1010/02 January 24, 2025

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 Earnings Conference Call for the quarter and nine months ended on December 31, 2024

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

Dear Sir/Madam,

In terms of Regulation 30 of the Listing Regulations, please find attached transcript of the Earnings Conference Call held on January 22, 2025, for the quarter and nine months ended on December 31, 2024.

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

Kindly take the same on record.

Thanking you,

Yours Sincerely,
For Dalmia Bharat Limited
RAJEEV KUMAR
Digitally signed by RAJEEV KUMAR
Date: 2025.01.24 13:40:34 +05'30'
Rajeev Kumar
Company Secretary

Encl: a/a

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

Quarter and 9 Months Ended 31st December 2024 Conference Call"

January 22, 2025

MANAGEMENT: **MR. PUNEET DALMIA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – DALMIA BHARAT LIMITED**
MR. DHARMENDER TUTEJA – CHIEF FINANCIAL OFFICER – DALMIA BHARAT LIMITED

Moderator: Ladies and gentlemen, good morning, and welcome to the Earnings Conference Call of Dalmia Bharat Limited for the quarter and nine months ended 31st December 2024. Please note that this conference call will be for 60 minutes and for the duration of this call all participant lines will be in the listen-only mode. This conference call is being recorded, and the transcript may be put up on the website of the company.

After the management discussion, there is an opportunity for you to ask questions. Should you need assistance during this conference call, please signal an operator by pressing star then zero 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 may be 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 and CEO; Mr. Dharmender Tuteja, Chief Financial Officer; and the other management of the company. I would now like to hand the conference call over to Mr. Dalmia, Managing Director and CEO. Thank you, and over to you, sir.

Puneet Dalmia: Good morning, everyone. Let me begin with an overview of the quarter, and then Dharmender will take you through our operational and financial metrics. India continues to stand out globally as we remain one of the fastest-growing economies. However, the start to the year has been slow, with general elections in quarter 1, heavy monsoons in quarter 2 impacting overall economic activities and output. As a result, GDP growth dropped to a 7-quarter low of 5.4% in Q2. Despite this slowdown, I believe India's structural growth drivers are strong and that the real GDP growth should bounce back from here.

We are just a few days away from the announcement of next year's budget. While I feel that this year may experience some slippage in the budgeted capex spending, I remain optimistic that our government will double down its focus on the investment-driven growth and fiscal consolidation while supporting private sector investments. These efforts are crucial to steering back India towards a robust growth trajectory of 7% to 8%.

During the quarter, cement demand growth in India fell short of our expectations due to lower-than-expected government spending, state elections and unseasonal rains. As for various macro data points and the reports estimate, cement demand grew modestly by low single digit in Q3 of FY '25.

In November, the government capex has increased by 21% Y-o-Y, utilizing 46% of the budgeted capex till November. Typically, government spends about 40% of the allocated budget in the last 4 months. Even after assuming this run rate, capex spending should improve by about 20% on a Y-o-Y basis in December to March period.

With this, along with the seasonally strong quarter for construction activities, we believe that the cement demand can grow at a 6% to 7% rate on a Y-o-Y basis during Q4, which translates into a full year growth of 3% to 4% Y-o-Y.

During quarter 3, our volumes de-grew by 2% on a Y-o-Y basis, primarily because in the same quarter last year, we had 0.37 million tons of tolling volume from JP plants. Sales from Dalmia plants grew 3.7% on a Y-o-Y basis in this quarter.

If I talk about cement prices, there is a growing sense of optimism. We have seen some price improvements in December and expect further increases in Q4, driven by stronger demand. However, increasing competitive intensity may cap any significant gains on this front. while prices remain market-driven, we are working consistently on the cost reduction front.

While we are one of the lowest cost cement producers, we are committed to further deepen our position by realizing the cost savings of INR150 to INR200 per ton through internal measures by financial year'27. We are on advanced stage to reach 49.5 million tons of cement capacity by end of financial year '25. We will further announce our Phase 2 expansion to reach 75 million tons by financial year'28 within the next 6 months.

I'm also proud to share that to commemorate our 75 years in Odisha, we have inaugurated a Badminton Academy called the "Shuttle" in Bhubaneswar. This academy will provide world-class coaching to deserving young athletes from Odisha and help them shine on the world stage. This is a joint initiative of Dalmia Bharat, the government of Odisha and National Badminton Coach and Padma Shri, Mr. Gopichand. This initiative embodies our values to give back to the communities that we serve.

Now I will request Dharmender to take you through the detailed financial performance for the quarter gone by. Thank you.

Dharmender Tuteja: Thank you, Puneet-ji. Good morning, everyone. Let me take you through the key aspects of our performance. As Puneet-ji mentioned, our volumes de-grew by 2% Y-o-Y to 6.7 million tons during the quarter, but sales from Dalmia plants grew 3.7% Y-o-Y.

On a Y-o-Y basis, revenue declined by 12% Y-o-Y to INR3,181 crores due to a sharp decline in cement prices on a yearly basis. However, on Q-on-Q basis, since there was a reasonable price improvement in the month of December, our revenues improved by 3%.

In January too , the prices seem to be holding up so far. We were able to improve our trade mix to 66% from 63% last year, while premium product mix improved to 24% during the quarter from 21% in Q3 FY '24.

Moving on to the cost line items. Our raw material costs during Q3 marginally declined by 2% to INR765 per ton of cement production on a Y-o-Y basis due to reduction in input costs, mainly fly ash and limestone raising costs.

