



“Dalmia Bharat Limited Q4 FY-21 Earnings Conference Call”

April 30, 2021



**MANAGEMENT: MR. PUNEET DALMIA – MANAGING DIRECTOR,
DALMIA BHARAT LIMITED
MR. MAHENDRA SINGHI – MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER, DALMIA CEMENT
BHARAT LIMITED
MR. DHARMENDER TUTEJA – CHIEF FINANCIAL
OFFICER, DALMIA BHARAT LIMITED
MR. RAJIV BANSAL – GROUP-HEAD, STRATEGY AND
TRANSFORMATION, 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 and full year ended 31st March 2021. 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 for the same may be put up on the website of the company.

After the management discussion there will be an opportunity for you to ask questions. Should anyone need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. As a reminder all participants’ lines will be in listen-only mode.

Before I handover 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. The forward-looking statements are based on expectations and projection and may involve a number of risks and uncertainties and other factors that could cause actual results, opportunities and growth potential to differ particularly from those suggested by such statements.

I would now like to hand the conference over to Ms. Aditi Mittal, Head of Investor Relations at Dalmia Bharat Limited. Thank you and over to you, ma’am.

Aditi Mittal: Good morning everybody. A very warm welcome to all of you in the quarter 4 FY21 and full year FY21 earnings call of Dalmia Bharat Limited. On the call we have with us Mr. Puneet Dalmia – MD, Dalmia Bharat Limited; Mr. Mahendra Singhi – Managing Director & CEO, Dalmia Cement Bharat Limited; Mr. Dharmender Tuteja – CFO, Dalmia Bharat Limited and Mr. Rajiv Bansal – Group (Head, Strategy & Transformation).

We will have the management opening remarks from Mr. Dalmia, Mr. Singhi and Mr. Tuteja after which we will open the floor for questions. Over to you, Mr. Dalmia.

Puneet Dalmia: Good morning everyone. It gives me great pleasure to welcome all of you to the Q4 21 earnings call of Dalmia Bharat. We sincerely hope that you and your family are safe and healthy. Our nation has been quite adversely hit by the second wave of Covid and our priority has always been and will always be the safety of all our stakeholders particularly our employees. We pray for the safety and good health of each individual and hope that our country and the entire world is able to beat the pandemic very soon.

Though the last few weeks have been challenging with various states undergoing different stages of lockdown we hope and believe that like last year the country and the sector will be able to bounce back quickly in a short period of time. We continue to believe in the long-term growth story of India and believe that the country would see a GDP growth between 6% to 8% year-on-year at least for the next five to seven years.

Given the government’s focus on infrastructure spending including investment on roads, railways, ports and low-cost housing we believe that we are at the start of the much awaited

CAPEX cycle. These CAPEX cycles last usually between six to eight years and data shows that our cement sector generally grows 1% to 2% higher than the GDP growth during these times. We have seen that typically the cement prices go up by 2% to 3% year-on-year during these cycles.

On the competition landscape the top 5 players today command almost 50% of the market share. What is interesting to note is that over the last 3 to 4 years almost 85% to 90% of the incremental demand in this sector is being fulfilled by the top 5 players. All of these make us believe that over the next 6 to 8 years the top 5 players in this sector have the potential to grow around 15%. Coming to our performance in FY21, I want to applaud our employees and their families who have in a tough Covid year delivered amazing results.

It is all the more important that since we have during the year crossed some important milestones in our journey. We have during the year added 4.25 million tons of capacity to close at 30.75 million tons. We have for the first-time crossed revenue of Rs. 10,000 crores growing at 9% YOY to Rs. 10,522 crores and crossed the net profit of Rs. 1,000 crores for the first time at Rs. 1,243 crores. While our revenues have grown by 9%, our razor-sharp focus on higher productivity and cost efficiencies has resulted in our EBITDA growing by 32% YoY to Rs. 2,783 crores.

EBITDA margins for the full year is at 26.4%, the highest ever that we have delivered in any year ever. In fact on an incremental basis, while our revenue increased by Rs. 848 crores during the year our EBITDA grew by Rs. 677 crores which is equal to almost 80% of our incremental revenues. Our net margin for the full year is at 11.8% and our EPS grew six folds to 65.65%. The board has also decided to propose a final dividend of Rs. 1.33 per share for the financial year 2021.

During March 2021 the honorable Supreme Court wide its interim order had restored the mutual fund units to Dalmia Bharat group. As you would recall these mutual fund units were fraudulently transferred by the promoter of Allied Financial Services in to his account and were used by him as collateral in an FNO trade. These units were credited to Dalmia Bharat's account during early April and of the total MTM value of Rs. 390 crores we have sold units worth Rs. 278 crores and the balance Rs. 112 crores is a part of cash and cash equivalent on our balance sheet.

