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20 July 2022

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National Stock Exchange of India Ltd  
Listing Department,  
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Bandra Kurla Complex, Bandra (E)  
Mumbai - 400 051

Scrip Code:500292

Trading Symbol: Heidelberg

Dear Sir,

**Sub: Transcript of Earnings Call - Regulation 30(6)**

This has reference to our letter dated 15 July 2022 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 19 July 2022 on Unaudited Financial Results of the Company for the quarter ended 30 June 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  
Legal Head & Company Secretary

Encl.: a.a





“HeidelbergCement India Limited Q1FY'23 Earnings  
Conference Call”

**July 19, 2022**

**HEIDELBERGCEMENT**



**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 India Limited Q1 FY'23 Earnings Conference Call hosted by PhillipCapital (India) Private Limited.

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

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

**Vaibhav Agarwal:** Good afternoon everyone. On behalf of PhillipCapital (India) Private Limited, we welcome you to the Q1FY23 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.

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 may be forward-looking statements related to future developments and the current performance. These statements may be 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 obligation to update or 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 Q1FY23 Presentation on the stock exchanges and 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 their opening remarks, followed by an interactive Q&A. Thank you and over to you, Cooper sir.

**Management:** Thank you everyone who has joined this conference call today. While you would have downloaded our presentation, I will start this by saying that it was the one of the tough quarters for the industry. I am sure for others also it would be. For us it has been mainly because I would say that camp was played here by cost. So, it has been a very costly quarter, I would say.

However, nevertheless, let me run through the presentation, some of the key points in the presentation which are there with you. So, the capacity utilization, as usual we try to keep it at on a very high level. So, we operate at close to about 72% capacity utilization, which is, I would say it is under such a difficult quarter operating at this level was a good task done by the team.

As a Company we operate 100% blended so, on a carbon footprint, on a sustainability we are on a very high note. We are close to about 511 kgs per tonne of cement. Last time also we said that

we are sourcing renewable power in our journey to have more and more power under renewable, and the green power. We got this 15 megawatts, clicking-in, ticking-in from March, and now at Jhansi plant we are having this power availability.

Very happy to inform you that for the first time highest ever share of green power in this Company has been 30% which is a, I would say is a very welcome move of the Company towards the direction which leads this Company, it puts it ahead on the curve.

We have again migrated, last time also we mentioned that we are migrating to a lower corporate tax and now it is lower tax from this year and this has been accounted for while we are making our planning and while we are doing our results.

Net cash in banks is close to about Rs. 2.2 billion. So, we have a good reserve here. And we continue to operate on negative working capital which has always been one of our USP in the market. And despite a very strong push back on the liquidity side, the team has been able to try to collect the monies on time, although there is a little bit of debtors increase but sometimes it happens in certain week, months but yes overall I would say it's good progress from the management side of the team has done a relatively good job.

Moving to Slide #4, which is on the Page #4, as I mentioned blended we are 100%, CO2 we are 511 kgs per tonne, and another bright spot the silver lining here is that we have water positivity of 4.4, we are working to improve it further and possibly, if this year the monsoons are good, we will be able to harvest far more water and improve this trajectory from 4.4 and upwards.

On the CSR side, we have been responsible or we should say that we have been able to be a change agent for the lives of about 32,000 people. And the journey goes on, and we keep contributing, because we believe that industries cannot survive or exist in societies that fail.

On the green power side, I mentioned to you, which is the highest ever we did 30% share of green power.

Moving to Slide #5, this is the snapshot of how our, this 30% contribution is distributed. So, it is in Jhansi it's 15 megawatt. In Narsingharh with the help of 12 megawatt WHR and 5.5-megawatt solar plant, we are able to get a good respite on terms of power from the grid, our grid content has reduced. Same thing in Ammasandra it has been now a story for more than two years, two and a half, three years, where we have been operating close to 90% of our power is green power.

On the right-hand side, you can see how our growth trajectory has been. And one good point is that this quarter, we have achieved 30%.

Coming to the results, which are on Page #6, whatever we did, okay, we tried to improve our pricing power. We did every possible thing to improve our revenue on the revenue side, but on the cost side, the fuel and power this has impacted us inversely. And our total cost has gone up

by 24%. And on the side of realization, we have been able to takeout about 13% out of it. So, still there is a lot of road to catch up. It is unfortunate that the markets have remained soft, for reasons best known to the market. There was a good demand some period, but in the month of May, it has been a very bad month. In the month of June, it has improved. July seems to be a little better, but now let's see how the monsoons pan out.

