Dalmia
Bharat Limited

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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 Quarter Ended June 30, 2023 - 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 quarter ended June 30, 2023 - Earnings Conference Call held on July 21, 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: 2023.07.27 17:07:18 +05'30'

Rajeev Kumar
Company Secretary

"Dalmia Bharat Limited

Quarter Ended 30th June 2023 Earnings Conference Call"

July 21, 2023

MANAGEMENT: **MR. PUNEET DALMIA – MANAGING DIRECTOR – DALMIA BHARAT LIMITED**
MR. MAHENDRA SINGHI – MANAGING DIRECTOR AND CEO– DALMIA (CEMENT) BHARAT LIMITED
MR. DHARMENDER TUTEJA – CHIEF FINANCIAL OFFICER – DALMIA BHARAT LIMITED
MR. RAJIV BANSAL – PRESIDENT AND CHIEF TRANSFORMATION OFFICER – DALMIA BHARAT LIMITED
MS. ADITI MITTAL – HEAD, INVESTOR RELATIONS – DALMIA BHARAT LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call of Dalmia Bharat Limited for the quarter ended 30th June 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 transcript 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 an operator by pressing star then zero 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 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, 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 and the other management of the company. I would now like to hand the conference call over to Miss Aditi Mittal, Head, Investor Relations. Thank you and over to you.

Aditi Mittal: Good morning everybody, welcome to the quarter one earnings call of Dalmia Bharat Limited. The earnings release has been uploaded on our website today morning so in case you've not had a chance to look at it you can download it from our website. With this I will hand over the call to Mr. Dalmia for his opening remarks Thank you.

Puneet Dalmia: Thank you, Aditi. Good morning, everyone. It gives me immense pleasure to welcome all of you to the Q1 FY24 earnings call of Dalmia Bharat Limited. Let me briefly share my outlook with you and after which Mr. Singhi and Dharmender will give you more details about our performance. As I have been sharing with you over the last few quarters, the economic environment in our country has been resilient, our sector is doing well with the cement demand being robust and the cost curve is moving in a favourable direction.

But this quarter, the operating performance of our company has been below my expectations. We are introspecting and working diligently to implement improvements. During the quarter, our sales volume has grown 12% on a Y-o-Y basis. But we believe that we could have done much better. And while we remain one of the lowest total cost producers of cement in the industry, I also believe that there's a lot more headroom to improvise on the cost front as well. So, this quarter has been a learning for us in terms of performance, and we will take it up very seriously amongst ourselves.

On the capacity growth front, we have delivered on the committed expansion numbers and added 3.1 million tons in east during the quarter. We have commenced the trial run production at the Sattur plant in Tamil Nadu, which adds another 2 million tons to our capacity. We are on track to complete the organic expansion target of cement capacity and reach 46.6 million tons by March 2024. With regards to the acquisition of Jaypee in the central region, I would like to share with you that we are awaiting certain external approvals which are taking slightly longer time than we had originally anticipated. And considering the external exigencies, we will try and close the transaction before the end of this financial year. Nevertheless, we will keep you posted in the interim for updates with regard to the same. This excludes the Jaypee Super Dalla tranche, which is entirely dependent upon the outcome of arbitration between UltraTech and Jaypee. As was mentioned by Singhiji during our last earnings call, we have started the tolling arrangement from some of the plant locations of Jaypee in central regions so that we do not lose time and make some headway into building the Dalmia brand in the region. We have started empanelling dealers, and this also gives us an opportunity to gradually establish our market share in the region.

On the overall cement industry outlook, the demand growth looks robust. Prices remain range-bound, and costs are coming down in line with the fall in fuel prices. The cost will further show a positive delta due to the implementation of our ongoing levers of long-term cost savings such as renewable power, low carbon cement and recycled fuel amongst others. With this, I would like to hand over the call to Mr. Singhi for his opening remarks. Thank you.

Mahendra Singhi: Thank you, Puneetji. Happy morning, friends. As Puneetji has mentioned, the cement demand in the country is growing at a very healthy rate. For Q1, we do expect that the demand on all India basis may be between 8% to 10%. During the quarter, we delivered a volume growth of 12% on Y-o-Y basis to 7 million tons. The growth was visible across regions, the performance in South region was better and continues to be encouraging where we have been strengthening our market share over the last couple of years. In fact, our low carbon cement percentage is also growing in South at a healthy rate with last quarter being at 75%. For the company as a whole, our low carbon cement percentage for the quarter has gone up to 88%.

Revenues for the quarter improved by 10% Y-o-Y to INR3,624 crores led by volume growth, but adversely impacted by lower prices. From the exit price of June '23, prices to some extent, has weakened as the seasonal factors have started to set in.

In terms of the cost, our raw material cost has increased by around 9% on a Y-o-Y basis to INR768 per ton of cement production, which is primarily due to increase in rates of Slag and Fly ash and some transportation cost, which has gone up by almost 20% and 9% respectively. The purchase of stock in trade goods has shown an increase during the quarter as this item captures the cost of cement purchased, which is being manufactured under the agreement with JP, and that cost too is coming in is at a rate which is slightly higher than our existing cost of production.

