**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:2023-24

24 July 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,

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

This has reference to our letter dated 17 July 2023 informing about earnings 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 20 July 2023 for discussion on Unaudited Financial Results of the Company for the 1st quarter ended 30 June 2023.

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: 2023.07.24 16:30:59 +05'30'

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

Encl.: a.a

MATERIAL TO BUILD OUR FUTURE

“HeidelbergCement India Limited

Q1 FY ’24 Earnings Conference Call”

July 20, 2023

**MANAGEMENT:** **MR. JOYDEEP MUKHERJEE – 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 Q1 FY24 Conference Call of HeidelbergCement India Limited hosted by PhilipCapital 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 star, then zero 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:** Thank you, Michelle. Good afternoon, everyone. On behalf of PhilipCapital India Private Limited, we welcome you to the Q1 FY24 call of HeidelbergCement India Limited. On the call we have with us Mr. Joydeep Mukherjee, 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 are subject to a number of risks, uncertainties and other important factors which may cause the actual developments and results to differ material from the statements made.

HeidelbergCement India Limited and the management of the company assumes no obligation to publicly 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 Q1 FY24 Investor Presentation on their website and stock exchanges. Participants are requested to download a copy of the presentation from these websites.

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

**Joydeep Mukherjee:** Thank you very much, Vaibhav. And I welcome everyone on the call to this session. I should start with the key messages that we have. And our key messages for this call are that we have had a volume growth of 8% and we are at a 75% capacity utilization for this quarter. We continue to provide 100% blended cement and we are as of now not manufacturing any OPC at all. Our share of green power has increased to – I'm happy to report that it's increased to 33% and this is looking very good and we also look forward to improving on this.

Our alternative fuel today is at 6% of our total fuel mix. We have, obviously as you know from the document which is provided to you, an EBITDA of INR772 per ton, which is 10% growth minus year-on-year. But if you take like-for-like and take out the civil tax benefit impact that we have, it is about minus 3%. Our net cash and bank balance stands at INR4 billion Indian rupees and we are continuing to operate on negative net operating working capital.

Moving on, on an ESG overview, as I already mentioned, we are at 100% blended cement. On CO2 footprint, we are at a number of 504 kg per ton of cement, and this has been a continuous improvement. If you look at CY20, we were at about 519 kg, and that has now come down to

504 in CY23. On water positivity index, we are at 6.9x. We touched 25,000 plus lives for our CSR initiatives and as mentioned, we have more than 30% green power, actually currently at 33%.

Moving on to the CHG footprint slide, which has been shared. As we said, that our green power right now is at 33%. We have an ambitious target to cross 40% next year. At Jhansi, we have a long-term agreement of 15 megawatt solar power supply. At Narsingar, we are operating through a 12 megawatt wasted recovery plant and 5.5 megawatt solar plant. And Ammasandra is consistently operating at more than 90% green power.

This is something which we are pretty proud of, and we would like to focus on this going forward and continuously increase our green power percentages, percentage of total power. On our CSR initiatives, we cover a wide spectrum of initiatives. We do work with government school students to whom we have distributed educational kits.

Hospitals, we've provided air purifiers and renovated government primary school, Bali Pahadi, and also we involved ourselves in a lot of skill development training. Around our plant, we have communities with whom we have to involve them and execute these activities.

Moving on to the operational and financial performance. As you can see, our revenue is up by a percent. On operating expenses, 1.6% and EBITDA stands at minus 2.3% over the corresponding period. On sales volume, we are up by 8.2%, though realization is down by about 6.7%, but we managed costs well and cost also looks healthy at a 6.1% lower number.

Moving on to the EBITDA rates, June 23 quarter, like-for-like EBITDA per ton. So we have come down from 855 in June 22 to 772 in June 23. There was a significant element of, so this is a 10% drop. But if you take out the impact of the incentive that we had, the sales tax incentive, it is actually a 3% drop. We lost about INR298 in price. And raw material impact was, if you look at it, around INR26 per ton.

However, on power and fuel, we had an advantage of INR334. Freight, we had a negative impact of INR62 per ton, and this was primarily because in this quarter, like in the earlier quarters of the corresponding periods, we did not have the railway freight incentive and there have been a very marginal increase of around 7 or 10 kilometers in lead. And that's the explanation of the EBITDA bridge.

On our cash and bank balances. Our bank balance on 30th June is 6,103 million and net cash is 4,093 and we have 2,010 million in debt. And we have a comfortable repayment schedule, so there is really nothing to comment on that. On the June 23 quarter share of volume, we have 45% road dispatches, which is kind of flattish over the corresponding period. 6% is our AFR, as we mentioned before, which is up by 3% year-on-year.

