HEIDELBERGCEMENT

HeidelbergCement India Limited
CIN: L26942HR1958FLC042301
Registered Office
2nd Floor, Plot No. 68, Sector-44,
Gurugram, Haryana 122002, India
Phone +91-124-4503700
Fax +91-124-4147698
Website: www.mycemco.com

HCIL: SECTL:SE:2022-23

17 February 2023

BSE Ltd.
Listing Department
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai - 400001

Scrip Code:500292

National Stock Exchange of India Ltd
Listing Department,
Exchange Plaza, C/1, Block G,
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051

Trading Symbol: Heidelberg

Dear Sir,

<u>Sub: Transcript of Earnings Call - Regulation 30(6)</u>

This has reference to our letter dated 14 February 2023 informing about conference call being organised by PhillipCapital (India) Pvt. Ltd. Further to our aforesaid letter please find attached transcript of earnings call with analysts and investors held on 15 February 2023 on Unaudited Financial Results of the Company for the quarter and nine months ended 31 December 2022.

The above information is also available on the website of the Company at https://www.mycemco.com/financial-results

Please take the same on record.

Thanking you,

Yours faithfully,
For HeidelbergCement India Ltd.

RAJESH RELAN
Digitally signed by RAJESH RELAN
Date: 2023.02.17 16:21:48 +05'30'

Rajesh Relan
Sr. Vice President- Corporate Affairs &
Company Secretary

Encl.: a.a

MATERIAL TO BUILD OUR FUTURE

"HeidelbergCement India Limited Q3 and 9 Months Fiscal 23 Call"

February15, 2023

MANAGEMENT: **MR. JAMSHED NAVAL COOPER – MANAGING DIRECTOR, HEIDELBERGCEMENT INDIA LIMITED**
MR. ANIL SHARMA – CHIEF FINANCIAL OFFICER, HEIDELBERGCEMENT INDIA LIMITED

MODERATOR: **MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to the HeidelbergCement Q3 and 9 Months Fiscal 23 Call hosted by PhillipCapital (India) Private Limited.

As a reminder, for the duration of this conference all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, Sir.

Vaibhav Agarwal: Thank you Aman. Good afternoon everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q3 FY23 and 9 Months FY23 Call of HeidelbergCement India Limited. On the call we have with us Mr. Jamshed Naval Cooper – Managing Director and Mr. Anil Sharma – Chief Financial Officer of HeidelbergCement India Limited. Due to certain unavoidable medical circumstances, Mr. Joydeep Mukherjee – Chief Operating Officer has not been able to come on this call and we regret this inconvenience.

I would like to mention on behalf of HeidelbergCement India Limited and its Management that certain statements that may be made or discussed on this conference call maybe forward-looking statements related to future developments and the current performance. These statements are subject to a number of risks, uncertainties and other important factors which may cause the actual developments and results to differ materially from the statements made. HeidelbergCement India Limited and the management of the company assumes no obligations to update or publicly alter these forward-looking statements whether as a result of new information or future events or otherwise.

Also, HeidelbergCement India Limited has uploaded a copy of the Q3 FY23 presentation on their stock exchange on its website. Participants are requested to download a copy of the presentation from these websites.

I will now hand over the floor to the Management of HeidelbergCement India Limited for the opening remarks which will be followed by interactive Q&A. Thank you and over to you, Cooper Sir.

Management: Thank you Vaibhav and big thank you to all the people who have joined the conference today. I hope you have received and read the presentation what we have uploaded on our website but let me take you through this presentation taking you to on the highlights of our December quarter key messages.

I am very happy to say that the share of green power has increased substantially and I think this is one of the bright sides of it because this will help us in the future in a very big way. There is a 33% increase in green power and I am delighted that the team has done a good job.

We continue to produce 100% blended cement so this is one of the major highlights of us as we remain focused on our CO2 commitment so this continues as such.

For volumes have increased on a quarter-on-quarter basis although there is a decrease on a year-on-year basis, but the reason is very simple that we had some warehousing problems also other than this thing, but I think that is behind us. I think that will be overcome that. So, these volumes unfortunately got a hit. Now we should be coming out of the woods.

The cost increase has been about 9%, which has been partially offset by the price increase so long way to go for us. Now in this quarter the cost would have come down somewhat cost because of the fuel cost has come down so we should be able to garner a little bit of momentum on this account and do better.

EBITDA dropped to 339 that is mainly because of the power and fuel cost which has increased, which has almost a significant impact on this.

The other highlight which is a positive side is that Heidelberg continues to operate on a negative working capital. So, this is one thing which we have the distinction and net cash is about 1.5 billion with us.

Coming to the next point in the presentation you can see how green power is increased. So, the team is doing a fantastic job of focusing on green power, taking a very responsible action, a very responsible behavior to ensure that we are compliant and we remain compliant and we prepare our organization which is future-ready when CO2 becomes one of the major elements where we have to bite the bullet.