Coming to the power and fuel costs. During the quarter, our power and fuel cost has marginally increased by 1% on a Q-o-Q basis to INR1,293 per ton of cement production. As mentioned in the previous earnings call, our fuel cost has realized the benefit of around USD10 per ton of petcoke reduction during the quarter. However, it may not be visible on a sequential basis due to increase in power rates in few of the states where the fuel surcharge has gone up. We also had to go for grid power in place of CPP power because the CPP power became expensive at that time on account of higher fuel rates. There has been also the change in CC ratio, which is driven by change in the regional mix.

To give you some colour on the ongoing fuel prices, the current spot rates are now hovering around USD115, and the benefit from such reductions should start reflecting from the mid of quarter 3. With a reduction in the fuel costs, now our CPP will also become viable, and we are now able to switch to our captive power plant from the grid power. We will also see the benefit of this in coming quarters.

With regards to the freight cost, the cost has increased by 6% on Y-o-Y basis to INR1,156 per ton primarily due to a levy of busy season surcharge by Railways and some inter regional clinker movement because of some planned stoppages. Friends, our EBITDA per ton during the quarter has come at INR872 per ton.

On the growth side, our CFO, Dharmender, will give you the detailed update on capex and cash outflow. I would like to update that during the quarter, we have commercialized the new cement line at Bokaro, Jharkhand, of 2.5 million tons and also successfully debottlenecked our facility at Bengal by 0.6 million ton, which took our East region capacity to 21.1 million tons and overall capacity to 41.7 million ton.

As Puneet Ji has already mentioned, we have also commenced the trial runs at our 2 million tons grinding plant at Sattur in Tamil Nadu, which was a green field grinding unit project of the company. With regard to proposed growth in Northeast, we have received the necessary statutory approvals and have mobilized the field contractors and have also placed major orders with top technology suppliers for the equipments. We are targeting to complete this project by FYFY25-FY26.

During the quarter, our RE capacity has increased to 170 megawatts, which is 10 times of the capacity we had in FY '19. Friends, for the rest of the details and the key financial updates, I would now like to hand over the call to our CFO, Mr. Dharmender, and I'll also be happy to answer all questions in the Q&A following this -- following his remarks. Thank you and best wishes.

Dharmender Tuteja: Thank you, Singhi Ji. Good morning, everyone. Let me quickly get into the key financial updates before we open the floor for Q&A. With regards to the incentives, we have accrued INR77 crores of incentives during the quarter. The collection during the quarter has been INR39 crores. The average receivable on this account as on 30th June stood at INR740 crores. For FY '24, we expect incentive accruals to be around INR275 crores to INR300 crores.

Moving to the fixed costs, our employee cost has increased by INR24 crores to INR222 crores on a Y-o-Y basis primarily due to annual increments and increase in number of headcounts on account of adding new capacity at different locations. Other expenses have increased by INR51 crores to INR515 crores on a Y-o-Y basis, primarily on account of plant shutdown costs, increase in Depot expenses and sales commission increase. Our depreciation during the quarter has increased by INR87 crores on a Y-o-Y basis. Let me explain to you why is that.

See, as part of our overall debottlenecking projects to increase cement and clinker capacities, certain components of plant and equipments will be replaced. Accordingly, an accelerated depreciation of INR57 crores has been charged on these components during this quarter. This is basically a one-off expense with another about INR54 crores of charge to be taken on this account in the next 2 quarters. Excluding this onetime charge, the regular annual depreciation for the year will be higher by about INR120-150 crores on account of recently added capacity and new capacity to be further capitalized during the rest of the year.

On the debt side, our gross debt has increased by INR623 crores and the closing gross debt as of 30th June stood at INR4,386 crores. The net debt-to-EBITDA ratio as of 30th June was 0.52 times.

With regard to the capital expenditure, we have spent INR907 crores during the quarter. As mentioned by Singhi Ji, we have closed this quarter with the capacity of about 41.7 million tons and have recently commenced the trial production at the new split grinding unit at Sattur in Tamil Nadu. Within next 1 to 2 months, we expect to commence the commercial production of this unit also. For the full year, we expect the capex to be about INR6,300 crores, including acquisition of Jaypee plants.

With regard to the recent divestment of the noncore businesses, as you'll remember, the company had entered into a binding agreement to divest its equity stakes in the refractory company at a consideration of INR800 crores.

With regard to the same out of total receivable, 20%, that is INR160 crores has been received in this quarter as part of the transaction and for the rest of 80% consideration, NCDs have been allotted to DCBL. These debentures will be redeemed in 2 equal tranches with the first one to be redeemed in December '23, and the remaining 40% will be redeemed on September '24. Beside this, we will also be receiving the INR120 crores, which is due from the redemption of debentures of Hippo stores by December '23.