Mr. Singhi will give you further color on our annual and quarterly financial and operational performance in his opening remarks. We had during our earnings call for Q3 in February spoken about coming up with our capacity addition plan, CAPEX plan and our capital allocation framework in this earnings call. But in the light of the second Covid wave in the country and the uncertainty around that, we have put the new capacity expansion plans and the capital allocation plan on hold and we believe that it will be more prudent for us to conserve cash rather than commit additional capital.

A large number of our own people and their families have been impacted by Covid and during these unprecedented times the physical and emotional wellbeing of our people is of utmost importance to us. We are reaching out extensively to all our stakeholders and we have setup a feet on street team whose only task is to assist all our stakeholders in arranging for vaccination, Covid testing at home, organizing his hospital beds, oxygen concentrators, ambulance services and facilitating medicines. This team is available 24x7 for all our people and their family needs.

We will wait and watch how the things play out in the next few months and once there is more certainty in the general environment we will take an informed decision around formulating and communicating the capacity and the CAPEX plans and the capital allocation frameworks. Having said that we will continue to spend on our planned spending in Murli and other projects.

With this I would now like to handover the call to Mr. Singhi for his opening remarks. Thank you.

Mahendra Singhi:

Dear friends, happy morning. First let me convey my thanks to Puneet Ji for leading us as well as sharing his thoughts with all our other friends that it is a tough time, testing time. Last year was also the same but we all committed out to ourselves that we should consider this as new normal and come out as winner by efforts of each and every member of our Dalmia Cement family. Let me share with you that the efforts which were made by our people so as to take care of themselves, their family members, other stakeholders have really resulted in great result also but at the same time the safety of the people.

Today again on this call also I would like to convey our sincere thanks and gratefulness to our people who have worked hard all through this difficult time and rose to the challenge and delivering the industry's best performance. Our people are our strength, our people are our assets and over the years we have worked very hard on building a committed team with robust system and culture.

I know when times are tough the efforts of the past begin to bear fruits which is what we all saw this time around and this is what Shri Puneet Ji has shared but to enjoy the great performance I would like to again repeat that during the year we have achieved several milestones with annual revenue crossing Rs. 10,000 crores mark for the first time. EBITDA margin highest ever 26.4%. The PAT crossed Rs. 1,000 crores for the first time and the PAT margin was also the highest ever 11.8%.

You all know that at the beginning of the year after the lockdown was imposed in the month of May and June there were various speculations projections for the GDP growth or de-growth I would say of the economy as well as the projections about the growth of cement sector. I still remember that the figures which were talked about that cement demand may de-grow by around 15% and when we take stock of the situation and look at full year it looks like that the industry has whole for India would be de-growing around 3% to 5%.

In such a testing time with the efforts of each one of our team members and with the strength of our brand when cement industry has de-grew around 3% to 5% we have grown by 7% on YoY basis which is a great performance and if I were to just include the volume which we sold from our new BCW grinding unit during trial runs the volume growth number comes to around 9%. The revenue of our company has increased to Rs. 10,522 crores which is an increase of 9% YoY inspite of April 2020 being a completely washed out month.

We have gained market share in each regions of our operation and our team displayed excellent leadership in South also because where we have grown in the market despite a decline in the overall industry. I would say one of the maximum benefits which we could get during this time is our virtual connect with all our stakeholders whether it is dealer, sub-dealer, consumer, transporter, CF agent anyone and I am sure even this Covid time of 2021 also we would be greatly benefitted.

The quarterly revenue increased by 32% YoY to Rs. 3,281 crores and this is the first time ever when it surpassed the Rs. 3,000 crores threshold. The revenue increase is accounted from by 24% YoY increase in volume and balance through an increase in the prices. The growth in volumes is evenly spread in each of the regions of our operations. If one were to see sequentially the average price during the quarter remained almost flat in South. In the east including northeast, the prices regained some strength rebounding from the lows of 23% plus particularly in East.

Currently the situation on ground is quite volatile, uncertain with different stages of lockdowns in various states. The regions most affected by Covid is Jharkhand and Bihar and Chhattisgarh in East and Karnataka and Maharashtra in Southern region and there are disruptions on account of Covid spreads on account of curfew, but we are quite hopeful that the way we take as the situation last time our team is fully geared up to take care of this lockdown also and through this pandemic also. For full year FY21 our trade sales increased to 69% from 62% last year. Our premium product DFP as a percentage of trade sales has increased from 13% to 18%.