Coming to the next thing is on CO2 to just to support our CO2 and also to support the clean and green environment you can see the way we have done our plants greenery. We say now we have plants in plants in plants in plants. So, this is where we say that we have made a difference to the whole organization and I see this has helped seen reducing the ambient temperature in our plants, which was the target to come to two degree slower. So, we are in many of our plants we have reached that target and we will continue to do better. The happiness quotient in the plant is better, the employee productivity goes up. So, all these things have helped us in one way or the other.

Coming to the next slide you can see the bio-diversities which are there. So, being passionate about environment I had to take these things in front of you so that you see that we also make cement, but we also ensure that the environment around us is kept in the best of its position and we are seen by the society also as responsible corporates when it comes to maintenance of environment is concerned.

CSR – our obligation to society continues unabated. We are doing so much work with our neighboring schools you can see these pictures on health camp or whether it is school, building whatever we are doing.

Now let us get to the focused area which is our bread and butter and also much more area of interest for you. I think you have gone through all the figures we can discuss these figures and how they have impacted us. As I said the volumes are basically impacted because of little bit of disruption and the impact is seen. The cost elements which have been circled in red are a cause of worry for us because of the other elements of cost, but now I think we will be able to pull it out.

While we are here, let me put it during the last year that is Calendar 2022 we ran a program which was called as mission possible. Every plant was given a target with 10 years of historic data where we had done the best of our performance, the BDP that is the best demonstrated practice was taken as a benchmark and then we gave these targets and we worked along with our teams to see that how we can reach and replicate the same performances this year and I am very happy to say that our cement plants have done a fantastic job both in terms of power and fuel and these results will be permanently embedded so this is not onetime change which has happened, but this change is permanent in nature and we should be able to do lower gigajoule close to about 3.07, 3.06 and in the power also close to about 70 units. So, we should be able to start doing this in future also.

Coming to the next slide, you can see in this the waterfall which we have created here the major impact is on account of power and fuel. Despite consumption factors being improving, input cost has been higher and because of the inventory we carried for a higher cost inventory so that has impacted us, but I think this is temporary in nature nothing to worry, this will get reversed very soon as because we are fully focused and committed on seeing to that we can reduce our consumption factor.

Coming to the next Slide #10:

Net cash is about 1.4 billion, 1.5 billion which I mentioned and how it compiles and how piles up. In this year two tranches of payments which will be given to the UP Government there is a loan which is an interest-free loan to us. So, 336 and 629 will go out in this financial year. So, this is where we stand.

Coming to the Slide #11:

Happy to inform you that under the Government of Madhya Pradesh, the State Government had announced auction certain mines which were adjoining to our mines. Since it was a close mines which were adjoining to our existing mines there was interest for us to have it and we bid also, we have to bid aggressively against this bid and then finally we ended up paying 100% premium on that, but still I would say it will extend the life of this plant significantly and it will add more value and it will open up additional scope for us to expand this plant in the near future. We are taking we have told you already that on Line #3 we have to do a debottlenecking, so now the team has been given the go ahead. So, now this year we will be doing some work on it and placing orders of the equipment. So, next year we should be able to bring this on stream.

Coming to the Slide #12:

Our road volumes percentages is almost the same 49%, 50% we always manage between road and rail so nothing much change here.

Premium products has always been focus for us luckily we were good enough with our teams thought process we could launch a new bag in between like Power is on the upper end side and in between there was a vacuum. So, we wanted to fill up this vacuum in between because Power now from the 1st January it is Rs.45 a bag higher than the normal bag and this is about Rs. 15 a bag Mycem Primo which is there. So, we have positioned one more product in between and that has seen good traction happening in the brand area. So, I think the team will be able to get more and more volumes and there is no cannibalization I would say on Mycem Power by introduction of this, Mycem Power continues to shine in its own glory and Mycem Primo is creating a new segment of reaching out or building a new customer segment for us.

Coming to coal percentages:

I do not want to talk too much on this because this is a technical issue. Ultimately the team has to manage the lower possible cost whether it is coal or petcoke today. The coal and petcoke are close to about 660 to 670 per gigajoule which is almost now you can switch over between each of them, but then there are economic advantages and disadvantages of using coal and petcoke. A higher ratio of petcoke has its own advantages and disadvantage is vice versa for coal also. So, that we internally we manage this and we see to it that we can get the lowest possible fuel cost for our per ton of clinker.

Trade continues to be around 75, 76 which is there, but the focus in future will be to more focus on trade and not on nontrade. Despite that knowing very well that the next year in 2024 there will be a more and more push on infrastructure by the government and there will be more and more cement which will be required under nontrade, but since it is a price difference today in this last quarter also the price difference has been more than Rs. 600 to Rs. 650 a ton between trade and nontrade in realization. So, I would say that it is our duty to see that we sell whatever product available at the best possible price, but anyway we can always rejig this.