With this, I now open the floor for question and answer. Thank you very much.

Moderator: Thank you very much. We have a first question from the line of Indrajit from CLSA. Please go ahead.

Indrajit: Hi, good morning. Thank you for the opportunity. Can you help us understand the cement tolling operations with Jaypee once again, what was the volume? What kind of revenue we have generated? And is it sold under Dalmia brand itself?

Puneet Dalmia: We have a tolling arrangement currently with Jaypee, where they are doing contract manufacturing for cement for us, and we are selling it under the Dalmia brand. So, we are setting up our distribution, we are establishing our brand, but the manufacturing is currently being done by Jaypee. So, I think, this gives us headroom in the market to establish ourselves before the acquisition is completed because, as you know, this is a new market for us. And we are in the process of establishing the distribution network, establishing the brand and establishing the full logistics infrastructure to service the market. So, broadly, that is the arrangement. And I think it is helpful for us that we can do this even before the deal gets done.

Indrajit: And what is the kind of volumes we have done and any outlook for the year as a whole? How much we can do?

Puneet Dalmia: So, we are not sharing our regional numbers. Right now, we share numbers on an aggregated basis. But all I can say is that this will help us ramp-up this capacity faster compared to if we would not have done tolling.

Indrajit: Sure. And secondly, in the opening remarks that you mentioned, you could have grown faster barring some issues. So, if you can elaborate on it, what were those issues? And are those now behind us? And have we lost market share as a result of those issues?

Puneet Dalmia: Yes. So, we did an experiment in Eastern India to improve price discipline amongst our dealers. And I think, it has not worked to the extent that we wanted it to. And we have learnings from this experiment, we have definitely lost market share in that region. And I think, it will take us some time to correct it, but we are very clear about what we have to do. During the year, I think we are definitely going to take corrective measures. And I'm absolutely confident that we are going to see a rebound in our volumes to the expectations that we have.

Indrajit: So, is it fair to assume that, that led to the decline in CC ratio?

Puneet Dalmia: Yes, absolutely, because our regional mix changed.

Indrajit: Did that have any impact on the power cost as well? Sorry, that's my last question. And because of the mix?

Puneet Dalmia: I just want to say one more thing since we discussed this. I think, our performance in South and Northeast has been exceptional. We are very happy with the growth there. On all parameters, whether it is our trade mix, whether it is our premium product mix, whether it is our Y-o-Y growth, I think it is really very encouraging. I think if there's one region that we have to focus more on, which is East. And all hands-on deck, we are completely focused on it.

Singhi Ji, over to you on the power cost.

Mahendra Singhi: So, because of change in power rates and lower CC ratio, it has affected to some extent. on that account, power and fuel cost is seeing a higher number.

Indrajit: Sure. Thank you so much for your answer. I'll join back with you.

Moderator: Thank you. We have our next question from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Yes, hi, sir, good morning. First question pertains to this incentive that you announced that we have won again from Court regarding the West Bengal incentives. So, would you suggest this plant is still accruing an incentive in your total number?

Mahendra Singhi: No the incentive period has already expired. It is a pending amount, which was due for which Honourable High Court has given orders to pay this amount to us.

Rajesh Ravi: Okay. So, is there any other incentives approval, which is happening from West Bengal government?

Mahendra Singhi: No.

Rajesh Ravi: coming to this Jaypee tolling arrangement, out of this purchase of traded goods number for last two quarters, INR46 crores and INR96 crores, do they pertain mostly to the Jaypee or are there other products also which you are reflecting in purchase of goods?

Mahendra Singhi: It is only from Jaypee.

Rajesh Ravi: And coming on the fuel cost, could you share on the per kilo cal what was the average costing in Q1? And how was it in Q4?

Mahendra Singhi: Yes. So, per kilo calorie it was INR1.98 and last quarter, it was INR2.06.

Rajesh Ravi: Okay. INR2.06. And how are the numbers looking at the current stock and price basis?

Mahendra Singhi: So, we expect that, yes, this quarter, there should be a benefit of USD20 on pet-coke basis. And in future also, maybe around USD5 to USD15.

Rajesh Ravi: Okay. So, on a quarter-on-quarter basis, you're looking at a fall of USD20?

Mahendra Singhi: Yes.

Rajesh Ravi: So around 15% savings is what could get reflected?

Mahendra Singhi: Yes.

Rajesh Ravi: Okay. And this freight cost also, is there any one-off in this quarter and hence, you see that the normalization of the current freight cost would be more normalized number?

Mahendra Singhi: One, on the rate increase, which is on account of busy season surcharge by Railways, that is still continuing., They used to discontinue in rainy season, but this time, it is continuing. So, from that point of view, this cost will be there. But then whatever is an extra cost, which we have incurred on some inter regional movement of clinker that will come down.

Rajesh Ravi: Okay. And lastly, on the depreciation part, which DT sir was explaining, I missed it, this quarter, there is a INR57 crores additional because of the accelerated depreciation on kilns or plants with equipments which you're replacing?

