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Fort Mumbai - 400001
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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 Q2 FY23 - Earnings Conference Call

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

Dear Sir/Madam,

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, please find attached transcript of the Q2 FY23 Earnings Conference Call held on November 03, 2022.

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

We request you to please take the same on record.

Thanking you,

Yours faithfully,

For Dalmia Bharat Limited

Rajeev Kumar
Company Secretary

Dalmia Bharat Limited

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“Dalmia Bharat Limited
Q2 FY ‘23 Earnings Conference Call”
November 03, 2022



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

Moderator:

Ladies and gentlemen, good day, and welcome to the Earnings Conference Call of Dalmia Bharat Limited for the quarter and half year ended 30th September 2022. Please note that this conference call will be for 60 minutes and for the duration of this conference call, all participant lines will be in the listen-only mode. This conference call is being recorded, and the transcript for the same may be put up on the website of the company. After the management discussion, there will be an opportunity for you to ask question. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. As a reminder, all participant lines will be in the listen only mode.

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

On the call, we have with us; Mr. Puneet Dalmia, MD and CEO, Dalmia Bharat Limited; Mr. Mahendra Singhi, Managing Director and CEO Dalmia Cement Bharat Limited; Mr. Dharmender Tuteja, CFO, Dalmia Bharat Limited; Mr. Rajiv Bansal, President and Chief Transformation Officer and the other management of the company. I would now like to hand the conference call over to Ms. Aditi Mittal, Head, Investor Relations. Please go ahead.

Aditi Mittal:

Thank you, Yashashri. Good morning, everybody. Wish you a very warm welcome on the Q2 FY '23 and H1 FY '23 earnings call of Dalmia Bharat Limited. Hope you all had a chance to go through the transcripts and the results, which has been uploaded on our website, and they can be downloaded from the Investors section on the website. I will now hand over the call to Mr. Dalmia for his opening remarks. Thank you.

Puneet Dalmia:

Thank you, Aditi. Good morning, everyone. I hope all of you had a fun and festive Diwali with your family and loved ones. It gives me great pleasure to welcome all of you for the Q2 financial year '23 earnings call of Dalmia Bharat Limited.

Globally, we are in the midst of some very uncertain times with a mixed bag of news flowing in from across the globe. But even in this little bit of unrest, my personal faith and optimism on the economic prospects of the Indian economy is very strong. While all the major economies in the world are currently facing a serious threat of recession, India's sound macro fundamentals, along with our government's prudent economic policies have thus far led us to be more resilient than rest of the world.

I personally believe that the long-term story of India is intact and the next two to three decades really belong to our country. Given a combination of factors, such as our demographic construct, a very large consumer base, the state of organization in the country and the China Plus One policy, I strongly believe that for India to take advantage of this opportunity that lies ahead of

it, and for the government to generate employment opportunities for millions of people who are getting added to the workforce every year - the thrust on infrastructure development, increased public spending by the government and augmentation of private capex is inevitable. And rightly so, the government has recognized this. And over the years, it has increased its allocation towards infrastructure and also created an enabling environment for private investment.

All of this makes me believe that the crucial role that the cement sector is going to play in India's growth story is going to be very important. Despite the lows of last two years, whether it was COVID or whether it was China led supply disruptions or the Russia-Ukraine war, we have bounced back very strongly as a sector. Hence, I'm personally very bullish on the long-term prospects of the sector and we remain committed to our long-term goal of 110 million to 130 million tons by 2031. We had also committed to an interim milestone of 49 million tons by March '24. And I'm happy to say that we are absolutely on track to deliver that on time. This has given us confidence of setting another interim milestone of 70 million to 75 million tons by financial year '27. A lot of work has already started on this, but details regarding the same will be shared in the next couple of quarters.

Over the last 10 years, we have grown at a CAGR of 15% and that too without leverage on the balance sheet and having a net debt-free company. At the same time, we have also grown our sales volumes at a similar rate, which has also led to an improvement in utilization. And even when our company has grown at such a fast pace, we have never taken our focus off from building long-term cost efficiencies, which has consistently led us to be one of the lowest cost producers in the country. Optimizing cost of production and creating a low carbon footprint is a part of our DNA and is deeply embedded in our operating culture. Considering that the cement sector is likely to grow at 1.1-times to 1.2-times GDP over the next 10 years and given the likely consideration in the industry, we see the top four players increasing their market share substantially over the next 10 years.