Happy to inform that you 'Apex India Safety Award' was conferred on our Jhansi Plant and this is one more feather in our cap.

Now coming to the outlook:

India we all know that is the fastest growing economies in the world and I think it will continue to stay like this. Cement demand in government projects will increase in 2023 because coming seeing that in 2024 you are having the elections and the budget has also been supporting that. It is complementing this by the government allocation the way they have come under Aawas Vikas Yojana and whether it is infrastructure or it is logistic transport, 100 Logistics Excellence Projects have come in. So, I think this is one area where we will see. Rabi crop has been good so it will pep-up the rural demand, fuel prices are softening so there is a little better improvement in this which we have and the only fear is that if the government demand does not come up then we can have a little bit of a problem, but I do not see it relenting in any way in this quarter or the quarters to come in the future.

There is one silver lining here there is a probability of GST reduction, but yes I say that there will be a reduction, but the cement manufacturers will be responsible for giving away this GST back to the consumers. So, if it becomes more affordable if he can increase the consumption alone by this method I think we should not become greedy about taking any share out of the GST and we should look at increasing the consumption of cement that would be my way of looking at it.

Last but not the least let me inform that this will be my last address to you as a Managing Director of the organization as I have decided to demit office on 31st March it has already been announced to the SEBI and to the stock exchanges we have announced it, the Board accepted my resignation and agreed to relieve from 31st of March. Post that Joydeep will take over as the Managing Director of the organization and right now Joydeep is a Chief Operating Officer already appointed, there is a period of takeover and I will ensure that the entire support is given to him and then he takes over this very smoothly, the transition becomes smooth on this.

So, this is all I have to say and a big thank you to all of you for being supportive all the time and look forward to your continued support in the future too. Any questions here very happy to answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, just wanted to know in terms of the volume decline that we have seen so not only for this quarter even if I look at for the 9 months also we have seen a 9.5% volume drop at the same time in terms of the trade share for this quarter has also declined significantly to 76% versus last quarter Q2 FY23 was 83%, so 7% decline there and in terms of the premium share also has declined from 240% from 55%, so just wanted to understand what is going wrong and how do one can see what is your outlook on this?

Management: Let me answer your question in the reverse order in terms of our premium there was an accounting change, we had introduced this new brand and there was some method of computing which we were doing so that is not actually 57 now this is a true picture which is on the total trade volume. So, you can now take this figure as a correct figure rather than taking the 57 there was a computing with which the way it was computed is one of those different and this time the computation is different, but you can see that there is a consistent growth in the premium product which has been there. If you look at the volume it has been on a consistent growth so that you should take at the absolute volume also you can see that difference. Coming to the volumes of last 9 months yes we agree with you and last quarter we lost with of course as I mentioned to you because of some warehousing issues, some small issues which we were not able to manage, some changes in the warehouses has happened, some people have come moved here, some days of loss of sales which has happened. I mean to the earlier quarters, yes, but now you should also look at how we have improved over quarter-on-quarter. quarter-on-quarter we have improved by almost 10%. So, there is a trajectory of improvement. So, I would say that the past has relevance, but the trend also has much more to be looked at it is the company doing its job to ensure that it comes back on it, brings its trajectory back on growth. So, I think that the organization is there and now we are working with some more inputs with some more advisors and consultants on market issues where in this quarter the work has begun. So, I think in the quarters ahead you will see some very positive results coming out of the efforts of the management and I am sure you will see that. So, I am not concerned about worried about this, but yes as I mentioned to you that capacities have increased. So, sometimes what happens some competitors become very aggressive. So, some people are there who have hit our volumes adversely by bringing prices at very low prices. So, the team was not prepared all of a sudden to change its product mix or I would say the pricing strategy and that is how we get impacted, but these are all temporary I would say these are tactical issues any new brands comes sometimes we are unlucky, somebody else will be unlucky, somebody will focus in my market, somebody next time I will focus in their market. So, it is a battle which keeps going on in a fair and competitive working environment, there is no harm in being competitive and trying to protect your share. I am sure Heidelberg has history stands testimony at that Heidelberg has always remained on good trajectory, we have delivered years on years of continuous improvement in volumes. I am sure we will get back, bounce back and should not be a problem.

Shravan Shah: So sir continuing on this how do one see the fourth quarter in terms of the volumes so this quarter we did 1.1 million in terms of the volumes so fourth quarter how do we see, so just wanted to understand as a full year how much decline one can see and at the same time when we are seeing there is accounting issue in the premium share, so is it possible for you to release the historical quarterly premium share with the revise accounting to make it more comparable?

Management: Shravan we will give you that is not a problem, how we computed it and how would we arrive at it that we will give you the details not a problem.

Shravan Shah: So, in terms of the fourth quarter how do we see in terms of the volume?

Management: So, in the fourth quarter I am sure that there will be a positive improvement only I do not think we should be anywhere in the negative.