Mahendra Singhi: Yes.

Rajesh Ravi: And similar number, you're looking at each of Q2 and Q3?

Dharmender Tuteja: Not similar number, the total INR54 crores should come in the next two quarters, INR40 crores in Q2, another INR14 crores in Q3.

Rajesh Ravi: Okay. Understood. And thereafter, it will be normalized level...

Moderator: Sir, I request you to join back the queue for follow-up questions.

Rajesh Ravi: Sure. That's all from my end for now. Thank you.

Management: Thank you.

Moderator: We'll take our next question from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Hi, thanks for the opportunity. So just on Jaypee again. So, you are not sending clinker to them for grinding, right? Just buying cement straight from them and selling it in the market? Just to clarify.

Mahendra Singhi: Yes.

Amit Murarka: Okay. So, the inter unit clinker freight that has increased, so that would be on account of what reason then?

Mahendra Singhi: Mainly it comes when one unit, which is under shutdown because of the either debottlenecking or otherwise, and if there is some shortage of clinker, then from one unit to another unit, this clinker is being sent. So that we can continue to serve that market.

Amit Murarka: That's temporary only, then, right?

Mahendra Singhi: Yes. And sometimes because of some rake shortages in the area.

Amit Murarka: Okay. And Jaypee deal completion in March '24 is for entire 9.4 million tons or the 5.2 million tons in the first Phase 1?

Mahendra Singhi: As Puneet Ji has highlighted, other than the JP Super, which is under arbitration, the rest would come.

Amit Murarka: Right. And I just had one more question on the Northeast expansion. So, it's coming in FY '26, but I was just looking through the numbers. So, you seem to have 5.8 million tons capacity in Northeast and broadly, the volume would be like closer to 2.5 -2.6 million tons. So, is there any need to expand right away, given that it's almost a 50% or lower utilization right now?

Mahendra Singhi: Yes, like Northeast, if you look at GDPgrowth of Assam state, itself, then that is going more than, I think 15% or so, as well the cement demand which is expected in Northeast, it may also be around 20- 25%. So, to capture the market in right time, we are preparing ourselves for the capacity so that we can capture more market share. And this is a good market to be ready with the capacity.

Amit Murarka: Sure. Thank you.

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

Sumangal Nevatia: Yes, good morning and thanks for the chance. The first question is continuing on this Jaypee acquisition. Is it a delay in both the tranches? I mean the initial 5.2-, and the next one. And do we see any risk in the entire deal because of these delays? Or these are just purely regulatory delays and eventually we are confident of closing the acquisition?

Puneet Dalmia: I think, these are regulatory delays. It takes time for us to get approvals from banks and the various authorities, which are internal to them, they have to do a lot of compliance-related stuff. And I think, we are quite confident that we should be able to get this done during this financial year. But a little bit of delay here and there because of how the process works cannot be ruled out. But it doesn't risk the deal itself.

Sumangal Nevatia: Okay. Got that. Sir, second question is with respect to our FY '27 target of 75 million tons. Is it possible to share some more colour from 55 million tons to 75 million tons journey? What could be the potential mix of greenfield, brownfield, inorganic? And any new regions, we'll be seeing some increase?

Rajiv Bansal: Sumangal, at this point of time, we are still detailing it out. So, at this point of time, unfortunately, we are not able to give any colour.

Sumangal Nevatia: No worries. And just one last clarification. I mean overall, if you see last few years, we've cleaned up most of our non-core assets. So, there is still one or two quoted investments in our balance sheet. So, any timeline towards divesting journey of these non-core assets?

Dharmender Tuteja: So, in the IEX also, as we have said in the past, this will remain a noncore and will be divested. Of course, we cannot give a timeline, but should happen sooner than people may expect.

Sumangal Nevatia: Got that. Thank you, and all the best.

Management: Thank you.

Moderator: Thank you. We have a next question from the line of Pinakin Parekh from JP Morgan. Please go ahead.

Pinakin Parekh: Yes. My first question is going back to Puneet's comments on the loss of market share in Eastern India. And Dalmia's volume growth of 12.4% is materially lower than some of the industry leaders that we have seen. Going forward, how do we plan to address this in terms of regaining the market share? Is the company willing to trade cement prices to regain couple of market share, especially in Eastern India?

Mahendra Singhi: So, we have taken certain steps as well as we have done certain restructuring in our marketing strategy in our team but definitely, at the same time, we would not be compromising on prices.

Pinakin Parekh: Sure. So just to understand that historically, Dalmia has grown sharply faster than the industry, will that trend continue? Or given the preference of pricing over volume, Dalmia's volume growth should be more in line with industry volume growth going forward?

Mahendra Singhi: Yes. Our growth for the whole year would be in comparison to the leaders of the industry. So, we would be definitely growing around, say, 15% to 17%.