Now coming to the quarterly performance. We have again delivered industry-leading sales volume growth of almost 13% on a Y-o-Y basis. During the quarter, we have also seen significant margin compression due to steep energy inflation. And I hope that the worst is behind us and with costs moderating, hopefully the margin recovery can be reasonably meaningful in the upcoming quarters. I also recognize the fact that for a company which is growing at a pace at which we are planning, we need to create a large pool of leaders, who could help us navigate from where we are today to our vision.

In every phase of growth, we have made significant investments in our people, and we will continue to do that. Hence, we are undertaking an HR transformation program, which I'm personally sponsoring. Under this, we are looking at our policies, succession planning, streamlining our organization structure, the diversity of our people, learning and development and upscaling initiative, including, and looking at incentive structures of people, etcetera.

I'm personally very happy with the journey that we have achieved so far. And I think this is the time to have conviction in the future and increase our investments in India and our people, and we are going to do exactly that. I think the best for India and Dalmia is yet to come, and I'm very excited about the journey that we have set ourselves on

Mahendra Singhi:

Happy morning, friends. My apologies for a little delay. Hope all of you had great festive time, and let me, in advance, wish you a very happy New Year. Now let me start with the operating performance. Now you all have known now so far that it was a very tough quarter for the Indian cement industry, but at the same time, our company has been able to deliver an industry-leading volume growth of 13% on a Y-o-Y basis and which has, in turn led our revenue grow by 15%. While August was an extremely weak month, there has been recovery in September, both in volume and a little bit in prices. Like what Puneetji has shared, let me again reiterate that we have been able to make our total cost comparable or one of the best in the industry on account of various cost control measures, various innovative measures our team has taken. And on that account, we are quite hopeful for better future also.

Friends, we all have seen the impact of energy prices, both petroleum, coke and coal on overall variable costs. But to us, now it looks like that fuel prices further should not go up, and there may be opportunity of reduction in power and fuel costs, if prices of pet coke or coal comes down and dollar price remains stable. Our logistic cost continues to remain one of the lowest in the industry on account of various innovations, various measures, which our team has taken with the help of technology also as well as with better sales management also. Our EBITDA for the quarter stood at INR 379 crores, which translates to INR 656 per ton. For the rest of the year, we expect, profitability to rebound due to a combined favorable effect of sales volume, prices and then cost. With a sharp management focus, we have remained one of the lowest total cost producers in the industry.

Friends, we remain committed to continuously explore levers of long-term cost savings and are implementing suitable measures that will enable us to retain our cost leadership. During the quarter, we have commercialized 4 megawatts of waste heat recovery system power and 20-megawatt of solar power, which takes our total renewable energy capacity to 129 megawatts and which constitutes 24% of our power mix.

Additionally, we have now taken the Board approval to further add 155 megawatts to renewable power. This is beyond 173 megawatts renewable power, which are on track to implement by March '23. With this, our total renewable energy estimation would be expected to reach 328 megawatts by FY '24. Another lever, which adds to cost efficiency and sustainability is the enhancement of our blended cement. Our focus of last few years has bringing in better results. And now we may say, for us, for this quarter, the blended cement percentage has been 82%, and month-by-month it should go up.

What has been really encouraging is that in South India, which has traditionally been an OPC market, we have increased our blending to 63% as compared to 47% in Q2 last year. This is

testament to our effort on the ground in regards to making blended cement acceptable as well as testament to our blended cement quality. With all these measures, we have been able to bring down our carbon footprint to 467 kg per ton of cement, which, in our view, should be one of the lowest in world cement sector.

Friends, like what Puneetji has said, we are on track to achieve our capacity expansion milestone of 49 million tons by March '24. Further, in line with our vision to reach on the 110 million to 130 million ton by 2031, we have set another interim milestone of 70-75 million tons by FY '27. And surely, we will come out with the details in a few quarters. Over the last 2.5 years, our capacity has increased by 40% from 26.5 million tons to 37 million tons and, our teams remain firm and excited on delivering strong execution, both on capex and operations.

Before handing over the call to our CFO, Mr. Dharmender Tuteja, I may like to share that we are working on in a big way on creating fuel and raw material security, like it has been shared last time also that we have now acquired one coal block and in times to come, that coal block will be able to give us fuel security for our Eastern operations. In addition to this, we have been also working in a big way on ensuring limestone security for a large number of years, and we are happy to share that in each and every plant, we have big limestone security.

Friends, we are expecting that cement industry should be able to perform better in the quarters to come. And we are also expecting better demand in H2, which may also led to better prices and better profitability . Thanks for joining. And now let me request our CFO, Sri Dharmender Tuteja, to share his thoughts. Thank you.

