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July 24, 2024

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

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

Subject: Transcript of Q1 FY25 - Earnings Conference Call

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

Dear Sir/Madam,

In terms of Regulation 30 of the Listing Regulations, please find attached transcript of the Q1 FY25 Earnings Conference Call held on July 19, 2024 for the quarter ended June 30, 2024.

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

Kindly take the same on record.

Thanking you,

Yours Sincerely,
For Dalmia Bharat Limited

Rajeev Kumar
Company Secretary

Encl: a/a

Dalmia Bharat Limited

11th & 12th Floors, Hansalaya Building, 15, Barakhamba Road, New Delhi-110 001, India
t 91 11 23465100 f 91 11 2331 3303 w www.dalmiabharat.com CIN : L14200TN2013PLC112346
Registered Office: Dalmiapuram, Dist. Tiruchirapalli, Tamil Nadu- 621 651, India
A **Dalmia Bharat Group** company, www.dalmiabharat.com



“Dalmia Bharat Limited
Q1 FY25 Earnings Conference Call”
July 19, 2024



**MANAGEMENT: MR. PUNEET DALMIA – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – DALMIA BHARAT
LIMITED
MR. DHARMENDER TUTEJA – CHIEF FINANCIAL
OFFICER – DALMIA BHARAT LIMITED
MR. RAJIV BANSAL – PRESIDENT AND CHIEF
TRANSFORMATION OFFICER – DALMIA BHARAT
LIMITED
MS. ADITI MITTAL – HEAD INVESTOR RELATIONS –
DALMIA BHARAT LIMITED**

Moderator:

Ladies and gentlemen good day and welcome to the Earnings Conference Call of Dalmia Bharat Limited for the Quarter Ended 30th June 2024. Please note that this conference call will be for 60 minutes and for the duration of this conference call all participant lines will be in the listen only mode. This conference call is being recorded and the transcript may be put on the website of the company.

After the management discussion, there is an opportunity for you to ask questions. Should anyone need assistance during the conference call please signal an operator by pressing star then zero on your touch tone phone. As a reminder all participant lines will be in the listen only mode.

Before I hand over the conference to the management I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts and may be forward looking statements. These statements are based on expectations and projections and may involve a number of risks and uncertainties such that the actual outcome may differ materially from those suggested by such statements. On the call we have with us Mr. Puneet Dalmia, Managing Director and CEO, Dalmia Bharat Ltd, Mr. Dharmender Tuteja, CFO, Dalmia Bharat Ltd, Mr. Rajiv Bansal, President and Chief Transformation Officer and the other management of the company.

I would now like to hand the conference over to Ms. Aditi Mittal, Head Investor Relations for her opening remarks. Thank you and over to you ma'am.

Aditi Mittal:

Good morning everybody. Welcome to Dalmia Bharat Earnings Call for Quarter 1 FY25. We declared our results yesterday and the presentation and the results have been uploaded on our website and can be downloaded from there.

With this I will now hand over the call to Mr. Dalmia for his opening remarks.

Puneet Dalmia:

Good morning everyone. I will begin with an overview of our performance and then Dharmender will provide a more detailed explanation of our operational and financial aspects. In line with our expectations, Quarter 1 of FY25 being an election quarter, we saw a moderation in cement demand across all markets in the country.

Some other factors such as heat waves, water shortages and floods in certain regions further added to the slowdown. Based on all these, we believe that the sector demand grew in the range of 2% to 4% on a Y-o-Y basis. However, these were only temporary setbacks and the continuity of the incumbent government manifests stability in policies and doubling down on the infrastructure spent.

This bodes well for the cement sector in the long term. While cement demand was weak during the quarter, what has been surprising is the continuous weakness in prices over the last 7-8 months. On average, PAN India cement prices were softer by 2%-3% Q-o-Q, while exit prices in June were lower by another 3% compared to the Q1 average.

I believe that the prices may remain soft until the monsoon quarter and thereafter price increase could happen from Q3 onwards this year. Coming to Dalmia Bharat, during the quarter we delivered a volume growth of 6.2% and an EBITDA of INR901 per ton. Even though there is

softness in earnings due to weaker prices, the counterbalancing and improvement in EBITDA is largely on account of reversal of certain cost inefficiencies which we had last quarter and partly on account of better input pricing.

Dharmender will further elaborate on this. While I talked about the promising cement demand environment in the country, the industry supply is also getting consolidated at a faster pace than anticipated. If you look at 2013, the capacity share of the top 4 cement companies was about 36%, which increased to 48% by the end of FY23.

i.e. it took almost 10 years to increase this share by 12 percentage points. However, it has now increased to 55% in a period of just 15 months, demonstrating that the consolidation is accelerating. Against this backdrop, we aspire to increase our capacity and volume share faster than the industry.

We are committed to becoming a Pan India player by 2031, having a cement capacity of 110-130 million tons. While we had given an intermittent milestone of 75 million tons by FY27, but given that Jaiprakash Associates has entered into the insolvency process, we believe that we should now be able to achieve this milestone by Financial Year 28. We had earlier guided the street that we will deliver 1.5x of the industry growth and we reiterate our guidance.

In spite of the recent development on Jaypee, we believe that we can deliver 1.5x of the industry growth in this financial year. We have delivered a robust EBITDA performance this quarter, despite a challenging price environment. We have also identified levers for sustainable cost reduction, and we believe that we will be able to reduce our cost to the tune of INR150-INR200 per ton in the next three years.