Our overall blended sales was 80% for the full year as compared to 74% last year and this is the journey of increasing blended sales we are marching on. In fact in East we are able to sell 100% blended cement. We aspire to further increase our share of blended cement in our product portfolio as it is not only adds to our profitability but also it increases our sustainability efforts and it reduces our carbon footprint.

Moving on to the quarterly cost trends, our logistics cost during the quarter has increased to Rs. 1,041 crores however we have been able to contain the adverse impact of the sharp increase in material cost through a reduction in the lead distance and with the greatest initiatives. On a full year basis the part term monthly cost has almost remained flat as against an almost 30% increase between the March exit prices of diesel from Rs. 62 in March 2020 to Rs. 81 per liter in March 2021.

The raw material cost increased QoQ to Rs. 864 per ton in Q4 mainly because of significant increase in the prices of slag in East and fly ash in South. On full year basis there has also been a slight increase of 4% and cost increased to Rs. 754 per ton. During Q4 of FY21 the power and fuel cost has moderately increased QoQ to Rs. 835 per ton inspite of steep increase in the cost of both petcock and coal. This is because we were able to utilize some low-cost inventory of petcock reduce the petcock proportion from 70% in Q3 to 52% in Q4 and also could realize some saving so improvement in both cheap consumption and power benefits.

For the full year FY21 we have in fact witnessed a decline in our overall cost per ton to Rs. 798 per ton and this is more specifically friends because there were reasonable softness in fuel prices during H1. One of the important aspects of our initiative is the Greenfield percentage for the full year is at 8% and which has also been able to take care of some volatility in the fuel prices. Currently as we speak the commodity prices of petcock, coal, slag are increasing continuously with the spot petcock price at almost \$132 per ton and slag also inching up once again.

During full year FY21 we have closely monitored and controlled bucket cost. Due to current adverse external environment now we have ensured that for the safety of the people also there is a total restriction on the travel and at the same time the rent and other administrative related expenses would also come down and we believe that unless normalcy arise in the market some of these costs will remain moderately subdued.

So, FY21 the EBITDA has increased by 32% to Rs. 2,783 crores. I would like to mention that the quarterly EBITDA of Rs. 776 crores is the highest quarterly so far. Our EBITDA margin for Q4 is 23.7% and for the whole year were highest 26.4%. During the year our total finance cost have declined significantly by 33% from Rs. 438 crores to Rs. 295 crores. This is on back of Rs. 2,224 crores reduction in the gross debt. Over the last three years we have reduced our debt by almost 50% and our current net debt to EBITDA stands almost to zero.

We are literally in net debt free company with net debt to EBITDA of 0.04%. The full year growth in fact has been more than 5x YoY to a sum of Rs. 243 crores and this is the first time as I highlighted and Puneet Ji highlighted ever highest and similarly with the PAT margin of 11.8%. Our EPS for the year has multiplied almost six times to 65.65. During the year we were one of few companies which completed a successful share buyback program, and we did it for Rs. 329 crores.

Moving on the capacity enhancement program last year in totality we added a capacity of 4.3 million tons. Our capacity enhancement for the FY22 is in place and we have learned that commercialization of our Orissa grinding unit may happen in the quarter 2 and Murli Industries' commercial production should start in second half of the year. Our Bihar grinding unit is expected to be commercialized next year during FY23. Having said this we are closely monitoring the Covid situation on ground and as of late we have not experienced much disruptions in our operations but in projects there has been some disruptions.

Dear friends, we are optimistic of great business performance even as we begin a new financial year. We will be cautious of the rapid mix changing Covid situation and our team is fully geared up to take care of day today situation also and long-term situation also. I would like to also share that we have the Covid taskforce, we have the Dalmia Helpline, and its number is also appearing in our website. So, may be anyone of you who would need any support throughout India they can contact our Dalmia Helpline and I am sure to the best extent possible our team would be able to help you, your friends and the same is our commitment to all our stakeholders.

Friends, I would also like to thank you for keeping faith and confidence in our organization even in this tough time. Now with this I would like handover the call to our newly appointed CFO – Mr. Dharmender Tuteja as DT as we call him has been with our group since 2011 and held multiple positions at various levels. He has a rich and diversified overall experience of 34 years across various industries, and we are quite hopeful that with such experienced person at the leading position we will, and the organization will grow in a big way.

Thanks friends. Take care of yourself, your family members and convey our best regards. Now I handover to DT.