Giving you quarter fall how our EBITDA has got impacted or how the quarter fall has happened. So, you can see that, our EBITDA per tonne was about 1100 last June. We got added on price and you can see on the right-hand side and the middle of it, which is a center of drawing attention, which is about Rs. 620, was taken away totally by power and fuel.

This other items, you can see a little bit here. But then these are some of them, I would say they are not critical ones, they are one off ones so that is not a major concern for us because there was some shutdown and some small things happen. So, that's not too much of a concern for us. That will come back to normal. But this power and fuel will remain our question of concern for us and I am sure it will for the other industry members also.

On Page #8, you can see that we are on a net cash of Rs. 2.2 billion as of now after the debt is being paid, it will be taking its own time, which will be paid up on the right-hand side, the breakup has been given how the cash flow is going to go out from 23 to 26. And how it is going to be repaid. But today as of now the bank balance is about Rs. 4.58 billion, which is a good balance which we are sitting on.

Coming on Slide #9, you can see that our volumes are about 45%. And coal this time you will see a little change in the coal because till February, the coal prices were lower than petcoke. And now petcoke prices are lower than coal, so we had to recharge, rejig the whole fuel mix. And now we have come back to on coal, coal is 38% and petcoke is more.

Coming to our premium cements:

Happy to say that there is a 6% growth on year-on-year which is very much in-line with the trajectory we have planned. And we want to continue growing till we reach a reasonable amount. As of now, it is about 23% of our trade is premium brands. 83% of our volumes have been in trade and balance is in non-trade. Non-trade and trade, I will be very happy to inform you that earlier the difference between trade and non-trade was more. We have been able to narrow the gap, so to that extent there is some merit in selling a little bit of non-trade little more.

Another thing which I want to inform you, which you might have heard or you might have not heard which is on Page 10. This is a very unique initiative, which we have launched by probably the first time in the cement industry, anywhere in the globe. This project we took up because to address the dilemmas of the cement consumers.

Let me, for those people who are not aware of it, elaborate a little. Normally in Indian cement industry or later consumer, where the cement team goes to buy a cement, first of all, when a

consumer goes to buy cement, he is not aware of which are the authorized dealers because you find dealers are in small shacks, whether they are authorized, not authorized? Where they are bringing cement from? And what, how much of spurious cement flows into the market is known to people that are often raised by the government, and they find some lookalike brands coming to the market and it takes away a big toll on the brand. And so many times brand lose the reputation because also of this. And the more the premium segment you are the more is the chances of your duplication. So, you have to be very careful.

So, the customer does not really know in today's time, where to buy cement? So, what we tried to do is that this app is on WhatsApp. Now what is a chatbot? This is basically a chatbot. Now, what happens is when you log on to this number, and you just say 'Hi,' the system registers you as a customer, and then they give you a menu from what you have to choose. The menu is very vast, you can download company catalogs, you can download product catalogs, you can download the dealer's names in the vicinity where you are, so you have to just type your Pin Code in the area where you are. So, if we have dealers the system will tell you that these are the Top 10 dealers and retailers in your market vicinity. So, you can go and buy from them. Their phone numbers are given to them. So, that is all there.

Another biggest dilemma of the customer is that what should the price, actual price be in the market. Today, you can go to a cement market and you will find that dealer to dealer, shop to shop, the prices may vary from as low as Rs. 2 per bag to as high as Rs. 15 to Rs. 20 a bag. So, in the same vicinity of 300 meters you will find this type of differences, so to address this and to bring all the customers onto one line and to give them the confidence. Today, in the cement industry nobody gives, prints a price list. So, there is no price list displayed like other products.

So, what we have tried to do, we tried in the earlier past, we did our catch, which we put it in the dealer shop where the prices were suggestive retail prices were promoted, but then we said it was limited, not every outlet was having it. So, we extended it by using this technology digitization, and we went into this WhatsApp thing. So, you put a Pin Code in your area and you will get a suggested price. The prices in our view should not vary more than Rs. 5 to Rs. 7 a bag, between what is actually on the ground and the dealer may give some discount here and there. This is a price which he will get on the ex-shop price.

And then if they have to sell it, supply to a distant place, then he will charge you probably cartage extra for that. In sometimes the volumes are more so they may charge you the same price, in the same cost they may deliver it to you at the site. But for a customer who is buying 5, 10 bags, 20 bags of cement, the chances are that the person will get this at a very realistic price.

