"Dalmia Bharat Limited Earnings Conference Call for Quarter ended 30th June 2021"

July 28, 2021

MANAGEMENT: **MR. PUNEET DALMIA – MD, DALMIA BHARAT LIMITED**
MR. MAHENDRA SINGHI – MANAGING DIRECTOR AND CEO, DALMIA CEMENT (BHARAT) LIMITED
MR. DHARMENDER TUTEJA – CFO, DALMIA BHARAT LIMITED
MR. RAJIV BANSAL – GROUP HEAD, STRATEGY & TRANSFORMATION
MR. K C BIRLA - F&A & COMMERCIAL HEAD
MS. ADITI MITTAL - HEAD INVESTOR RELATIONS
MR. SHOBHIT SAXENA - INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to earnings conference call of Dalmia Bharat Limited for the quarter ended 30th June 2021. Please note that this conference will be for 60 minutes and for the duration of this conference call all participants' lines will be in listen-only mode. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. This conference call is being recorded and the transcript for the same maybe put up on the website of the company. After the management discussion there will be an opportunity for you to ask questions.

Before I hand over the conference to the management, I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts and maybe forward-looking statements. The forward-looking statements are based on expectations and projections and may involve a number of risks and uncertainties and other factors that could cause actual results, opportunities, and growth potential to differ materially from those suggested by such statements.

On the call we have with us Mr. Puneet Dalmia – MD, Dalmia Bharat Limited, Mr. Mahindra Singhi – Managing Director and CEO, Dalmia Cement (Bharat) Limited, Mr. Dharmender Tuteja – CFO, Dalmia Bharat Limited, Mr. Rajiv Bansal – Group Head, Strategy & Transformation, and other management of the company. I would now like to hand the conference over to Ms. Aditi Mittal – Head, Investor Relations at Dalmia Bharat Limited.

Thank you and over to you, ma'am.

Aditi Mittal: Thank you, Neerav. Good morning, everybody. A very warm welcome to all of you on the Q1 2022 earnings call of Dalmia Bharat Limited. Hope you all had a chance to go to the results and also a brief presentation which we filed this morning with regards to the capital allocation framework and capacity expansion plan which we are going to be laying down during the course of this call. If not, the same can also be downloaded from our website from investor section. Without taking much time, I will hand over the call to Mr. Puneet Dalmia for his opening remarks. Over to you.

Puneet Dalmia: Thank you, Aditi. Good morning everyone. As the second wave settles down, I hope all of you and your families are safe and well. Though the recent pandemic has caused some disruption, we have deep conviction in the India macro story and the intrinsic growth potential of India. There is a large-scale metamorphosis going on in the Indian economy and society which is bigger in scale and scope compared to the 1991 liberalization reforms. As millions of people get lifted out of poverty, a massive middle class will get created driving a consumption and housing boom, and as India marches confidently towards becoming one of the top three economies of the world, India will continue to build world-class infrastructure across the board to enable economic growth. We see both infra and housing as strong and sustainable demand drivers for cement demand over the next decade.

To serve this enormous growth in cement consumption that is likely to happen, we have set ourselves the following three strategic targets for the next 10 years:

- One, we want to be a pan India pure play cement company.
- Two, we will have a significant presence in every market that we serve.
- And third that we will grow our capacity to between 110- 130 million tonnes by 2031. We have spent a lot of time discussing and deliberating our capital allocation policy within the management team and our board over the last few months.

I would like to thank many of our investors who gave us valuable inputs on how to look at our capital allocation. I know that we have taken one quarter extra to come back to you on this issue, but it has been a very worthwhile and a high-quality exercise. Just like we were the first cement company to announce net zero carbon by 2040, we are excited to be the first cement company in India to formally announce a capital allocation policy. The central principles that have driven our thinking on capital allocation is that Dalmia will deliver a predictable, sustainable, and profitable growth over the next decade and all this with a strong balance sheet with the highest standards of corporate governance.

We looked at our 11% capacity CAGR over the past 10 years and realized that our capacity growth was uneven in the first five years at 25% CAGR compared to the next five years at 4% CAGR. We are now making a 10-year plan to grow in a much more predictable manner with a 15% capacity CAGR which will take our capacity to between 110-130 million tonnes by 2031.

Though our growth will be a judicious mix of both organic and inorganic opportunities, we will lay much more emphasis on the cost efficient, predictable, and easier to plan organic growth. While our 10- year plan is to reach between 110-130 million tonnes of capacity but in the next three years, we have firm plans to reach a capacity of 48.5 million tonnes. We are further detailing of plans to reach 60 million tonnes by March 2025, which we will announce in the next 9 to 12 months. The details of our journey to 48.5 million tonnes will be shared by Mr. Singhi later in this call.

While pursuing predictable growth, we also want to ensure that our shareholders have a predictable trajectory of returns. Hence, we are making a significant shift in our policy of returning capital to our shareholders. From this financial year onwards, we are allocating up to 10% of our operating cash flows towards dividends and share buybacks.

Dalmia took its responsibility towards the environment very seriously, much before it became fashionable and now a business compulsion. We are proud to be one of the greenest cement companies on the planet and we will continue to reduce our carbon footprint ahead of our peers. Today, we are announcing a bold commitment to become a 100% blended cement company over the next five years. This will substantially reduce our Clinker factor and carbon footprint in the years ahead. We are currently below 500 kilograms of CO_2 per tonnes of cement, we will bring this close to 400 by 2025 and below 400 by 2030. However, we will continuously find newer ways to accelerate this reduction and come back to you with our progress on execution periodically.

I have been named Chairman of the 25-member cement development council made by the government of India for a period of two years starting 5th July 2021. With all humility, I accept this responsibility and I will work closely with all stakeholders to showcase the cement sector in India to the whole world as a standout story of de-carbonization in a hot debate sector. As a part of our capital allocation policy, we are proposing an innovation in green fund by allocating up to 10% of our operating cash flows to develop and adopt innovative technologies to combat climate change. This fund would be used for nurturing breakthrough innovations, such as developing low carbon cements, pilots for carbon capture technology, mineralization, Oxy fuel technology, heat electrification, green hydrogen, etc. A part of this allocation will be used towards continuously reducing our carbon footprint by investing in renewable power, substituting fossil fuels, and using alternate materials to substitute Clinker.

Since inception, we have always been amongst one of the most profitable cement companies in India. While we pursue a lower carbon footprint, we will also continue to go lower on the cost curve. There is still a lot of room left for Dalmia to cover on the cost reduction side. We are allocating 1000-1200 crores over the next two to three years to invest in waste heat recovery systems, solar power and equipment and IP to substitute fossil fuels and clinker. Additionally, 900-1000 crores would be applied towards certain ROI yielding CAPEX and also regular maintenance of our plants. Majority of these investments will lower our variable cost while simultaneously reducing our carbon footprint. With these initiatives, we are targeting a ROCE of 14%-15% over the next few years.