And premium products that we sell in the market constitute about 30% of trade volume, which is again up by about 8% year-on-year. This obviously provides us better realization and better brand equity in the market. And out of our total sales, we are at about 82% trade sales, which is again about flattish as compared to the similar period. So we are moving on a strategy of increasing premiumization and we are optimizing the sales mix.

On the outlook, we have the Lok Sabha elections in 2024 and therefore we do expect rapid execution of infrastructure projects. We are also noticing very strong traction in rural affordable housing segments and real estate. But of course competition is intensifying with new capacities and specifically around our plant also we have seen new competition coming up, very aggressive.

We anticipate that the fuel prices which have softened considerably and this trend would continue. We see inflation getting under control and at the same time we do have elevated interest costs. On the crop, we see that the rabi crop had a good start. However, there have been a few unseasonal rain episodes here and there which might lead to slightly lower output.

So that's all I have on my opening remarks. And Vaibhav, it is over to you right now.

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

**Shravan Shah:** Thank you, sir. Sir, before asking any questions, the point says last quarter we did not do the call and no presentation. So needed a couple of data points for fourth quarter FY23. Trade share, lead distance for last quarter and for this quarter.

Yes, Yes, so I am saying I need a data point for fourth quarter FY23, trade share, road share, premium share, lead distance for this quarter, Q1 and fourth quarter, and the fuel mix for this quarter and the last quarter, fourth quarter.

**Joydeep Mukherjee:** Okay, that's a long list. So we have to go one by one. Which one was the first one?

**Anil Sharma:** Trade mix was 80% in the March quarter, so we can say almost flat as compared to March quarter. And then the premium product in March quarter was around 32%. So in this June quarter it is around 30%. For road, trade mix, almost similar, 45% road, 55% rail. And with respect to our lead distance, we don't think there is a major increase or decrease.

**Shravan Shah:** So what's the number of lead distance for this quarter and the fourth quarter?

**Joydeep Mukherjee:** So this quarter it is 361. And what was it last quarter?

**Anil Sharma:** Last quarter Q4, Q4 FY23, was it the same 361?

**Joydeep Mukherjee:** 361, Yes. So as I mentioned in my opening remarks, it's increased by about 10 kilometers.

**Shravan Shah:** Okay. And fuel mix for this quarter and the last quarter Q4?

**Joydeep Mukherjee:** You want the fuel cost or fuel mix?

**Shravan Shah:** How much was a coal share and a petrol share for this quarter?

**Joydeep Mukherjee:** Coal again is about flattish that's around it was 32% which is now 33%.

**Shravan Shah:** Okay this quarter is 33%. So now the main question is sir on the on the volume front so after a six quarter of degrowth this quarter we definitely grew 8% plus. But even if I look at on yearly basis, since FY, I would say FY16, we did a 4.4 million tons. And FY23 also we did a 4.39. So on from seven, eight years perspective also, actually we did not agree when we actually kind of lost the market share. So, 2-3 aspect on that front, so how much volume are we looking for this year FY24?

Second, in terms of the expansion plan, so I think Q3 FY23 we had talked about 0.3 million tons grinding and 0.2 clinker debottlenecking to come up in FY24. So what's the status on that? And going forward in terms of the long term, we had a plan of Gujarat expansion of 2 million tons clinker and 3.5 million tons grinding that likely to come in FY27. So is it the same stand or is there anything which can come up early?

**Joydeep Mukherjee:** No, we do have a debottlenecking exercise which is going on and that exercise would be over by 2024 December and this is in our central Damoh area and that's going to give us about 200,000 tons of cement. So that initiative is pretty much on.

And as far as Gujarat is concerned, as we mentioned, I think the last Managing Director, Mr. Jamshed Cooper, has also mentioned in his last call that we are now awaiting the environmental clearance. And post environmental clearance, we shall start other necessary activities. But there is no material change from what was stated last time.

**Shravan Shah:** Okay. And this debottlenecking, so the grinding capacity will increase by 0.3 million tons and clinker by 0.2 million tons

**Anil Sharma:** Yes. We are trying to, Shravan, we are trying to reach to that level.

**Shravan Shah:** Okay. And in terms of the kcal cost, the kcal cost for this quarter, last quarter and how do we now see in terms of the overall cost to come down in the next quarter and let say, it remains at, so far FY '25, how much broadly we can see because of it will in terms of the reduction from Q2, Q3, Q4, but overall if somebody looks at from FY '25 perspective, so from FY '23 to FY '25, if the current price is coal, pet-coke remains the same, how much one can see in terms of the reduction in the power and fuel cost?