The customer can even book for customer service vans, service vans and then we will provide him the customer site services. He can register a complaint if anybody is charging him wrongly or if he finds that our address of the dealer is not there or the dealer is not responsive or he has not met his demand or he has taken the money or something or the other then he can log a complaint and we will call him back and understand the customer's details.

Another area what we have also put up for our business associates there are many people who don't know where to apply for dealership. By this method, we are telling that here you can make a call and let us know and we will reach out to you and supply, try to see whether we can make you our dealer or not. We cannot make everybody a dealer because we do not want unhealthy competition to come into the business. So, we are selective about it, but definitely, there is an opportunity for people to apply, and now the company knows that who is interested in who is not interested in the business.

We will expand this WhatsApp for business, which is we will expand it in the future. And this will become the order of the day, which we want to establish that customers should not feel grieved or in any way feel less that he does not know anything about cement, from whom to buy, at what price to buy. By this trying to build a customer confidence in our brand and our Company.

I am very happy to inform you also that our Patharia mines was honored by the Chief Minister of Madhya Pradesh, Honorable Shivraj Singhji, who gave away first prize to our Patharia mine under the Environment categories.

Outlook, just to run through quickly, we expected the GDP rate to go at 7.3% as per the forecast what has been coming now in the media. So, we expect that if this goes to 7.3%, then the cement demand should be aligned, close to it or at least a little better than this.

Government spending has been little low off late. But we expect with the coming Lok Sabha elections in 2024, the spending will go up, because the government tax collection revenues have been growing continuously at least 20% month on month basis. So, we are expecting that this growth will continue and the government will spend.

Russia-Ukraine war, nobody knows when it will end. But fuel it has taken a hit on the fuel. But I am hopeful that now the Russian coal has started coming to the Indian market, which is cheaper. The coal production from Indian coal mines has gone up. So, last three months, we have been seeing a little bit of easing on coal availability. And I am sure in the months to come we will also see a little bit of easing on the coal prices also.

Rupee continues to struggle against the Dollar. And it is at one of its peak. And people talk about Rs. 80 to Dollar which is probably the future was forecasting that.

On the inflation side, we know that how the global economies are positioned and how they are moving in what direction. So, there is an imminent risk which we see that if a recession was to trigger in, what will be the state? How will we face the industry? How will the industry go? But we are making our plan B how we will work if that recession was to come, and how will you manage our businesses. So, we are working on that.

Liquidity crunch I mentioned to you that despite such a heavy severe, liquidity crunch in the market our teams have been able to manage and do the businesses and still recover our money.

We have till date in the history of our Company we have not had a single bad debt in these so many years. And I am hoping that we will continue this good work and continue to remain healthy as our organization.

And this is all from my side. Thank you for your patient listening. I am happy to answer any of your questions. Anil is with me. And we will be able to answer all your questions to the best of our ability. Thank you very much. Over to you Vaibhav.

**Moderator:** Thank you. Ladies and gentlemen we will now begin with the question-and-answer session. The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

**Shravan Shah:** The first question is on the pricing. So, how we see the prices so have you seen any further decline from the start of July compared to the exit of June or the average for the 1<sup>st</sup> Quarter?

**Management:** So, Mr. Shah, there was little pressure developing because of monsoons not coming in, but now when the monsoon is setting in, I think there will be some uptick in price. I think for this month the prices should remain flattish.

**Shravan Shah:** Now, coming to the main question of power and fuel. So, two things, first in terms of the average fuel costs for the 1<sup>st</sup> Quarter, how much was blended? And how much more increased we can see in the in the 2<sup>nd</sup> Quarter?

**Management:** You are saying, for the power and fuel, both combined?

**Shravan Shah:** Yes.

**Management:** Power and fuel combined; I can give a separate, separate.

**Shravan Shah:** Yes, no issues.

**Management:** Okay, power for this quarter is about to Rs. 460 and fuel is about Rs. 1,410.

**Shravan Shah:** I am asking in terms of the coal, petcoke consumption cost what was for the 1<sup>st</sup> Quarter --?

**Management:** Fuel cost per tonne of cement has been about Rs. 1,410 and for power consumption it is on per tonne of cement is Rs. 460.