As we set out to pursue our vision of being a pan-India pure play cement company over the next decade and deliver a more predictable growth, we are absolutely clear that we want to do this with a very strong balance sheet. Over the last 10 years, we grew capacity at 11% CAGR and today we are a net debt free company. We can continue to grow capacity at 10% CAGR in the future without taking any debt whatsoever. However, we believe that the cement sector in India will consolidate further, and big players will become bigger.

In line with our vision of participating in industry consolidation, we are targeting a 15% CAGR in capacity and we will finance this growth through a prudent mix of debt and equity. A right mix of debt and equity will also help us in reducing the weighted average cost of capital and improving returns to our shareholders. Based on a lot of deliberation and a detailed analysis, we will be comfortable with a net debt to EBITDA of up to two times.

These growth opportunities, both inorganic and organic are never secular. We may at times be required to exceed the above ratio of two times. However, we believe that it would only be for very exceptional cases and for large strategic inorganic opportunities and we will endeavor to bring it back within two times in a definite time period. Over the last few months, during our engagement with investors, we had received a lot of constructive feedback on sharpening our focus on our core cement business. We looked at our historical journey over the last 10 years, and we learnt that by creating pure play businesses we have reaped significant benefits in business performance due to management focus and accountability. We will continue the same strategic direction and will make Dalmia Bharat a pure play cement company.

In line with our strategy of creating a pure play cement companies, we reviewed the building materials retail and the refractory business. After detailed deliberations in the board meeting yesterday, the board has decided to divest the retail business from DCBL. We expect to complete this divestment process within the next three to four months. Till 30th June DCBL has made a total investment of Rs. 99 crores in this business and the board has approved an additional allocation of 40 crores to meet the expenses till the date of divestment.

In refractories, DCBL has divested its refractories business to Dalmia Bharat Refractories Limited. The divestment has been done at a fair market valuation undertaken by Grant Thornton. The scheme has been approved by the shareholders and is currently pending with NCLT for its final approval. During this quarter, we have also divested 4.5% of our stake in IEX and we will continue to evaluate our position in the same. We have also made changes to our treasury policy and clearly articulated that at least 85% of the money should be invested in AAA rated debt instruments, while the balance 15% can be in AA+ rated debt instruments.

I have always maintained that our people are our biggest assets and we have got here because of a committed, hardworking, and ambitious management team. We saw the magic they produced during the first wave of COVID last year by delivering our best performance ever. Even this time, during the second wave, as COVID spread rapidly into rural areas, we navigated several many lockdowns, a temporary oxygen crisis and an incredible disruption in supply chains with great commitment and finesse. Our leaders did a great job and managed the business very well while keeping deep empathy and the morale high. In the journey ahead, our people will be the most important focus personally for me and we will emphasize disproportionately towards building a great culture and a strong value system.

Another important area of my personal focus in the coming years will be to continuously focus on building more transparency and embracing the highest standards of governance. A very key event in this board meeting is that the board has recommended the appointment of one of the Big 5 Grant. Thornton as auditors of Dalmia Bharat Limited. Approval for the same is yet to be taken from the shareholders.

I thank you all once again, for your valuable inputs and constructive feedback on how to think about our future journey. Just to quickly summarize, Dalmia will be a pan-India pure play cement company with a capacity CAGR of 15%, which will take our capacity to 110-130 million tonnes by 2031. This growth will be achieved with the highest standards of transparency and governance and a strong balance sheet keeping the net debt to EBITDA under two times. Our treasury will be invested only in AAA or AA+ debt instruments. Our growth will be more predictable, and we will focus much more on organic growth and pursue strategic acquisition based on a long-term footprint. We will allocate up to 10% of our operating cash flows for returning to shareholders to dividends and share buybacks.

We will grow yet be fully responsible towards the environment. To pursue our RE 100 and net zero carbon goals we will allocate up to 10% of our operating cashflow towards an innovation in green fund which will be used to develop and adopt the latest environment friendly and construction technologies. The balance available funds along with any debt will be used to fund our growth journey to 110 -130 million tonnes. In line with our vision to create a pure play company, the board has decided to divest the construction retail business in the next three to four months and the refectory divestment is also approved by shareholders and it is awaiting the final NCLT approval. We have made some very strategic and significant announcements during this call, and we are super excited about it.

We will continue to seek your guidance, support, and feedback from time to time.

I would now like to hand over the call to Mr. Singhi for an update on the quarterly performance and to share the specifics of our growth plan till 48.5 million tonnes. Thank you.

Mahindra Singhi: Thank you Puneet ji. Dear friends, very happy morning to all of you and mind you today is a historic day for Dalmia Bharat Group as they have been able to lay down and share with all our stakeholders, what our vision is for next 10 years, the way transparently we have come out with our vision on environment, on social front, on governance front, as well as on sustainable and profitable growth, I think it will go a long way to make us as one of the most important players even in the field of ESG.

Dear friends, the pandemic has brought to reality the unthinkable and disrupted life world over. I am very proud of our team that even during this period also we have delivered a great and consistent performance. First on this call, I would like to thank my whole team as well as the government of India society who had helped us to take care of people in the society. We have made all our best efforts to take care of the people by contributing in one way or other by providing all sorts of services so that people are sure of their health as well of the future. We were also very happy to contribute significantly towards the government’s efforts to meet the economic business. Friends, like what Puneet ji has shared that we have always believed in our today and tomorrow and tomorrow not only on the business, but on the facility also. We could continue our leadership role and sustainability as well as the green growth and has helped us to bring down also our carbon footprints to almost 492 kg per tonne of cement.

Here, I would also like to share with you that with the appointment of Puneet ji as Chairman of development council, it will give not only to the Dalmia Bharat group but to all cement companies of India, a great opportunity to excel in all areas of circular economy, all areas of decarbonization and how to use most of the material. We have been able to play important role in global sustainability world and based on that and on our performance our company has been appointed as one of the 16 global companies as part of COP 26 Business Leader who can play a very important role in garnering the support of various organizations for waste to zero as well also show a leadership. We are also very happy to share that the World Bank Group has appointed us as one of the two global carbon fighting champions so that we can create awareness about the carbon, we can create awareness about growth opportunities and challenges on account of carbon.

Friends, we have always believed in the philosophy of lean and green is profitable and sustainable, and the same philosophy would be pursued while first targeting a capacity growth plan of 48.5 million tonne and then reaching to 110- 130 million by 2031 in a most sustainable way. We will surely now like to highlight with how we are going to meet our target of 48.5 million tonnes in next few years. So let me share that detail and before that, let me also highlight how is our ongoing projects going on. In regard to our commercial production of Line 2 of Odisha grinding unit, we are expecting to make it commercial by September end. In terms of trial production of Murli Cement, it will start in few months' time, and we are expecting that commercial production should start by December this year. This will take our capacity to 36 million tonnes by end of financial year 2022. The Bihar grinding unit is expected to begin production by March 2024. The remaining CAPEX of the same along with some net acquisitions for limestone augmentation is close to around 2000 crores.