Power and fuel cost declined 9% Y-o-Y to INR1,005 per ton of cement production with $26 decline in the fuel consumption cost on a Y-o-Y basis, and improvement in RE from 30% to

33%. During Q3 FY'25, the fuel consumption cost was $96 per ton as against $101 per ton in Q2 FY'25 and $122 per ton in Q3 FY'24.

Fuel costs during the quarter stood at INR1.31 on Kcal basis. However, on a quarterly basis, our benefit of lower fuel prices was largely offset with the reduction in RE shares as we had a shutdown in few plants impacting WHRS output. It is now up and running, and therefore, RE Power should improve from this level.

During the quarter, we have commissioned 4 megawatts of solar power capacity at Medinipur, West Bengal. Total 46 megawatts of RE capacity is also commissioned under group captive arrangements during the quarter. This takes our total operational RE capacity to 252 megawatts.

We continue to enter into multiple renewable power agreements under the group captive agreement. We have additionally signed group captive agreements for 21-megawatt capacity of RE Power in Q3 FY'25. This is in addition to 278 megawatt capacity signed till H1 FY'25.

In total, we have signed 299 megawatts of long-term renewal power agreements under the group captive arrangement so far. By end of FY '25, we should have total operational RE capacity of 267 megawatts, including 57 megawatts from group captive arrangements and other smaller captive capacities. We expect to exit FY'25 with about 40% to 45% RE power share in our overall power mix on consumption basis.

Coming to the logistic cost. During the quarter, our logistic cost increased by about 2.7% on a Y-o-Y basis to INR1,120 per ton due to supply to central market from Eastern plants upon discontinuation of JP tolling arrangement and also high clinker movement costs due to plant shutdown amidst debottlecking activities done during the quarter. Having said that, we were able to optimize our lead distance, which reduced from 287-kilometer in Q3 FY '24 to 269 kilometers in Q3 FY '25.

Our EBITDA during the quarter declined by 34.5% Y-o-Y to INR511 crores, primarily due to weak cement prices. This works out to INR765 on per ton basis. During the quarter, we accrued INR102 crores in incentives with collections totaling INR122 crores. Also, in the quarter, we have received an extension of incentives for one of our plants for an additional 2 years effective from 1st April '24.

Consequently, an additional incentive of INR14 crores has been accrued for the previous 2 quarters in this current quarter of Q3 FY '25, which is included in INR102 crores. We are expecting total incentive accruals and collections to be around INR325 crores for the full year. Incentive outstanding on 31 December declined to INR760 crores.

The depreciation during the quarter was flattish on a Y-o-Y basis, but increased by about 8.3% Q-o-Q to INR364 crores as certain equipments were replaced during the debottlenecking exercise, on which an accelerated appreciation was charged during the quarter, which led to this increase.

Full year depreciation for the current year is expected to be around INR1,330 crores to INR1,340 crores. Coming to the ongoing projects. We have increased our clinker capacity to 23.5 million tons through debottlenecking at Kadapa and Rajgangpur. We are near commissioning our 2.4 million tons grinding unit in Northeast and 0.5 million tons in Bihar. Our clinker unit in Northeast is also in advanced stage, and we expect it to commission in Q2 of FY '26.

During the quarter, we have incurred capex of about INR657 crores, with the majority being spent on the before mentioned projects. we expect capex for FY '25 to be about INR3,000 crores, which is largely towards Northeast and Bihar capacity expansions, lands for future projects, and some cost reduction projects, besides the maintenance capex.

With regards to debt, as of 31st December, our gross debt increased to INR5,457 crores. Net debt also increased to INR1,242 crores, resulting in a marginal increase in net debt-to-EBITDA at 0.55x. Our comfortable leverage ratio positions us well to initiate the next phase of expansion.

With this, I would now like to open the floor for questions. Thank you very much.

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

Rajesh Ravi: My first question pertains to the volumes. Sequentially, the volumes are flattish. Could you throw some light that given that seasonally, Q3 is expected to be better than Q2, why we haven't been able to deliver volume growth. And while the tolling arrangement with the JP has been stopped, but we are still shipping volumes from our East plants, so how much is the volume? And why should we not -- when we are already underutilized, why should we see that Y-o-Y we have still grown except tolling?

Puneet Dalmia: I think as we said that the market growth has been in low single digit in our view. And if we look at this quarter, the sales volume from Dalmia plants has been around 3.7%. We are serving some of the central markets, but we are not serving all markets from Dalmia plants. And I also think that if I look at the 9-month performance, our growth is ahead of the industry growth. So I think overall, there has been a macro slowdown. And that macro slowdown has definitely impacted overall growth for every company. However, I think on a 9-month basis, our growth has been faster than the industry.

Rajesh Ravi: Okay. And in terms of what would be your clinker utilization for the 9-month period at least or maybe Q3?

Puneet Dalmia: I think we don't give our clinker utilization numbers. We share our cement volume numbers and our CC ratio keeps changing, depending upon what's the demand in the market and what product mix we sell.

Rajesh Ravi: And lastly, Dharmender, could share some of the housekeeping numbers like blended cement, traded cement, premium sales, the fuel mix and the CC ratio, please?