With regards to our organic expansion, we are currently at 46.6 million tons, and we will reach 49.5 million tons by the end of Financial Year 25. We are on track to complete the North-East and Bihar expansion as per the earlier committed timelines. Now I will request Dharmender to take you through the detailed financial performance for the quarter gone by. Thank you.

Dharmender Tuteja:

Thank you, Puneetji. Good morning everyone. Let me take you through the key aspects of our performance. During the quarter, we delivered a volume growth of 6.2% Y-o-Y and sold 7.4 million tons. This includes a tolling volume of 0.4 million tons from the Jaypee assets. Our overall trade mix remained at about 64% during the quarter.

Our revenues during the quarter were flattish at INR3,621 crores on a Y-o-Y basis, while our volumes grew by 6.2%. The NSR has declined by a similar percentage, keeping the revenue flattish. On a Q-o-Q basis, while prices for the sector have declined in the range of 2%-3%, our NSR declined marginally by 0.3% in Q1 of FY25 because of our initiatives to improve brand mix, price positioning and rationalization of discounts. From early June 24, the cement tolling operations at Jaypee plants are being done on a job-work basis.

Accordingly, the cost of material purchases forms part of the cost of raw materials consumed and not purchase of stock in trade. Excluding the cost of these purchases, raw material cost in Q1 FY25 was INR729 per ton of cement production, which is lower by 5% Y-o-Y. The reduction

in raw material cost has been contributed by our mining cost optimization and usage and procurement efficiencies, which we feel are sustainable.

The power and fuel cost declined by 22% Y-o-Y to INR1,003 per ton of cement production, mainly due to a \$46 decline in the fuel consumption cost from \$152 to \$106 on a Y-o-Y basis. Another reason for steady decline in this cost line item is our increasing usage of renewable energy as compared to last year. Our RE share has increased to 35% during the quarter.

Our fuel cost during the quarter stands at INR1.38 per Kcal. We continue to be one of the lowest cement cost producers in the industry. We are working to improve cement to clinker ratio and increase the share of renewable power, among other things.

In the past few months, we have entered into multiple renewable power agreements under the Group Captive Arrangement, which will secure 127 MW of renewable power through solar and wind energy. The commissioning of these renewable power plants is expected to be in FY25 and FY26. We expect to reach about 50% of the RE power share by the last quarter of FY25.

During the quarter, our logistic cost decreased by about 3.4% Y-o-Y, to INR1,117 per ton. On a Q-o-Q basis also, the cost has declined by 3.5% as we had incurred additional logistic costs last quarter which, as indicated in our last call, were expected to be reversed. The employee and other expenses were largely flattish in absolute terms on a Y-o-Y basis.

With improvement in sales volume, we got some positive operating leverage, benefiting the per-ton profitability. Overall, our EBITDA during the quarter increased by 9% Y-o-Y to INR669 crores, which translates to an EBITDA of INR901 per ton. We accrued INR74 crores of incentive during the quarter and collected INR45 crores, with closing outstanding of INR734 crores.

For FY25, we expect the total incentive accruals and collections to be around INR300 crores. Our other income during the quarter declined by INR4 crores to INR50 crores on a Y-o-Y basis, but by INR70 crores on a Q-o-Q basis, as the previous quarter had dividend income and also some one-off incomes. The depreciation during the quarter declined by INR82 crores to INR317 crores on a Y-o-Y basis in spite of taking depreciation of new capacities commissioned in last one year.

There are two key factors leading to this reduction. Firstly, Q1 last year had accelerated depreciation impact of INR57 crores on equipment being replaced in our debottlenecking projects which is no longer there. Second in Q4 FY24 we realigned our method of depreciation in North-East plants to straight line method to align with the practice followed by leading cement players.

This contributed to reduction in depreciation by INR47 crores in this quarter. We expect FY25 depreciation to remain in the range of INR1,350 crores to INR1,400 crores. As you are aware, Jaiprakash Associates Limited has been referred to CIRP proceedings. While we have filed our claims to IRP. We have considered the provision for potential loss that may occur on account of amount recoverable from JAL. This provision amounting to INR113 crores at the PBT level has been considered an exceptional item. Our capital expenditure during the quarter stood at about INR660 crores.

We have commissioned 1 million tons of cement capacity each at Kadapa and Ariyalur which takes our total capacity in the South to 17 million tons. We are also at the advanced stage of completing our 2.9 million tons of cement expansion in Assam and Bihar. During the full year, we expect to spend about INR3,500 to INR4,000 crores largely towards organic expansions, efficiency improvement, land and maintenance capex.

As of 30th June, our gross and net debt remained range-bound at INR4,613 crores and INR445 crores respectively. Hence, our net debt to EBITDA also remained stable at 0.17 times. Our strong balance sheet position is quite well for the next phase of expansion. With this, I now open the floor for questions. Thank you very much.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Hi thanks for the opportunity. So my first question is around JPA. So with this development of it going into NCLT what will be the tolling arrangement going ahead? Will you continue with it and will the terms be the same that is the first thing I wanted to understand?

Dharmender Tuteja: See we are in discussion with the IRP on the modalities of the tolling operations and we are hopeful that we will continue to serve and rather improve our presence in the central markets from JPA plants as well as our plants in the East.

Amit Murarka: And also on the expansion program so you have a capacity target of – interim target of 75 and long-term of 110- 130. So by when do you expect, or can we think of more announcements on the expansion from now?

Puneet Dalmia: Look we are very committed to our long-term roadmap of 100 million ton plus by 2031 and we are doing very detailed work on this, and we will give a very clear-cut timeline along with the locations of where we are going to expand after 12 months.