Shravan Shah: And in terms of the pricing so there also this quarter we have seen a decline in the realization, so two things have we seen any price increase post December and the current prices are there still lower than the average of the third quarter and the last is on the costing power and fuel, Kcal basis, what is the cost for the third quarter on Kcal and how it is trending currently?

Management: So, on the size of the cost we are better off than last year. So, we will see a positive impact on the cost side. On the price side I think the price should start looking up and started looking up in some places, in South it has started moving up now I can see that this trajectory will continue in Central India also.

Shravan Shah: Is it possible to share the Kcal cost for the third quarter and what is currently trending?

Management: In the December quarter this on kilo calorific value it was around Rs. 2.85 paisa and we have seen that in the December quarter it was slightly lower than our September quarter and considering the softening of the imported petcoke and coal price in the import market. We also foresee that there may be some slight reduction in the coal and petcoke prices in the March quarter.

Shravan Shah: And on the Gujarat expansion anything you want to highlight sir?

Management: On the Gujarat expansion we have not yet the ToR, but we have started data collection. So, by February end we will get in and by March we should be able to apply for a ToR. So, this is on the right path which are going, we are talking to the government also on this. Hopefully, we should see that the project we collect the data and we can get our ToR and start some activities there.

Shravan Shah: You mentioned sir the debottlenecking so what would be the in terms of the quantification how much increase in the capacity at grinding or clinker level are we looking at and what kind of a CAPEX are we looking at?

Management: In terms of 250,000, 200,000 tons of clinker should be additionally available to us.

Shravan Shah: Sorry sir 200?

Management: 2,00,000.

Shravan Shah: By when?

Management: That will happen in only 24 now because the placement of equipment and the delivery period of the equipment itself is long, construction is not a problem, the project is ready with us. Now we have to apply because when the capacity goes up we have to apply for some approvals also, for the license also the capacity to increase that these are the problems which are statutory in nature, we cannot circumvent that.

Shravan Shah: So, sir currently what is the clinker capacity so are we operating the Karnataka one clinker or we are not operating, so what is the current clinker capacity?

Management: Karnataka is not operating only Damoh is operating.

Shravan Shah: The capacity is 3.5 or 3.1 million ton?

Management: 3.1.

Shravan Shah: Sorry sir I did not year.

Management: Including Karnataka the total capacity, clinker capacity of the company is 3.5 and Central India it is 3.1 million ton which we try to increase by the 2,00,000, 3,00,000 ton per annum clinker capacity doing the debottlenecking at Central India.

Moderator: Thank you. The next question is from Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Sir just two questions one is on the industry, do you see that LC3 will actually see light of the day that is the first question like is it the industry which is against it how should we understand that?

Management: Which one I could not get you.

Ritesh Shah: Sir calcined clay.

Management: Calcined clay LC3 cement this is your question I think the calcined clay is good option, but the amount of type of clays available in our country are consolidated at certain locations. So, getting calcined clay cement for everybody is not an easy task. So, it is not an economical solution first number one. So you have to be closer to that because there is this clay blocks what are available are not homogenous in nature, they are very heterogeneous. So, getting a good clay is also equally different. Another thing is when we talk about calcined clay cement we have to also understand the demographics in which we operate. The quality of cement is a little different from the normal cement. So, you can use those type of cement for masonry cements, but if you start casting concrete and things like that then you may have a problem there. I would say very simple at the moment we may make hundreds of products abroad, but the literacy level has to be equally scaled up because you use a wrong product at the wrong place then you will only blame the company that and the person do not know to read and write the masons the user community is very I would say not educated or they do not take care of those things, responsible behavior on the field is very lacking. So, I think for us right now there is not an option anyway for us also in Heidelberg it is difficult to make LC3 cement because we are not closer to the clay blocks. For some other people who are trying and testing, but nobody has so far placed the product in the market as per my information in case if you have some information somebody has placed it, happy to learn and understand from them.

Ritesh Shah: Sir my second question was when should we expect any corporate action when it comes to Heidelberg and Zuari as a single entity in India I think Zuari is a behemoth, there could be lot of synergies which are there at the same top level management which is running both the units, how should we look at this going forward?

Management: Ritesh as I mentioned I will repeat the same thing there is nothing new which has happened in this, but yes the group is working on this to merge these two units it is a question of time. So, we will merge these two units under one entity so that we have the financial fungibility which makes sense for us rather than running to you, but that will happen. It might take another year and half or so. I would say on a safe side I am telling you on a year and half.

Ritesh Shah: And sir just last question I will just squeeze in, sir what is the rationale behind the new limestone base, are we looking at lease expiry in Central India that is why we went for this incremental lease or is it basic augmentation of resources how should we read this?

Management: Our licenses are valid till 2043 existing ones also and this new is a top up.

Ritesh Shah: Is there any specific reason?