Dharmender Tuteja:

Thank you very much, Singhi Ji. Good morning everyone. This is my first interaction with you as the face of the company. I look forward to interacting with you on an ongoing basis in the future as well. I am very excited to take over the role as a CFO of Dalmia Bharat when we are at the start of a great growth journey with a very strong balance sheet. Over the years our operating and financial performance has improved significantly and today our volume and revenue growth and EBITDA margins were amongst the best in the industry.

My priority as CFO would be to enable the business to exceed the expectations of every single stakeholder and to ensure that while doing so we maintain the highest in terms of governance. I look forward to your support and guidance in the journey. And with this I now open the floor for questions to all of you.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal:

I have a couple of questions. First is on the deferment of the capital allocation policy. Now as Singhi Ji mentioned, we are effectively a net cash company almost there. I understand in the current fluid situation, it may not be advisable to incur CAPEX right now, but what was the thought process behind deferment of the planning of it altogether, so that when things, we get hit on the running and we can actually start it really fast in terms of the capital allocation and CAPEX?

Puneet Dalmia:

What is your second question? You had a couple of questions, you said?

Indrajit Agarwal: Yes, my second question is on the cost side. So, at current levels, so how much more cost inflation can we think mostly on the coal and petcock side and is international thermal coal now more attractive than petcock for us?

Puneet Dalmia: Singhi Ji, do you want to talk about the whole thing, I will cover capital allocation?

Mahendra Singhi: Yes sir. So, friends, in totality the prices of coal and pet coke both have gone up, whether it is say US coal, Indonesian coal or South African coal in line with the pet coke, but at the same time what we have done is that our plants are comfortable to use any type of economic fuel. So, whenever there is a US coal which is economical, or the South African coal, or the Indonesian coal, we have used it and we will continue to use it and that is why our fuel cost will not be in equivalent to \$120 or \$130 of the petcock price. Our fuel cost may range around say \$100, \$105 which will be a mix of little bit Indian coal, few other coal, pet coke as well as the green fuel.

Indrajit Agarwal: Just to clarify we could see another 15% odd increase from here as it stands today?

Mahendra Singhi: Yes, so I think all of us are aware that on account of lower availability of petcock lower production of petcock the prices have gone up, and on that account to some extent the demand of coal of other countries have also gone up. But at the same time, we are fully geared and working in a big way how to further enhance usage of green fuel which will take care of volatility of the fuel prices.

Puneet Dalmia: On the capital allocation side, we are looking at current situation as very volatile and we want to assess its full impact and how it is going to play out and therefore we just thought that we are going to debate it much more deeply across how we should plan in the face of current volatility and that is why I think we have decided to deliberate it more and more widely and then come back.

So, I think it is just on account of this volatility. We understand that we are going to be a net cash company and lot of free cash flow is expected in the future. So, we want to be very thoughtful about it and we want to give you all very specific guidance in terms of how we are going to do things in the future. So, I think that is why we thought that let us pause and reevaluate the impact of this, because this is a development in the last 2, 3 weeks and we just want to fully factor this into our thinking before we come back to you.

Mahendra Singhi: And let me just assure that whatever said CAPEX we have already planned, we are fully working on it and the new capacities for which work has already started we are on full speed.

Moderator: Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Just a continuation of this exciting growth journey, so few questions. First I think since you have at least deferred what would be the FY'22 guidance on what is the pending CAPEX to reach the announced capacity of 37.5 million tons and what would be the maintenance CAPEX? That is my first question.

Second is on if you can share the overall sales volume, yes I know you do not give it on a quarterly basis, but it would be good if you can share the sales volume mix state wise for the fiscal approximately 20.7 million you did, if you can share an approximate sales volume mix across the states and what was the growth rate over previous year?

And the last question is if you can guide on the effective tax rate, as this year this quarter and overall year the tax rate was too low, as there was some credit of earlier years and I think one of the subsidiary adopting into a new tax regime, so what should be the model tax rate for future?

Mahendra Singhi: So, let me address first about sales, so I would say we have grown in each region but definitely we do not share state wise or region wise this volume and overall the buckets here which has gone up is on account of overall 9% extra volume we have sold in FY21 but otherwise state wise it is not prudent for us to share the numbers. And Dharmender, you can talk about the tax rate which is coming low on account of DCPL moving to new tax regime?

Dharmender Tuteja: As we have clarified in the notes also, Dalmia Cement Bharat which is the main operating entity has moved to the new tax regime, and as a result has gone one time tax reversals of about Rs 217 crores and also one of the other subsidiary companies Dalmia DSP Limited they also recognized deferred tax assets which result into Rs. 59 crores deferred tax credit being recognized.

So, if you add these two onetime adjustments our effective tax rate is about 35%. In the current year also we expect the effective tax rate to be about 30% but our cash tax rate is expected to be in very low single digit numbers as of the current year.