The basket in East continues to remain buoyant and we have tremendous confidence in the good prospects for the region and accordingly we would be expanding in the East market also in addition to expanding our footprint in South and Northeast. We are now targeting to increase our clinker capacity in totality till 23.4 million tonnes and grinding to 48.5 million tonnes.

Let me also share the experience which we got by commencing Line number three filterization line of 9,500 tonnes per day and it has now become one of the best in terms of sheet consumption, best in terms of power consumption, best in terms of environment compliance. Based on this experience, now we have taken up various technological measures to improve the capacity of all our filterization lines in one way or other so that capacity can now move to 23.4 million tonne. And the regional breakup by region would be that south will have 9.4 million tonnes, East 8.3 million tonnes and Northeast 3.3 million tonnes and further the capacity of Murli would also add of 2.4 million tonnes.

On grinding side, now we will be adding two new Greenfield split griding units in south, with each unit having a capacity of 1.5 million tonnes to cater to the markets of Tamil Nadu and Kerala. In East, at our Bokaro plant we will be undertaking a Brownfield expansion of 1.7 million tonnes. Besides this, we are also emulated each of the existing plants and have undertaken measures to add another 5.3 million tonne through debottlenecking across all plants.

Ladies and Gentlemen, all activities would lead us to a grinding capacity of 48.5 million tonnes by FY24 and we will be adding 10 million tonnes. This all expenses, these all debottlenecking is the same philosophy that clean, and green is profitable and sustainable and Puneet ji has highlighted in his remarks that we are moving towards a pure 100% blended cement company by next five years.

Now regionally the blending capacity breakup by March 2024 would be, South 15.9 million tonnes, East 23.1 million tonnes, Northeast 5.5 million tonnes and West 4 million tonnes. The cost to add this clinker debottlenecking and grinding capacity is estimated at around 4,700 to 5,000 crores. Now within our roadmap to become carbon negative by 2040 we would be further adding various types of technologies which will take us to a TC ratio of maximum in both PPC, PSC, and PCC.

Now, we want to highlight that based on various initiatives which we have taken for sustainability we have also now committed ourselves to join EV100 roadmap by which 2030 we will make all efforts to get to vehicles wherever as per the scheme which has to be done so that we can also work on sustainability even on electric vehicles side. You all are fully aware that we are part of RE100 that means that by 2030 we would be going for 100% renewable energy as well as EP100 by which we are improving our energy productivity. And joining all three disciplines together we have become the first company in global manufacturing world which is communicated for all these initiatives. We are spending close to 1000 to 1200 crores for building solar power capacity, waste heat recovery system and increasing proportion of green fuel in our fuel mix. By March 2023 our solar capacity would be around 87 million megawatt and WHRS 62 megawatts. We are hopeful that by this period all our plants would be having WRHS capacity. Furthermore, there would be an expenditure of close to 1000 crores upon certain ROI initiatives and routine maintenance expenses. So, this is friends a broad overview of what we are doing to work on CAPEX for adding capacity to 48.5 million tonnes. Over and above that, the efforts would be to create a limestone availability for various new Greenfield Brownfield projects which will help us to reach to our mission of 110 to 130 million tonnes by 2031.

Now, let me move to quarterly performance. The revenue for the quarter was Rs. 2,589 crore and the EBITDA stood at 700 crores. Both revenue and EBITDA witnessed strong growth at 36% and 14% respectively on YoY basis. Despite the continuous cost increase the EBITDA margin remained healthy at 27% and per tonne EBITDA at Rs. 1430. Despite the sharp increase in the price of slag over the last few quarters, we were able to maintain our raw material cost at Rs. 855 per tonne due to change in the product mix from Portland Slag Cement to Portland composite cement. Our fuel and power cost increased to 1054 per tonne in the quarter due to increase in cost of pet coke and coal which has also now become a global phenomenon. Pet coke prices are at all time high of around $ 130 per tonne compared to what it was about $ 70 per tonne in Q1 FY21. We have been continuously reducing the proportion of pet coke with a few bits as many times, I highlighted that all our plants are ready to use any economic fuel. While for the quarter, the petcoke percentage came down to 46% and in this journey for June month we were able to bring it down further to 34%. We will go on optimizing the fuel book into economic viability. The most important area here I would like to highlight is our journey towards green fuel, which is otherwise called alternate fuel. We have increased usage of green fuel which stood at 9.1% of the fuel mix as compared to 8.4% in Q4 last year and 6% in Q1 FY21. In fact, in June we increased the Greenfield percentage at the highest level of 14% and we are quite hopeful that when this year ends, we should be able to touch green fuel percentage of 20% which will also help not only our organization to bring down the cost and bring down the carbon footprint, but it would also help the municipalities, the cities, as well as various companies from where you would be taking care of their hazardous waste. In terms of logistics cost which has marginally inched up to Rs. 1057 per tonne in the quarter despite various measures which we have taken but at the same time the cost of diesel has impacted us also and most of others also.

Friends, the beginning of new fiscal may have been tipid but for now the worst seems to be behind us. With the forecast of the third consecutive normal monsoon by IMD, the recent increase in the MSP by the government and import food grains production, the rural housing demand is expected to bounce back gradually. The government has lost the last few years but looking to the policies which are in making or which have been created, we are quite hopeful that now with the support of the government also a new CAPEX line is starting both in terms of industrial productivity also, of course, with the support of few schemes also and at the same time improvement in rural economy. We are fully geared up for any opportunity that will come our way. We have used the downtime of pandemic in one way or the other to review reassess and redesign and now we are much stronger and robust than ever before, and I am sure the way Puneet ji has highlighted the future story you would all agree. Our vision to grow into a larger, more profitable, more sustainable, and more respectable company would surely lead the way for us in time to come. Our whole team not only of management, but total team of Dalmia Bharat family members are fully committed to work on ESG which is good for each and every one of the member of the globe. I am thankful for your patient hearing. Now I'll hand it over to our moderator. Thank you, friends, good day, and good year ahead.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: Good morning everyone and a big congratulations on coming out with an excellent capital allocation policy. I think it addresses a large part of all the investor feedback. I have two set of questions. First on the quarter and then on the expansion. Starting with the quarter, our volume performance appears to be a bit weak, and it appears that we have lost some market share in East. Also, fixed cost is a bit on a higher side. So, is it possible to share some details as to why have we lost market share? And is it more of a specific competitor issue getting more aggressive or some internal issue with respect to quality or something? And then how do we plan to fix this in coming quarters?

Mahindra Singhi: First, I would like to say that in Q1 last year our performance was exceptional and more particularly in East when many of the cement players could not start their plants. But our team could start the plant, could sell the quantity and that's why if you look our performance of Q1 quantity per se in East we were the best. Based on the comparatively higher base, you would find that our numbers are comparatively lower. At the same time, I would be straightforward in saying to some extent in East we lost some market share in the month of April and May base because of few reasons and one of the major reason was one, because of the stoppage of our second grinding unit for few days on account of COVID situation in that area. And secondly, some changes which we did in our marketing plan. Based on that we lost market share, but now we have already started regaining our market share and when we meet next time in this investor call, I'll be very happy to share that how much market share we have been able to regain. Now the competition would continue, and it should continue so that it energizes everyone, but there are no issues in regard to external or internal including quality. We are still the preferred brand for many-many consumers both in terms of retail as well as in terms of institutional also.