Pinakin Parekh: Sure. And the last question is on leverage. So, the gross debt over the last one year has gone from roughly INR3,000 crores to INR4,300 crores. We have the Jaypee acquisition, which should have come through. So, what is the target debt for the exit March '24? How high will this number go?

Dharmender Tuteja: This may touch close to about INR6,500 crores to INR7,000 crores, depending upon timing of the acquisition.

Pinakin Parekh: So, this INR7,500 crores would include the Jaypee related costs and the organic capex, whatever the company incurs, both of them?

Dharmender Tuteja: That's everything.

Pinakin Parekh: Understood. Thank you very much.

Moderator: Thank you**.** We have our next question from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: Hi, thank you. First question, a follow-up on the market share loss. So, to clarify the strategy of maybe more discipline in dealers was tried in East. If I understand, has Dalmia lost some share in Tamil Nadu, Kerala markets as well or is it mainly East for now? And what is the strategy to gain market share without disrupting pricing? That's the first question.

Mahendra Singhi: First, I would like to say that we have gained the market share in South as well as in Northeast also. And in terms of East, we would not definitely compromising on pricing front again. And we have some strategies which definitely cannot be shared on this call.

Satyadeep Jain: Okay. Secondly, on cash on taxes, the cash taxes for Dalmia have been low for the past few years is obviously due to acquisition of all these assets - OCL then Murli. Just want to clarify, is there any other reason apart from this, maybe 80IA or any other incentives that also needs some lower cash taxes and with Jaypee also coming in would also bring some losses on its own? So maybe some clarity on the taxes for the next couple of years.

Dharmender Tuteja: The current quarter current tax rate is higher because of the recognition of the tax on the sale of DBRL shares, so about INR50 crores. So, this was already provided in March accounts as deferred tax liability when we kept this asset as held for sale. So, the deferred tax liability was created.

So, this quarter, it moves to cash and reversal in the deferred tax liability. So, on the whole, in the current year, the cash taxes, apart from the sale of investments, should be around 10%. And in DCBL, we have not claimed 80IA benefits because we were always in the losses due to the merger of the units and the losses arising out of the depreciation.

Satyadeep Jain: And tax losses on JP, any guidance or numbers?

Dharmender Tuteja: Yes. The current year, of course, we'll have the advantage of the past brought forward losses, which should continue partly in the current and next year also. Thereafter, we can presume to be normal tax rates.

Satyadeep Jain: Just one more quickly, if I can squeeze in on the grid power and CPP, CPP was more expensive, so switched to grid power. Was that also specific to certain regions or was it across the region that you saw that trend?

Mahendra Singhi: Mainly, that was in South. So again, because of softening of prices of South African coal or International coal, now CPP have become viable, and we have reduced the power consumption of grid power and started CPPs.

Satyadeep Jain: Thank you.

Moderator: Thank you. We have a next question from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: Hello. Yes, good morning, sir**.** My question is also on Jaypee transaction, last quarter we said that we are looking to complete this transaction by first quarter.

Moderator: I'm sorry, you're not audible, sir. Please use your handset mode.

Prateek Kumar: Yes. So, my question is, in the last quarter, we did say that we are looking to complete the transaction like in first quarter of '24. And now we're talking about like completing by end of FY '24. So, I just wanted to understand what has come that we are delaying the deal's closure timeline by nine months for this transaction?

Puneet Dalmia: There's a delay on the bank side. There are compliances that they have to do. And there are 35 banks involved. So, it just taking some time to get that process in place.

Prateek Kumar: So, these are like general delays or there were any specific lender approval or some regulatory approval, which is pending because last time I remember, you were saying like lender's approval was pending?

Puneet Dalmia: I think, it is lender's approval.

Prateek Kumar: While last quarter, you were expecting some volumes to flow from this deal in this year, what would be the volume expectation from this deal for like FY '25 from JP overall 9 million tons?

Puneet Dalmia: Let us come back to you. I don't think, we will share numbers on a region-by-region basis.

Prateek Kumar: Okay. And I missed your capex for the current quarter and the FY '24 outlook. Can you just repeat that again?

Dharmender Tuteja: Yes. Full year will be about INR6,300 crores. And current quarter Q2'FY24 should be around INR600-700 crores. Previous quarter was INR900 crores, the quarter 1.

Prateek Kumar: Fine. Thank you.

Moderator: Thank you. We have our next question from the line of Rashi Chopra from Citigroup. Please go ahead.

Rashi Chopra: Thank you. Just on pricing, you indicated that the exit prices are weaker. Is that across regions?

Mahendra Singhi: Mainly, it's in east and in some part of south.

Rashi Chopra: And are you expecting any sort of reversal because your press release says that you're expecting stable prices through the year. So, from here on, what do you expect them? This trend to continue or some sort of an increase post the monsoon?

Mahendra Singhi: It should be better post monsoon.

Rashi Chopra: Okay. Then on the cost side, just to be clear, you said that, this is the part I missed, that while your fuel consumption cost was actually lower, the benefit was invisible because of lower CC ratio and you had some power rates go up in some states, is that correct?