Bhavin Chheda: And the CAPEX guidance for '22 on pending on projects and maintenance?

Mahendra Singhi: Dharmender, would you like to share number now or would you give it offline?

Dharmender Tuteja: I think numbers of these I think we should not share but we can still go ahead and give a broad guidance.

Moderator: Thank you. The next question is from the line of Amit Murarka from Motilal Oswal AMC. Please go ahead.

Amit Murarka: So, my question was around capacity. I think in the last call you had mentioned an intention to double the capacity over a 3 year period. So, where are we on that, like have we formed up the plans and how soon can we expect some announcement on that front?

Mahendra Singhi: Yes so I would say that the plan is in the offing, we are making the plan and when we discuss with you next time along with our capital allocation policy etc etc. Then we will be able to share broad plan that this is how we will be going upward, but at the same time like 38 million ton which we are expected to reach shortly, that already has been shared.

- Amit Murarka:** Okay, but could you just help understand like is it largely going to be brown field or there will also be some green field capacities that we plan to do?
- Mahendra Singhi:** So, it will be a mix of both but at the same time until and unless we talk to the new capital allocation and capex plan, it may not make much sense.
- Amit Murarka:** Okay sure. And just again on the earlier question of the fuel mix, so how much would be the coal in your fuel mix right now?
- Mahendra Singhi:** The coal mix would be I would say around 35% to 40%.
- Amit Murarka:** Okay, and in this quarter there was no low cost inventory that is used, I mean all of this was at market prices?
- Mahendra Singhi:** When you say market price the inventory may be say around \$90 for petcock and different prices of US coal.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.
- Bharat Sheth:** This question is only for Puneet. I do not have any operational question. We are working in right direction and taking I mean the company to the next level of efficient level in the industry. So, Puneet, I have a question that we have several subsidiary and all because of acquisition and all, so when do we expect to restructure and really make our balance sheet more understandable, and all I mean the kind of a structure that we have? And second, on any plan on this IEX holding divestment?
- Puneet Dalmia:** Look, we already we acquired a lot of companies in this growth journey and we have merged all of them with Dalmia Cement. We also acquired Murli and Kalyanpur which was DDSPL through IBC and we have filed a scheme to merge those companies with Dalmia Cement as well. So, the only subsidiary we will have left post this merger is Calcom Cement.
- There will be no other subsidiary which is an operating subsidiary of cement. In terms of IEX as I said, we are thinking through a capital allocation policy given this Covid second wave, and we will cover it along with that capital allocation framework that we will present to you.
- Bharat Sheth:** Okay and we have some of the subsidiary where the holding of this different investments are lying, so I wanted to understand that part of not only operating, but all the remaining subsidiaries?
- Puneet Dalmia:** I think let me just review this because there are some subsidiaries which have limestone lands, and there was a need to create this because of that one company could not hold more than a certain parcel of lands due to Land Ceiling Act in Tamil Nadu. So, there is a historic legacy to this I think but I do not know which subsidiaries you are referring to.

- Bharat Sheth:** I will take up with Aditi separately.
- Puneet Dalmia:** Yes, there are no material subsidiaries other than which are holding limestone lands.
- Dharmender Tuteja:** With respect to the CAPEX question, I think I mistook that as a guidance for the future, but if it is for the past maybe I can share the numbers.
- Moderator:** Thank you. The next question is from the line of Shreyas Bhukhanwala from Canara Robeco Mutual Fund. Please go ahead.
- Shreyas Bhukhanwala:** Sir, two questions. One was on the expenses side. Our other expenses were quite high this quarter if I see compared to last couple of quarters. So, one question was so was there any one off in that? And secondly, if you can just throw some light on the pricing side, so you did mention in the south probably it was flattish in Q4, so are we seeing any price improvement in South in this quarter as well as some color on pricing in the east? These are the two questions from me.
- Mahendra Singhi:** Great, so on expenses side, I would say quarter-to-quarter this expenses have gone up because operations have gone up. If you compare Quarter 1 to Quarter 4 there is a huge difference between the volume and in spite of the increase which you see in last quarter also, but still the percentage cost in totality would be around say Rs. 600 to Rs. 670 even in a quarter also and in a year also. So, expenses also guided by the overall volumes which you produce in sales.
- Now in terms of pricing I would say the market is quite volatile and like you may be aware that in Karnataka it is a full lockdown, in Maharashtra most of the districts are in lockdown, Kerala things are not that great, but still I do not expect much drop in prices because moving out the cement also from few factories would also be a problem. So, there will not be a glut in the cement market and you know that the prices are a factor of demand and supply. And in fact, in the East also, the same situation, so to us it looks like that prices may remain broadly stable.
- Moderator:** Thank you. The next question is from the line of Kamlesh Bagmar from Prabhudas Lilladher. Please go ahead.
- Kamlesh Bagmar:** Sir, just one question on the part of this goodwill. So, what treatment we have provided for the treatment of all the goodwill post this increase in some taxation in last budget?
- Dharmender Tuteja:** I will clarify that. As you know that, the government has debarred tax depreciation on goodwill so for current tax we will not get any depreciation benefit, tax benefit on this goodwill. However, for the purpose of deferred tax asset, this will continue to be a cost of acquisition of the undertaking. So, the deferred tax asset gets created instead of a 25% at capital gains tax rate of 22%. So, taken a net charge of about Rs. 16 crores to Rs. 17 crores in the P&L account.
- Kamlesh Bagmar:** Had it been the advisable thing that we would have taken the entire write off of the goodwill because anyway we are not going to get any benefit on the tax front angle, but optically it would have increased or improved our ROEs?