Sumangal Nevatia: The second set of question on the expansion plan, now we have got very limited time to understand it, but overall, it looks like 50% of our expansion is through debottlenecking. And we are adding somewhere around 15% on the capacity base just by debottlenecking. So, this level of debottlenecking is quite unprecedented for a cement producer. So, just want to understand more detail. Is it some low hanging fruit which is available only with Dalmia or is it possible across the industry now in coming years? And what exactly are we doing here in terms of debottlenecking? And then in the overall CAPEX of 5,000 odd crores for 10 million tonnes how much are we spending for this debottlenecking and the remaining Greenfield Brownfield?

Mahindra Singhi: First, I would like to say that our team is fully capable of understanding new technological innovations as well as to get best out of each and every plant. Based on that now future looks great in terms of demand, in terms of growth opportunities and that's why a detailed exercise was done for each and every Clinkerization plant as well the cement grinding facilities that what best can be churned out of it. Our philosophy is use less and produce more. So, even if you are able to produce more from the existing unit by doing such a debottlenecking by changing certain equipment, by expanding cycles, by making changes in cooler, by making some small-small changes here and there, why not to do that. One or other way many companies do that and gets that done also. So, I would say that it may or may not be able to be available for others, but I would say with the management focus and the capability of the management, we are able to do it, we will be able to do it. And we have also understood that when we do this debottlenecking or certain addition of small-small equipment, it is very cost-effective and it is very fast also, and that's why you would find that all these activities would be done by March 2023 in a major way. So, we are quite hopeful that with this we will be able to churn best out of our existing plant. We will be able to get best out of our people.

Sumangal Nevatia: What would be the breakup in terms of when you are spending 5,000 for 10 million tonnes, so for this 5 million tonnes how much are we spending?

Mahindra Singhi: 5 million tonnes, exact number we will share in the next 10 minutes.

Sumangal Nevatia: If I may just ask one question, on the CC ratio in the East we are maintaining at 2.9 on the expanded capacity which I think is industry high. So, what exactly you think is our production capability because the norm is more of 2-2.2 in East. So, do you believe that consumer acceptability to this higher blending ratio would develop over time or how exactly do we plan to transit the consumer acceptability towards this 3x blending?

Mahindra Singhi: Great question. I would like to highlight that we have been always eager in ensuring that we produce and give a sustainable green cement and that's why in the East also since last many years when were able to change our product mix with the best technology available, we were able to use a maximum slag which has helped not only us, not only the growth, but it also helped the consumers. And based on that now slowly and slowly we are moving away from OPC as and when it would be possible in a year or two. And at the same time, we are also focusing on both Portland composite cement and Portland slag cement. So, as far as the acceptability of the cement is concerned, there's no issues because one, the quality of cement is great in terms of any means and at the same time, there are experienced technical services team which also support the people to use the cement in the best possible way. So, we are quite hopeful that the CC ratio, which is understood in a mathematical way, but if one tries to understand the cement in its quality, everybody will agree that it is possible.

Sumangal Nevatia: If I may squeeze in this last question on the CAPEX given quite a significant announcement. So, we are planning to spend 10,000 crores in the next 2.5 years. If you could share what would be an annual breakup of CAPEX and how much have we spent in 1Q, that will be very helpful.

Dharmender Tuteja: In the first year it maybe around 4,000 crores and the remaining amount will get spent in the next two years.

Sumangal Nevatia: First year is FY22, 4,000 crores?

Dharmender Tuteja: Yes.

Sumangal Nevatia: And what have we spent in 1Q?

Dharmender Tuteja: Quarter 1 is only about let’s say 300 crores or so and then of course the amounts will get spent in the coming quarters.

Moderator: The next question is from the line of Amit Murarka from Motilal Oswal Financial Services.

Amit Murarka: Thanks for the opportunity and congratulations on the capital allocation policy. Just a few more questions on that front for the CAPEX on the capacity side. So, in announcement how is see is, like the expansions are more on debottlenecking rather than the new units being set up actually. And if I have to just look at South, like in South I think you are looking at 3.9 million tonne expansion, 3 million tonne expansion plus 0.9 of debottlenecking. But for that the clinker seems that is 1.6. So, that implies a very high cement clinker ratio and South as a market, I believe doesn't have that much of a blended cement or slag cement. So, how do we think about the blending ratios in South wherein you seem to be indicating that the ratios will be higher going ahead?

Mahindra Singhi: Like we highlighted that now we have started our journey towards 100% blended cement company within five years. So, with that aim in mind, we have started even now as we speak, increasing our blended cement which is OPC in South in a larger way. And in South at the moment, we are not targeting the slag cement, but we are targeting that slowly and slowly we should be only producing Portland Pozzolana cement and even in today's scenario also there are many institutional buyers also who do use PPC. Secondly also, I would like to highlight that now government of India is also thinking in a big way how to promote green products and the blended cement is part of those green products. Government is thinking how to make now green roads in which they can use blended cement as well they can use fly ash or other materials also. So, now we are looking at the future because we are just not looking at past what has happened because everybody has to now understand what is the need of the future for the country also for the globe also. So, based on that we have said that, yes, we would be moving towards blended cement and accordingly we should place for that in grinding.

Amit Murarka: And the clinker expansion that you have mentioned in the presentation, is that all debottlenecking or there's a new clinker line that is coming up also?

Mahindra Singhi: All debottlenecking what I said that we could identify various opportunities which are lying in each and every plant and our experience of putting up one of the best technologically proven plant line 3 in Rajgangpur in Odisha, has given us lot of sights and now with the support of technologies in plant suppliers like FLSmidth, KHD, GSB Group – Germany, Thyssenkrupp , we are confident that in a very short time, we'll be able to expand this capacity.

Amit Murarka: But there's no new clinker line being set up? Just to be clear.

Mahindra Singhi: You are right.

Amit Murarka: And what will be the limestone life in each of these regions now, after these expanded clinker lines?

Mahindra Singhi: We have sufficient clinker reserve available for various places and depending on maybe 15 years to 25 years and all that. Secondly also, now the government has become very proactive in identifying the limestone reserves lead which are lying near the cement plant also and otherwise also and you would find that now every second month or third month there are limestone block auctions. Government is bound now to announce and to execute the limestone block auction and which will also help us in ramping up our limestone reserves. So, we are quite confident that as a cement company we will be able to further ramp up our limestone reserve in each and every place of existing operations, as well we also will be able to get new auction blocks in the newer areas also.

Amit Murarka: And on the context of auctions like in the north you had one block under auction. By when that will come into production?

Mahindra Singhi: So, efforts are on now first to buy the land there and once we are through with 60%-70% land purchase then we'll be able to commit our timeline.

Amit Murarka: And lastly, I think Mr. Dalmia also mentioned in the opening comment that you are looking at 60 million tonnes. Is there further some clarity can you give on that or that will come later?