Dharmender Tuteja: Sure. CC ratio for this quarter improved to 1.70, which was 1.64 in the previous quarter. And trade sales, I already covered in my remarks, it improved to 66%. The premium product also has improved from 22.4% in the last quarter to 24.2% this quarter. The blended ratio has also improved to 85.1%, which was 82.7% in the preceding quarter.

Rajesh Ravi: The fuel cost?

Dharmender Tuteja: Per KcaL was 1.31, which I covered in my opening remarks. And the road percentage is 87%.

Moderator: The next question comes from the line of Indrajit Agarwal from CLSA.

Indrajit Agarwal: My first question is on the accident at Rajgangpur. So what is the kind of impact? Is the plant up and running now? And what kind of maybe a volume or profitability impact we can see in 4Q?

Puneet Dalmia: I think, first of all, we have received the first assessment report, and it's a very unfortunate accident. Board has also acknowledged it, and we are taking action, and we fully remain committed to safe working environment. This accident happened in our power plant, which is a captive power plant. And that power plant is shut for now until we take all the corrective measures. It is not going to impact production in any way, but it may increase our power cost slightly because we'll have to purchase power from the grid instead of supplying it from a captive power plant.

Indrajit Agarwal: Any quantum that you can highlight now?

Puneet Dalmia: No, I don't think we can highlight a quantum right now.

Indrajit Agarwal: Okay. My second question is on the management bandwidth and the transitions that we have seen of late, the recent one being of Mr. Bansal. So how are we rebuilding the team? Are we in advanced stages of hiring people? How do you see that planning out in the next couple of years?

Puneet Dalmia: I think Rajiv has been with us for 4 years. He had built a very strong team and a very strong process, internally. And I think our team is fully geared up to take forward the agenda that he started along with me and along with our entire leadership team. We are fully equipped to handle it. I think overall, as I said a few quarters ago, we are looking at succession planning in every role. We started this exercise with I taking over from Mr. Singhi.

And in all critical roles, talent is being mapped, and we are looking at proper succession planning and ensuring that we give opportunities to our internal people as well as wherever needed, we can -- we'll also recruit people from outside. So I think this is a full detailed planning, which is being done. And over a period of time, we will continue to give you more color on it as and when situations evolve. But I can say that in the last 12 months, I have personally gone very deep into the organization.

And I'm happy to see that there are a lot of committed and sincere people here. And we have been in this business for 80 years, and we have large ambitions to grow in line with the opportunity that India offers. We have a very strong team. And wherever we need to further strengthen it, we will strengthen it, and we will deliver on the ambitions that we have. We always have delivered on the growth aspirations that we took. And I think now we are in a much stronger base with a much stronger foundation, and we will deliver on the growth aspirations that we've outlined for ourselves.

Indrajit Agarwal: Sure. And one last question, if I may. If I look at the monthly demand trajectory based on your on-field experience, has December been meaningfully better than October, November? Or is it more like well spread out through the quarter, whatever the demand improvement we have seen?

Dharmender Tuteja: It has been better. Of course, the overall quarter-to-quarter increase was not much, but definitely, things have started improving because the government spending till I think October had not picked up at a reasonable pace or rather there was a deceleration. And november onwards, spending has increased, which I'm hoping that should reflect in. December also has been somewhat better, but Jan, Feb, March should show better improvement.

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

Amit: On volumes, just wanted to check, like while you mentioned that you grew 3.7% on your own plants, how much of that would have gone to Central India? That was one as against, let's say, the 0.37 million tons that was from tolling? And was there any market share loss for you in any region?

Puneet Dalmia: I think, as I have said earlier, we don't share region-by-region data. But I can only say one broad point that we are not serving all markets of Central India from Dalmia because it is not long-term viable. Those are not the core markets. Some markets we are serving.

And I also want to say that the JPA tolling arrangement was in a more spread out market in both UP and Central India, which, from Dalmia plants, we cannot serve and will not serve. So I think to that extent, the addressable market is slightly less, but we can't share with you the regional numbers in state by state.

Amit: And earlier, I think you've been mentioning multiple times that you would be growing at 1.5x the market. So would you still hold on to that? Particularly given that last couple of quarters actually given it's been a tad weaker than that?

Puneet Dalmia: I think that's a great question. If I look at our 9-month performance, our belief is that the industry has grown around 1.5% to 2%, maybe and Dalmia growth on a 9-month basis has been around 4%.

Dharmender Tuteja: So that's entire trajectory remains on these lines, but of course, quarter-on-quarter, these changes may be there.

Amit: And the last question is on Northeast, how much capex would have been spent by now?

Dharmender Tuteja: The remaining capex to be spent in Q4 and the next year is about INR1,800 crores.

Moderator: The next question comes from the line of Ritesh Shah from Investec Capital.

Ritesh Shah: Sir, a couple of questions on Northeast. I appreciate we don't give region-wise profitability, but if you could give some sense of utilization levels or directionally on the profitability and how much it does contribute at the company level. So that's the first question.

The second question is, what is our coal sourcing strategy specifically for the North east plants. The reason to ask this is there have been recent unfortunate events in the region. So just to ensure that we are insulated from any of those rathole, mining, which happened.

And lastly, again, the market leader has actually made indirect foray into the region. So what is our strategy incrementally to combat or ensure that our market share remains good and we also protect our profitability. These are the 3 buckets for Northeast.