**Anil Sharma:** Okay, I think, Shravan, you're talking about a little bit far period with respect to projection, but everybody knows that the fuel prices, especially pet-coke have started reducing. And during June quarter, the major benefit came from the pet-coke reduction. And hopefully, this trend should continue. So in the coming quarters, especially September and December, there must be some further benefit on account of pet-coke price reduction.

**Joydeep Mukherjee:** I mean, we would be, that would be to comment on what is it going to happen till 2025 because that depends a lot on the global situation, on demand supply, on our own initiatives to augment AFR and there are just too many variables to give you a real meaningful insight into what's going to be the numbers in 2025. But what we can tell you is that we do foresee that at least in this quarter and the coming quarter, the fuel prices, the input cost, which is what we are trying to talk about in fuel, shall show a further softening.

**Shravan Shah:** So how much reduction can we see? So what was the kcal cost in 1Q FY ‘24 and reduction in Q2 and the same way reduction in Q3?

**Joydeep Mukherjee:** You are asking which period, please?

**Management:** June quarter.

**Shravan Shah:** This quarter, what was the kcal cost? And in Q2, how much more reduction can we expect? And Q3, how much?

**Joydeep Mukherjee:** So this quarter it was 2.01. We are talking about coal cost per cv, right? So this is coal per cv and pet-coke was 2.38 this quarter. Now if you look at last quarter, coal was 2.30 and pet-coke was 2.77. So already you can see a good 15% around that benchmark number reduction. And while our view is that coal going forward in the next couple of quarters will remain flattish, we do anticipate a further reduction in pet-coke.

**Shravan Shah:** Last year's pricing, have you seen any price reduction in July and any further price likely to happen in the remaining months of this quarter?

**Joydeep Mukherjee:** Cement prices traditionally in this season are always under pressure. And in our relevant market there is obviously a lot of rain etcetera. So yes, right now as we see the prices are under pressure. But it’s nothing alarming. I mean, we see similar trends as last year. And this typically, I mean, goes back and is gained as the rains abate, okay, that's what the history has been. But right now, we don't see there is -- I don't see any reason for alarm.

**Shravan Shah:** Have you seen a INR5 reduction from the average of Q1 FY ’24, in July?

**Joydeep Mukherjee:** Yes, it could be in that ballpark, yes.

**Shravan Shah:** Okay, thank you. All the best.

**Moderator:** Thank you. We have the next question from the line of Sanjay Nandi from VT Capital. Please go ahead.

**Sanjay Nandi:** Now, good noon sir. Thank you for the opportunity. So we could see some significant drop in your power and fuel costs in this quarter. So can you please guide us what kind of drop can we expect in coming part of the year? Like as you mentioned, the things are softening down. So if you can give some guidance in terms of cost pattern, what we can expect in next six months or next two months, it will be helpful.

**Anil Sharma:** I think, we don't want to give this kind of guidance because we don't know what is going to happen. But at this moment, as we speak, we can say there is some maybe further softening of the domestic pet-coke and the coal prices are more or less flat in the June quarter. So this will be at this moment, we can say about the fuel price movement in the coming quarters.

**Sanjay Nandi:** Got it. Also you mentioned a lot of capacities are coming in your areas of operations. So can you please mention or specify some of the companies that are coming up with some significant capacity in your areas of operations?

**Joydeep Mukherjee:** Yes, so Dalmia has already taken over the JP assets, which were not operating in our area. So that is going to hit our market. And JK Cement has already started their operations around 100 kilo meters from our plant.

**Sanjay Nandi:** Okay. So what is the pricing difference between us and those guys previously selling like, Dalmia used to be -- JP used to be an old plant, so what price they used to sell and what price we are selling in that market, sir?

**Joydeep Mukherjee:** So this is a very difficult question to answer because there is no one answer to this. It will depend on market-to-market. I mean, cement pricing changes every district and even in parts of districts. So it will be unfair for me to tell you that we have INR5 higher or INR7 lower because it's not really the same situation in every market.

**Sanjay Nandi:** Got it sir, but in the central part of the country sir, where we are operating mostly, so which grade we are catering in that market? Is it a B grade or is it in the middle of A B grade?