Mahendra Singhi: Yes, it is.

Rashi Chopra: Okay. And what was the lead distance during this quarter?

Dharmender Tuteja: 284 kilometres

Rashi Chopra: So, the lead distance actually fell sequentially, but your freight costs got impacted because of the inter-unit clinker transfer?

Mahendra Singhi: Yes, and Railways' busy season surcharge

Dharmender Tuteja: Which were not there in the corresponding quarter last year.

Rashi Chopra: No, I'm talking sequentially.

Mahendra Singhi: Yes. Sequentially, it was not because of busy season surcharge.

Rashi Chopra: Right. And last question for me. What was the proportion of trade volumes during the quarter?

Dharmender Tuteja: 63%.

Rashi Chopra: Thank you.

Moderator: Thank you. We have our next question from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Yes. Thank you. Sir, just to understand further in terms of the pricing, when you say, it has weakened from the June. So broadly, if you can help us whether it is INR5 for that kind of a decline and related to that, considering when we say a 15% kind of a power and fuel cost benefit to come in the 2Q, is it fair to assume that, the Q2 FY '24 that this quarter, profitability on Q-o-Q basis likely to be INR100 kind of improvement?

Mahendra Singhi: So, yes, it's around INR5 and that too in East and some parts of South. Yes, and there would be benefit on account of lower power and fuel cost.

Shravan Shah: So, we mentioned a 15% kind of a benefit on Q-o-Q. So, is it fair to assume that the Q-o-Q profitability to improve in the second quarter by a decent number?

Mahendra Singhi: We don't give any guidance on specific improvement in EBITDA or as such.

Shravan Shah: Directionally, I'm not saying any specifics, but directionally, this INR872 EBITDA. So, when we say a 15% decline in power and fuel costs in Q2. So that should be close to INR240 kind of a decline. So just trying to broadly understand the Q-o-Q profitability to improve.

Mahendra Singhi: So naturally, it will be better, on quarterly basis.

Shravan Shah: Okay. And I needed a number on the CC ratio, railroad mix and the premium mix for this quarter?

Mahendra Singhi: The premium product has been 21% of total trade sales. And trade sales has been 63%.

Shravan Shah: Yes. CC ratio and railroad mix?

Mahendra Singhi: CC ratio 1.71.

Shravan Shah: Okay and rail mix? Railroad?

Dharmender Tuteja: 84% road, 16% railway.

Shravan Shah: And broadly, the capex for FY '25, if you look at the INR6,300 crores this year, then the next year should be close to INR3,500 odd crores for FY '25?

Dharmender Tuteja: Yes, actually around INR3,000-INR3,500 crores. Balance of course depends on to announcement.

Shravan Shah: Yes, definitely. But considering that, when we say that our gross debt by end of FY '24, likely to increase to INR6,500 crores to INR7,000 crores. So are we not factoring the IEX to dispose off currently. So, without that, we are saying that our gross debt likely to increase to that?

Dharmender Tuteja: I will not specifically comment on that, whether it is including IEX or excluding IEX. Broadly whatever guidance I give, we should be able to achieve it.

Shravan Shah: Okay. Thank you, sir. All the best.

Moderator: Thank you. We have our next question from the line of Jashandeep Chadha from Nomura. Please go ahead.

Jashandeep Chadha: Hi. Thank you for the opportunity. Yes. Hi sir, just wanted to ask you our view on the trade sales. We understand that you said your experiment of maintaining price discipline in east sales. Sir, does that indicate that the demand from the trade segment is weaker than what we were expecting? Because a lot demand push dictates pricing. So, if you were not able to maintain pricing there, it means that, trade volumes are lower and with erratic and unseasonal rainfall happening that might continue into the quarter 3 as well. Just wanted to understand your view on that.

Mahendra Singhi: To some extent, yes, in the Eastern part, it had impact on our trade percentage but as far as the future is concerned, and monsoon is concerned, it would be better.

Jashandeep Chadha: Okay. And sir, just related to that, you said you gained market share in the southern market. Just wanted to understand, what portion of that incremental volume is to non-trade segment? And how much of the trade demand you saw in that Directionally? I know you don't give specific numbers, but directionally will also do?

Mahendra Singhi: So mainly our trade percentage has gone up,

Jashandeep Chadha: Okay. And lastly, sir, can you please provide the breakup of INR6,700 crores capex that you have guided for FY '24? How much of that will be for related to Jaypee?

Dharmender Tuteja: Up to about INR3,500 crores out of INR6,300 crores.

Jashandeep Chadha: INR3,700 crores?

Dharmender Tuteja: About INR3,500 crores.

Jashandeep Chadha: Thank you so much. I will join in the queue.

Moderator: Thank you. We have our next question from the line of Vishal Biraia from Bandhan AMC. Please go head.

Vishal Biraia: **Thanks for the opportunity** So, on the non-trade segment, could you give some perspective as to how have been the realizations and how has been the profitability in first quarter?