Puneet Dalmia: I think first of all, we are unable to share region wise numbers. I can only say that we are one of the strongest players in Northeast with unmatched footprint and an unmatched cost structure and a great brand and distribution. I think we have seen that in almost every market, wherever we have done brownfield expansions, in markets where we are already present, those expansions have been very, very low risk. And it gives us instant access to distribution. It gives us here an established brand. We have a low cost structure, and our ability to serve the market better than our competitors in this market gives us an advantage.

I think we are quite lucky that the timing of our investment is coming together with the likely surge in demand in Northeast. I think we are seeing a lot of announcement in hydropower projects. We are seeing a lot of announcement in infrastructure. And also, there is a huge push from the government of India to secure our borders as well as create connectivity of Northeast with the mainland.

So, I think all this all augers very well with the demand growth projection in Northeast. So I would just say that we welcome competition. Competition always keeps us on our toes, makes us more efficient. But I think we have to look at what will differentiate us, what will ensure that both from a cost structure standpoint, we remain one of the lowest cost producers.

And how do we ensure that we are able to serve our customers best with a good brand and a good distribution in place. And I think all these factors are well laid out in Northeast. We've been in that market for 10 years. we see this investment as a very attractive investment opportunity, timed with a market which is growing very fast.

Ritesh Shah: Sir, specifically on coal sourcing?

Puneet Dalmia: On coal sourcing, look, this is an accident which happened in a mine, which was being operated by some Local miners. I don't think we are doing any coal mining in Northeast. So this is something which local miners have to think about and worry about.

Dharmender Tuteja: So we have enough stock because in Northeast, we maintain enough 3 to 4 months of inventory for the fuel, and we are sure that there are enough sources which will not cause any disruption in the operations.

Ritesh Shah: Sir, would you like to highlight on our sourcing mechanism? Is it coal India? Is it imported, linkage? How should we look at that?

Dharmender Tuteja: There are multiple sources, but mostly, it is on the local miners as well as some portion comes from the Coal India subsidiaries, but that is very small.

Ritesh Shah: So, when we say local miners is it a smaller number, will it be possible for us to quantify it? I'm looking at it more from an ESG standpoint. So it would give a lot of comfort, if you could help quantify this?

Dharmender Tuteja: Exact quantification , may not be possible, but there are ways in which government is also trying to bring some scientific mining. And in the medium to long term, I think that problem will get addressed.

Moderator: The next question comes from the line of Jashandeep from Nomura.

Jashandeep: Sir, I understand that you don't give region-wise data for Dalmia, but just wanted to understand how you are seeing the market industry as a whole, both in East and South for this quarter and going forward. I just want to understand whether East is performing better than South as a market? That's my first question.

Puneet Dalmia: So you want to understand the overall demand?

Jashandeep: Yes, sir.

Puneet Dalmia: I think, again, it varies state to state. And I think, again, in South, some states are growing, some states are degrowing. And in East also, we have seen that mixed bag. But in general, I think the East market has grown better than the South market so far.

Jashandeep: Understood, sir. And sir, my second question is on net debt. We have seen this quarter also, net debt has increased significantly. Last quarter also we saw that. So any major components for this net debt increase. And what's a sustainable net debt level that the company feels comfortable with?

Dharmender Tuteja: In the current quarter, the net debt increased, from the preceding quarter, basically about INR300 crores was due to the IEX price, which went down during the quarter. And other INR300 crores was because of the capex or other cost which were not fully covered by the internal cash accruals.

So I don't expect that even in spite of the capex, which is going to be spent in the coming quarter about INR1000 crores plus, our net debt is not going to increase by the end of the year. And even the next year also, only increase which will happen in net debt will be on account of the new capacity expansions. Otherwise, net debt will not increase.

Jashandeep: And just one last, I just want to reconfirm that the incentives for this quarter were INR102 crores. Fourth quarter capex is around INR1,800 crores, and FY '26 capex is around INR3,000 crores. Is my understanding right?

Dharmender Tuteja: –In the total year, we said is about INR3,000 crores. And till 9 months, we have spent about INR2,040 crores or so. So about INR1,000 crores capex will come in the Q4. And next year, capex will be in the range of about INR2,500 to maximum INR3,000 crores, but this will also include the land investment, which I'm not clubbing with the announcement of the new capacity.

So INR500 crores, INR600 crores of land also is covered into this. Otherwise, INR2,200 crores to INR2,500 crores capex in the coming year will be sufficient for us.

Jashandeep: Understood. And INR102 crores was the incentive amount for this quarter, right, sir?

Dharmender Tuteja: That's right.

Moderator: The next question comes from the line of Satyadeep Jain from Ambit Capital.

Satyadeep Jain: First, I just wanted to ask on volumes. As you can understand from all these questions, if we strip out the sales to Central India, it does look like in the core markets, Dalmia seems to have lost market share in this quarter. I just wanted to understand that in the last few quarters, there's been a lot of volatility, some quarters higher growth than the peers and lower pricing growth. Some quarters, it's the opposite. And there's been churn in management team.

There's been learnings from trying to enforce pricing discipline. I just wanted to understand what have all the learnings being from this volatility in the last few quarters? And the changes in the sales strategy? And how do you look at the stabilization in team and strategy as you look at volume growth versus pricing in the next maybe 1 year or so?

Puneet Dalmia: I think, as I said, our long-term initiatives remain the same. We will continue to invest in a strong brand. We will continue to invest in a more retail distribution channel. And we will make sure that in each of our markets, we premiumize our product mix as well as continue our low-cost position. So I think our overall direction remains the same.