Dharmender Tuteja:

Thank you, Singhi Ji. Good morning, everyone. Hope you all had a great Diwali celebration. On the capex front, we are on track for the 49 million tons capex by March '24. Of the total capex of INR 3,000 crores planned for FY '23, we have so far spent about INR 1,200 crores in H1 and are on track to spend the planned capex in H2 as well. With respect to incentives, we have accrued INR 61 crores in Q1 and INR 119 crores in H1

In terms of collections of incentives, we have collected INR 84 crores during the quarter and INR 128 crores in H1. For the remaining six months of the year, we expect to accrue incentives at a similar run rate. The incentives receivable as on 30th September stood at INR 665 crores. On the debt side, our closing gross debt as on 30th of September stands at INR 3,287 crores, which is an increase of INR 147 crores during H1 this year. So net debt to EBITDA as of 30th September is 0.32 times.

The Board has declared an interim dividend of INR 4 per share. We also continue to evaluate our investment in IEX, and we'll take appropriate call on divestment at opportune times. In furtherance of our long-term governance journey, to adopt world-class practices, we are benchmarking our accounting policies with the best in class. We'll keep you updated about any changes that get implemented. With this, I now open the floor for question answers. Thank you.

- Moderator:** Thank you, very much. We will now begin the question-and-answer-session. Anyone, who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have our first question from the line of Indrajit Agarwal from CLSA. Please go ahead.
- Indrajit Agarwal:** I have a few questions on the expansion pipeline that you have earmarked. So when we look at 70 million tons to 75 million tons, how important would inorganic expansion be? And on that note, are there any particular geographies that we are more keen about or want to avoid? And what is the kind of ROCEs or valuations for inorganic expansion that we look for?
- Mahendra Singhi:** I would like to share with you that we always are having specific programs and plans for organic growth. And at the same time, as and when there are opportunities of any inorganic growth, we do evaluate. And we are open for any region. But at the same time that any inorganic expansion needs certain criteria. Otherwise, we are now planning for 70 million tons - 75 million tons for the next three years to come.
- Indrajit Agarwal:** Sure. But would you think that in East, we will be restricted by CCI and Competition Emission issues, or we still would have scope, if you want to spend in East and South as well inorganically?
- Mahendra Singhi:** Let opportunity and the time come, and then we'll examine that.
- Indrajit Agarwal:** All right. Sir, on the Bihar grinding unit, the land acquisition continues to be delayed. So what exactly are the bottlenecks that we are facing now, and what kind of line of sight you have on that expansion right now?
- Mahendra Singhi:** We are hopeful that we'll be able to commission Bihar grinding unit by March '24.
- Indrajit Agarwal:** Sure. And my last question is on the limestone mine acquired at a hefty premium at almost 190% odd. So what kind of -- is it more banking on blending it with the existing limestone we have? Or do you think stand-alone that mine, we can be profitable by making cement or clinker and cement of that mine? So what is the thought process on that kind of premium that you or the industry is seeing right now?
- Mahendra Singhi:** You have rightly said there may be a blend of limestone, which may be available. And at the same time, let new deposits come in because we also are aware that now government is quite buoyant on exposing new limestone deposit and go for auction. So wherever we have acquired limestone blocks, where there's an active premium, we are expecting few more blocks to come and that may help. But otherwise also like the cement industry would be growing at good growth. So that would be helpful.

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

Rajesh Kumar Ravi: I have a few questions. First, the housekeeping, can you share the incentives booked, received and outstanding in current quarter?

Dharmender Tuteja: During the quarter, we have received INR 84 crores. And as of the quarter-end, we are having INR 655 crores of receivable.

Rajesh Kumar Ravi: INR 84 crores received and INR 655 crores outstanding. And how much was accrued in this quarter?

Dharmender Tuteja: INR 61 crores.

Rajesh Kumar Ravi: INR 61 crores. Second question pertains to what is the per kilo cal fuel cost in Q2?

Dharmender Tuteja: That's INR 2.52.

Rajesh Kumar Ravi: Okay. And Q1, it was?

Dharmender Tuteja: For Q1, INR 2.47, marginally increased because of the higher pet coke prices.

Rajesh Kumar Ravi: And do you see this meaningfully softening in Q3?

Dharmender Tuteja: That's right.

Rajesh Kumar Ravi: So is it fair to assume below INR 2 per kilo cal?

Dharmender Tuteja: No, not that much, but in line with the pet coke prices fall, maybe we can expect around 10% reduction, at least.