Amit Murarka: Oh after 12 months. Okay nothing this year then. Okay. Sure I will come back in the queue. Thanks.

Moderator: Thank you. The next question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead. Mr. Kumar Ravi I have unmuted your line. Sir please proceed with your question. As the current participant is not answering, we will move on to the next question which is from the line of Aman Agrawal from Equirus Securities. Please go ahead.

Aman Agrawal: Yes. Thank you, sir. Thank you for the opportunity and congrats on a good recovery in margin. Sir with respect to the cost reduction target, if you can just elaborate on the 150 to 200 per ton reduction that you are expecting over three years one was that. And second if you can provide some more details on the captive coal mines that we have been highlighting?

Dharmender Tuteja: See basically this will be contributed by our VC reduction which will come from the improvement in the RE power share as well as we will be also using our captive coal mines. And we are also committed to reduce our logistic costs which will be through reduction in the lead distance as well as other initiatives like direct dispatches improvement etc.

- Aman Agrawal:** And the captive coal mine, if you can just provide additional details when are we expecting that and what kind of output can we expect out of the same?
- Dharmender Tuteja:** See Brinda - Sisai coal block we will be commissioning in the current year while the Mandla coal block will be commissioned in the next year. And of course they will contribute to these regional profitabilities wherever this fuel will be supplied.
- Aman Agrawal:** And lastly with JPA now more or less out of the scope now on the alternate expansion strategy if you can just highlight the region-specific with existing limestone mines which region can we potentially look at for further expansion?
- Puneet Dalmia:** I think I have already said that we have scope for Brownfield expansion in a few of our plants. And we have mines in Central India as well as in North India which means in Madhya Pradesh and Rajasthan. We are preparing a full blueprint. We will come back to you with a very specific timeline along with all locations after 12 months.
- Aman Agrawal:** Understood sir. Thank you.
- Moderator:** Thank you. As the current participant is not answering, we will move on to the next question, which is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.
- Sumangal Nevatia:** Good morning sir. Thank you for the chance. My first question is on the realizations. So we are expecting realizations to be weak based on the dealer feedback and in your opening remarks also you said Q1 was down 2% odd, but that's not visible in our results. So is there any one-off or how should we see the reported revenue or realization for this quarter?
- Dharmender Tuteja:** There's no one-off, but as indicated in the opening remarks there have been improvements in the brand positioning. Whatever marketing spend we have done, has also started yielding results. There have been improvement in the product mix and also there has been some rationalization in the discount schemes which have all contributed to negate the impact of the price fall in the sector.
- Sumangal Nevatia:** Okay, I understand. And for next quarter can you guide what sort of current trends of realization versus average of last quarter? I missed those numbers?
- Dharmender Tuteja:** For the current quarter already we are seeing that the prices are lower by about 3% or so compared to the previous quarter and we don't expect these to improve in the current quarter. Hopefully from Q3 onwards we should start seeing the recovery in the prices.
- Sumangal Nevatia:** Understood. Thank you. And with respect to cost, do we expect any near-term cost levers or cost reductions because of commodity deflation which is continuing? If you could quantify for the next one or two quarters, what could be the energy price trend?
- Dharmender Tuteja:** The RE power share which is 35% will be of course increased and the major impact will come in Q4. Which by then will reach about 50%, but we will see a steady improvement in our power and fuel costs which I said about 1.38 per Kcal in Q1. It should go down steadily to about 1%, 2% improvement in the coming quarters.

- Sumangal Nevatia:** So 1% to 2% improvement sir?
- Dharmender Tuteja:** Yes. And the raw material savings which I've indicated that we feel are sustainable.
- Sumangal Nevatia:** Understood. And one just last quick question. This tolling arrangement with JPA, I mean, what is the risk of it being now discontinued? And if you could just share what would be FY24 volume and EBITDA contribution from this arrangement?
- Dharmender Tuteja:** As I said earlier we are in discussion with the IRP and we are hoping that, of course, we'll be continuing to serve this market and rather improve our presence. And, of course, more details we cannot give until modalities get firmed up.
- Sumangal Nevatia:** Understood. Is it possible to share what could be the EBITDA contribution from tolling?
- Dharmender Tuteja:** Breakup of the profitability we don't share.
- Sumangal Nevatia:** Understood. All right. Thank you so much, sir and all the best.
- Dharmender Tuteja:** Thank you Sumangal.
- Moderator:** Thank you. The next question is from the line of Rahul Gupta from Morgan Stanley. Please go ahead.
- Rahul Gupta:** Yes. Hi. Thanks for taking my question. So a couple of questions. First, taking the point forward of cost improvement by INR150 to INR200 over the next three years. Just want to understand your view - how this number or this range changes as you are expanding and becoming a Pan India player. Is there a drag to this number or you have taken that into consideration that you becoming a Pan India player would also drive INR150 to INR200 cost improvement? So that's my first question?
- Puneet Dalmia:** I think right now we are looking at our current footprint, and this cost improvement is based on our current footprint only. I think as we look at the expanded footprint and announce the specific locations, these numbers would change with that mix, but in the current footprint, we are very confident that we will deliver INR150 to INR200 per ton over the next three years.
- Rahul Gupta:** Great. Thanks for the clarification. My second and last question is you talked about INR113 crores of one-time provisions against your receivables from JPA. Can you just help me understand what is the overall outstanding and what is the risk of this provisions increasing in the future?
- Dharmender Tuteja:** While whatever risk we considered as of date has been fully provided for. We hope to mitigate part of this. But of course, things will be reviewed from quarter-to-quarter. Hopefully, we don't foresee this should increase.
- Moderator:** Thank you. We'll take the next question from the line of Indrajit Agrawal from CLSA. Please go ahead.