**Shravan Shah:** Yes, that I got, but in terms of the purchasing costs for us in terms of the coal and petcoke what was the average consumption costs for the 1<sup>st</sup> Quarter?

**Management:** On this particular, in this quarter the power cost has been almost Rs. 6.5 per unit, Rs. 6.50.

**Shravan Shah:** How do we see the further increase in the power and fuel costs in the 2<sup>nd</sup> Quarter?

**Management:** Power, I don't expect power to go up any further, but fuel we cannot say, it depends on the market condition. But going forward I am expecting fuel to come down, little bit.

**Shravan Shah:** And what is the lead distance for the Q1FY23? And also, in terms of the CAPEX, last time we guided Rs. 50 crore to Rs. 60 crore CAPEX and also we are doing a debottlenecking. So, any change in that number?

**Management:** On the lead distance it is the same. And as far as the CAPEX part is concerned that is also constant.

**Shravan Shah:** And any update in terms of Gujarat expansion, because previously you were saying that maybe after September once we have Environment Clearance, we will take one, one and a half year to get the Environment Clearance post September. So, any change in deadline in that?

**Management:** No change, we just received in the last month, we received our SEZ Clearance Approval. Now we are applying for a TOR.

**Moderator:** Thank you. We will move on to the next question that is from the line of Kamlesh Bagmar from Prabhudas Lilladher. Please go ahead.

**Kamlesh Bagmar:** Yes, one question on the part of volumes, our volumes are down 6% and it is the lowest volume levels since Q1FY18, we had added some capacity to debottlenecking. But we continue to lag on that part. Volumes, if we see the other peers as well, like say ACC reported 10% odd volume growth, and there also no capacity addition, and even we believe that rest of all peers could be having a growth in the vicinity of 8% to 9%. Against that we are degrowing at 6%. And the fact that in Q4 we had the election so some weakness could have been there, but in Q1 it was a significant decline.

**Management:** So, Kamlesh, you have noticed it correctly. But if you look at it, if you compare on a year-on-year basis, okay, last year in the same quarter we grew by 38%.

**Kamlesh Bagmar:** But in the base, there was a COVID impact. So, I am comparing right from Q1FY18, not from year-over-year or --

**Management:** Allow me to complete it, that's what I am saying that, that time in Central India, other players did not grow by the same extent. So, our base was higher. So, the growth did not come to that extent, okay, so that is one part. In terms of absolute number, I agree with you, there was a little bit of pressure on price between judgment between price and volume. And because of the liquidity crunch in the market, we did not want to push in too much of material just only to get the money locked in. Because there have been incidences where some money got delayed, but we could recover it. So, there are some stresses in the market. So, we were balancing this out. But now, this is not going to happen in this quarter. We have overcome that situation, which was there in the month of May, there was a little bit of tough time. And that's why there is some hit back on volumes also, we have become a little hit but at this volume we will recover.

**Kamlesh Bagmar:** Secondly, on this revenue, we used to give the breakup of other operating income and even in the last quarter, we had, like say we reclassified our revenue breakup. So, other operating income was there in the other quarter. So, can you provide other operating income number for this quarter?

**Management:** No, the other operating income from last quarter we started grouping under the revenue, similar to other companies have been publishing results. And this other operating income comprises of mainly two parts, one is that our tax incentive which is every quarter is around Rs. 50 million INR. And second thing is the some kind of miscellaneous income on account of trade sales so that amount also we can consider around Rs. 30 million. So, it is around Rs. 80 million other operating income during this quarter has been grouped under the revenue part.

**Kamlesh Bagmar:** Rs. 80 million.

**Management:** And these are the recurring things even the earlier quarter, the amount this in the range of the Rs. 70 to Rs. 80 or maybe maximum Rs. 90 million INR from this account.

**Kamlesh Bagmar:** Because in press release you were giving the revenue, net of other operating income. So, in the last quarter as well the same thing was done. In this quarter only your revenue numbers include your other operating income in the press release.

**Management:** You are right, but what we have done in compliance with the annual account for the final audited accounts, we reclassified or regrouped in the public results to keep the uniformity in the public results as well as the annual accounts.

**Moderator:** Thank you. The next question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

**Rajesh Kumar Ravi:** Few questions, first addressing the volume decline. What do you suggest, what is the outlook because this is three consecutive quarters we have seen volume decline. So, what sort of number you are looking at for FY23?

