we talked about our 15% to 17% kind of growth for this year. So, in the first half, we are already 9.6% and we are expecting that volume to improve in the second half. So, broadly what would be the, at consol level one can think of the volume growth?

Second, considering as you mentioned the price hike in East Rs. 40 to Rs. 50 and in the South if you can specify would be great if our channel checks rates are Rs. 30 kind of price hike is already kind of getting implemented. So, just trying to connect if we can think of at least for us in the third quarter we should be seeing Rs. 15 to Rs. 20 kind of per bag so that is a Rs. 300 to Rs. 350 kind of realization increase should be there. And considering the volume increase though the cost would be marginally declining is it fair to say that from Rs. 955 EBITDA per ton one can easily see a Rs. 1,200 to Rs. 1,300 kind of EBITDA per ton.

Mahendra Singhi: First I must complement your whole analysis exercise and you are generally right that yes prices have gone up in the South, and we are quite hopeful that it will continue. And based on this definitely there will be a positive impact on EBITDA on Q3 performance, but at the same time it wouldn't be right to predict any number.

Shravan Shah: But on the volume front broadly any broad range or where one can think of this FY'24 in terms of the growth for us?

Mahendra Singhi: I feel that we will be better than the industry.

Shravan Shah: Okay , got it the other thing is in terms of the CAPEX for FY'25 would be Rs. 3,000 crores to Rs. 3,500 crores?

Dharmender Tuteja Close to be around that level the firm numbers we will be able to share maybe in the coming call.

Shravan Shah: And sir has mentioned 2.9 million tons will be starting in the second half. So, 0.9 million tons will be coming in the third quarter and rest Tamil Nadu and AP 2 million ton will come in the fourth quarter?

Mahendra Singhi: You are very right.

Shravan Shah: And what would be the premium for this quarter and the consumption costs in terms of the fuel, broadly, it would be $135 odd for this, Kcal we have mentioned but in terms of absolute, is it a $135 odd?

Mahendra Singhi: So, the premium product sale is about 22% of trade sale

Shravan Shah: Okay sir and the fuel consumption cost for this quarter would be $135 odd?

Mahendra Singhi: $127

Shravan Shah: Got it, is it possible to share the total other operating revenue for this quarter and maybe 1Q FY'24, incentive we have shared but just trying to get a broader sense, will it be Rs. 30 crores to Rs. 40 crores kind of extra other operating revenue for this quarter and maybe for 1Q?

Mahendra Singhi: No, it wouldn't be like that.

Shravan Shah: Okay, Thank you sir

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

Rajesh Ravi: First question pertains to the fuel cost which you mentioned 1.58 is for the Q2 in kcal?

Dharmender Tuteja: Yes, it is. This quarter, yes 1.58.

Rajesh Ravi: Yes, this was in the second quarter, right?

Dharmender Tuteja: Yes.

Rajesh Ravi: And Q3 numbers are they similar to Q2 or there is some softening which is possible?

Dharmender Tuteja Marginal softening, you can expect on the consumption side.

Rajesh Ravi: And coming to the demand, in the first half, we have grown by around 10% and if we exclude the Jaypee contribution, the volume growth would be close to a 7% to 8%. So, for the full year you are saying that you will look to grow higher than the industry and for sub-industry growth would be north of 10%. So, are you looking at a strong volume growth in the second half? And if that happens, how would the pricing scenario be there?

Mahendra Singhi: Now, you see, that overall demand of the cement is also going up in almost all regions and we are quite hopeful that in Q4 our growth would be quite better, and we will have also the extra capacity in the market also. So, we are quite hopeful that we should be able to do better.

Rajesh Ravi: And what was the incentive received in H1, Dharmender sir, mentioned?

Dharmender Tuteja Total accrual was 141 and Received was Rs. 64 crores.

Rajesh Ravi: H1?

Dharmender Tuteja Received is Rs. 64 crores in H1.

Rajesh Ravi: Because, Q1 you had mentioned around Rs. 39 crores received

Mahendra Singhi: 25 was received in Q2.

Moderator: Thank you. The next question is from the line of Aman Agarwal from Equirus Securities. Please go ahead.