Mahindra Singhi: So, I'll go with what Mr. Dalmia said that in next 9 to 12 months, we'll be able to come out with full clarity.

Moderator: The next question is from the line of Amit Jain from Samsung Asset Management.

Amit Jain: The first question I had was on the capacity expansion, if we look at the 15% CAGR story, but on volume do you think that 15% CAGR something we're targeting as well or what sort of growth over industry are we looking at, when we are planning this sort of capacity expansion?

Mahindra Singhi: We are looking up 15% CAGR in terms of our own capacity. I am not sure that the capacity of Indian cement sector would be able to grow up to 15%, but we do feel that the cement sector may grow by 7% to 8%-9%. But our target is that our CAGR should be 15% in terms of cement capacity growth and this we are looking from our own cement capacity.

Amit Jain: My question was more from a volume perspective.

Puneet Dalmia: Given that we're at the start of the CAPEX cycle, we believe that the cement sector has a potential to grow 2% to 3% higher than GDP over the next seven to eight years. We are all seeing consolidation also happening in the industry and larger players are gradually increasing their market share. If you have to just see financial at '21 alone, the increase in market share of top five groups went from 57% a year before to almost 65%. I think we expect this consolidation also to gather pace in the coming years and this makes us believe that the top 4-5 players have the potential to grow at 14%-15% CAGR over the next decade. So, we will grow our volume in this range only.

Aman Jain: The second question I had was on the green fund, I mean just want to get a sense, is that something you want to do internally or are we looking at tying up with startups or how's the plan there?

Puneet Dalmia: I think look, at the end of the day, we want to use this to enhance our cost competitiveness and green competitiveness. So, I think we are still going to make a mode. We have given you the broad direction on what are the areas that we are looking at. Now in what format we will invest, how we will invest is going to detail that out, but it is ultimately it has to benefit Dalmia, either we come down on the cost curve or we come down on carbon footprint. We are going to absorb these technologies to help us both on the cost side and the green side.

Aman Jain: The last question from my side is, when I look at the capacity expansion for the next three years, my understanding was South you were still underutilized and we want to be a pan India and the current four-year plan does not seem to include North, just your thoughts, why you kind of put a capacity in South ahead of North?

Puneet Dalmia: So, it's a breakup south, I think there is Tamil Nadu and Kerala and there is Andhra Pradesh and Karnataka. I think we are adding most of our capacity in Tamil Nadu and Kerala to serve the Tamil Nadu and Kerala markets, which we think we have a better cost position there compared to some of the Andhra players. We think a lot of cement which comes from outside south can be substituted by local capacity. Bulk of our capacity in south is getting added in to serve the Tamil Nadu and Kerala markets.

Rajiv Bansal: If I can just add, when we're talking about the next four years, the plan that we'll announce in the next 9 to 12 months also, we are looking at expanding our footprint in the central or north India, but at this stage, we'll not be able to divulge more details at this time, but definitely the 60 million that we are talking about also would set our footprint in the northern and central India.

Moderator: The next question is from the line of Kamlesh Bhagmar from Prabhudas Lilladher.

Kamlesh Bhagmar: One question on the part of this ongoing expansion. If I recollect in last quarter concall, we had roughly around Rs. 960 crores is pending to be invested, but in this presentation, we have given that 1950 to 2000 crores is pending on the ongoing expansion. Any clarity on that part?

Mahindra Singhi: So, three projects which are ongoing projects, one is Cuttack, Odisha grinding unit and second one is the Muri which is going to be commercialized by December and third one where the major CAPEX is there to be spent is of Bihar grinding unit. This is broadly distributed in these three units.

Kamlesh Bhagmar: No sir, I was asking that we were guiding that the pending CAPEX is Rs. 960 crores, but now I see the amount it is Rs. 1950 to 2000 crores and it's in the last quarter concall only.

Rajiv Bansal: I think one we are adding waste heat recovery system in Murli. And also, I think the Bihar grinding unit.

Aditi Mittal: Kamlesh I'll tell you. We are also acquiring certain land in the Eastern region for augmenting our limestone capacity there. So, which is why you will see that number increasing, the budget for Bihar grinding unit for the remaining CAPEX for future remains the same. There is no change in that.

Kamlesh Bhagmar: Yes. But Rs. 3,200 crores was the total CAPEX which we had guided.

Aditi Mittal: That still remain, now over and above you'll also see, we are doing something clinker debottlenecking and I think over a period of time as we come, we need to spend a certain amount of money for augmenting their land or on limestone reserve. So, we have parked that extra money, which will now be used for augmenting at least the land acquisition for the limestone exploitation that we need. That actually captures that incremental amount there.

Kamlesh Bhagmar: Okay. So that is 1000 crores extra over and above that?

Aditi Mittal: Bihar grinding unit was always budgeted at about 780 odd crores, so that remains. KCW is hardly 100 odd crores left because we are going to be commercializing it soon. And Murli was about 400-450 odd crores, that remains. So that's how the remaining that is left of the 2000 is towards the land.

Kamlesh Bhagmar: On the Bihar grinding unit, in last quarter we had guided that it could be March '23. Now we are guiding March '24. So, on one hand we are announcing such a large CAPEX which includes roughly around 3 million tonnes of Greenfield plant, and we are targeting FY24, but for a grinding unit, we are now delaying year after year. I do know that there has been COVID in between, but even then, March '24, like around a year or two back, we were targeting like a December '22. So, it's almost like a March '24. And any clarity on the part of land acquisition or where we are in terms of that grinding unit?

Mahindra Singhi: Yes. It's a very right and pertinent question. We were of course hoping that whatever you said, we would be able to meet the target, but at the same time on a count of the certain issues in the land acquisition where we were planning earlier so we are now required to shift to some nearby land in that area. On that account this delay is there. When we said that FY24, yes we are saying that but that doesn't mean that this plant will get commissioned by March '24. It will be in maybe between July to September '23. Yes, what we said is that by FY24 this will be commissioned. We are still making efforts that how this can be preponed but at the moment we would not like to give very stringent date because few things are in offing.

Kamlesh Bhagmar: Further the clarity on the part of this Greenfield plant, so what is the status of land acquisition or mine? And even for the two Greenfield grinding units which we are putting in Tamil Nadu and Kerala?

Mahindra Singhi: Greenfield grinding units whatever we are talking, things are in place, and we should be able to complete this by March '23.

Kamlesh Bhagmar: Lastly, on this sustainability and green energy projects, 1,200 which we have committed. Does it include the waste heat recovery and solar plants as well or it's on the technology side or carbon free cement?

Mahindra Singhi: This includes solar power plant and whatever we said in our CAPEX plan that includes WHR, solar power plant and few others that green initiatives and whatever we have talked about innovation front, that is separate.

Kamlesh Bhagmar: Would there be further plans on divesting further stake in IEX or what's the status on that part?

Mahindra Singhi: So, this is what we have said is that we'll go on examining it and whenever there is right time, the same can be done, but then we'll go and examine it. At the moment, this is what our state is.