**Joydeep Mukherjee:** I mean, there are markets where I sell higher than the so called A grade cement manufacturers in India. And there are markets where I am lower. So that's why I am saying it's very difficult to answer that question. The answer would lie as you can, if you can see the annual results of the company and see the gross price, then you will be able to get an average. But as I said that, typically, in your home markets, where realizations are higher, every competitor would come and try to push down the price. And in certain markets, you have an advantage, which is not same for another competitor. And there you can hold a higher price than them. So I would not get into a classification of A grade pricing and B grade pricing, it doesn’t work like that.

**Sanjay Nandi:** Got it, sir. So just clarify me apart from this Dalmia and JK, are there any upcoming capacities in those areas of operations in Central India or these two are the major themes?

**Joydeep Mukherjee:** No, there was the expansion of Adani which is there. And in our tertiary market somewhere near Agra where any which ways we don't sell much, there is expansion.

**Sanjay Nandi:** Right. So we could also find some spike in our raw material cost. Is it because of some spike in the fly ash pricing? So if you can kindly throw some colors on that fly ash pricing trend on a Q-o-Q basis would be very helpful.

**Anil Sharma:** So these raw material prices, if you see during last one year, because of the weakening of the Indian rupee, there is an increase in the gypsum cost, as well as the gypsum cost has increased because of now no, maybe, exemption of peak season surcharge by the railway. So that is also the reason the cost has increased. We have been consuming fly ash. We have been consuming the sweetener. So to some extent, the raw metal prices have increased.

**Sanjay Nandi:** So sir, what is the current prices of fly ash in per ton basis, sir?

**Anil Sharma:** Fly ash we used to have in landed cost is around INR650, INR700 and the fly ash cost almost remains same because we transport fly ash by road. And the major part of the fly ash lended cost is the transportation cost.

**Joydeep Mukherjee:** Yes, I mean that's also a mix, you know, one tends to draw from different sources. So depending on from which source you are buying in a particular month, it varies a little.

**Sanjay Nandi:** I just need average prices. So you're talking like INR650 per ton is the fly ash average cost, right?

**Joydeep Mukherjee:** Yes.

**Sanjay Nandi:** And what about this gypsum thing, sir?

**Anil Sharma:** This one we consume in terms of imported mineral gypsum and that is around 22, 23...

**Sanjay Nandi:** What's the -- if you can guide us with the cost per ton -- you're incurring?

**Joydeep Mukherjee:** Around USD2,200, USD2,300.

**Sanjay Nandi:** USD2,300 per ton. Got it. Okay, so thank you sir. That's from my side. We'll come back in a queue. Wish you all the very best.

**Moderator:** Thank you. The next question is from the line of Anuj Kapil from Taurus Mutual Fund. Please go ahead.

**Anuj Kapil:** Good afternoon, Joydeep ji and good afternoon Anil ji and congratulations on your quarterly results. The profit PAT are up about 50% as well. Sir, my question is you are having a cash of around INR400 crores. Are you looking to increase your capacity to like currently you have around 13.4 MTPA. Are you looking to increase your capacity by around 1,700 -- or 17 to 18 MTPA?

**Anil Sharma:** Our total capacity is 6.25. You are talking about the group total capacity in India, that is 30 million tons. And the INR600 crores, you rightly said that INR200 crores is the, we have the debt in books and it will be repaid in coming two years. And at the same time, if you have seen our last board -- after the board meeting, our intimation to stock exchange that we are bringing before the shareholders for approval of the dividend of INR7 per share. The total amount is around INR150 crores. So if the shareholders approves it, then thereafter we will distribute the dividend out of this cash balance.

At this moment, we are trying to put this money for our existing ongoing capex on account of alternative fuel and also like we have also shared with you about our ongoing debottlenecking project and we have estimated the total capex required in coming 15 months to 18 months on that project is around INR70 crores. So that also we are going to use….

**Joydeep Mukherjee:** And obviously, there is INR40 crores to INR45 crores of regular capex.

**Anil Sharma:** But having said that, we are always exploring possibility to increase our capacity, we are trying to expedite Gujarat well and these internal accruals as per our homework, we think that some of the internal accruals will be used for the capacity increase and some may be in future then we need to borrow a little bit for that.

**Anuj Kapil:** That's great to hear sir. Thank you so much for your answer sir. That's all I have.

**Joydeep Mukherjee:** Thank you.

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

**Rajesh Ravi:** Yes, hi sir. Good afternoon. First of all, my first question pertains to your volume growth strategy. We have seen volume growth for the last past four to five years and now in your market there is intense competition from existing players plus new entrants. So what is your thought on volume for this financial year? What sort of volume growth you are looking at? And what strategy are you adopting to drive that volume growth?