Quarter-to-quarter, there will be variations. And I think, my only feeling is that over the next 3 to 5 years, we want to build a culture where we can compete on practices and not on price. So I think we want to build a culture where distributors can work with us as long-term partners. And there are some anomalies in pricing in this industry, which we hope we can bring more transparency in. And I think these are initiatives which will take some time to play out. But our long-term direction remains the same.

And I think my overall learning in terms of the last few years has been that whenever we undertake a great -- like a big phase of expansion, the company has to reinvent itself. We have to see -- we have seen it from -- when we went from 1 million to 10 million tons, you've seen it from 10 million to 30 million tons. Now we've reached 50 million. And I think the journey from 50 to 100 will be that of people, processes and culture, along with the very strong focus on governance and creating a foundation to manage a large institution. So I think we are working towards this diligently, and these are things which will play out over the next 3 to 5 years.

Satyadeep Jain: Fair enough. Second question would be on the processes. So there have been two separate incidents in the last week, including one in Assam also. And there has been other companies also including an incident in UltraTech earlier this year. So just as a company, you obviously have the “kawach” portal, you have several contractor audits and all. What do you think maybe remedial actions you think need to be strengthened for you and the entire industry to prevent some of these accidents. And do you have, in addition to net zero, everybody talks about net zero. But is the industry talking about maybe lost time injury targets or safety targets for the next few years?

Puneet Dalmia: I think this is a matter which is of immense importance to me personally as well as our Board and our entire leadership team. We want to provide a very, very safe working environment where human life is immensely valued, and there is zero tolerance to any incident which causes a loss of human life.

I think apart from creating very strong processes and ensuring that people are well trained, and we continuously raise awareness about safety and create a lot of cross checks on this, I think there has to be personal ownership at every level to ensure this. and every incident needs to go back into a very rigorous root cause analysis and there has to be continuous learning from it.

So I would just say that we are taking a lot of steps in putting in a lot of management time on this to ensure that things don't happen, which are so tragic and which are so painful. But it is all about building a safety mindset right down to the grassroot level.

I mean I'll just give you a small example. I still see people when they're working, they use mobile phones. And I think we have banned this, and we've taken a decision to ban this in our plants. But again, implementing this with that kind of rigor is sometimes just make sure that the safety culture penetrates to the last level.

I can just say that this is a matter of serious, serious importance in the company and the whole group. And we will do whatever it takes to ensure that such incidents are absolutely eliminated, hopefully, and at least our systems and mindset to the last level is such that at its highest level of awareness of these issue.

I don't want to comment at an industry level. I think we want to learn from best practices across other industries as well. And I think I can just say that as a cement industry, everybody -- all my colleagues in the industry are also equally aware and -- feel very responsible about this issue. Dharmender do you want to add anything?

Dharmender Tuteja: I think that has been discussed in a very, very serious manner in the entire leadership as well as across all plants. And the learnings are being replicated across other plants as a preventive measures. And I think the whole team acts very, very high importance to ensure that we have no loss of life as well as the lost time injury time also is minimized.

Puneet Dalmia: we are building safety champions in each zones of our plants. We are also ensuring that there is a lot of time spent in training people, and also not just our internal people, but also the contractors who work with us. And all our unit heads and our national manufacturing heads will have their KRAs linked to this very, very important parameter.

Moderator: The next question comes from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: My first question is to understand our rationale of supplying in the central region. So are we still hopeful of winning back JPA? And if yes, if you could just share what is the update and the status of the NCLT process and the JPA. And are we right in assuming that the supply to the Central India would be at very low incremental margins versus our core regions.

Dharmender Tuteja: As you would have known in the public that first, there was an appeal against the admission of NCLT by the suspended directors, which was declined by NCLAT. And I understand even the Supreme Court has also not favored that. And on the loan side, banks have run the process of selling their loans to NARCL. And so far, NARCL stands the undisputed bidder for this. And we expect that this transition of loans to NARCL should happen in the next 1 or 2 months. And I think that will quicken the process because there will be only one decision maker versus 25-plus banks deciding overall matters which takes a very long time to decide.

And of course, we are still hopeful that we'll be in the fray to acquire cement assets of JAL. And that is the reason we continue to maintain our presence in the markets which we can service from our East region profitably. And of course, these sales are a EBITDA accretive, but not EBITDA per ton accretive. So naturally, the margins are lower than rest of the company earns on the cement sales. But I think this is the right strategy we believe in.

Sumangal Nevatia: And sir, what sort of timeline are we looking at for this NCLT purchase to kind of go to the next phase?

Dharmender Tuteja: It's very difficult to comment because there are total IBC process can take quite long, but there could be other ways within the IBC.

Puneet Dalmia: And there are a lot of litigations also in this. So I think it's very hard to comment how quickly this process will conclude. But I think as Dharmender said, ,as there are fewer decisionmakers now. Hopefully, the process will get speed up, but it's very hard to comment how quickly it will get concluded.

Sumangal Nevatia: Understood. Understood. My next question is on our expansion plan beyond 49.5 million tons. So are we on track to give some firm plans on a bottom-up basis sometime in the coming quarter, by end of the financial year? And do we expect some bit of organic plans in new regions like Central North in the next phase of expansion?

Puneet Dalmia: Sumangal, I think I have already said that we will share our plans in July. And, I think we will stick to that timeline.