**Management:** So, this year, for the whole year you are talking about?

**Rajesh Kumar Ravi:** Yes.

**Management:** That is around 4.74 million INR if I am not mistaken. '21/'22, Fiscal Year it was 4.75 million in the cement volume and this year --

**Management:** No, I think we have some growth in the market -- at least 6% to 7% growth must be --, this is what we are targeting it is because now the GDP numbers are coming as 7% growth, I think we should try sir, you know achieve more than that, 1% better than that.

**Rajesh Kumar Ravi:** So, despite volume decline in Q1 you are still hopeful of full year growth of 7% to 8%.

**Management:** We will take it up to next quarter we will make it up.

**Rajesh Kumar Ravi:** You discussed about the fuel mix. Could you share what was your fuel mix in Q1 and what is it in Q2. And on a per kilo cal what was the costing in Q1 and where do we --?

**Management:** So, I had mentioned it in earlier one, the fuel mix is about in my presentation, it is 38% is coal, in this quarter passed, gone by. And this will keep inching depending on how the fuel prices pan out. Tomorrow if the coal becomes cheaper than we will shift to coal. So, I cannot tell you for sure, but ultimately what is the target is to keep our overall fuel mix in a lowest possible level.

**Rajeshi Kumar Ravi:** And what was the per kilo cal costing in Q1?

**Management:** Coal is around Rs. 3.25, and petcoke is around Rs. 3.10.

**Rajesh Kumar Ravi:** And how were these numbers in Q4, because we are just trying to understand what is the impact in Q1 numbers?

**Management:** Actually in March quarter that is in Q4, the petcoke was Rs. 2.50 and the coal was Rs. 2.30. So, there is significant hike in the coal cost.

**Rajesh Kumar Ravi:** Coal price, Rs. 1 jump in coal and around 50 paise or 60 paise jump in this petcoke prices.

**Management:** Petcoke price also increased significantly, but the impact on the coal was much higher than the petcoke and which is why during this quarter, we increased our petcoke consumption that gives the benefit on account of optimization of fuel mix during Q1, 2023.

**Rajesh Kumar Ravi:** And this Rs. 3.20 and Rs. 3.10, how these numbers are currently stacking up in Q2?

**Management:** It should be little better; it should be little softer.

**Rajesh Kumar Ravi:** So, you are saying that this coal prices have come down from Rs. 3.20 levels or lower because international coal prices we understand is north of Rs. 4.

**Management:** It depends on what, how the coal prices come into the game. We cannot say today because we are buying coal on spot basis. Today coal also, although there is a struggle there, but at least when we get our fuel, FSA coal, then it is better off. But today getting the FSA coal earlier, today, now the government is clearing amounts which we had paid last year in February, March. The coal is coming now this year to us.

**Rajesh Kumar Ravi:** So, why I am asking is sequentially, assuming the prices stay where they are for the month of August and September, is it fair to say that your fuel inflation has peaked out in Q1?

**Management:** Yes, you can say so.

**Rajesh Kumar Ravi:** And lastly, the solar power which you are purchasing annually, how will they improve your power cost? What would be the landed power costs for this new arrangement?

**Management:** This Rs. 6.50 is including the solar power cost, which is much cheaper than the grid price. And gradually when we will start getting more solar power, I think our landed cost of the average power will almost remain flat. We can clearly say whatever this coal prices, if the grid increases, we will be able to nullify that impact by increasing the renewal power from our long-term agreement as well as our own power plant.

**Moderator:** Thank you. The next question is from the line of Pinakin Parekh from JPMorgan. Please go ahead.

**Pinakin Parekh:** My first question is, can you give us some more granular color on cement prices in your key markets where they were in April? And how they have trended over May, June, and July?

**Management:** I would say it is very much constant, prices have been very flattish. In Central India, the prices have not really moved, in a very narrow range, I would say. But you can say comfortably around Rs. 380 somewhere price is in Lucknow about Rs. 360, Rs. 370 in Bhopal. So, if you take these two major markets, it will be somewhere close to, in this range bound only.

**Pinakin Parekh:** So, just to understand more clearly the price hikes that you took in April, how much were they per bag, in broadly? And have the entire price hikes stuck through the last three months?

**Management:** I won't be able to tell you so micro fine because I don't have the figures of April, because I will give you a big picture of the whole thing, because as I mentioned to you it has been hovering around Rs. 380, Rs. 370, Rs. 380.