Aman Agarwal: Good Afternoon everyone and congratulations on good set of numbers, My First question from my end on the Eastern market again so, just wanted to get an update on the end market consumption since a peer of ours has been highlighting subdued demand from two major states mainly West Bengal and Jharkhand. So, is that also impacting our growth in the Eastern state?

Mahendra Singhi: To some extent, yes.

Aman Agarwal: So, any kind of update or any kind of expectation when do you expect a good growth coming in from those markets?

Mahendra Singhi: We have observed that normally after the puja festival, etc., it should be brighter. We have seen it and our assumption is that the same will continue.

Aman Agarwal: And secondly, in terms of regional expansion, while we are expanding materially in the Eastern and Southern region, no further expansion plans are yet planned in the West region, even after Murli having achieved a healthy utilization level for us. So, going on to our next expansion plan maybe, do we remain open for further expansion to the Western market or maybe via inorganic route in the Western market itself?

Puneet Dalmia: We already have said that we have ambition to be a pan India player. And we will look at all markets in terms of demand supply and in terms of market structure and based on that we will make our decision to expand in terms of where to expand, and when to expand. You will hear about this more in the coming quarters as we firm up our plans.

Aman Agarwal: I was just asking really because we are not seeing material additions, maybe planned in the Western market. So, that can shape up well for our company as well, but got the point, got your point. Thank you sir

Moderator: Thank you. The next question is from the line of Jyoti Gupta from Nirmal Bang. Please go ahead.

Jyoti Gupta: So, I had two questions. One was on market share and second on the Jaypee deal which you have already answered. But my question is can you give us numbers on region wise growth rates for Dalmia? I know we have lost market share in Bihar, what is the other state we have lost market share? Correct me if I am wrong. And YoY, we still growth YoY basis for the second quarter?

Mahendra Singhi: We do not share market share region wise and state wise.

Jyoti Gupta: Okay you don't share but what are the two states that we have lost market share?

Mahendra Singhi: Little bit in West Bengal and, North Bihar.

Moderator: We will move on to the next question which is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Continuing with my earlier question, given the capacity utilization is only 60%. And I believe there was an interim target of 75 million tons by FY'27 can we expect a rethink on that expansion plan now, given that the current capacity itself is taking time to ramp up?

Puneet Dalmia: We take these decisions based on our long-term conviction about growth in the Indian market. And I don't think a few quarters of lower utilization has changed our fundamental conviction about the Indian opportunity in this decade. So, I do not think that we are going to make long-term decisions based on a couple of quarters. So, no, this is not going to impact our thought process.

Amit Murarka: Thanks for clarifying that and also, any update on the East mining land, I believe you were adding onto the surface rights by acquiring more land over there.

Mahendra Singhi: Presently we have sufficient limestone deposit also the process which we started for acquiring additional surface rights, is going on.

Amit Murarka: Thank you.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Firstly, about this other income component, it's regarding the dividend received from your subsidiary. So, if you could explain the nature which subsidiary we have received this dividend?

Dharmender Tuteja You are talking about the receipt of dividend in Dalmia Bharat Limited?

Saket Kapoor: Yes, the other income component I needed the granular detail for the income component of Rs. 85 crores for the quarter.

Dharmender Tuteja: This is at the consol level. So, consol level includes dividend from Dalmia Bharat Sugar, and also the treasury income on our treasury investments and including whatever NCDs are recoverable from Hippo Store as well as Sarvapriya, so, the interest on that.

Saket Kapoor: And the major component from Dalmia Sugar dividend income?

Dharmender Tuteja That is a small component, that's very small component.

Saket Kapoor: On the cost of material consumed Q-on-Q we have seen an increase. So, what explains this 3% increase on Q-on-Q and for the first half at 5%?

Dharmender Tuteja There are two components, one is there have been higher rates of slag and fly ash but major increase is because of the increase of the blended percentage also.

Saket Kapoor: And going ahead this is going to be consistent, how are the slag prices currently trending?

Dharmender Tuteja So, they remain volatile but yes, we expect it to be around similar levels.

Saket Kapoor: And we are expanding majorly in the Southern part. But Southern markets have always been lackluster historically also. So, what gives us the confidence that here the markets are going to improve substantially and thereby our expansion would commensurate going ahead, capacity expansion?