Indrajit Agrawal:

Hi, thank you for the opportunity. A couple of questions from my side. First, sir, on the pricing outlook for the industry, while you highlighted that consolidation has picked up meaningfully, but still we see pricing outlook to be fairly negative. And if I were to look at how the prices are trending currently, even for a flattish Y-o-Y pricing for FY'25, we need close to 6% to 8% price increase in second half?

So with that backdrop, over the next two, three years, do you think that pricing growth would be much lower than the last 15 years which has been 3%- 3.5%? Can we see a much lower price increase or maybe a flattish price increase? And all profitability increase will be driven by cost savings?

Puneet Dalmia:

I think it is hard for us to predict exactly how much price increase will happen and how long it will sustain. I think this is a very important question that consolidation is happening and when will pricing power come back? I personally think that there is still some time to go before the consolidation fully plays out.

And I think it is hard to predict as to how long it will take to fully play out. I think we can just say that the trend is towards greater consolidation, faster consolidation, and even large part of the organic growth being captured by the top players because of their stronger balance sheet and their ability to execute projects. So I would just say that I think on a trend line perspective, we can say that consolidation will accelerate and how quickly will that translate into earnings power, I think it is hard for me to predict.

But we have seen in sector after sector, whether it is telecom, whether it is steel, whether it is banking, consolidation plays out and eventually margins improve. We have also seen it in cement sector around the world. But in India, I think it is still a very fragmented market and top 4 is 55%, but there are still 20-25 players in this market. So I think it is going to play out over the medium term, but how will it translate into pricing power is hard for me to predict.

Indrajit Agrawal:

Sir, on that front, how do we see our inorganic aspirations? What kind of assets would you be evaluating? Is there any regional or IRR criteria in mind before you go ahead and bid for it? Because clearly balance sheet is much stronger for us as well.

Puneet Dalmia:

I think we have said this earlier too. I think we have an ambition to be a pan-India player. And we will look at acquisitions from a strategic attractiveness which fulfils our strategy. We also will look at our hurdle rates of return and it has to meet our financial criteria.

I think in the past also we have seen that there are acquisitions which we have done which meet our criteria and we have successfully integrated them and turned them around. And there are acquisitions which we have either walked away from or not been able to do because they did not fit in our criteria.

So it may be more attractive for someone else but less attractive for us. So I would say that we will evaluate it on two parameters. One is the strategic criteria which helps us diversify our footprint or increase our share in our present market and obviously something which is at a price where we can justify the risk-return trade-off.

- Indrajit Agrawal:** Okay, thank you. I have two housekeeping questions. Can you give us the lead distance for this quarter?
- Dharmender Tuteja:** 272 kilometres.
- Indrajit Agrawal:** So sharp decline Q-o-Q. And secondly, what is the current booking cost of fuel? I understand 1.38 is what we have booked in Q1. So are the current spot prices much lower than that?
- Dharmender Tuteja:** Around similar levels.
- Moderator:** We will take the next question from the line of Satyadeep Jain from Ambit Capital. Please go ahead.
- Satyadeep Jain:** Hi, thank you. A couple of questions. Puneet, on that 75 million target, just want to understand, you mentioned you will share more details 12 months from now which will be almost mid-FY '26. So if we keep inorganic growth aside, that would imply almost 25 million ton ordering and execution within two-year time frame from mid-26. Is that realistic? What is the strategy and are these numbers making sense about 25 million ton ordering and execution within a frame of two years given the execution and balance sheet at the end? That's the first question.
- Puneet Dalmia:** And what's the next question? I'll answer both of them together.
- Satyadeep Jain:** So on the cost also, the INR150 to INR200 per ton target that you outlined, is it possible to break it into various buckets on how much savings you're looking at, RE, how much from captive coal and other variables? And if I may add just one quick question to this, when you look at Central India, what has been your marketing spend so far? And let's say if JP doesn't come through in the NCLT route, would you look to accelerate your greenfield plant there? What would be the thought process in Central India? So those are the questions.
- Puneet Dalmia:** So I think on the first question, as I said, we are very committed to our long-term roadmap of 100 million tons plus by 2031. I will share a very, very concrete roadmap along with timelines in 12 months. We can assure you that a lot of work is being done and we have a scope for expansion in our current locations, as well as we have mines in Central India and North India.
- So whether inorganic happens, doesn't happen, I think we have a backup where we can do organic expansion for sure. And I would say that project execution time is something also we are looking at very carefully. We have commissioned all our projects ahead of the promised timelines in the last 10 years, except one which was Bihar grinding unit, which took a little longer and then we just scrapped it because we thought we had better opportunities.
- So I would say that overall in all the projects that we have executed, we have executed them ahead of time, barring one. And we are very confident that we will be able to execute the projects on time, on cost. The issue is that there is some delay.
- We acknowledge that and we recognize that. But when you are looking at a long-term growth plan, sometimes a year here or there does happen. But I can just say that we are absolutely

committed, given the opportunity and our own execution capability and our strong balance sheet, that we will deliver on this growth.

The second point I want to say is that in terms of INR150 to INR200 per ton cost targets, we are not breaking it down by bucket because the spread might change in terms of the fuel cost versus our captive coal, depending upon how fuel prices behave. The spread might also change on power.

But we have on these three areas, which are renewable power, our own coal mines and logistics cost, I think no matter what happens, we are fairly confident that we will deliver INR150 to INR200 per ton savings in the next three years. And I think regarding the Central India marketing spend, I think we do not share so many granular details about each regional market. So, please bear with us on that.