Rajesh Kumar Ravi: And sir, any softening in the -- will it also -- this falling full prices also will reduce your electricity generation costs?

Dharmender Tuteja: Yes. But we have already taken actions to reduce our generation costs by moving to the grid and other avenues.

Rajesh Kumar Ravi: So like how much was the average cost, sir, in Q2? And what are you looking in Q3 on the electricity generation cost?

Dharmender Tuteja: For the current quarter, it will be INR 6.90 paisa blended.

Rajesh Kumar Ravi: INR 6 blended, okay.

Dharmender Tuteja: INR 6.90 paisa.

- Rajesh Kumar Ravi:** INR 6.90 paisa, and sir, this restatement of numbers, again, we are seeing that for FY '22, March '22 numbers, balance sheet numbers have been restated. Why is it continuing, sir?
- Dharmender Tuteja:** No, that was done in March. It was totally...
- Rajesh Kumar Ravi:** No, Post March annual report even...
- Dharmender Tuteja:** So that was done in the last quarter when we merged Murli and DCBL because that is retrospectively implemented from 31st March '20.
- Rajesh Kumar Ravi:** But because the date came in after the 31st March, that is why these numbers are clearing now.
- Dharmender Tuteja:** You are correct, sir. And appointed date was as per the NCLT approved order, appointed date was 31st March '20. So we had to restate the previous year numbers also. And that was done in the last quarter itself.
- Rajesh Kumar Ravi:** In Q1 end only it has been affected, okay. So we don't expect any further restatement of prior numbers hereon?
- Dharmender Tuteja:** I don't think we do.
- Rajesh Kumar Ravi:** And lastly, on this 26 million tons relatively we're looking to add over the next three years or FY '25 to FY '27, could you give some sense of how much of this is organically have planned for?
- Mahendra Singhi:** 49 million tons, it is all due to organic and..
- Rajesh Kumar Ravi:** Right. So this is done, right?
- Mahendra Singhi:** Yes. For balance, like we said that we will be sharing details in few quarters to come. But at the same time, it's difficult to identify any inorganic number, and that's why all these numbers are organic.
- Rajesh Kumar Ravi:** Right, that is why I am saying, these are all organic, which is on the pipeline, this 26 million tons?
- Rajiv Bansal:** Rajesh, Rajiv Bansal here. See, organic remain same, we want to be a pan India player, and so we keep looking at organic and inorganic opportunities. Singhi Ji and Puneet ha said in the opening remarks. We have taken intermediate milestone of 75 million tons to '27, details are being worked out. If we see a good inorganic opportunity, which meets our vision and our strategy, of course, we'll look at it if we feel it meets the criteria that Singhi Ji was saying in terms of price and position. But you know at this point of time to tell how much will be organic and inorganic, it will not be possible. I think as a prudent management, we will continually look at all opportunities, organic and inorganic, but we are committed to deliver 75 million tons by '27.

- Rajesh Kumar Ravi:** So I was just wondering, this current plan is mostly all based on organic, right? Inorganic is opportunistic?
- Rajiv Bansal:** No. As you see, when you look at the -- when we do a strategy planning, we actually assess the potential market opportunity for inorganic acquisitions. So if that doesn't come up, what is the backup plan? You cannot really guarantee something like that happening today. What we are saying that we are committed to an overall number and we cannot say that because inorganic didn't happen, we couldn't deliver the numbers. As management we will always have a plan A and plan B.
- Moderator:** Thank you. We have our next question from the line of Amit Murarka from Axis Capital. Please go ahead.
- Amit Murarka:** I wanted to understand on the balance sheet side, the debt has gone up quite substantially in the first half. In fact, it has gone up by almost INR 2,000 crores. And I see that most of this is actually a reduction in cash and cash equivalents and gross debt is almost stable. So while, of the INR 2,000 crores, INR 1,000 crores, I understand is reduction in value of IEX share. But then there's another INR 1,000 crores reduction in cash and cash equivalents. So could you help understand like why is it so? And I think it doesn't tally up with the cash flow statement. The cash flow statement shows only kind of INR 150 crores, INR 200 crores reduction in cash balances?
- Dharmender Tuteja:** Amit, out of the total reduction, about INR 1,190 crores is because of the reduction in the value of the IEX share, and balance reduction is deliberately planned because when the interest rates are rising, eventually your cost of borrowing goes up and the yield on the treasury also drops, you know the pricing yield curve. So we kept the treasury at a moderate level commensurate to our requirements and the servicing obligation. So this was a planned strategy.
- Amit Murarka:** But in the cash flow statement release, I can't see a INR 1,000 crores increase in net debt.
- Dharmender Tuteja:** It comes at two places, three places, cash and cash equivalents as well as financial assets. I'll just clarify on the call. In the, meanwhile we can go to the next question.
- Moderator:** Thank you. We have our next question from the line of Harsh Mittal from ICICI Securities. Please go ahead.
- Harsh Mittal:** Sir, just wanted to know what is the price movement from September exit in your core markets?
- Mahendra Singhi:** I would say to some extent, prices have gone up by INR 20, INR 25 in Kerala, maybe INR 10 to INR 15 in Tamil Nadu and not much in Karnataka and Maharashtra. In East markets, maybe INR 5 here and there, not much.
- Harsh Mittal:** And sir, how much is, sir, with regard to the premium segment share sequentially?
- Mahendra Singhi:** It's 20% of trade.