**Pinakin Parekh:** Second in terms of demand, right, you said that may was impacted but broadly if you were to look at demand across trade and non-trade where is the weakness higher in terms of the in-demand?

**Management:** See the demand is getting weak little bit on the government side. Government consumes close to about 30% under non-trade, although we don't supply there, but when whosoever is filling up that demand, if they don't have then they will build pressure on prices of certain areas.

**Pinakin Parekh:** And in terms of the expectations, you said that prices now since the rains have come, but would it be fair to say that the price hikes is possible now only after the monsoon months in October or do you think that the company or industry will try to push through prices over the next few weeks?

**Management:** See us, it is very clear that we look at our day-to-day demand okay, how the orders are coming, pouring in into our system and then we take a call based on that. If our daily targets are getting over, then we try to take Rs. 1 or Rs. 2 increases also, at least we are not fussy about it that we have to take a large increase or anything, but even if I can take Rs. 1 increase any particular day it makes a difference to us, so we do that. So, we play it by the market, how the market is serving

us on that basis. So, I cannot tell you whether we can be able to, how much we will be able to increase. But yes, as a company we don't leave a single day opportunity to take that money. We may have some benefits now, after this our new project which has started you know, this on WhatsApp, where if we are getting more inquiries, and if they are getting more inputs, probably there might be some positive side but I am not very sure it is just launched very recently, so, can't say today.

**Pinakin Parekh:** And my last question is you mentioned that probably energy costs have peaked for you as a company. Now going forward, is that more driven by a normalization of domestic supply from Coal India or expectation that the global coal prices will fall sharply from here?

**Management:** So, it is like this, Russian oil is available at about 20% to 25% cheaper. So, that will put pressure on some other coals available, so they will also try to because everybody then will move towards Russian coal. So, people may think okay, let us negotiate the other types of coals which are coming from South Africa and other places, they might start reducing the prices.

Just to add up to this, Mr. Parikh, that we are seeing that there is China weakening also happening for Indonesian coal. So, the coal movement, which was peaking to China is also, so Indonesian coal will also find its, Indian shores soon. So, the Indonesian coals is any day cheaper than South African coal.

**Moderator:** Thank you. The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.

**Amit Murarka:** Just a quick question on the market, like in Central India, we had seen some flow of cement coming from South and East. So, has that moderated or like are we still seeing that happening?

**Management:** No in Central India we are not having an inflow from South.

**Amit Murarka:** No, I remember after the Mini Rakes Scheme at least some material was starting to come in from --?

**Management:** Might be but right now it is not there.

**Amit Murarka:** And I believe even some rakes are coming in from Konark Cement and all?

**Management:** Yes Konark comes in, that comes, but that is coming the eastern side.

**Amit Murarka:** Yes, so but it's not as bad as it was about say one, one and a half years ago.

**Management:** Yes, because, earlier there used to be a freight subsidy which used to be there now those have reduced. Now the cost has gone up for everybody, I don't think people will be aggressive on pricing, because Central India has seen a very stable prices for last for many months together or I would say quarter together.

- Amit Murarka:** And also like the status on the Gujarat plant if you could just refresh a bit over there?
- Management:** As I said that, we have the mining lease with us. We have applied for TOR, there was some small, they wanted SEZ clearance, they wanted as the coastal zone area clearances were required. Now we have got it. The government has given it. Now we are proceeding with our application to apply for TOR. That TOR will take about a year, year, and a half to do the studies and then we are in parallel working on that.
- Amit Murarka:** Okay, but should we like expect ordering and also start in the next six to 12 months?
- Management:** 6 to 12 months see the TOR will take another one and a half years to do. So, till that time we cannot do anything there.
- Amit Murarka:** So, then it's at least two years away, at least the project start then.
- Management:** Yes.
- Moderator:** Thank you. The next question is on the line of Prateek Kumar from Jeffries. Please go ahead.
- Prateek Kumar:** My first question is on your coal mix, you said it is 38%. Can you split it further between domestic FSA coal, eAuction coal and international coal?
- Management:** For us it's 100% domestic coal, there is no imported coal, we buy from Central India.
- Prateek Kumar:** And how much of that would be linkage and eAuction coal.
- Management:** There is no linkage coal, nowadays is gone, 100% is the open market, there is no coal received during this quarter under the fuel supply agreement. So, that's why we also expect that coming quarters, the cost may reduce once we start getting the coal under our fuel supply agreement. But during this quarter it was 100% open market domestic coal.
- Prateek Kumar:** And we may start getting the linkage coal from which quarter?
- Management:** We expect because now when the pressure will reduce from the powerplant maybe the Coal India will divert some of the coal to these cement industries. But it depends on how rig relocation comes in, we cannot predict anything on that because if the backlog is very huge, depending on how the backlog is going to come out, we don't know. But ultimately our right remains there that we will get our share of coal.
- Prateek Kumar:** And just on your CAPEX, for modeling purpose your FY23 CAPEX would be around Rs. 100 crore and 24 would be much higher related to Gujarat or it will be like pretty much similar in FY24 as well at Rs. 100 crores?
- Management:** So, 23 you are right that it is around Rs. 100 crore including some investment on account of bottlenecking projects. And along the similar line we expected the same amount will be in the