Puneet Dalmia: I think most of our expansion is in Tamil Nadu, it's a deficit market in terms of demand supply. And I think we have a very strong presence in that market. So, I think we are very confident that this expansion is very healthy and going to give us good returns. There is some expansion in Karnataka, in Belgaum, which is also for North Karnataka and the Western Maharashtra market, I think, there is also a big opportunity as markets are growing and economies are growing. So, I think, the challenge in the Southern market is Telangana and North Andhra Pradesh and that's not a place where we are investing. So, we are investing in that part of the market, which has opportunity, and which intersects with our strengths.

Moderator: Thank you. We will take the next question from the line of Raashi Chopra from Citigroup. Please go ahead.

Raashi Chopra: Thank you, you had mentioned that you are focusing on a branding exercise. So, with that what kind of volumes are you targeting one for FY'24 and subsequently for FY'25?

Puneet Dalmia: I think we will share with you this guidance once we are ready, I think right now it suffices to say that we are looking at increasing our utilization and growing faster than the industry.

Raashi Chopra: On the pricing aspect what is the quantum of the price, in the East you mentioned it’s 40 to 50. South is about 30 to 40. Is that correct?

Mahendra Singhi: In the South the trend is Rs. 30 at the moment.

Raashi Chopra: And in your opinion in both the regions how sustainable are the increases given that they have come after a while?

Mahendra Singhi: Let us wait and watch only.

Raashi Chopra: Also, what was the lead distance during this quarter?

Mahendra Singhi: 277kms.

Raashi Chopra: Thank you.

Moderator: Thank you. The next question is from the line of Vishal Biraia from Bandhan AMC. Please go ahead.

Vishal Biraia: Could you give us a perspective of the trade demand and the non-trade demand, how the infra and real estate is panning out across those East and South? And also, how is your profitability between trade and non-trade moving?

Mahendra Singhi: I would say that our trade volume has grown and more profitable in the South we have been able to grow to 68%. And profitability definitely is always a bit lower in institutional sales, that's what I can explain to you.

Vishal Biraia: How much lower would that be? What would be the current difference between trade and non-trade for you?

Mahendra Singhi: It varies from place to place, and those numbers cannot be shared please.

Moderator: Thank you. We will take the next question from the line of Sanjay Nandi from VT Capital. Please go ahead.

Sanjay Nandi: Thank you for the opportunity Can you please put some colors on investments in this RHI Magnesita? What are we thinking as of now?

Puneet Dalmia: We have no investment in RHI Magnesita in Dalmia Bharat Limited.

Sanjay Nandi: But we are holding a significant stake in that company, right?

Puneet Dalmia: It's not a part of this company.

Sanjay Nandi: So, can you please throw any lights on our RHI business, what is the outlook and what we are thinking on that?

Dharmender Tuteja We had divested the DBRL shares so currently our stake in RHI is zero. So, DBRL holds the economic stake in RHI.

Sanjay Nandi: Yes, from a company perspective asking you that what is the overall like view from the top Management's perspective?

Dharmender Tuteja Let us not discuss in DBL Call.

Moderator: Thank you. The next question is from the line of Amish Thakkar from Siguler Guff India Advisor Private Limited. Please go ahead.

Amish Thakkar: Congratulations on great set of numbers Mr Dalmia, just want to understand Dalmia has always been a cost leader in all the micro market that we operate in and there are multiple factors that drive that. So, when you think about from your medium-term perspective, next two to three years to your long-term guidance that you have given up being 100% renewable, where you are 29% today. Similarly for lead distances and energy consumption per ton of cement and power cost, electricity cost per unit of electricity, any medium- and long-term target that you are working with, given that your blending ratios and rates need to be capped out.

Puneet Dalmia: So, I don't think we can share any target right now on this call, but all I can say is that our renewable mix will expand in the total mix. Secondly, I think we have won some coal mines in auctions, and I think our fuel cost as those mines come into production will become less volatile. Currently, we are very exposed to imports and the Rupee/Dollar exchange rate. You know, as these mines come into production our coal prices will go down; will go down in the short term, given where we are today, but it will become less volatile, for sure.