Mahendra Singhi: We don't share specific numbers.

Vishal Biraia: No. I agree. But even at least qualitatively?

Mahendra Singhi: Qualitatively non-trade prices were better. It had not fallen to that extent.

Vishal Biraia: So non-trade prices would have been flattish quarter-on-quarter?

Mahendra Singhi: Yes.

Vishal Biraia: Your profitability in the non-trade segment would have been better than the trade segment. Would that be a fair understanding, at least for the southern region?

Mahendra Singhi: So, like on Q-o-Q basis if we look, it is almost same in trade and non-trade.

Vishal Biraia: Fair enough, Thank you.

Moderator: **Thank you.** We have our next question from the line of Mudit Agarwal from Motilal Oswal Financial Services.

Mudit Agarwal: **Good morning sir,** My question is related to the alternative fuels. So, what is the current alternative fuel share and your thoughts on how it will be improved going forward?

Puneet Dalmia: We don't share that data on regular basis.

Mudit Agarwal: Okay, Thank you.

Moderator: **Thank you.** We have a next question from the line of Atharva Bhutaba from Punartha Investment Advisors.

Atharva Bhutaba: So, my question was that in the last con call, it was mentioned that PPC has been approved by NHAI. And according to my research, PPC and OPC are the most used cement in construction activities. So according to the quarter 4 FY '23 segment data that was given, we have only the 60% revenue coming from these segments. So, what are our plans to increase this in the near future?

Mahendra Singhi: Sorry, I could not get your question, please.

Atharva Bhutaba: Sir, PPC and OPC is only contributing 60% in segment revenue, right?

Mahendra Singhi: Yes, yes.

Atharva Bhutaba: So, it is the most used cement in construction activities. Are we going to increase this in the near future?

Mahendra Singhi: In fact, now NHAI and other various important projects in the country have also started using blended low-carbon cement on account of carbon awareness. And at the same time, we are going to increase our share only in blended low-carbon cement.

Atharva Bhutaba: Okay. And there was some data that there was a pledge by Smt. Chandra Singhi. why was this done?

Mahendra Singhi: She must have the requirement of fund for some other purpose.

Atharva Bhutaba: Okay, Thank you.

Moderator: **Thank you,** We have our next question from the line of Navin Sahadeo from ICICI Securities.

Navin Sahadeo: **Good Morning and thank you for the opportunity** Two questions. One, on the tolling arrangement with Jaypee. So is it fair to assume that of course, you clarified that the deal will happen more towards end of the fiscal. But through the year, the volume intensity of that will only increase as we like create a dealer network and a brand presence there.

So, is it fair to assume that the volume intensity from JPA will only increase through the quarters Contributing to overall volume growth? even though the contribution at the EBITDA level - because of high cost of production or maybe a little low prices that we get in the market since we are a new entrant there - will be low, but volume contribution could intensify quarter-on-quarter.

Mahendra Singhi: Yes. Volume will slowly grow up.

Navin Sahadeo: Correct. So, if you could have -- it will really help because in the current quarter, the 12% volume growth that also includes share from this tolling arrangement. So, you could have just given some indication that how much run rate roughly -- because these assets initially are operating at very low utilization of sub 20%, 25%. – (give) some colour on Jaypee volumes would really help here.

Mahendra Singhi: As we have highlighted earlier, it won't be possible to share a separate number or region-wise number.

Navin Sahadeo: Sure, sure. My last question was about the southern markets. If you could just help us understand what is the total volume share that Dalmia had broadly in states of Tamil Nadu, Kerala, because as we understand, pricing seemed to be severely impacted there, if I'm not wrong, Chennai prices are now almost at par to Hyderabad. Usually, they are INR30, INR40, INR50 higher.

Also, the gap between the Andhra players and the large players like you in the region has narrowed down considerably to just about INR10, INR15. Normally, it is much higher.

So how should one look at competition in these two markets? Is it fair to say that structurally now while volume growth will continue, but pricing this sort of thing is the new normal here?

Mahendra Singhi: One, we don't share specific market share number of any state. But at the same time, I thinkthe prices should be better in South again after some time because it has been at such a low price on account of which, these prices may not be viable for few companies.

Navin Sahadeo: Yes, exactly. So, it's gone so low that it's unviable now for Andhra players to come into that market, which is great for us. But I think it also dents the profitability comparatively. In the past, these were high-margin markets for us. So, is that a fair thing to say that this is the new normal, as in profitability will be a little bit impacted but volume continues?

Mahendra Singhi: No, it's not new normal, but things do change, and it's just not 1 quarter or 2 quarters that decides whole thing. It's not new normal. Things should come back. Prices will come back.

Moderator: We have a next question from the line of Raghav Maheshwari from Asian Market Securities.

Raghav Maheshwari: Singhi Ji, can you please share the number for the trade volume and the CC ratio for the Q4 FY '23?

Dharmender Tuteja: Last time it was 64% trade sales and CC ratio was 1.74.