- Dharmender Tuteja:** This is also when we consulted the tax expert as well as the accounting experts, they said this is the practice which many corporates have been following and this is the current account increment. .
- Kamlesh Bagmar:** And lastly I do appreciate that we have again taking a relook at our capital allocation policy, but on the existing CAPEX plans, like if you can share what could be the guidance or CAPEX guidance for FY22, because anyway those projects are continuing and there could be a 6 month delay here and there, but at least we can have the CAPEX guidance for FY'22 and FY'23?
- Rajiv Bansal:** Aditi, can you share the numbers because I think just to put a caveat, given what Puneet and Singhi Ji has said, there is a lot of volatility and uncertainty in the market, but we are going ahead with the CAPEX that has already been planned and Aditi will share the numbers with you on what we have planned. There could be a few delays of a few months here and there depending on how the Covid situation and shutdowns are across the country, but Aditi has all the numbers. Aditi?
- Aditi Mittal:** In Murli, we have spent about Rs. 170 odd crores, the budgeted expenditure that we expect to do at Murli is around Rs. 400 crores to Rs. 450 crores. While we are on track to start the commercial production between Quarter 2 and Quarter 3 of FY'22, the expenditure will probably spread over the next 12 to 15 months because all of it is not required to start the commercial production.
- For the East expansion from the total budget of Rs. 3,200 crores we have spent close to about Rs. 2,250 crores, balance is Rs. 950 odd crores. A large part of it is allocated towards the Bihar grinding unit. Again this expenditure you can spread probably evenly between FY'22 and FY'23 there being slightly more uncertainty around timing of starting up the unit. I think we should just evenly spread it.
- Moderator:** Thank you. The next question is from the line of Madhusudan Kela from MK Ventures. Please go ahead.
- Madhusudan Kela:** So, I had two questions. So, while we understand that the company is working on the capital allocation and the CAPEX plan but based on our understanding there will be significant cash flow which will happen in the company over the next 3 to 5 years. So, is there any other business which you are looking at where you can put this capital or cement will be the only business which will be there for five years also?
- Puneet Dalmia:** I think we will cover this as a part of our capital allocation policy only. You know right now we have guided that we are not going to do any further investments in IEX, but the Board has allocated around Rs. 100 crores where we are doing a small test in retail business, where we are looking at building material retail. So, I think we are going to cover these two businesses very clearly in our capital allocation policy in the coming quarters.

- Madhusudan Kela:** And the other also a small point which was raised earlier also, because now from a taxation front, when it is clear that that goodwill we are not even going to get depreciation are any other tax related benefits, I think it will prudent to rethink and see if you can do the write off of the entire goodwill because that will improve all parameters including ROE, ROC meaningfully?
- Rajiv Bansal:** Madhu, Rajiv here. I think it is a very good question, it is something on the table being looked at. We were thinking about looking at when we look at the next 3 to 5 years capital allocation framework. This was one of the points which we were considering also, but given that we are not able to finalize capital allocation framework given that the capacity and the CAPEX plans got delayed.
- We will definitely be looking at it and will come back to you in the coming months. It is absolutely valid point the way it helped us in improving our return ratios and this is something definitely we will look at.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.
- Prateek Kumar:** My first question is just regarding the recent changes in MMDR Act. How was the mining leases of the locations Chhattisgarh, MP and Rajasthan like plays in terms of PL and ML and there were few changes regarding that you just talked about in that so what are we thinking about that?
- Mahendra Singhi:** So, let me say that our PL they were in quite advance stage of getting the mining lease so they are different than what the changes has been brought in and we are now contesting in Court and we are quite hopeful that we will be able to convert those PL into ML because the grant of ML had happened in most of the cases. So, we are hopeful, and we have been advised legally that we should be able to convert those PL in to ML and it will take few more months to get its finality but we are quite hopeful.
- Prateek Kumar:** And delay in starting works with it is PL or ML does not impact our mines being taken away from us at let us say if we are wanting to wait?
- Mahendra Singhi:** You are right it would impact in our any plans.
- Prateek Kumar:** And sir, can you highlight you mentioned about higher slag prices during the quarter so where was the slag prices during Q4 and how have they further increased in Q1?
- Mahendra Singhi:** So, these were little bit increase in flyash prices in South and we have already taken various steps including utilizing pond ash and drying pond ash etcetera. So, we are quite hopeful that time to come we will also be able to take care of the volatility of fly ash prices because fly ash prices goes up many times when the demand of cement and then the demand of fly ash goes up particularly in South and to some extent in Northeast.
- Prateek Kumar:** Slag prices I was asking, slag prices have gone to like 1,200 to 1,500 range again unlike say went to 1,800 once I remember couple of years back?