Rajiv Bansal: Just to add what Mr. Singhi just said I think if you listen to what Puneet said, we want to be a pure clay cement company. We have clearly divested 4.5% stake in IEX in the quarter, and this is going to be continuing. As and when we require funds, we will come with capital allocation, as and when there will be need for investing back in the business you will see us taking a stand on IEX and see what needs to be done. So, our direction is very clear, our goal post is very clear. The timing is very difficult to predict because it's a public company and we cannot really diverged in terms of what our thinking on the stock of the public company.

Kamlesh Bhagmar: Just last thing on this Northeast, 1.2 Brownfield expansion, Northeast capacity even let's say if I take a FY18 or FY19 year we had been able to utilize those facilities at hardly around 60% and year after year let's say there has been no improvement in terms of incremental production. So, what's the issue over there? And on top of that, we are expanding further by 1.2 odd million tonne capacity there. So, over 4 million tonnes we had hardly utilizing at 2.3-2.4 million tonnes, and this is not for a particular year, it's like 5-6 years we have been stagnant at that particular utilization levels.

Mahindra Singhi: If you look at last two year's volume, you would find that we have grown in Northeast and now more focus is on Northeast, we would like to remain ourselves prepared for any volume growth in the area and we are of the view that we should not start putting up the capacity when we reached to 80%-90% level, but we should be able to forecast the future and accordingly we should put up the capacity. We are quite hopeful that with the focus of the government both, Central and State and the way now many such new projects have been announced as well as the new industrial policy is also in the offing, we should be able to get good volume growth in years to come.

Moderator: The next question is from the line of Swagato Ghosh from Franklin Templeton.

Swagato Ghosh: Thanks for taking my question and congrats on the capital allocation plan update. This is exactly what we were looking for. A couple of questions on this. When you say that CAGR of 14% to 15% and there's an element of inorganic growth as well, then that makes the plan a bit unpredictable. You mentioned about the ununiform nature of growth in the last 10 years. Aren't we then again looking at a similar kind of a thing, if there are more inorganic opportunities coming in the market in a short period of time, we'll probably participate? And related question is where are these inorganic opportunities currently? Because I think the market currently doesn't have much. So, why are we kind of very confident about these opportunities in future?

Rajiv Bansal: We are laying on a capital allocation framework will guide us for the next 10 years, very difficult to predict inorganic opportunities as and when they come. We are also talking about a pan-India vision. We clearly have a vision to be a pan India player. As as we expand into newer geographies, you would have to look at the right mix of organic and inorganic opportunities to expand your footprint. Having said that we are not saying that we will wait for the inorganic opportunity to come to be able to grow to a CAGR of 14% to 15%. What we are saying is we will plan organic growth. We will do land acquisition, we will do limestone, we will do everything ahead of time. We'll plan, we'll be more predictable so that we have most secular, we will try to make it as secular as possible. However, this could inorganic opportunities and as and when they come, we may have to tweak our organic growth plans to make sure that, we still meet the number that we have set out for, and we don't exceed our two times net debt to EBITDA. So that is what we are looking at. It's very difficult to look at how things are clearer in the next 10 years, but our vision is very clear, our strategy is very clear we are not going to leave it for inorganic opportunities alone. We'll have a plan growth and if an inorganic opportunity comes, then we'll look at how to balance between organic and inorganic. That is what we are trying to say here.

Swagato Ghosh: That is very clear. Thanks Rajiv. Also, on the predictability part, a large part of the earnings driver is pricing. When as an investor I am trying to get some comfort about predictable growth, what kind of comfort can I draw from the pricing trajectory? Because it has been very volatile in the last 10 years. If I am looking at Dalmia's earnings that will again be a key driver and probably again will be volatile, so how can I get comfort on that factor?

Rajiv Bansal: Swagato, if I look at the last 10 years, yes, the pricing has been volatile quarter-on-quarter, but if I look at the last 10 years, pricing on average has gone up between 1% to 2% year-on-year. So, when we're looking at pricing, it's very difficult to predict. Because there is a regional play, there is a state play, there are many other factors which come with the picture which is competition and other things. So, pricing the way I look at it, if I look at the last 10 years secular trends, it is going up 1% to 2% year-on-year. If I look at the last commodity cycle, the CAPEX cycle, the same prices tend to go up by almost 2% year-on-year. I think we have just started on the CAPEX cycle. For modeling purposes, we have not assumed that price increase is beyond 1% year-on-year. Our thing is even if the prices go up by 1%, I think a lot of focus has to be on improving operational efficiency, cost drivers and pricing is something which will be an icing on the cake. So pricing is difficult to predict, but I think on a secular trend I think it gives you a lot of comfort.

Puneet Dalmia: I think, I agree with you. I think our whole model is built on basically continuous volume growth and improving our operational efficiencies. But we also believe that as consolidation happens, depending upon the degree to which it happens industry will gain more pricing power and while we have assumed 1% pricing quotes in our model, we think that if consolidation happens, this could be better, but that's the icing on the cake.

Moderator: The next question is from the line of Madhav Marda from Fidelity Investments.

Madhav Marda: I think many of the questions got answered, but one of the questions that I had was on the clinker cement mix. Broadly if I look at it in the next three to four years, we are expecting our clinker to move to about 23 million tonnes and the cement to be about 48. So, even if I assume that East India has a higher blending factor, do you think that 23 million tonnes of clinker as the portfolio level for the company is enough for the 48 million tonnes cement or would we have some excess cement in the big?

Mahindra Singhi: In my view with our strategy to go for blended cement it will be sufficient and at the same time if you study any clinker and cement production part, you will find that companies including us are able to produce maybe 90% to 100% clinker, but at the same time as per the requirement of a cement in the market, cement gets produced. All the time, 100% cement capacity cement is not produced, but at the same time the clinker gets produced. The point is that we are quite confident that with this clinker capacity of 23 million tonnes we should be able to produce 50 million tonnes.

Madhav Marda: The second question goes on the capacity growth. I think Mr. Dalmia did mention that in the 15% capacity CAGR, broadly 10% is what we are expecting to be on the organic side and 5% on the inorganic side. Is that how you are broadly thinking for the next 10 years?

Rajiv Bansal: No. What we are saying is that we don't need to take debt for being able to grow at 10% CAGR over the next 10 years. See, in our model we can grow 10% year-on year without being funded, because we are targeting a higher growth at 15%, we have to look at judicious mix of debt and equity. It's not saying that that 10% is organic and 5% inorganic. We will look at what kind of inorganic opportunities come our way, whether it's a strategic fit, whether it is increasing our footprint in the regions that we want to be and then look at the inorganic opportunity. But our planning is going to be more almost everything based on organic and if an inorganic opportunity comes then maybe look at it from a strategic perspective.

Moderator: The next question is from the line of Pinakin from JPMorgan Chase & Co.