Sumangal Nevatia: Okay. I understand. I mean just following up, I mean, overall, from a capital allocation framework, I mean, is the low utilization also a point of consideration? And given that we are in the range of 60-65%, maybe not able to grow beyond the market like always, is there a case to delay expansion even beyond maybe next 1 or 2 years?

Puneet Dalmia: Sumangal, I've told you all that utilization is not the same across all regions. And I think please trust us that we factor in utilization and market growth when we think about our expansion plans. So you don't have to worry about the fact and we make these investments with a long-term horizon. and we are going to look at our capital allocation strategy along with our strong balance sheet.

We have said that we don't want to take net debt to EBITDA beyond 2x until there is a large acquisition or something strategic, which comes up. And I think we will stay within that capital allocation framework. And yes, utilization and long-term demand growth and market structure will play a role in our decision making.

Sumangal Nevatia: Got it. Got it. That is very reassuring. Just one clarification. Is there any amount of previous period incentive in this result? I think there was something mentioned in the opening remarks, but I missed noting it.

Dharmender Tuteja: Yes. So in one of the plants, we got extension of the incentives effective from 1st of April. So there's accrual of incentives for 9 months. Of course, the previous period is last 6 months, of which amount is INR14 crores included in the INR102 crores incentive booked.

Sumangal Nevatia: So it is booked in the third quarter?

Dharmender Tuteja: Third quarter, yes. INR14 crores pertain to the first half of the current year.

Moderator: The next question comes from the line of Raashi Chopra from Citigroup.

Raashi Chopra: Just continuing on the incentive question. So these plants that you've got an extension for is for 2 years, you mentioned that.

Dharmender Tuteja: That's right.

Raashi Chopra: What should be the normalized level of incentive for the next year, FY '26?

Dharmender Tuteja: We're close to about INR90 to INR100 per ton.

Raashi Chopra: Okay. Secondly, on the volume side, anything for the fourth quarter in the sense like what are you expecting our full year volume growth to range?

Dharmender Tuteja: See, as we said that the Q4, we expect the growth to increase by about 6% to 7%. And of course, we had a, last year, high volume, but still we are optimistic that we'll be growing rapidly and show the growth in line with our trajectory, what we aspire to maintain.

Raashi Chopra: 6% to 7% was for the industry, right?

Raashi Chopra: Sorry, just clarifying on the volume growth, is the 6% to 7% for the industry or for you or both?

Dharmender Tuteja: That is for the industry. we will not like to give a quarterly guidance, but I think as we said, we'll aspire to remain one of the leaders.

Raashi Chopra: Okay. Understood. On the power cost, anything for the fourth quarter? Will they be lower or flattish?

Dharmender Tuteja: It will be lower, of course, because the RE Power will increase. This quarter, we ended at 33%. And next quarter, we expect it to grow to about 40% to 45%.

Raashi Chopra: Okay. And just last question for me, are you still maintaining your cost reduction target of about INR150 to INR200 over the next 3 years?

Dharmender Tuteja: That is right.

Moderator: The next question comes from the line of Pulkit from Goldman Sachs.

Pulkit: Most of my questions are answered. One question on the cost reduction INR150 to INR200 that you spoke of by FY '27. Now that you are at helm of things for of while, is most of this cost improvement coming via change in energy sources, logistics, et cetera? Or are there also internal costs which you think you could cut in order to achieve this? So how much of this is just change in power sourcing, et cetera? And how much of this is internal controls, et cetera, which could drive this kind of cost savings that you're targeting?

Dharmender Tuteja: So all this is primarily through the internal initiatives. So I'm not factoring any price changes in the pet coke or coal prices, which we, of course, see that this is for the entire industry. But all these initiatives which will come will be come in the form of some ROI improvement budgets, which will reduce the power consumption cost this heat consumption, et cetera. and there'll be some initiatives like the mixing, et cetera. And in the logistic also, we are progressing that the lead will get reduced and there are other initiatives which will bring down the cost.

Pulkit: For example, the leads will get reduced because if the expansion in capacity isn't significant, what is going to drive a reduction in leads?

Dharmender Tuteja: Focus towards the nearer markets.

Pulkit: Okay. And is there a rough breakdown of the INR150 to INR200/T across sub-segments, what you are thinking?

Dharmender Tuteja: Broadly, we have said that about INR100 to INR125 will be on the VC side and about INR50 to INR75 will be in the logistics side. That's the broad breakup I have given in the July call.

Pulkit: Okay. And this doesn't include any sort of changes that Puneet spoke of in terms of how the dealership or dealer discounts, et cetera, should work? Because I think there's some streamlining you're doing on that front as well.

Dharmender Tuteja: That is on the NSR part, that is a separate initiative, but of course, this is on the cost side, primarily on the variable cost and the logistic cost.

Moderator: The next question we have from the line of Rahul Gupta from Morgan Stanley.

Rahul Gupta: So one question for you, Puneet. And sorry for harping on this again. Can you help us understand how competitive landscape is evolving in East and South market specifically? Just trying to understand if you continue to grow at, say, 1.5x of industry will that come at the expense of cement prices over the next couple of years? I know you made a point that processes at culture shift would take 3 to 5 years. But just trying to understand what would happen over the next couple of years.

Puneet Dalmia: I think, look, again, in terms of the competitive landscape, I see 2 or 3 things. One, I think consolidation will continue. We have said this earlier also both because a larger part of the organic growth will go to larger players, and there will be M&A. So I think that story is playing out. I think consolidation will further accelerate in this industry.