- Harsh Mittal:** 20% for the quarter, and for the past quarter?
- Dharmender Tuteja:** That's 19%.
- Moderator:** Thank you. We have our next question from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead, sir.
- Vivek Ramakrishnan:** In the middle of the capex plan, I wanted to know what would be our peak debt levels that you are looking at over the next two years, looking at '23 and '24? And is there any target metrics in terms of debt-to-EBITDA, something that you'll keep for your capex plan? That's my only question. Thank you.
- Dharmender Tuteja:** Yes, we had already announced in our capital allocation policy that our net debt-to-EBITDA will not cross to 2:1, unless there is a strategic acquisition, for which there could be a temporarily blip beyond 2:1.
- Rajiv Bansal:** So if can just add to what Dharmender was saying. See, if it is a secular growth in FY '27, we expect our net-debt-to-EBITDA to be below 2. But as you know, inorganic opportunities don't come in a secular way. So if we get a good inorganic opportunity, for interim period, we will have the net-debt-to-EBITDA go up depending on the opportunity, the size and the valuation. But we are committed to ensure that on all these basis, our net-debt-to-EBITDA always falls below 2.
- Moderator:** Thank you. We have our next question from the line of Shravan Shah from Dolat Capital. Please go ahead, sir.
- Shravan Shah:** Sir, a couple of data points. First is trade share and lead distance for Q2 FY '23?
- Mahendra Singhi:** The lead distance is 308 kilometers.
- Shravan Shah:** And trade, sir?
- Mahendra Singhi:** Yes, trade share is 64%.
- Shravan Shah:** And the fuel mix?
- Dharmender Tuteja:** Petcoke is 59%.
- Shravan Shah:** So the Pet coke 59 domestic coal is how much? Because last time, it was at a 16%, 17%.
- Dharmender Tuteja:** It's about 14% this quarter.
- Shravan Shah:** 14%, okay. And with the third question is in terms of -- though you mentioned that mostly even if the inorganic opportunity, we will not be able to correct them also organically as we have a plan A and Plan B in terms of to restore 70 million, 75 million tons by FY '27. But in terms of

broadly in terms of the capex for the incremental from 49 to 75%. Will it be fair to assume that close to \$100 per ton, that's a fair way to look at in terms of the capex for the incremental capacity?

Dharmender Tuteja: Yes. Can you repeat the question, please?

Shravan Shah: Sir, I'm asking that for incremental capacity addition from 49 million to 75 million tons in terms of let's assume if you go through the organic way, then the capex per ton, is it fair to assume that \$100 per ton, that's the fair way to assume.

Dharmender Tuteja: If you like to say at the moment, once we come out with our plan, then definitely we'll be able to share these number.

Shravan Shah: And in terms of the FY '24 and FY '25, FY'24, the capex will still remain at INR 3,500 crores?

Dharmender Tuteja: Yes, should be about INR 3,500 crores to INR 4,000 crores.

Shravan Shah: And even if we assume nothing comes in terms of the inorganic and though we have a target to reach that, and we will be announcing the detail plan in the next couple of quarters. But can you see at least 5 million to 10 million tons, 5 million to 8 million tons will be added by FY '25?

Mahendra Singhi: Yes.