Pinakin: My first question relates to again, capacity addition plans. At this point of time of time we have visibility on 48.5 million tonnes and the company mentioned that over the next 9 to 12 months, we'll have more visibility to take it to 60. But if I look at the plans to go to 110-130 million tonnes by 2031 that effectively implies post 2025 an annual capacity addition of 10 million tonnes. In that context, when should we expect to get more visibility on that kind of capacity addition in terms of granular projects, because 10 million tonnes a year is a very large number?

Rajiv Bansal: It's really difficult to predict on a long-term basis where we want to be, this is where we want to go, this is what our pan-India vision and we believe that it needs to be in and given the opportunity that we see in the marketplace, I think the top players we see that kind of growth. Having said that I think from today we are at 31 million tonnes. We have been able to large extent, been able to detail out the 60 million tonnes where we see now 48.5 right now. I think in the next 9 to 12 months and I hopefully in this financial year we will be able to announce further expansion of 12 million in the central north and in our existing regions. I think, this is a big step forward, from 31 to 60 announcement, detailing it out, allocating capital. I think the big step forward. As we go along, we are also looking at expanding our footprint in near geographies whether it's North, Central, West and you'll have to give us some time, it's very difficult to lay time frame within which we'll be able to give you a plan for 60 to 120. If I look at your CAGR, as CAGR it may be sounding as a 10 million tonnes annual capacity increase, it is still about 15%. If you look at the first four years, were our clearly saying, we'll grow at 15% plus CAGR, and the next six years is also going to be 15% plus CAGR. So don't look at the absolute number because the company becomes larger and larger, the absolute numbers don't mean much.

Mahindra Singhi: That's very well said Rajiv. I would also like to further add that after a few years, the base would not be the 30 million tonnes against which you find 10 million tonnes very high figure, but thereafter base would be 60 million tonnes, 70 million tonnes, 80 million tonnes and that putting up capacity of 10 to 15 million tonnes would not be a big task, important would be yes to identify the right place and move ahead.

Pinakin: My second and last question is on Mr. Dalmia's comments on industry consolidation. Now over the last 10 years, the cement industry takes free a fair bit of consolidation, which was primarily driven by industry profitability disappointing versus many new players having large leverage on their balance sheet. The PIPC came in and as part of the NCLT process many companies had to change ownership. At this point of time, industry profitability is as strong as it has ever been. Balance sheets are as strong as it has ever been. In that context, how does the company see consolidation opportunity emerge? Would it require, do you see industry profitability go through under the down cycle, which throws up consolidation opportunities or do you see some of the existing players or management just deciding to exit to take advantage of the high profitability and get a good deal.

Rajiv Bansal: When we are talking about consolidation, this consolidation in two different ways, one is acquisition opportunities where you see, second is as Puneet said in his opening remarks, we are seeing over the last three years almost 91% incremental demand is being met by the top five players. In the last one year itself the market shares have moved dramatically in favor of top five players. You see the configuration of market shares is also very important. It is not only about consolidation in terms of merger and acquisition opportunities, but I think even that would happen. When I'm saying that we can grow 10% of our internal cash accruals, a smaller player with 3-5 million tonnes capacity, even if they have to put a minimum capacity, they have to put at least 2 million tonnes, 2.5 million tonnes capacity. They have to borrow big amount of money because the internal cash flows are not enough to be able to fund that kind of growth. So, their ability to grow fast actually becomes constraint because they're dependent on external debt in a big way. Given that, what we're seeing with this kind of NPAs, I think it's not easy. You need an execution tracker card. For as also it took us almost 10-11 years to go from 9 million tonnes to 35 million tonnes and if the industry is going to grow at a much faster pace during the CAPEX cycle, as we expect, you will see consolidation of market share happening in the next 10 years. That is what our firm belief. Puneet, you want to add anything to that?

Puneet Dalmia: I think first of all, consolidation is driven by multiple factors, and it depends on different times in the cycle. Sometimes people want to encash to focus more on their core businesses. There are companies which are conglomerates. Sometimes, it's due to pressure. Sometimes it is due to succession. I think when we are talking about a 10-year strategy, I think we have to be ready for all times in the cycle and it has to fit strategy. It has to also fit our financial return hurdle rates. We are just giving a broad direction right now. We're not talking about here in now. I think as you said here in now, we think that profitability is the best ever balance sheets are delevered. That's why our entire focus is on, an organic expansion plan. I think it just reaffirms the point that you just made. The second point I'm making is that even though, capacity M&A may happen during the decade driven by various factors, the larger players will grow more organically and, they will take more market share away. I think the pricing power in the industry, which is the ultimate outcome of consolidation, is going to come even without large M&A to some extent. I think those are the two points that we wanted to make that while we have assumed the pricing growth of 1% in our model, we think there is upside due to consolidation of not just capacity M&A, but even market share.

Moderator: The next question is from the line of Rajesh Ravi from HDFC Securities.

Rajesh Ravi: Congratulations on a great set of numbers and a detailed presentation, particularly towards capital allocation. My question pertains to on the WHRS capacity 62 MW which you are having, could you give some breakup on where and by when these capacities you will be getting commissioned?

Mahindra Singhi: WHRS capacity, all would get commissioned by June ’22, June or July ‘22 everywhere. And then all our kilns except one kiln will have WHRS capacity.

Rajesh Ravi: So, by June, so by next year same time you will be having 62 MW barring one location.

Mahindra Singhi: Yes.

Rajesh Ravi: Second is what was your clinker production in FY21? Clinker production company on total basis for FY21.

Mahindra Singhi: That was 12.6 million,

Rajesh Ravi: 12.6 million. So, we were operating close to around 75% on clinker in FY21. So, again earlier participant also has asked to this, in terms of clinker expansion, cement to clinker capacity ratio continues to remain at more than 2x. Is that a sufficient number or it is more of a distributed grinding? Some of those grinding capacities that are more strategic in nature and hence a skewed number can sustain.

Mahindra Singhi: I would say that this is the capability which we are building for producing blended cement. Secondly, we would say that we have enough clinker to produce the cement. Then if overall industry average of capacity is 70% and, in our case, if it is 80% or 85% also, then also we will have the enough or surplus clinker to produce cement. We don't see any challenges that as well as the way technologically our team has understood the full usage of plant and equipment, we are quite hopeful that this clinker capacity will help us to produce more than 48.6 million tonnes.

Rajesh Ravi: Similarly, for the FY21, what was the production-mix, that we have achieved on full year basis, OPC, PSC, and composite?

Dharmender Tuteja: Last year cement production was about 20.7 and we had achieved cement to clinker ratio of 1.65.

Rajesh Ravi: Possible to share how much was OPC and other cement production?

Aditi Mittal: For the sales mix of last year our OPC was somewhere 17%, 18% and the rest was all blended. We've actually progressed to about 83% blended cement on an overall basis of which, I think the growth in PCC has been exceptional, over the last three, four years, it was almost 15% in FY21 and if you keep up the quarter repeating the same, so just to tell you directly 17% for OPC, PPC was around 33% odd, PCC 15 and PSC 32%.