Management: Because it was adjoining to us mines why should we not take it.

Management: Our presentation also we have given the rational about this mining lease. It not only increase the life of the mines for the existing operation but also gives us a kind of opportunity to further expand our clinker capacity as well as the cement capacity. So, at this moment we have selected as a successful bidder. Now, we need to complete the entire documentation part and process part which generally takes around two years and two and half years to complete and get the mining lease execution thereafter we need to sign off this mining development in production agreement and once we complete all these process then in the meantime we will explore possibility whether we want to go for the higher life of the plant which is currently maybe around 25 years, 27 years which may further add by 20 years or we can also have the opportunity to increase the clinker capacity. So, it is the kind of win-win situation for the company that not only it will safeguard limestone reserve, but at the same time it increase the capacity of the company.

Moderator: Thank you. The next question is from Prateek from Jefferies. Please go ahead.

Prateek: My first question is on volume numbers, so can you just explain bit more on the volume loss this quarter because of logistic issue and how many days of impact was there was seen during the quarter?

Management: About 10 days of impact is there in some local areas which are high volume areas are there, there was an impact I mentioned it earlier also. I have nothing more to add on this.

Prateek: And in terms of other expense during the quarter while year-on-year basis it looks sort of stable, but what does go into other expense on a QoQ basis which is impacting other expense more in third quarter versus like other quarters?

Management: So, you are right that other expenditure as compared to December 21 quarter it is more or less similar amount. As compared to September it has increased, but you will also appreciate that during the December quarter generally we take our kiln plant shutdown. So, this amount has increase on account of stores and spares and consumables. During this time generally we change our refractories, we change our grinding media. So, of course in December quarter always you will see that okay other expenditure as compared to September quarter is high. For per ton basis yes because of some volume impact of 2% to 3% it looks that okay per ton it is higher by maybe Rs. 10, Rs. 12, Rs. 20, but in absolute terms this is more or less on the fixed nature or maybe semi fixed nature so this amount is similar to what we incurred in December 21 quarter.

Prateek: And one last question on capacity so we are looking at raising 3.1 million ton capacity or 3.5 million ton capacity by 0.3 million ton by FY25 and cement capacity goes up from 6.2 to how much?

Management: This 2,00,000 tons of clinker will result into close to about 3.5 lakh tons of cement.

Prateek: But is it incremental capacity or just you sweating the current capacity more?

Management: Current capacity in incremental capacity only this was added.

Prateek: I mean we have like 6.26-million-ton capacity which seemed like higher?

Management: By addition of this the capacity will go up.

Prateek: 0.3-million-ton expansion in cement and 0.2 in clinker by FY25?

Management: Yes almost can be better because the project report is given this, but normally we try to always over exceed this because the manufacturer will stand guarantee to a certain amount based on the equipment, but normally if you look at our kiln also is a 5,000 TPD, but we suit at about 5,700 consistently. So, I do not want to give you those figures because normally these are the benefits which we are as a management are supposed to derive out of an equipment. So, that is there the technology can give you a certain amount of assurance, but again management capability can drive it to a better level.

Prateek: And on brand positioning like Mycem Power is at Rs. 45 higher by versus a normal brand and Mycem Primo is higher by Rs. 50, how does Mycem Power compares to like other graded brand in your market like UltraTech and maybe JK Cement brands might be new for your markets?

Management: See I cannot tell you because this is a premium product every company has a different placement. So, not many companies are into this, but there are some people who are there, their share of volumes is some companies are making more volumes, some companies are doing lesser volumes. Today I would say these most of the brands in this premium segment should be anyway Rs. 20 minimum above their normal brand 20 and anything it can go to 60 also. So, this will be the range, some brands will price their product Rs. 20 higher than normal and some companies may go in between 20, 30, 60 like that also.

Prateek: I was asking regarding Mycem Power pricing versus UltraTech normal brand in the market?

Management: For us UltraTech will be the normal to normal if you are talking about it is we will be close to about Rs. 2, Rs. 3, Rs. 5 difference here and there.

Prateek: So, Mycem Power will be like Rs. 45 higher than UltraTech normal brand?

Management: Yes anyway at least Rs. 30, Rs. 35 more even if suppose in some markets we maybe Rs. 5 or Rs. 10 lower than UltraTech in some markets where we are stronger. I would say you reduce this Rs. 10 from 45 and it will be close to 35.

Moderator: Thank you. The next question is from Jaspreet Arora from Equentis PMS. Please go ahead.

Jaspreet Arora: The fuel cost inflation for the quarter is well understood from the slide, possible to give the similar spike in the 9 months raw material cost is up overall cost is up 700, how much would that be fuel and the others?

Management: We will have to calculate that 9 months I will have to calculate. I do not have it readily available.

Management: But I think in public result we have given the 9 months also so YTD figure is already there.