- Mahendra Singhi:** No, fly ash prices ranges may be from 700 to 1,100, 1,200 only.
- Prateek Kumar:** Slag prices I am asking?
- Mahendra Singhi:** My mistake yes, so slag prices yes, from location to location or the complete steel company it ranges from say 1,200 to 1,600, 1,700.
- Prateek Kumar:** Just a last question on while we have seen like lot of volatility in demand in the month of April so has it like sort of flips around 20%, 30% versus record month for March for like industry in April?
- Mahendra Singhi:** What is your question please?
- Prateek Kumar:** So, I think as we understand industry had a record month in terms of sales for the month of March across the country. Has the sales flipped like to 20%, 30% since March in April I am asking?
- Mahendra Singhi:** Yes, for overall industry it may happen about 25% to 30% overall industry.
- Moderator:** Thank you. The next question is from the line Girish Choudhary from Spark Capital. Please go ahead.
- Girish Choudhary:** Couple of questions from my side. Firstly, if I look at your product mix overall blending is around 80% as per the initial comments from the call but also East it is around 100% again mentioned in the call. So, outside of East blending appears to be far lower, any reasons for the same and any plans how to address this going ahead?
- That is my first question. Second question it will be great if you could give an update on your northeast operations for the year FY21 any qualitative update in terms of the profitability and also the outlook going ahead from a demand supply perspective will be great?
- Puneet Dalmia:** So, I would say that in South where there is a good proportion of OPC by almost all cement plants and on that account the percentage of blended cement is comparatively lower in our operations but at the same time if we look at last nine months we are finding that this has improved by more than say 12% to 14% and we are hopeful that in two years time this PPC percentage would jump in a big way.
- In Northeast I would say demand has grown and with the projects which have been declared by the government also and NHAI project also and hydel projects also that demand should be better in Northeast. Our operations have been one of the best in FY21 in comparison to last year.
- Girish Choudhary:** Just a follow up on Northeast. If you see your overall total EBITDA has grown by 32%. Can you give a sense on Northeast has it grown lower or above 33% at the company level that will be helpful?

- Puneet Dalmia:** In totality in Northeast I think it is better.
- Girish Choudhary:** And again just a follow up on the blending. You said that you plan to increase it but any concrete plans or how will you address this and also if you can share the OPC for the South operations what is the OPC as a percentage of South sales?
- Puneet Dalmia:** We do not share figures region wise and product wise but at the same time broadly we have shared. Plan is to go up in trade sales, plan is to go for blended cement so that it can help both in conserving the resources also as well as bringing down the cost and bringing down carbon footprints. So, we are on.
- Girish Choudhary:** I have one more question if I may. This is with respect to the freight cost. Again, last two quarters we have seen increase or decrease in direct dispatches and also increase in lead distances. Any reason you would want to attribute to this, and will this again revert back and what is the percentage of sales through direct dispatches?
- Puneet Dalmia:** I would say that in Q4 exactly I do not have these figures and Aditi will be able to share with you but I would say that we are addressing the logistic cost and there are lot of initiatives which are on our table and accordingly we are hopeful that the logistics cost in time to come would come down and on direct dispatches also many times because of the various situations it may in fact but then definitely these numbers can be shared by Aditi afterwards.
- Moderator:** Thank you. The next question is from the line Sanjay Parekh from Nippon India AMC. Please go ahead.
- Sanjay Parekh:** Broadly my question was answered but just what I understand and I know you will explain more to us in the next quarter but what we understand is the diversification if at all will be small and it will be in a synergetic area of building materials. Can I take that as the two key takeaways of what we have discussed?
- Mahendra Singhi:** Rajiv?
- Rajiv Bansal:** When we are on the table looking at our capital allocation framework I think we have to look at multiple dimensions, one is definitely cement is core business and that a very substantial part of our operating cash flows would go into the cement business. We are also looking at what kind of a debt-to-equity or net-debt to EBITDA we should be looking at. As you rightly said we also have to look at how to improve our return ratios, looking at the balance sheet, we then move carefully to see what needs to be coming in the P&L, EPS and EBITDA but I think we are looking at capital allocation framework we look at all things more holistically.
- Having said that we also have a group who has aspirations to build a large conglomerate. So, I think the main thing that we have to balance as we go along but yes, the focus would remain to be seen there. We want to be a large cement player and that is the reason what Puneet said about the board has approved up to Rs. 100 crores of investment in that venture and that has got delayed by a couple of months because of the Covid situation in the country and they will be able to give