The second part is, I think every industry goes through a time where the players prioritize volume over value. I think this is the time when everybody is aggressive and going for market share. And I think there is added headwind because of the lack of demand growth in the first 9 months. As you know, industry has grown at a low single digit, and first half was even worse.

So this is a phase that we are going through where the players are prioritizing market share over margins. And I think every industry goes through a phase where people will start prioritizing margins over market share because beyond the level, market share will not deliver value. So, I think if you take a long-term view, my conviction is that this consolidation and with the fact that large players who are very rational and value-conscious and who have a value creation mindset, are the people who are investing in this business.

And over time, my purpose is that this industry should deliver a very attractive return on capital. We have seen that in the past decade, this industry has delivered a return on capital in the mid-teens. And I personally think that if I take a long-term view, at least that's my conviction that's why we are betting on this industry. My conviction is that the return of capital should be higher in the coming decade than the last decade.

Moderator: The next question comes from the line of Prateek Kumar from Jefferies.

Prateek Kumar: My question is on pricing ex incentive. So adjusted for -- let's say a higher incentive on a quarter-on-quarter basis, prices appear higher by around 1.5%, 2% Q-on-Q. How do they stand on the exit of the last quarter because December has seen meaningful price increase, so which could imply -- I mean -- and what kind of price increase assuming price remains stable in the fourth quarter?

Dharmender Tuteja: As I said, this includes roughly about INR14 crores of incentive pertaining to the first half because in one of the plants, we got this incentive from the effective effect 1st April. So INR102 crores includes INR14 crores of the previous quarter. And as I said, our guidance for the current year is we expect incentive to be around INR325 crores because quarter 4, the volume increases to match with impact of the incentive also slight increases. And even coming year also, we can expect INR90 to INR100 per ton kind of incentive to be there.

Prateek Kumar: No, my question was around pricing actually. So adjusted for one-off incentive, the price increase Q-on-Q is around 2%. The exit price being high, what is the kind of implied price for fourth quarter, assuming they remain stable throughout the quarter?

Dharmender Tuteja: I would not like to speculate. Of course, efforts will be to increase the prices, but in line with market, whatever will be there. So, we are expecting the caution prices for this forecast.

Prateek Kumar: Okay. And just one question on competitive intensity in South India. So other regions they all have seen some price increases, South continues to like sort of struggle on increases. How do you see competitive intensity I mean, the ramp-up of large peers in the space?

Puneet Dalmia: Look, we expect competitive intensity to absolutely increase in South India. There have been companies which were underperforming, which have been bought by large companies with strong balance sheet and better management teams, better brands. So, I think both Penna & India cements I think we expect a ramp up in terms of volume to take place.

And there is the demand growth at this point in time is not supporting a large volume expansion. So I think there will be heightened competitive intensity in South India without any doubt. And I personally think we have to be prepared for low prices potentially in that market.

Prateek Kumar: So through the FY '26, because investment is not yet acquired really. So through the FY '26, the South may remain sort of worst impacted?

Puneet Dalmia: It depends on demand also. I mean, as I said, we expect that the companies which have been acquired will -- their capacity will get ramped up. And depending upon demand, how demand shapes up, prices could be volatile.

Moderator: The next question comes from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Yes. Sir, just to reconfirm, so to reach 75 million tons by FY '28, 25-odd million tons, so broadly, correct me if I'm wrong, INR16,000 crores to INR18,000 crores kind of a capex we need to do. So just wanted your broader assumption, if you can help us in terms of how much, in terms of the net debt, we can increase because previously, we are talking about our net debt-to-EBITDA should not cross 2x.

so that means if you can broadly help in FY '26, '27, '28, how much kind of operating cash flow are you assuming so that your net debt EBITDA will not reach? Or is it possible that there is a chance, even if we don't get the Jaypee back to us, this will further get delayed maybe FY '29 to reach a 75 million tons?

Puneet Dalmia: I think we will give you the full road map by July. So please be patient till then. And we will tell you how our balance sheet will also look. We have told you that our broad capital allocation policy will remain the way we have outlined. We are going to stick to that discipline, and we will share with you the full detailed plan by July. So please, wait till then .

Shravan Shah: Okay. And then sir, is it possible to share any thought in terms of the FY'26 industry-level growth? Will it be 7% close to that? Why I'm asking is that 2 things: given the kind of 120-odd million ton plus kind of industry level capacity will be added, how this will -- so obviously, the incremental demand is less versus incremental supply. So in terms of the pricing, how this will also impact the pricing going forward. Do you see that there is still a structural chance that cement prices can go up?

Puneet Dalmia: Can you repeat your question? I didn't fully get your question. Can you please repeat it, Shravan?

Shravan Shah: Yes. Two things, sir. What is our expected industry level growth in FY '26? given that close to 120-odd million ton capacity will be added in FY '26 and '27, do you still think that there is a structural chance of cement pricing going up because incremental supply is much, much higher versus incremental demand?

Puneet Dalmia: So, look, it's too early to say, but I would just say that if the GDP growth picks up, we think that the demand growth would be in the range of 6% to 8% next year. And in terms of capacity additions and demand growth not keeping pace and there could be a slight oversupply. I don't know if your number of 120 million is correct or not.