Jaspreet Arora: That is why I am saying gross realization total cost EBITDA per ton all is there, so total cost has gone up Rs. 700 per ton over 9 months, how much of that is fuel, so for the quarter fuel is up 300 out of 370 for the quarter, just trying to understand I mean I can just look at the last three quarters I just thought in case you have that handy?

Management: Average fuel cost is like previous quarter was fuel cost per ton of cement was 1,357 prior to that in June March it was 1,096 about 1,400 then 1,350 and then this is 1,260 price close to that December quarter over last year because you take December quarter 980 was the December quarter and this year it is 1,260.

Management: Maybe 40% increase is there 9 months versus 9 months when we compare the 9 months YTD December 2022 as compared to December 2021 roughly on the phase of the public it comes around 40% increase on per ton basis maybe we need to little bit just on account of inventory change, but inventory change also significant in 9 months vis-a-vis last year 9 months. So, clearly we can take that 40% increase in the fuel cost is there.

Jaspreet Arora: Possible to share what is the current trend versus the last quarter average how much softening if at all we would have seen?

Management: December is softened over September and I think in the March quarter it will further softened.

Management: Maybe we can take the ballpark figure of single maybe mixed digit figure of the percentage of reduction in the petcoke and fuel prices in March quarter things look like because we have seen that okay imported petcoke and imported coal prices has reduced and that would also translate into the domestic market and we have also seen of late that Coal India also increase a little bit the availability of coal for the cement company. So, I think on the fuel side over the power and fuel side we should not foresee any further increase rather it should be the other way round which should be beneficial for the company.

Jaspreet Arora: Quarter-on-quarter you think it could go down by 10% average?

Management: 8% you take it on a safe side.

Jaspreet Arora: On the realization front anything you can share how the current or at least the month year till date Jan till date is there any improvements in realization?

Management: I would say that just recently there was a little bit of a shake up in the price I think we are almost flattish right now as of now. January was a little flattish.

Jaspreet Arora: And lastly sir this Gujarat this new Greenfield project would mean that I am just trying to understand where are we in terms of the so-called clearances and equipment ordering and subsequent order, so it is more like a four year project or it is at a much advance stage?

Management: No, it will take its time because right now the data collection environmental data collection is going on. So, that takes about 3 months of data collection so that will get over in February. We will be able to get the report by March, we would be able to go for ToR in the month of May or so and once ToR is completed that will take us about some more time about a year time to get the results. In the meantime, we will have to start working on the project and we will have to do a little bit of right now so far we have not bought any land or anything, but maybe in the next year we will have to look at this next financial year we will have to look at doing something there. So, it is a long-time process will take place, it will not happen overnight although the project we are roaring to go on this, but then there are some limitations always there because statutory clearances and all these things are not within our hand. Our June application is still pending with the government and we will be getting it done in this week or so. So, we may get some hearing from them and we will be able to convince them on certain things so we can move. So, it takes its own time putting up a Greenfield project is not a cake walk, it is quite uphill task.

Jaspreet Arora: But I guess the teams been working on it for pretty fair amount of time also so it is not that the preparation started a year back?

Management: We cannot go for mining plan still we get the approval from the government. So, the June application once it comes to me then I will go for a mining plan that will take another 6 months then I will go for a ToR. So, it is a chain of events which you have nested inside, if you make a bar chart for the timeline we see that at any one point we get stuck up everything comes to a halt.

Jaspreet Arora: And would you be able to comment on the size or it will only?

Management: 3 million ton.

Jaspreet Arora: I mean we have seen companies do it, it is like they plan for a much bigger obviously we are just trying to understand could it be a 3 plus 3 that is the way you could ultimately envision it or you are just saying it would be only 3 million tons when we say 3 obviously expandable to another 3 after couple of years?

Management: This limestone reserve are huge you can go 3 plus 3 plus 3 no problem, but you know just to look at first let us first cross the first stage of 3 million. I would say I will not give you some assurances which because today because this comes closer to the coastal area so you cannot go below the sea level you cannot go below that. So, the government does not approve so easily, but future they will approve I think that time you will have more reserves out of it, but first let us get the 3 million ton going which will take us another 3.5 years to 4 years to go I would say.

Moderator: Thank you. The next question is from the line of Sanjay Nandi from Ratnabali Investment Private Limited. Please go ahead.

Sanjay Nandi: Sir, can you throw some lights on the current pricing of the petcoke?

Management: I think on landed basis it may be around 20,000, 21,000 per ton.

Sanjay Nandi: And what has been this level on the exit of last quarter?

Management: Last quarter it was expensive by around 2,000, 2,500.

Moderator: Thank you. Next question is from Utkarsh Nopany from Haitong Securities. Please go ahead.

Utkarsh Nopany: Sir, first question is that like we observed that the cement demand in the Central region has been quite weak for the past few quarters, can you throw light like why the demand is weak in the Central region and how it is likely to shape up in this current March quarter in FY24 over a weak days?