Raghav Maheshwari: And sir, what is the company's strategy for the Bhilai, Babupur complex, which has the stake of SAIL as well. What our view on that?

Puneet Dalmia: I think let the deal get done and then we will talk to you about it. We think it's an attractive region that we are entering in. And I don't think we are going to give plant by plant strategy.

Raghav Maheshwari: Okay, sir. Sir, last question is from my side, what is the realization drop, the primarily thing was because of the higher infra demand in the non-trade segment? Or because of the lower prices of Tamil Nadu, Kerala this time on the sequential basis?

Mahendra Singhi: I would say lower prices of Tamil Nadu, and some part of East well as.

Raghav Maheshwari: Okay sir, Thank you

Moderator: Thank you We have a next question from the line of Bhavin Chheda from Enam Holdings.

Bhavin Chheda: Good morning sir, So in the initial opening remarks, you said we were looking at 14%-15% volume growth. I assume that includes Jaypee assets volume in your volume, which you will be contracting?

Dharmender Tuteja: No. That will be an addition.

Bhavin Chheda: That will be an addition. So basically, organic, you are looking at 14%-15% and whatever you plan to get it from Jaypee that would be over and above that number?

Mahendra Singhi: Yes, I said about 15% to 17%, yes.

Bhavin Chheda: 15% to 17%. Sorry, 15% to 17% is your organic and over and above that, contracting volumes?

Mahendra Singhi: Maybe.

Bhavin Chheda: Sure. Second, we are not though sharing the Jaypee volumes, but can you roughly share what would have been a cost or EBITDA impact due to contracting volumes of Jaiprakash in order to understand how we will benefit in future as the Jaiprakash volumes, operational efficiency improves over future? Any ballmark number in percentage term, Rs per number you would like to share?

Mahendra Singhi: So presently we would not be able to share these numbers because it's just the activities which we have started.

Bhavin Chheda: Right. Because on the higher volumes, your EBITDA per ton has given a negative surprise in this quarter, and I'm assuming this would have partly been because of the contracting volumes of Jaiprakash so it has a lot of sensitivity when we try to compare it with peers. So, any clarity on the same would be highly appreciated.

Mahendra Singhi: There's not a major impact on account of that part. This is what I can say.

Bhavin Chheda: Sure, Thanks A lot

Moderator: **Thank you,** We have a next question from the line of Kamlesh Bagmar from Lotus Asset Managers. Please ho ahead

Kamlesh Bagmar: **Yeah thanks for the opportunity** Sir, one question on the Bhilai Jaypee, acquisition. So, is it required that the clinker should be sourced from that Babupur clinker unit?

And secondly, how much dues we need to pay? Like say, I believe INR500 to INR600 crores odd dues are there, which are to be paid by this unit to SAIL for this. So, is the INR666 crores the acquisition price includes those? And secondly, on the clinker supply, is it required to have the supply from the Babupur clinker unit?

Mahendra Singhi: So, like we have said that we would be sharing the details once we complete the deal.

Dharmender Tuteja: This acquisition price is on a zero working capital basis. So, if any negative capital is there, that has to be subtracted?

Kamlesh Bagmar: Okay. And if any dues, those dues, would those need to be paid over and above the INR666 crores or not?

Dharmender Tuteja: As I said, it is on zero debt and zero working capital.

Kamlesh Bagmar: And secondly, with regard to that Babupur clinker unit, would that grinding unit need to be sold only the clinker through Babupur or you can supply it from other clinker units, like say, Super Dalla or anywhere?

Mahendra Singhi: So, all these details, we'll be able to share once we conclude the deal and then we can share our strategy that what it is.

Kamlesh Bagmar: Thank you sir

Moderator: **Thank you,** We'll take our last question from the line of Ashish Jain from Macquarie.

Ashish Jain: So, sir, my question was on the volume growth. You know, if I look at last, let's say, 4- 5 years, we have grown our capacity, from 25 million tons to 40 million tons, which is, let's say, 50%, 60% capacity growth. But our volume growth in the same period has lagged quite substantially, right?

We used to sell 17 -,-18 million tons in 2018-19. Today, we are doing 24 million, 25 million tons. And in this period, we have also went into newer regions like West and all. So, what is, let's say, 2-year 3-year outlook in terms of new growth.

Because now again, we are looking to add capacity in Northeast where I see merit in North growing faster, but we have substantial excess (capacity) even today. So, let's say, from a 2- 3-year perspective, what kind of volume target or utilization number do you have? Anything you want to comment on that?

Mahendra Singhi: One, I would say that we have grown better than the industry in the last 3 years also. And at the same time, for FY '24 also our growth would be what the growth would be of industry leaders, and we would also be growing higher than the overall India average.

Moderator: Thank you, I would now like to hand the conference over to Mr. Puneet Dalmia for closing comments.

Puneet Dalmia: Thank you very much. I really appreciate all of you taking time to join this call and thank you for your support as always. Have a great day.

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.