Moderator: Thank you. We will take the next question from the line of Amber Singhania from Nippon India AMC. Please go ahead.

Amber Singhania: Hi, thanks for taking my question. I just wanted to understand one thing. A few years back or almost three years back, we mentioned our intention to reach around 100 million ton by FY '30 post that JP happened. JP almost, it has been like 2- 2.5 year. But JP was just 10 million ton. JP would not have helped us to achieve or reach our target completely.

There could have been more expansion, which should have been announced or planned earlier. Last quarter also, we mentioned that in another two quarter time, we will give the clear roadmap. This time, we are saying another one year.

So, I mean, just wanted to understand, was there ever a plan B or the other plans, or we were like too, too much dependent on JP, knowing fully that JP alone will not suffice for us to reach that 100 million target. And now the asking rate is too high as the previous participant also asked. So just wanted to understand your thought and the Board's thought process on that line. Where are we missing out on the planning and execution on that?

Puneet Dalmia: I think there are two things. I think one is, first of all, I completely acknowledge the fact that there has been a delay from our side on this issue. I think there are two issues which we have been grappling with.

I think one is that we were fairly confident that the JP transaction will get consummated this year and I have myself guided on that. But the fact that they got pushed into insolvency was a huge surprise for us. So I think there has been definitely some delay and uncertainty on account of that, which we did not anticipate it.

The second thing is that we are not announcing the exact locations because it takes time to buy land. And when you announce exact locations, sometimes people front run the land and land prices go up and the uncertainty gets heightened in terms of executing the project. So our view is that announcing all locations ahead of schedule until we are fully secure just increases the execution risk.

So while there has been a delay from our side on a little bit of land acquisition on our site, and there has been uncertainty in Jaypee which we did not anticipate as much as we should have, I think these are the two reasons why there is a delay. And there is always a plan B. these are long-range targets.

We might be plus one year here or there, but I can just say that we are fully committed to our expansion plan, and we will demonstrate very strong execution as we have done in the past. We have gone from 1 million to 50 million tons with a strong balance sheet and no dilution in equity. I think we can go from 50 million to 100 million tons, and we will give you a very concrete roadmap about it.

Amber Singhania: Got it. And secondly, to achieve this target, are we still open for inorganic acquisitions in future on that line or are we changing our strategy towards more of organic growth?

Puneet Dalmia: No, I think we have always maintained it will be a mix of inorganic and organic. There are uncertainties in inorganic, so it is hard to commit what will happen, what will not happen. But there will be a mix of organic and inorganic as it has been in the past. And I think we will continue to look at assets which fit our strategic footprint and our financial attractiveness criteria.

Amber Singhania: Got it. And lastly, if I may ask, after providing this INR113 crores, what is the pending amount invested or put in Jaypee as such?

Dharmender Tuteja: As I said earlier also, practically whatever exposure we considered has been fully provided for. So hopefully, we don't see any further cost coming and we are working on mitigating part of these so that some reversal we can see in the coming quarters.

Amber Singhania: Got it. Thank you.

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

Rashi Chopra: Thank you. Just on the volume growth for the industry, what kind of volume growth are you expecting this year?

Dharmender Tuteja: Close to about 8%.

Rashi Chopra: So for yourselves, it would be double-digit growth, right, based on the 1.5x growth?

Dharmender Tuteja: Yes, 12%..

Rashi Chopra: 12%. And within the 12%, are you taking some tolling volumes as well?

Dharmender Tuteja: So when I say it is including the tolling volume last year, so on that also 12%, at least we should clock.

Rashi Chopra: Okay. So this year's tolling volume, are you like assuming a similar level as last year?

Dharmender Tuteja: As I said, we are in discussion with the IRP and we are hopeful that both from the Jaypee plants as well as our own Eastern plants, we should be able to cover this volume.

- Rashi Chopra:** All right. And just on the limestone reserves, is any lease expiring in 2031 in terms of like, you addressed this the last time as well, but just kind of reiterating it, in terms of limestone sufficiency from a number of years perspective, what are the timelines?
- Dharmender Tuteja:** On the limestone, I think we are pretty covered, but of course, the timeframe of this will be clearly visible in a couple of quarters, because some of the things in the IBM data are being updated. And you'll see that should not be a concern for the limestone security point of view.
- Rashi Chopra:** Okay. Just some bookkeeping questions again. What was the percentage of blended cement in this quarter?
- Dharmender Tuteja:** 86%.
- Rashi Chopra:** And CC ratio?
- Dharmender Tuteja:** CC ratio is 1.67.
- Rashi Chopra:** Okay. And just two questions, I think I missed -- just to be doubly sure, you said Q1 capex was INR660 crores?
- Dharmender Tuteja:** Yes.
- Rashi Chopra:** And tolling was 0.2 million tons?
- Dharmender Tuteja:** 0.4 million tons.
- Rashi Chopra:** 0.4 million tons. Okay. Thank you.
- Dharmender Tuteja:** Thank you.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.
- Prateek Kumar:** Hello. Good morning, sir. Congrats for good results. Yes, so my question is on the volatility in the results, while the performance was very good, but most investors actually complain about the performance being extremely volatile in the past, turning from very subpar versus peers to above par versus peers on a quarter-to-quarter basis. How do we explain this, as well as is there anything we can do to address this kind of volatility? Thank you.
- Dharmender Tuteja:** Yes, Prateek, I think you raised a valid question. In the last financial year, many of our plants had debottlenecking projects. So it led to shutdowns and the planning of materials. So there was some L2 movement, which we call, that means supply from a longer distance, costlier source, as well as stocking of inventory. So, our movement of inventory was more fluctuating compared to the rest of the peers. So when you increase the inventory, some of the overheads get loaded into the inventory, and that doesn't show up in the same quarter.
- When that inventory gets released, it comes in the cost. So that contributed significantly to our fluctuations in the cost. Going forward, since both these factors and these debottlenecking

projects are over, we expect you'll see much more normalized growth in line with the industry parameters.