Mahindra Singhi: And let me also add here that we should look at Indian cement sector as a whole also and if you look the Indian cement sector journey towards blended cement of last 10 years, last five years, every year it is inching up with the excellent capacity also, because many of the top players who are forward-looking, they are advocating of using blended cement which is good, both for the construction also and for the environment And you would also find, there are few cement companies whose blended cement ratio maybe 85% to 95% also.

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

Indrajit: I have couple of questions, one after the current near-term expansion 48.5, would you have hoped for further debottlenecking, or the debottlenecking part of expansion is lastly done?

Mahindra Singhi: Broadly I would say it is largely done, but at the same time with the technological innovations, no one knows that what can be done. When we commissioned our line 3 and then we could understand a few more areas where improvements can be done and technology is always in evolving space, I would not say that there will not be any scope for future debottlenecking or doing something, but at the same time whatever is possible as per our management team, as well as the technology suppliers, this is what best we would like to do.

Indrajit: In regard to your Greenfield integrated expansion takes off in South and East, given that Rajasthan in the new limestone mines that have been auctioned, how conscious are we of timely organic Greenfield expansion takes of our four regions of operations and what are the kind of bottleneck which we face and how are we approaching it?

Mahindra Singhi: So, this is how what we have shared is, that maybe in 9 to 12 months, then we are able to get more certainty about few areas, as well as about the land acquisition part. That we should be able to share with you that this is the broad action plan, but you and all of you must appreciate the way transparently we have come out that this is our vision. This is our philosophy. This is our action plan. This is what we would like do quarter-by-quarter, quarter-by-quarter you will go on, getting more and more clarity as well as we'll go on giving you more and more new vision.

Indrajit: One last question. Are you sharing what kind of proceeds we can expect from the refractory and retail divestment? Any ballpark number?

Rajesh Ravi: I think let the board work on this and we'll come back to you.

Moderator: The next question is from the line of Ashish Jain from Macquarie Group.

Ashish Jain: I had two questions, one, the CAPEX breakup, that you have given of around 4,000 to 5,000 crores for this capacity addition. Can you break it up between how much is for clinker capacity? How much is Greenfield grinding and how much is the grinding upgrades that we are doing.

Dharmender Tuteja: Clinker debottlenecking is going to be around 1200 to 1300, then more cement capacity additions such as Greenfields, etc., that will be around 3000 crores or so and the ongoing CAPEX which are there which is left is about 1250 to 1300 crores and rest all will be about 3000 to 3300 crores you can say.

Ashish Jain: Secondly, my question is this journey from 48 to 110 that you've spoken about as we stand, what is the visibility or what is the confidence we have in terms of either Greenfield based upon our current readiness or brownfield based upon whatever limestone or land that we may have. I just want to understand, the visibility of 50 to 110 based upon the resources we already have under our belt.

Mahindra Singhi: You should try to understand that when we have come out with such message, so what is in progress, but then at the same time, we would not like to give you some hazy numbers or hazy period and that's why we have said slowly, slowly-slowly in 9 to 12 months we'll come out with a plan for 60 million tonnes and for later on also we would share. At the moment, I would not be able to share you with you, that what is the exact plan for beyond 60 million tonnes minutes.

Moderator: The next question is on the line of Urmik Chhaya from Asian Market Securities Pvt. Ltd.

Urmik Chhaya: Just one question, in Q1 the realization is lesser than even Ambuja which has no presence in South. Is it entirely because of east and in that case the capacity expansion happens how do you see prices behaving?

Mahindra Singhi: The exact reason because we don't have exact analysis of Ambuja, but then if you broadly compare, then maybe because of better prices present in Northern India that may have some impact, but, as far as say future is concerned about east prices, with increasing demand, I think what Rajiv also earlier shared that, this is how the price movement would be there. We don't see any major challenge, one quarter here there something can be there, but otherwise in south also broadly prices are stable. In east, if you look, even of last three years, in few quarters, it's plus and in few quarters, it is minus, but as far as our brand is concerned, our capability to sell the right cement is concerned that's great.

Urmik Chhaya: One last question, is demand and price inversely proportional?

Mahindra Singhi: You know better than me, sometimes it does.

Moderator: The next question is from the line of Bhavin Chheda from ENAM Holdings Pvt. Ltd.

Bhavin Chheda: Excellent presentation on capital allocation and good to see the board taking the investors feedback, focusing purely on the cement vertical. Just on the capacity expansion plans, which are announced, the south of which I am seeing upgradation plus the Greenfield would be entirely in Tamil Nadu?

Mahindra Singhi: The Greenfield would be in Tamil Nadu to serve the market of Tamil Nadu and Kerala. The 3 million tonne would be in Tamil Nadu, but then, that will be serving the most prosperous market of Tamil Nadu and Kerala.

Bhavin Chheda: But the capacity which is coming is entirely in Tamil Nadu?

Mahindra Singhi: I am saying 0.3 million tonnes is in Tamil Nadu and 0.9 million tonnes that would come in our Belgaum plant, which will be serving mainly Karnataka market and partially some nearby areas of Maharashtra where it is more profitable.

Bhavin Chheda: Second question, the result had a note of some old dispute on 26% valid stake in Calcom, so would you like to update on the same?

Management: In this case the arbitration award which was pronounced by the appellate tribunal, that was challenged by the company in the High Court and the High Court has stayed that matter, we are confident that nothing adverse should happen.

Bhavin Chheda: Regarding that unit, can the board go ahead with any expansion on other plans or are there court restrictions on doing anything on that unit?

Mahindra Singhi: There are no restrictions, please.

Moderator: The next question is on the line of the Girish Choudhary from Spark Capital Advisors Pvt. Ltd.

Girish Choudhary: Couple of questions, firstly in the east, you will have a grinding capacity of 24 million tonnes and clinker is around 8 million tones. While you did discuss about high blending, but in terms of the raw material security, which is the slag, how confident are you in terms of the supplies? I just wanted to get a perspective on this.

Mahindra Singhi: We are quite confident of supplies because one, the steel plants they are broadly now running at full capacity. Second, there are trends announced by various steel companies to expand their steel production. Thirdly, to some extent we would also be moving towards composite cement, and so on. That would also need little bit lower requirement that would need a lower slag. So that way we are saying that we are quite confident about the availability of raw material in terms of both slag and fly ash.

Girish Choudhary: But currently do you have any contracted supply with the companies.

Mahindra Singhi: Yes. We have some long-term contract also and some short-term contract also, but the way we have seen the market, steel companies do need cement companies, they also need us, and we also need slag so that we can produce blended cement which is good both for profitability also and for the carbon footprint also.

Moderator: Ladies and gentlemen, due to time constraints that will be the last question for today. I will now hand the conference over to Mr. Puneet Dalmia for closing comments.

Puneet Dalmia: Thank you very much. Once again, I want to thank you all for participating in this conference call and giving us your valuable feedback on how we should look at the future decade. I look forward to continuing this interaction with you and look forward to spending more time to update you on how our progress on our expansion is going. We are very excited about the future that India offers, and we are very confident that the best for Dalmia is yet to come. Thank you very much.

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