Management: I think the MP government was a little weak on government demand. Now, I think this will start after the investors meet recent investors meet called by the Chief Minister I think there is some traction which we are going to see in the near future plus there are state elections also there. So, we can expect some good moment to happen on cement. This year the Rabi crop is good so I can very first 100% tell you that the rural demand is going to be significantly well you can see this going to happen very soon. So, post Holi you can say that after this Holi takes place and the grain start coming to the market April we should see a very good movement, March government should we spending part of it. I think the budget will expire. So, the February and March we should see between end of February to March end and I think even till first fortnight of April because the supply will keep going. I think we should see a very good demand coming up.

Utkarsh Nopany: Sir, can you quantify what would be the demand growth rate in Central region in FY23 and what is our expectation for FY24?

Management: Our expectation for 24 is about 7%.

Utkarsh Nopany: Despite the weak days of FY23?

Management: Yes.

Utkarsh Nopany: And what would be for FY23 sir?

Management: FY23 just let me check it should be about 5.5%, 6%.

Utkarsh Nopany: Sir second question is that like our realization has gone down by 2.5% on a quarter-on-quarter basis in December quarter, can you get some sense like how the cement prices have behaved in Central region in December quarter?

Management: December quarter has been okay I think there was some volume pressure was there because of the festivities. So, there was a price pressure was there, but now I think that is easing up.

Utkarsh Nopany: So, whether the cement prices of the entire region has gone down?

Management: The biggest problem is the capacities are coming on stream. Everyone wants to place their product in the market and I do not blame anybody for that if the competition is becoming severe. The first victim of this is the price. So, any region which sees significant capacity add up you look at it this market in 2020 close to about 60 million tons. By 2024, 2025 it is going to be about 90 million tons of capacity which is going to come between 65 to 90. It is almost the significant jump in the capacity is getting added into Central India and this is building up a pressure, but anyway for HeidelbergCement I always tell my team we should not be bothered about what the competition comes in, we are the senior citizens of this state we have been here, we should not be able to we should be able to retain our channel partners and our customers better than anybody else can do, a new comer should not be a threat to us, I would say is welcome to us at least they will bring some prosperity to the state, but as a senior person operating in this region as an organization we are senior I would say in this market and we should not be worried about that. We have a brand equity, we have a good placement of product, we have got a good channel partners I think little bit of tweaking with them, a little bit of working with them because during the COVID period we did not do many of the things like meeting dealers, dealers conferences were avoided, some gift schemes had come down, advertising has not happened. Now all that is gone and from now onwards we have started the sales to see to it that we come back with a vengeance in the market.

Utkarsh Nopany: Sir like if I understand correctly you are saying the regional capacity is likely go up from 65 to 90 million ton whereas the demand is just likely to grow at 7% rate, so does this mean that this pricing pressure which we saw in December quarter is likely to persist over the medium term because of oversupply situation?

Management: This is the capacity almost 3 million tons of capacity getting 4 million, 5 million tons of capacity getting added every year. So, it is not 30 to 31 it has not become in one year. It has happened in the last four years.

Management: Maybe it will continue, maybe next two, three years it will continue maybe 4 million, 5 million ton every year.

Management: I would say that okay but look at the shortage of clinker today the market is running short of clinker in this region people are selling more clinker than cement.

Utkarsh Nopany: And sir lastly like we were planning to come up with a Greenfield unit in Zuari Cement in Karnataka, can you throw light on that sir?

Management: That was you are talking about Zuari part not HCIL part.

Utkarsh Nopany: Regarding Zuari Cement?

Management: I refrain from commenting on a call for HCIL.

Moderator: Thank you. The next question is from Kamlesh Bagmar from Lotus Asset Management. Please go ahead.

Kamlesh Bagmar: Sir one question with regard to our tax incentives or GST incentives which are going to expire in this February, so can you highlight how much was the incentive which we had moved in the 9 month and the last quarter?

Management: I would say it will set us back once it is withdrawn it will set us back by about Rs. 40 a ton.

Kamlesh Bagmar: So, Rs. 40 of ton margins would not be there post February provided the prices remain the same?

Management: It is considered Rs. 2 a bag nothing big you can pull this out anytime.

Kamlesh Bagmar: Secondly like it is assuming like in Gujarat over next 6 to 12 months like say large capacities get announced, so would we very committed on our Gujarat projects or not because I believe that there are let us say two to three big projects are going to come up on the capacity addition in Gujarat, so would we committed on the project which we are looking up because anyway over the last two, three quarters we have been saying that this particular project is going to take more than three to four years of time, so would we committed on that like say 8 million, 10 million ton of new capacities get added or announced by our peers in the Gujarat market?

Management: No problem everybody is putting capacity we will also put capacity where is the problem. I do not think any reason for us to shy away from this.

Kamlesh Bagmar: On the mine which we have won adjacent to our current location in the Central market, so would we announcing any capacity addition or would it be just replacing our current mine?