But I think, I had said a few quarters ago that we are going through a phase where there are short-term headwinds and the supply growth will exceed demand growth in the short term. But I think if you look at a slightly longer term view, always averages out, and we think over the 5- to 7-year period, the capacity utilization of the industry should gradually go up.

Shravan Shah: Okay. Okay. Got it.

Puneet Dalmia: In the broader framework, we are seeing that larger companies will outperform the smaller companies and consolidation is continuing to happen. So I think our thesis remains the same...

Shravan Shah: Yes, because that's the main thing because if we keep on adding the 25 million ton by FY '28 and if we are not able to see the kind of support from the cement prices, then in terms of the ROCE, which we are looking at to further improve, obviously, longer-term possibility is there, but at least in the next 2 to 3 years, don't we see that it will be on the lower side?

Puneet Dalmia: Again, as I just said, I mean whatever investments we choose to make in whatever region, they are not made with a 2- to 3-years' time frame. We have to take a slightly longer-term view. There will be some investments in newer regions consistent with our pan-India footprint strategy. There could be some investments in our existing regions to get a correct diversified footprint.

So I think again, when investments are made, we look at a long-term ROCE through the cycle. And I personally believe, and, I have the conviction that the ROCE that this sector is likely to deliver in the next decade because of all the consolidation and the fact that India will offer long-term structural demand growth with multiple drivers like infrastructure, housing, manufacturing and private capex, I personally think that the ROCE that this sector will deliver over the long term in this decade will be higher than the last decade. That's the conviction that we have and that's the strategy that we will pursue.

Moderator: The next question comes from the line of Jyoti Gupta from Nirmal Bang Securities Private Limited.

Jyoti Gupta: I had 2 questions. One is, I understand that the East has not grown and while you have a larger market share in the East, somewhere we've seen something like a 4% to 5% growth in the East in third quarter. However, you still see a decline in your overall volumes. how do you think the fourth quarter panning out for you specifically, as you say the volumes will not be impacted because of this coal incident, but how do you see the fourth quarter panning out?

And second thing is even with the decline in volumes, I don't see a hit from the fixed cost absorption side. So what has really changed on the fixed cost side, I mean, your other expenses, which has seen a decline of 6%. Could you please explain me that?

Dharmender Tuteja: On the fixed cost side, we have been taking care of our expenses to keep them controlled. So that is one of the reasons. And of course, the number of shutdowns which are higher in Q2 have reduced in Q3. So that is also partly to explain that this cost is under check.

Jyoti Gupta: What kind of expenses have actually come down? I would wanted to understand what kind of expenses have you actually anticipated, which you have actually cut down the third quarter. Any details could you just provide us?

Dharmender Tuteja: Hiring is also under check. We are not increasing the hiring. Marketing costs are also being seen in line with what it can lead in terms of productivity. ATL, BTL expenses are being reviewed and being expensed. There, we got the highest productivity. And of course, the stores and spare consumption in the plants and all these expenses also are being kept under check that the cost are kept to the bare minimum.

Jyoti Gupta: Okay. And how do you see fourth quarter? How has been the first 15 days for you ?

Dharmender Tuteja: So, the quarterly guidance we will not give, but as we said that the market will see increase of about 6%-to 7% at least and we should be growing much faster than that from the current quarter.

Jyoti Gupta: So but then we have not grown in the third quarter because East region, while it has been still positive at a single digit, maybe a low mid-single digit, we have actually given a negative Y-o-Y growth. So how confident are you...

Dharmender Tuteja: As said that , quarter-to-quarter, it's difficult to measure all these parameters on a consistent basis. But in a directional sense, this growth will be seen.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Navin Rameshwar Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo: one last question indeed on realization. Just requesting more color here because the reported realizations are broadly 3% up quarter-on-quarter. Previous quarter incentive was around INR61 crores. This quarter is INR102 crores. So if I adjust for this INR40 crores incremental and volumes being flat, realization is up around 1.5% or 1.7% quarter-on-quarter.

So, my question, sir, is, if you can just give a broad breakup or throw some light as to was it driven by trade or nontrade did the better of it to help this increase? Directionally, what it south or east? And last bit is how are the current realizations versus the average of the previous quarter. That would be all.

Dharmender Tuteja: So even if you take out this incentive increase, which happened on the first half, INR14 crores being booked in this quarter, if you remove that, our growth in the NSR is in line with the price improvement, which we saw in the quarter because of the December price increases. So, we expect that there's a bit more prices which have increased, should sustain in the current quarter.

Navin Sahadeo: And just last bit, current realizations, as we speak, how could they be -- because the December, the price increase was in December?

Dharmender Tuteja: Again, these are in line with the December numbers.

Moderator: Thank you. Ladies and gentlemen, we have concluded the question-and-answer session. I now hand the conference over to Mr. Puneet Dalmia for his closing comments.

Puneet Dalmia: Thank you very much. I just want to say one thing. At least, over the last 2 decades, when I have been in this business, I have seen many ups and downs. And I have learned only one thing that when things are going great, you should not get too arrogant. And, when things are going a little down, you should not get too disappointed.

This is an industry where you have to keep your head down, your conviction strong, and keep executing while blocking out noises. So I think our strategy continues to remain in line with our conviction that India will offer high volume growth, this industry will consolidate, and this industry will deliver good ROCEs in the coming decade. So I think we want to just keep our head down and execute on that. And we, again, thank you all for your interest in us. Thank you very much.

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