Rajiv Bansal: See, when we announced a plan of 49 million tons about two years back, I think a lot of people told us that it is too aggressive and it may not be possible and we have clearly demonstrated that our execution capabilities are the best. And to a large extent whatever we commit we delivered. Now when we committed to a 75 million tons of asset by FY27, there is a lot of thought that have gone behind in it and it is not the right time detail out the plan at this stage. But of course, growth will come every year, it is very difficult to put a number to how much will be FY '25, how much will be FY '26 because we still have to tie up all the loose end for every single plan that we have. But yes, as you rightly said, we announced it in the coming quarters. So but given our track record of having delivering good capex growth and good capacity growth over the last many years, we feel very-very confident, and absolutely sure of delivering 75 million tons by FY27

Shravan Shah: And lastly, sir, in terms of the Murli now, how would be the utilization for this quarter and we were looking at 60%, 65% for FY '23. So is that remain intact?

Mahendra Singhi: I would say, yes, it would be between 55% to 60% for the whole year.

Moderator: Thank you. Reminder to participants to press star and one to ask a question. We have our next question from the line of Ritesh Shah from Investec. Please go ahead.

- Ritesh Shah:** Sir, my first question was on LC3, given we have been quite proactive on the ESG side. How do we see Calcinated Clay actually play out over the next few years? Where is it in the process specific to BIS approval? That's the first question.
- Mahendra Singhi:** Yes. LC3 is still trying to catch up. And at the same time, the deposits for the mines of clay are at few places. So definitely, we have been able to identify such places. At the same time, looking to energy prices because Calcinated Clay also needs lot of energy, a lot of coal, at this moment it may not be viable. But for long run, it may be one of the many available qualities of cement which would be used. For LC3 to become popular, it will take four years to five years.
- Ritesh Shah:** Sure, sir. That's helpful. Sir, my second question is specifically on the marketplace. We do hear price increases, but we are also hearing about tweaking of the discount structure. So can you provide some thoughts behind why is it happening right now? And how is the company tackling this particular variable in the marketplace?
- Mahendra Singhi:** Yes. price and discount, they all play a very important role. So as and when we talk of any price increase in our case, we say net of discount, so let's say we have said that in one -- some place this has gone up by INR 10 or INR 30 is net of discount.
- Ritesh Shah:** All right. Sir, I was just trying to understand how should one look at the discount structure? Like I think it's an industry-wide phenomena where the companies are actually going in the right direction. So the idea was to understand why is it happening now? And how should one look at it? So we do appreciate one should look at it on a net basis. I was trying to understand the rational and the thought processes, sir?
- Mahendra Singhi:** I am not been able to appreciate that what sort of discount tweak you are talking. But at the same time, what I'm saying is that when a dealer also talks about his net blended cost, then there's a price declared by the company net of discount and the same also comes to our books. There may be -- there may be different strategies of different cement companies to further layout the dealer. So that's the marketing strategy of various companies in different ways.
- Moderator:** Thank you. We have a next question from the line of Jashandeep Chadha from Ambit Capital. Please go ahead, sir.
- Jashandeep Chadha:** So my question is regarding the ongoing capacity expansion. In the last presentation, you have announced around 4 million tons of greenfield expansion in Tamil Nadu. In the latest presentation, although they settle 2 million tons is still there, but now it is the remaining 2 million ton of greenfield has been divided in 1 million tons each brownfield in Tamil Nadu and AP. So why -- what is the rationale behind that? And also the expected capacity spend, the capex spend remains same despite the greenfield now being converted to brownfield. So if you can shed some light on that? That would be great.
- Mahendra Singhi:** It's a dynamic world. So considering the dynamic of the area, we had reviewed and then we have and finalize that it will be better at the moment to go for one brownfield unit and Ariyalur and

one in Kadappa. And there may be a little bit change of the capex INR 100 crores here and there, not big because that both would lead to certain extra additional infrastructure. But the point is that we go on reviewing it and then now it will be finally concluded.

Jashandeep Chadha: Sir, just a follow up on that, whether the reserve of limestone and Tamil Nadu, we have the scarcity of lime in Tamil Nadu, is that also playing a part in the decision, go to AP for brownfield instead of 2 million ton greenfield in Tamil Nadu?

Mahendra Singhi: The same limestone would be required, whether you put up grinding unit at the same place as the existing Integrated unit or outside the integrated unit. Limestone deposit has not played any role here.

Jashandeep Chadha: And my second question is regarding the slag availability you have been hearing not been availability of slag in each little restrictive right now. So if you can shed some light on that. And also, you have said that your blending ratio will keep on increasing month-on-month. So will you be current availability of slag, is it possible to even increase, further increase of blending data? So these are my questions.

Mahendra Singhi: So as far as we are concerned, we have certain tie-ups for Slag also. Otherwise, also, we have arrangement with in steel companies and that's why we are not facing any problem in regard to availability of slag. When our blending cement percentage is going up in South, it is mainly PPC, which is using fly ash. So that is also not a challenge.