Prateek Kumar: Sure, okay. And the second question is on your marketing costs. Last time talked, because of the hiring of a brand ambassador, there was an increase in marketing costs. Is it already now part of the other expense, or is there some elevation which we can expect there?

Dharmender Tuteja: It is part of the other expenses, and we are committed to keep our brand building efforts strong. And you'll see the results in the sales also. And that is already part of the cost structure, which is already reflected in the first quarter results.

Prateek Kumar: Sure. Thank you, sir, and all the best.

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

Jashandeep Chadha: Thank you for the opportunity. There are two questions. Firstly, I just wanted to understand your view on the Southern market. So we have seen a lot of consolidation as well as expansion happening in South India. And volume push is one of the reasons why the prices of the earlier higher-priced market is quite low. So do you see any price recovery coming from there? And your view on how the pricing of the Southern India will remain? I just wanted to look at that, because Dalmia also has a large share of its volume coming from South India. So I wanted to understand your view of this.

Puneet Dalmia: As we said, South is a very fragmented market and there is increasing consolidation. But some of these plants which are being bought over were underutilized. And with a stronger promoter, the utilization will go up. So I would say that there could be short-term pressure on prices till utilization of some of these underperforming assets goes up. And over the medium to long term, as consolidation enhances, prices should stabilize or go up. That's my view. But I think we'll have to wait and watch as to how things shape up.

Jashandeep Chadha: Okay. Thank you for that. My second question is more on Dalmia. So if we see from the core markets, that's excluding tolling volume, this quarter also it was 2% growth. And in fact, in the last year as well, we saw from the core markets, the volume growth is lagging in the street. So is there a structural issue going on in your core markets? And given the fact that you will announce your expansion after 12 months, is there a chance that Dalmia might lose some market share in its core markets? Just wanted to understand that.

Puneet Dalmia: I think we are running at 65% utilization. So we have huge scope to grow. And I don't think we're going to lose out in terms of volume growth as the demand in our core markets grow. Our headroom for growth is very high.

Jashandeep Chadha: Okay. And just one last question. It makes me feel quite uncertain with Jaypee. And you might not have decided on whether to do tolling or not. Will you get similar acceptance from dealers also if you start or continue without tolling? Because dealers might want to sell units of established players there, because Dalmia will be using a lot of shelf space. Or will it be required

that you have to give extra commission to dealers? Just wanted to understand the dynamics of how this will work.

Puneet Dalmia: Sorry, your question, your voice was a little muffled. Can you repeat?

Jashandeep Chadha: I'll repeat. So Dalmia started doing tolling because there was certainty, or you were going to take over Jaypee. Now there's a lot of uncertainty over there. So how much does that tolling agreement or continuing the tolling agreement still make sense for Dalmia? And will there be some resistance from the dealer as well? Because since you have not announced any extension to our dealers might want to keep the products of the establish brands over there. instead of Dalmia. Just wanted to understand that.

Puneet Dalmia: I think we are not seeing any such situation in the marketplace. And irrespective, I think we have the ability to supply to that region from our Eastern plants as well. So we are not seeing any resistance from the dealers. In fact, we are seeing a lot of acceptance.

Jashandeep Chadha: Okay. Thank you so much. I'll join back the queue.

Moderator: We'll take the next question from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Yes, thank you. I just wanted to first clarify when we say 12% volume growth for FY '25. So this is on 28.8 million ton volume console that we have done in FY '24. On that we are seeing 12% volume growth?

Dharmender Tuteja: Yes, your calculation is right.

Shravan Shah: Yes. So that means for next three quarters, we need to do 14% kind of volume growth and we are confident that we can do that.

Dharmender Tuteja: Yes, we are confident.

Shravan Shah: Okay. Yes, that's great. I understand that we will take one year to announce the expansion plans. But broadly, trying to understand in terms of the capex that 25 million tons if we take it will be broadly 15,000 crores odd kind of that means we will spend broadly INR4000 crores to INR5000 crores every year from next year onwards. So these are also 3500 to 4000. So how do we see the net rate?

Moderator: I'm sorry, sir, your voice is breaking, Mr. Shah. Your voice is breaking, sir. You'll have to repeat your last line again, please.

Shravan Shah: Yes. So I'm trying to understand how one will look at in terms of the net debt given the capex for next four years and maybe even going forward also would be close to INR4000 crores. Will our Cash Flow from Operations will be sufficient? So how one can get increase in the net debt?

Dharmender Tuteja: Yes, while we announce these expansions, of course the financing and the net debt gross debt positions will be duly factored in and we would like to remain within our announced capital allocation policy guideline that our net debt to EBITDA should not cross 2:1 because the safety of balance sheet, I think that will be also paramount while we plan these expansions.