us an assessment of where they are and what their initial outcome of it has been in the next one or two months and then we will be able to take a holistic view on this.

So, at this point of time yes, substantially it would be a cement company pure play. IEX - we are not making any fresh equity investment if we look that as a part of the larger capital allocation framework. And on retail also the investment that we are making is a small investment that we are putting. A deeper thinking required on that even in one or two months when we get the result out of the initial experiment there.

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

Ritesh Sheth: I think large part of my questions are answered. Sir, just one clarification on the volume numbers for this quarter. So, you said excluding the BCW volumes that we are in trials in currently the volume growth is 7% for the full year and including that it would have been 9%. So, this 6.4 million tons number does not include the BCW volumes, that is around 4.4 million tons? Is my understanding correct?

Management: You are right.

Ritesh Sheth: So, whole 6.4 million tons is coming from your existing 28.5 million tons capacity as on the last quarter?

Management: You are so right.

Moderator: Thank you. The next question is from the line of Mudit Agarwal from IIFL Capital. Please go ahead.

Mudit Agarwal: My question is related to the WHRS capacity. Is the capacity plan with the new Clinkerization unit in Rajgangpur so is it commissioned the 15 megawatt or what will be the status of the another 30 megawatt of WHRS capacity which we are planning in the coming time period?

Mahendra Singhi: So, for new line part has been already commissioned and part pertaining to fleet that is under commissioning in advance. Secondly all other WHRS they are in the different stages of execution and they all would be commissioned almost by March 2022.

Mudit Agarwal: And how much is the part is commissioned out of 15 megawatt if you can quantify this?

Mahendra Singhi: This should be around 7 to 8 MW

Moderator: Thank you. The next question is from the line of Ujwal Shah from Quest Investment. Please go ahead.

Ujwal Shah: Just wanted to understand on the fly ash part. So, sir, we would have a long-term contract for the same and there has been a lot of competition has also come in East so Do you think that is

also one of the reasons that slag prices have moved up and they might stay at such elevated levels? Your comment on that, sir?

Mahendra Singhi: I would say that in few places we have also slag contracts, long term contracts at few places we have long term contracts for fly ash also and as you are saying others may be also having and we are also in the process of having more contracts in time to come.

Ujwal Shah: And sir, secondly in terms of AFR. So, what percentage of fuel mix is AFR currently and what kind of journey are we seeing for AFR going forward?

Mahendra Singhi: Presently it is around 8% and the journey is a long journey, but we can expect about 15% by end of this year.

Moderator: Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Sir, what would be your clinker capacity on 31st March? That is one question. And your 30.75 million capacity given in press release, does it include Murli Industries' 3 million grinding or it does not include that?

Mahendra Singhi: It excludes that because it is yet to start commercial production.

Bhavin Chheda: Okay so 3 million you said would probably start by quarter 2, right?

Mahendra Singhi: H2.

Bhavin Chheda: Okay and what would be your clinker capacities on 31st March?

Mahendra Singhi: That may be offline can be given but that I would not like to share at the moment.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Ms. Aditi Mittal for closing comments. Over to you, ma'am.

Aditi Mittal: Thank you so much everybody for joining in today. And I would just like Mr. Dalmia to give his closing remarks and end the call.

Puneet Dalmia: So, once again thank you all for joining in today and thank you for all your support during a very uncertain year. I want to again just end by saying that I will pray for the safety and well being of you and your families and your loved ones. These are tough times but we will all stay together and I think united we will win.

I also want to just complement our entire team on a great performance and I have learned one thing that if you prioritize people over profits magic happens. Thank you once again for joining our call and look forward to staying in touch. Have a great day.

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