Moderator: Thank you. We have a next question from the line of Sanjay Nandi from Ratnabali Investment Private Limited. Please go ahead. One moment, please. Mr. Nandi, please go ahead, sir.

Sanjay Nandi: Sir, can you please clarify on the core inventory you're holding as on date or what kind of price thing will be happening in the coming quarter?

Dharmender Tuteja: Currently, it's about 70 days of inventory. And as we explained about \$215 was the last quarter average rate. And currently, although it's fluctuating but its around \$195, you can expect that to coal prices to move between \$195 to \$205 trajectory, so marginally lower. .

Moderator: Thank you. We have a next question from the line of Aman Agarwal from Equirus Securities. Please go ahead.

Aman Agarwal: Sir, you did mention that for Dalmia, we have improved our blending ratio for the South market, which typically used to work on OPC cement. So just want some clarity, does this change or does this shift look sustainable for Dalmia or as a market in the whole?

Mahendra Singhi: Could you repeat?

Aman Agarwal: Sir, the change that we have -- or the shift we have witnessed in the Southern market from regular OPC cement to the pozzolana cement, fly ash-based cement, does this shift or increase in blending looks sustainable for the Southern market, sir?

- Mahendra Singhi:** Yes. For us, it's sustainable, because our focus on retail sales, our focus on trade sales is yielding these results. So it will go on going up.
- Aman Agarwal:** And sir, with this change, how does the clinker ratio for the company as a whole stand now or for South market, how does the clinker ratio improve with this change, sir?
- Mahendra Singhi:** You are saying clinker ratio?
- Aman Agarwal:** How is the clinker ratio improved for the South market or for company as a whole with this increase in blending for South market?
- Mahendra Singhi:** I'll be happy to share the overall company, and it is 1.71.
- Aman Agarwal:** 1.71, which used to be around 1.4, 1.5 at least for the Southern market, sir?
- Mahendra Singhi:** So for Y-o-Y basis, it was 1.59 for the company, and now it's 1.71, thank you.
- Aman Agarwal:** And just secondly, if I can add another question, sir. With the upcoming renewable capacity we had just planned that 173 megawatts in FY '23 and a further 155 megawatts that you planned, what's the amount of savings that you expect from this upcoming renewal capacity?
- Mahendra Singhi:** So this renewable capacity would give us additional saving from FY '24. And definitely, the delta between the two would be INR 5 to INR 6.
- Moderator:** Thank you. We have the next question from the line Prateek from Jefferies. Please go ahead.
- Prateek:** I have just one pending question. On this renewable part, of the -- you mentioned of FY '24 renewable power, what is the WHRS we should have additional post 72 megawatts, which we have talked about for '23?
- Dharmender Tuteja:** So the additional RE power, which has been approved, that is mainly in the solar, which is around 107 megawatt and 48 megawatt is wind power.
- Mahendra Singhi:** So now after we commission our WHRS, all our kilns, except one, will have this WHRS power generation capacity.
- Prateek:** So this -- we have the 72-megawatt is a peak WHRS largely, which we may have for current operations by '23, correct?
- Mahendra Singhi:** Yes.
- Prateek:** And renewable as a percentage of total power mix will be how much for FY '23 and '24?
- Mahendra Singhi:** Currently, it is 24% consumption.

- Prateek:** And this will scale up towards somewhere -- the next two year's course, this expansion which you're talking about in two years?
- Mahendra Singhi:** So it would be around 36%.
- Moderator:** Thank you. We have our next question from the line of Uttam Kumar Srimal from Axis Securities Limited. Please go ahead.
- Uttam Kumar Srimal:** Sir, my question relates to EBITDA ton. This quarter, we have reported EBITDA ton of INR 653 -- INR 655. So considering the demand and softening prices and increased realization, so what kind of EBITDA ton we were expecting in quarter one, quarter three and quarter four?
- Mahendra Singhi:** We are expecting better EBITDA, this is what I can share with you.
- Uttam Kumar Srimal:** Sir, any number you can quantify, if you can?
- Rajiv Bansal:** No. As a practice, we are not giving guidance to the quarter. But as Singhiji and Dharmender were saying, see the basic thing is there's a strong demand environment...
- Moderator:** I'm sorry, sir, you're not audible.
- Mahendra Singhi:** So what we were saying is that, we don't give any guidance on EBITDA number, etcetera. But at the same time, you are aware that the demand is becoming better, price may also go up as well, power and fuel cost don't seem to be going up. So accordingly, we are saying that we are foreseeing better EBITDA for Q3, Q4.
- Uttam Kumar Srimal:** Okay. And sir, one more question with regard to Andhra cement. You had visits for that. So what is the current position there, sir?
- Mahendra Singhi:** Present, it is sub-judicious matter.
- Uttam Kumar Srimal:** And sir, if it comes to us, so what kind of capex we will require for that?
- Mahendra Singhi:** Let it get concluded, then we'll share with you.
- Moderator:** Thank you. We have a next question from the line of Girish Choudhary from Spark Capital
- Girish Choudhary:** Yes. So firstly, if you can talk a bit on your Northeast operations, like how is the capacity utilization, demand and pricing? As a follow-up, you're adding around 1.5 million ton in Northeast, so that's like a 40% increase to your capacity. So how do you see this ramping up?
- Mahendra Singhi:** I would say there is a good growth in Northeast, not only in cement demand, but overall GDP also. As well the projects which are lined up, the capacity which are lined up, both of central government and state government. And accordingly the commitment that Northeast -- particularly Assam government is getting from industries for better industrialization, and also