- Shravan Shah:** Okay. And then is it fair to say, let's say this INR150 to INR200 cost reduction over three years? Broadly, one can look at INR50, INR70 every year?
- Moderator:** Mr. Shah, I would request you to kindly rejoin the queue as your audio is not clear, so there is a network issue on your end.
- Shravan Shah:** Yes, so I was just trying to understand this cost reduction.
- Moderator:** Mr. Shah, I'm sorry, I'll have to interrupt again and again but your audio is not clear. Please rejoin the queue. Thank you. The next question is from the line of Ravi Sodah from Elara Capital. Please go ahead.
- Ravi Sodah:** Sir, can you help me with the net debt reconciliation from the March quarter till now? Broadly, I see that there has been a INR600 crores gain booked for mark to mark for IEX, but our net debt numbers have remained unchanged. We might have also made cash profits. So I just wanted to understand from that perspective.
- Dharmender Tuteja:** Yes, primarily in this industry in the first quarter, you end up increasing the working capital because at the year-end the dealer discounts get paid off, the GST liabilities or the TDS liabilities get paid off in the first quarter and also the inventories are almost at a year-end low at the March position. So there's an increase in working capital and secondly, the capex of INR 660 crores has been primarily funded by internal accruals. So you see that the working capital got consumed and that deficit has been made good by the IEX improvement. So more or less the net debt has remained the same.
- Ravi Sodah:** Okay, sir. And the INR650 crores spend has been primarily on the Northeast expansion that we are doing, or it is on the cost-saving initiatives that we are doing?
- Dharmender Tuteja:** All of them, as I said, mainly of course the organic expansion of Northeast as well as Bihar and also our efficiency projects, maintenance capex and partly land also.
- Ravi Sodah:** Okay, thank you.
- Dharmender Tuteja:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.
- Rajesh Kumar Ravi:** Yes, hi, sir. While some of my questions have been answered, I just wanted to get some more colour on this volume growth guidance of 1.5x industry growth. Even last year, you were looking at similar growth trajectory and on core volume growth, we landed up in a single digit. So given that, we are still confident that next nine months, we would be able to deliver 14% volume growth. Shall we assume that our realizations, again the discounting structure may need to increase, which we have seen normalization in Q1? And second, your thoughts on the IEX stake sale?
- Dharmender Tuteja:** See, on the volume front, 14% growth, we feel that it's possible. Of course, last year there were a couple of issues that we had shared in the investor calls also whatever experiment we did in

the first quarter this had some impact and took a couple of quarters for us to come back and those issues are behind.

And secondly, the brand positioning has been improved and we are seeing that action coming. So, all these initiatives, we are sure will lead to better results. And I don't think we'll have to increase the discounts to gain the volumes. In the first quarter also, we have seen that the discounts have been rationalized and still, we have been able to at least meet or slightly exceed the industry volume growth.

And on the IEX, we continue to maintain our stand that yes, it will be a short-term investment. And of course, exact timelines I cannot give but we'll be looking to sell this to meet our funds' requirement for the expansions.

Rajesh Kumar Ravi: Okay. And this 150 to 200 per ton, I understand that if I look at your green power mix for FY '24 this will be close to 26, 27%, which in FY '26, you would be close to on an average 50%. Is this understanding correct?

Dharmender Tuteja: That's right. The 50% we plan to reach by Q4 of FY'25 and in '26 to improve further on this.

Rajesh Kumar Ravi: So at least a full year, you will have 50% green power, renewable power, and green power available to you. So that saving if I factor in given that a good chunk of that may also come in from Grid power, you may save incremental INR2 to INR3 per unit. So that would give another INR40, INR50 versus I'm looking at FY '24 versus FY '26.

So are you also building in the cost reductions coming in from the fuel prices? Because per Kilocal costing on FY '24 versus FY '25 that number is down by almost INR30, INR35 paise basis current price. So is that also weighed in this INR150, or they are over and above the fuel cost reductions?

Dharmender Tuteja: See, we are factoring in the current level of petcoke international prices. If any moment there happens, of course that I have not factored in but there'll be further savings in the fuel cost coming from the use of our captive coal mines. And of course, some efficiency improvements will come.

Rajesh Kumar Ravi: No, what I was referring to was this INR150 to INR200 per ton reduction in opex, which you're referring to that includes the fuel, or this is over and above the fuel changes?

Dharmender Tuteja: That includes the fuel but not coming from the drop in the international petcoke prices. So current international prices should be the base.

Rajesh Kumar Ravi: Great, sir. Thank you. I'll come back and thank you.

Dharmender Tuteja: Thank you, Rajesh.

Moderator: Thank you. The next question is from the line of Dishant Rakesh Jain from Quasar Capital. Please go ahead.

Dishant Rakesh Jain: My questions have been answered. Thank you.

Moderator: Thank you. We'll take the next question from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo: Right. Thank you for the opportunity. Two quick questions and sorry if it's a repeat but just as to build more conviction into our numbers is it still possible to give a little more specific breakup of this cost cut that we are talking about 150- 200/T? It's definitely encouraging, and several large companies are talking about it. So a broad breakup like let's say about INR50, INR60 from renewable, 30- 40 from mining, some broad breakup will really help us factor in our forecast. Thanks.

Dharmender Tuteja: So that will be shared with all the investors. But of course, as I said it is primarily coming from renewable energy going up to at least 50% by this year-end and going further to hopefully about 60% in the coming year-end, next FY'26 year-end, and use of the captive coal mines, which should reduce our fuel cost. And of course, besides VC, there'll be savings in the logistic cost where we see the scope of about INR50 to INR100 coming from there also.

Navin Sahadeo: And second, in your key markets, could you please tell us, what is the difference in the current trade and non-trade prices, that will really help in key markets of your South and East trade and non-trade prices? Thank you so much.

Dharmender Tuteja: Of course, it varies, but exact numbers, we'll not like to share at this call. Kindly bear with us.