Management: No, current mine is there this is in addition to that which Mr. Sharma also explained and in the presentation is there that we are looking at that we have three line in Damoh line 1, line 2 and line 3. Line 1 is a very old one which is now very old which is 1,600 TPD line it is a very good opportunity for us to look at scrapping that line and building a new line in that place which will be more fuel efficient and everything plus this mines will support that to accelerate us in the Central India because Central India we enjoy a better synergy than anywhere else. So, we will take a call on this, but it is again as I said 24 months down the line. First, let us get the agreements done, paper done now this line we will start buying the land in that area that is not a problem because it is adjoining and we have to open up the mines no sooner this consent is given to us and papers are there we will do that. So, I think this will be a good occasion for us to add capacity and capacity of a better quality.

Kamlesh Bagmar: And sir the current mine how much reserves do we have or how much years of life can it support for the current capacity?

Management: Current capacities right now the existing mines what we have is close to about 24 years, 25 years of limestone reserves we have. We are as I mentioned in my earlier comments also that we are using a very significant amount of limestone rejects which comes out by supplementing it by sweetener. So, we are using that to extend the life of the mines if I might have spoken to you or you might have heard me about 4 years, 5 years also earlier that then I mentioned to you that we have been able to increase the life of our mines by almost 7 years and now only problem is little bit of problem is managing as the mines we are approaching at the end of mines on certain sites where the mining plan has been made maybe there was a little bit of geological miscalculation which has happened. So, we are getting little bit of more improvement on LSF when we do it we have to buy little more sweetener, but in this quarter the sweetener has gone up little bit now we will try to control the sweetener also in this quarter in the corresponding subsequent quarter also.

Moderator: Thank you. The next question is from the line of Harsh from ICICI Securities. Please go ahead.

Harsh: I have just one small question what is the CAPEX budget we have plan for this ongoing fiscal and for FY24?

Management: Generally, we keep the CAPEX divided into two parts. One is the sustainable CAPEX and that is around Rs. 40 crore for this Fiscal year as well as the next Fiscal year and on top of that next year there will be around Rs. 15 crore CAPEX on account of this clinker debottlenecking. So, we can consider that next year this CAPEX will be around Rs. 55 crore for the Fiscal year including AFR.

Moderator: Thank you. Next question is from Vishal Periwal from IDBI Capital. Please go ahead.

Vishal Periwal: Two questions particularly on the pricing front how has been the pricing so far in January and February for us in our region and second you mentioned South region has seen a bit of price hike, so which region and what if possible to quantify that sir?

Management: The entire region South below I think the prices have gone up by about Rs. 125 to Rs. 130 a ton on an average has gone up very recently. So, I can see that there is this sort of movement when it happens in South Central also start seeing it, January was flattish, February should improve. So far we have not seen too much of an improvement in Central India but let us see we expect some price hikes we should be able to take now. It all depends on because today also the market is running at a little softer end. You would say that the capacity utilization in Central India are little better off than South, but then Central India was operating at 80% plus capacity utilization right now it is subdued to around 75, 73. So, I think once the capacity utilization starts improving so we will see for your company for HeidelbergCement we are doing relatively good capacity utilizations so far as of now.

Moderator: Thank you. Next question is from Tanuj Pandia from Dolat Capital Markets. Please go ahead.

Tanuj Pandia: What is the CAPEX for Quarter 3?

Management: It is a very normal CAPEX it is not significant maybe 5 crore, 6 crore, 7 crore we have done it, but not so significant in this quarter.

Tanuj Pandia: What was the lead distance for third quarter?

Management: About 350.

Moderator: Thank you. Next question is from Pranay Kapadia as an Individual Investor.

Pranay Kapadia: I just have a small question that looking at three to five years horizon what is the compounded growth that you see in terms of top line revenues?

Management: Should not be less than 5% even if we grow as per the market as well as there will be some inflation on account of pricing so we can say 5% plus 5% so 10% should be there easily. At this moment last year when we talk about the calendar year 2022 the cost has increased significantly it was not less than 20% for anyone maybe the price has not increase in that direction if the economies works in the same direction they should be with the lag effect of 6 months, 12 months price must increase. We are pretty much hopeful that and pretty convinced that next 3 to 5 years the top line should increase more than 10% compounding growth.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference back to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited for closing comments. Thank you and over to you, Sir.

Vaibhav Agarwal: Thank you. On behalf of PhillipCapital (India) Private Limited we like to thank the management of HeidelbergCement India Limited for the call and we would also like to take the opportunity to wish Mr. Jamshed Naval Cooper all the very best for its future endeavors. We also thank all the participants for joining the call. Aman you may now conclude the call. Thank you very much sir.

Management: Thank you very much everybody. Thanks a lot.

Moderator: Thank you very much. Ladies and gentlemen on behalf of PhillipCapital (India) Private Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.