from the government for better housing. We are expecting good growth, maybe at least for next three years, it can be 14%, 15% growth in Northeast in totality.

Girish Choudhary: But what would be your current utilization, existing capacity?

Mahendra Singhi: So current would be around 70%.

Girish Choudhary: And then, second question for your Greenfield capacities, which are coming up in FY '24 South and also the Bihar plant, so just wondered some sense on where are we in terms of land acquisition and also ordering of the equipment?

Dharmender Tuteja: So for Bihar, we are almost close to the completion of the land acquisition, and the work should start, as Singhiji already confirmed that by March '24, we get commissioned completely.

Girish Choudhary: And for the South unit, for the Tamil Nadu unit?

Dharmender Tuteja: Yes, there work is already on.

Mahendra Singhi: So all would be completed by March '24. So whatever commitment we are making, we will be meeting those commitments.

Moderator: Thank you. We have our next question from the line of Girija from Systematix. Please go ahead.

Girija Shankar Ray: Sir, just wanted to check, there is increase in raw material cost. Is this because of fly ash or any other reason?

Mahendra Singhi: Yes. You are right, fly ash.

Girija Shankar Ray: What is the price right now for fly ash?

Mahendra Singhi: Not only because of the price of fly ash, but since I shared with you that our blending percentage has gone up. On that account, the overall consumption of fly ash and slag, that has gone up. And that's why you are seeing -- there would be little bit increase in fly ash prices also. But then maybe it is because of higher quantity of additive material.

Girija Shankar Ray: Okay. And now like the festive season has already gone, so can we expect a volume of around 6.5 million tons to 7.5 million tons in this quarter, hence like in Q3?

Mahendra Singhi: It is difficult to give the guidance. But then yes, we will be almost 1.5 times of the industry growth.

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

- Sumangal Nevatia:** Most of the questions are answered, but just a few top-level questions to Mr. Dalmia. First, I mean, on our medium-term expansion plan, our long-term vision is to become a pan-India player. So with this FY '27 plan, do we start moving towards new regions or is it largely consolidation in the existing region? Directionally, if you could guide us?
- Puneet Dalmia:** I think we will be examining all possibilities. And we are developing one of our projects in Central India, where we have a limestone mine in Madhya Pradesh. So I think that project, we have already started to develop. We are also looking at -- it's early stages yet, but I think we are starting to buy land and develop projects. We're also looking at buying some land in Uttar Pradesh. So I think our long-term vision is pan India, we are looking at organic and inorganic opportunities all across the country. And it's hard to predict what will happen and when. And -- but we will give you more details once we firm up our plans.
- Moderator:** We've lost the connection of Mr. Sumangal. I would now like to hand the conference over to Mr. Dalmia for closing comments. Over to you, sir.
- Puneet Dalmia:** Once again, thank you very much for joining us, and thank you very much for a very engaging session, as always. We thank you for your support. Thank you for your feedback and look forward to continuing to get your guidance and feedback as we build the company.
- As I said, we are very excited about India's future and Dalmia's future. And while the world is quite volatile and unpredictable, I think we have great conviction in India, and we are doubling down on our bets here. And I also want to say that I have a deep conviction that this decade belongs to India, and the best of India and Dalmia is yet to come. Thank you very much.
- Mahendra Singhi:** Thank you.
- Moderator:** Thank you, sir. On behalf of Dalmia Bharat Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.