Navin Sahadeo: Sure. Thank you.

Moderator: Thank you. Next question is from the line of Nirav Bhanushali from Groww Mutual Fund. Please go ahead.

Nirav Bhanushali: Yes. Hi, sir. Congrats on good set of numbers. I just wanted to understand how is the demand scenario you're seeing post the election and whether is it improving in your key markets as well as in the central region?

Dharmender Tuteja: Of course, post elections, the monsoons have started and of course, the monsoons have been quite uneven at certain places. The impact is quite high, certain places it's low. So, the volumes have started coming back, but of course, not with the full intensity. Of course, we remain hopeful that the overall thrust of the government to support the Indian economic growth.

That will continue and that will translate to good demand growth because all sectors are actively firing the real estate demand on the household, both in the urban as well as the rural areas is good. Infrastructure spending is also good. So, we don't foresee that the overall demand for the full year should be less than 8%.

Nirav Bhanushali: As we are seeing demand is improving, but still the price hikes have not been sustained in the last couple of months.

Dharmender Tuteja: Yes, the price has not been sustained because there is a market share game by all the players. People are hungry for their market share and of course, that is one of the key reasons why prices have not improved.

Nirav Bhanushali:

Thanks a lot.

Moderator:

Thank you, sir. The next question is from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain:

Sir, my question, again pertains to the growth outlook and, I have three parts to it. One is, you highlighted that you are not sharing the details at this moment from a competition point of view. So, shall we assume that in 12 months when you come out with a detailed plan, you would have progressed a fair bit in terms of the resource access on land, limestone, all of that, and hence the execution time would be much shorter. That's the first thing.

Second thing, you would be factoring in some inorganic growth as well, like you alluded to earlier. Given there are a lot of large companies that are still fairly active in terms of acquisition of assets. Can you give some colour of how much acquisition-led growth you would be looking at?

I know it's impossible to give a right number to it, but just, in terms of the proportion, how much intuitively you are factoring from acquisition. And thirdly, if I look at fiscal 24 plus 25 put together, we are effectively guiding, for a capex both put together of around INR7,000 crores, INR8,000 crores. But in terms of incremental capacity in this period, we are barely adding 7- 8 million tons of capacity.

So, can you also elaborate a bit more on, where is the balance capex going? Is it future preparedness or a lot of cost-savings initiatives? And if yes, then what is the quantum of cost savings we can expect from these specific projects?

Dharmender Tuteja:

See, on the roadmap, when we announce the expansion roadmap, you'll have clarity about the sites, about land procurement or the limestone reserves, etc. So that full clarity will be available when we announce this expansion in the next 12 months. Regarding inorganic growth, I think it's not possible to share any specific details, which markets, which kind of players, etc.

So it all depends on the strategic fit which develops between the two players and the fairness of the evaluation, etc. But of course, that will remain as part of the overall expansion strategy. If any such opportunity comes, the balance expansion can be modulated accordingly to fit our balance sheet size and expansions.

And with regard to the capex expansions in the last 2 years, of course, the bulk of this has gone for the organic expansions, but also for a lot of efficiency improvements, which will definitely translate to the improvement in the variable cost. And part of that has also started showing in the results.

And in the next 3 years, when we say that we will translate to INR200 per ton saving, so part of that will also come from efficiency improvements. So when we say that RE power, etc. All these are part of the efficiency improvements, so the ROI projects, which you call it. And partly, of course, the money has been spent on the maintenance capex, as well as some land purchases to prepare for our future expansions also.

- Ashish Jain:** Sir, can you give some breakup of this capex under the headings that you just mentioned?
- Dharmender Tuteja:** I think that we would not like to share. Please bear with us.
- Ashish Jain:** Okay. Thank you so much.
- Dharmender Tuteja:** Thank you.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.
- Saket Kapoor:** Namaskar, team, and thank you for the opportunity. Sir, you mentioned about INR600 crores being spent on capex. So what have we outlined for the entire year? I missed the number?
- Dharmender Tuteja:** Yes. Full year, we expect it to be about INR3,500 crores to INR4,000 crores.
- Saket Kapoor:** Okay. And on the non-core asset parts, what did you mention about the IEX sale? I missed that point also?
- Dharmender Tuteja:** Yes. We remain committed to sell this share because we consider this as a short-term investment only. But of course, the exact timelines, I cannot share. And the money will be definitely used for funding our expansions.
- Saket Kapoor:** And a small point, sir. When we mentioned about 100 million ton at exit of 2031, what kind of market share are we eyeing at that time? And what do we envisage in terms of the total cement industry size, say, 7 years to 8 years down the line when we are mentioning our number? And currently, what is our blended market share for the country as a whole?
- Puneet Dalmia:** So currently, our blended market share for country as a whole would be around 7.5%, to 8%. And I think, if we look at financial year 31 and if you take an 8% demand growth, our capacity share will be higher than 7.5%. So it will probably be just under 10% or close to 10%.
- Moderator:** Thank you, sir. Ladies and gentlemen, we will take that as the question for today. I will now hand over the conference to Mr. Puneet Dalmia for closing comments. Over to you, sir.
- Puneet Dalmia:** I would just say again, thank you very much for your questions and thank you very much for your interest. We look forward to continuing this journey. We continue to be very optimistic about the future and, a lot of potential ahead and a lot of exciting times in our sector with a lot of action. So thank you for your interest and look forward to continuing our communication going forward. Thank you.
- Moderator:** Thank you, members of the management. Ladies and gentlemen, on behalf of Dalmia Bharat Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.