And I think, finally, we are just looking at how to optimize our logistics cost and the segment mix. And over the long term, there are multiple levers on these costs which we will work upon. So, I think there is still juice left in becoming more efficient as we build scale. But I am unable to give any guidance on what those numbers could be on this call.

Amish Thakkar: And can you explain the drivers behind the reduction in lead distance, is it the more digitizing the supply chain, any other initiatives that are driving this 10% reduction in lead distance this quarter and how sustainable this is?

Puneet Dalmia: I think some of the markets which are closer to our plants, our service levels are much higher. And our sharp focus on those markets has led to this reduction in lead distance. So, we are continuing to think about which markets are core to us in terms of where we have a competitive advantage in which micro markets. And I think in those markets, we will just plan to increase our share.

Amish Thakkar: And lastly, on the share of DSP in your trade mix, where your realizations are significantly higher, and it's a 30% in South, 20% in East and 10% in Northeast so any guidance going forward in terms of share of premium Cement in your overall trade mix?

Puneet Dalmia: We don't give breakups of our premium product mix by region. But I think, again, as a part of our strategy we want to increase our premium product mix. And I think our branding exercise will be a step in this direction. But this is a long-term plan so this is not something which will give us results quarter after quarter. But over the next two to three years, I feel that it should help us in increasing our premium Cement mix, in a reasonably significant way.

Amish Thakkar: And one final question from my side is green fuel price competitive with traditional fuels, or is this again a long-term investment that you are making?

Puneet Dalmia: It just helps us become more environmentally friendly, because it is, we are recycling waste from other industries. And secondly, it gives us a hedge against volatility in fuel price. So, I think from both the eco-friendly perspective and a cost perspective, it is beneficial. But, again, as I said that markets change from time to time and we want to create maximum flexibility in our process, that we can use the most cost efficient and the most eco-friendly fuel in times to come.

So, we want our process to be so flexible that it can use all kinds of fuel and that gives us the best commercial negotiation power. And that gives us the maximum hedge against cost volatility.

Amish Thakkar: Thank you and all the best for your tenure as MD and CEO

Moderator: Thank you. The next question is from the line of Raghav Maheshwari from Asian Market Securities. Please go ahead.

Raghav Maheshwari: What is our current product mix between the PPC, OPC, PSC and PCC at a company level because this time in the annual report you have not given this number?

Puneet Dalmia: I think we have already shared that our blended cement mix is 88%. And we have also said that over the next few years we want to move to an even higher percentage and hopefully 100% low carbon cement. So, I think that is the guidance that we can give as of now.

Raghav Maheshwari: As far as a product mix it is you will not give for the future prospects between the products PPC and PCC and PSC at the blended level, so that's why?

Aditi Mittal : So, Raghav, we have given this number previously on an annual basis you will get the number from us. But quarter-on-quarter, it's not possible to share it over the call.

Raghav Maheshwari: This time the lead distance it's a 277 kilometer, it's something which we are doing for our market reorganization thing, or this is the sustainable number for the future also or this time, it is because of the low volume and the seasonality?

Puneet Dalmia: I think we will have to manage this dynamically. And when the volume growth is low, we try to optimize our costs and when volume growth is higher than we may have to choose longer lead markets also. So, I don't think that this should be taken as a permanent structural reduction. But all I can say is that we will optimize our profitability and we will look at which are the core markets where we want to really compete. And at the same time, we want to look at volume growth as well. But if you want to look at our five-year average, the five year average lead distance is somewhere between 280 to 290 kilometers.

Raghav Maheshwari: Last one question from my side, what's our thought process behind the remaining stake of the Dalmia Refactories and IEX, what's the timeframe we are looking to divest?

Dharmender Tuteja See DBRL stake is already divested whatever proceeds will come, they will come as per the schedule, partly in December and partly September next year. And IEX also will get disposed off, it's already been considered as a non-core investment so that timelines we cannot share, but it should be soon.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Puneet Dalmia for closing comments. Over to you, sir.

Puneet Dalmia: Once again I thank all of you for joining this call and your interest in Dalmia Bharat Limited. I wish you and your families a very Happy Dussehra and a Happy Diwali in advance. And look forward to continuing our interaction in the next year. And once again, thank you for your interest.

Moderator: Thank you very much, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of Dalmia Bharat Limited that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.