fiscal year 2024. And we will see in case of Gujarat, how much CAPEX will be required for the purpose of land acquisition, depending upon the development of our licenses and permits.

**Moderator:** Thank you. The next question is from the line of Deep Nayan Shah, from DNS Investments. Please go ahead.

**Deep Nayan Shah:** I just wanted to understand, there is a note given in the quarter note, that we have received Rs. 30 crores during the quarter.

**Management:** It is in the March quarter.

**Deep Nayan Shah:** Because in a quarter note it is written during the quarter, so I just wanted to clarify that.

**Management:** So, if you see in the note it is mentioned during the quarter March 2022 and the year in March 2022, respectively. So, this is the incentive we received or you can say we received approval from the Madhya Pradesh Government and in March quarter it was accounted for.

**Deep Nayan Shah:** And have we got any incentive in the current quarter --?

**Management:** The incentive is valid until February 2023. So, every quarter, our average amount is around Rs. 50 million INR. So, in June quarter also this line the Rs. 50 million INR were accrued.

**Moderator:** Thank you. The next question is on the line of Ritesh from Investec. Please go ahead.

**Ritesh:** The first question as you indicated around Rs. 50 million of other operating income in the quarter. How much was the number corresponding period last year? Was it an equivalent number?

**Management:** So, June 2021 quarter this amount was slightly lower, here the amount is Rs. 55 million INR.

**Ritesh:** So, the question is basically, if one looks at the price growth on a year-on-year basis, it looks pretty good as compared to what other manufactures actually reported. So, is it more of a region-specific thing that we are looking at, or is it something specific to the company, reduction and discounts, our trade volumes, or direct dispatches? Was there any other measure which was actually, which contributed to better price?

**Management:** Ritesh there are a few things here, one is a good contribution from our premium products, number one. Number two is we have narrowed the price difference gap between trade and non-trade. So, that also has added to it. And since we do about close to 82% of our business in trade, there we try to see that we can inch up our premium over a period of time, which now we are working seriously on that, more seriously than before. And we hope that we will be able to deliver you better results in the months to come.

**Ritesh:** All these three variables that you indicated; I think we have been doing it since quite some time. The price growth what we have seen for Heidelberg, it's actually a pretty good number. So, just

trying to probe was there any one off or anything specific that we have done besides things that we are already doing or if the differences between trade, non-trade has it reduced for us?

**Management:** So, in premium also, we have increased inched up a premium, earlier between that also. What we are trying to do within that bracket also in the premium product earlier, the difference used to be some X amount, now we have increased it to X plus something. So, this is a part of our strategy, how to keep inching up our premium. So, the product will remain the same. But the price difference between a normal premium product, the price gap will keep increasing over a period of five to 10 years.

**Ritesh:** My second question is on costs; you did indicate that we do expect cost to inch down. So, just trying to understand what is the sort of inventory that we maintain for different flow that we have? Would it be same as 30 to 35 days? And how should one look at basically, how are you looking at it basically inventory position, do you expect --?

**Management:** You are talking about fuel inventory?

**Ritesh:** Yes, pet-coke.

**Management:** Fuel inventory nowadays, it is a little lower than 25 days. But yes, the target would be that at least keep 30 to 35 days.

**Ritesh:** And then you indicated Russian coal was 20% to 25% cheaper, probably we might not be using that, but can you give the landed costs numbers basically on dollar terms and the kcal what it gives? I am just trying to understand the rupees kcal comparison what you give for us?

**Management:** I think if I am not mistaken, that coal is somewhere around \$170, the Russian coal, as of now.

**Ritesh:** So, this on blended Indian coal.

**Management:** Yes, Indian coal.

**Ritesh:** Lastly, just wanted to check, how does the parent look at India growth plan? Are they very much comfortable for us to go ahead with Gujarat expansion or at a later date say Zuari merger to simplify the structure. Just wanted to get some sense on how does a parent think of India as operations and the growth of opportunity, which is there, available on the table?

**Management:** So, as I again at the cost of repetition, I always say that even the group is very focused on India. The group wants to stay invested and grow. So, they know that it is emerging economy, it is a developing state and cement is one product where you have to stay there in such type of countries, because this is, so it is not only that you not tomorrow because this also lays the foundation for other building materials for us, because as a group, we are into many of the building materials as you know that we are #1 in aggregates throughout the world over; we are #2 in cement also and #2 in ready mix also.

So, these are the building blocks which we have to remain in there. And since it is the forte of the group I don't think the India group will ever think of divesting any asset in fact, every time they ask us if there are any opportunities where we can invest more. So, of course, we are not able to provide them those opportunities. We have only these two greenfield projects here and then, of course simplification of our structure is there always on the cards. The working has already begun, the group is already, we are discussing with the group of our finance team Mr. Sharma and his team are working on that. It might take up maybe some time and by the time we will come back to them with the news whenever we decide that this merger has to take place. But ultimately it will be one company.

**Ritesh:** Have we taken any regulatory steps towards the group simplification? Have you already filed, any regulatory steps that we have taken?

**Management:** No, we have not as of now, but in future whenever we decide to do it then we make our full drawing board is ready then we will go step-by-step as the regulation asks us to go.

**Moderator:** Thank you. Ladies and gentlemen, we will be taking the last question that is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.

**Rajesh Kumar Ravi:** I have two questions. First on this Gujarat Capex, I understand this is still three plus years ahead. But what would be the CAPEX size and what would be the funding mechanism? Will the parent company will be infusing equity for the same?

**Management:** I would say that you will have to just wait Rajesh on this and wait and watch because today we are doing some; we have some cash sitting in our account here the idea is that of this project is going to take about Rs. 2500 crores okay Rs. 1000 cores we can put from here and the Rs. 1500 crores we can look at how to get raise this money. So, if the debt push down has to be there from the group, if it is cheaper then we will look at that, or we will find out other sources of financing it, but that won't be a challenge, because the networth of the company is so good that we can borrow sufficient money to make the closure for this project.

**Rajesh Kumar Ravi:** So, any number if suppose you have to borrow any net debt EBITDA or any net debt equity number which you are looking at that you want try and reach those numbers?

**Management:** By the time we will go for the funding I think that time our networth will be or the free reserve will be around Rs. 1500 crore so, if the same amount of the debt will be required and also it is not to more than 1:1.

**Rajesh Kumar Ravi:** And second, you talked about Russian coal available at \$170. So, two things on a per kilo cal how is that costing? And second is that sufficiently available to make a meaningful pressure on the market for other sources to reduce prices in domestic markets?

**Management:** I think kilo cal basis at this moment coming Rs. 3.25 as the domestic coal. So, for our Central India plant there may not be possible to use the Russian coal because it is landlocked situation,

what we understand, the other people they have been importing at this level and for them CIF in South India it will be below Rs. 3 kilo cal.

**Rajesh Kumar Ravi:** So, my point was this Russian coal coming, if the quantity is sufficient enough, so that the other sources not directly in your market, but if the logistics South based or the port based there, buying more and more of Russian coal will relieve the other sources of coal for Central India players and at a competitive price is understanding right?

**Management:** Yes, of course, because some coal demand is getting replaced by Russian coal. So, there is some surplus which will get created in the domestic coal then that will be available at a cheaper price or much easily. Let us not build our hopes on cheaper but let us say easy availability. Today you are struggling for coal. Sometimes you wonder, after five days whether the coal material will come or not or we are going to run into a dry situation?

**Rajesh Kumar Ravi:** Despite high prices.

**Management:** Yes.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now have the conference over the Mr. Vaibhav Agarwal for closing comments.

**Vaibhav Agarwal:** Thank you on behalf of PhillipCapital (India) Private Limited. we would like thank the Management of HeidelbergCement India Limited for joining on the call. And thank you all the participants for joining on the call. With that we now conclude the call. Thank you very much sir.

**Moderator:** Thank you. Ladies and gentlemen on behalf of PhillipCapital (India) Private Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.