**Joydeep Mukherjee:** So we have several initiatives in the market. I mean, if you ask about strategy, we are obviously looking at where we are not present. We have a clear premium, and looking at covering those markets. We are looking at a very solid premium product strategy, which is already doing well in certain markets. So, market, defending our core markets and growing in profitable markets are basically the focus areas.

**Rajesh Ravi:** Okay, so do you see that you have a case or you have a tangible case of delivering 7%, 8% volume growth in FY ’24, is that a possible number you're looking at?

**Joydeep Mukherjee:** As of now, your question is for the entire year?

**Rajesh Ravi:** Yes, for full year FY ‘24. What sort of number are you working with in terms of growth?

**Joydeep Mukherjee:** We are certainly looking at a 7%, 8% volume growth.

**Rajesh Ravi:** And could you also share your power cost, consumption cost, in rupees per unit, which you had in Q1 and how are they sharing with the coal prices coming down?

**Joydeep Mukherjee:** The power cost has been flattish, it's been about INR6.6 per unit.INR6.7 but that's flattish.

**Rajesh Ravi:** Okay. INR6.6, INR6.7. So you know now your green power mix has also increased. So, how is that, you know, what is the average cost of your green power? I assume a good part of that you are sourcing it to some JV, where the cost would be around INR4 to INR5?

**Joydeep Mukherjee**: We would not be in a position to give you an exact number, but Yes it's significantly lower than grid power.

**Rajesh Ravi**: Okay. And do you see this power cost number also coming down with the fuel prices coming off in subsequent quarters, 10%, 20% sort of reduction, is that a possibility?

**Joydeep Mukherjee**: Are you talking about grid power?

**Rajesh Ravi**: Yes, your average power cost the INR6.6, INR6.7 in by say Q3 or Q4, do you see a case of this number coming down to around INR5.5?

**Joydeep Mukherjee**: No, not in this year, no. We have initiatives in place which will start yielding fruit possibly next calendar year.

**Anil Kumar Sharma**: But I think you will appreciate that the grid also has been increasing their price like the other state grid, Madhya Pradesh and Uttar Pradesh, they have also increased their prices and generally we see that there is 5% to 7% every year they try to increase the grid prices. Our target is that whatever grid prices increases there, we should get at least offset by increasing our renewable power and try to keep the weighted average of the power cost remain in the company.

**Rajesh Ravi**: Okay, understood. So, even if you are able to maintain the cost that is also a good strategy given the inflation at the grid side. And lastly, on the other expense, what led to this Q-o-Q fall in the other expenses, which are down almost 8% to 9%?

**Anil Kumar Sharma**: So, other expenditure there is a mix of a few things. Fixed cost is there like the salary cost is there, then the rent and then again the travelling, maintenance, repair, and some of the semi-fixed cost kind of things like stores and spares and consumables. And those expenditure you might have noticed that quarter-to-quarter sometimes 10%-plus, sometimes 10%-minus depending upon our kiln plant shutdown as well as that, okay, depending upon the various maybe the initiatives on account of brand building and advertisement. So, during this quarter, when we compare with the last March quarter slightly it is reduced on account of lower repairs and maintenance cost.

**Rajesh Ravi**: Okay, sir. Great. That's all from my end. Thank you. I will come back in queue.

**Moderator**: Thank you. The next question is from the line of Mangesh Bhadang from Centrum Broking. Please go ahead.

**Mangesh Bhadang**: Good afternoon sir. Sir, a couple of questions from my side – sir, a couple of questions first is on the capacity. So, I just want to understand is there any constraint for us to go or sell more volumes beyond say 5 million tons, even though we have 6.25 tons of capacity because for many years now we have seen that our volumes have remained below 5 billion tons. And secondly, even if, when I see across markets like JK Cement came up with a plan and they've achieved a significant utilization in the market wherein we operate and now we are going to – so the question was whether any capacity constraints are there which restricts us that we will get 5 million tons volumes?

**Anil Kumar Sharma**: Is there any capacity constraint to reach 5 million tons?

**Joydeep Mukherjee**: No, there is no capacity constraint to reach 5 million tons. I mean it is a market situation and our strategies in the market which is going to lead to an increase in the volume. So, it's not like that there is any problem in the plant or anything like that. We have a 75% utilization which is maybe about 10 odd percent lower than where I'd like to be.

**Mangesh Bhadang**: And sir what kind of utilization we will be at there?

**Joydeep Mukherjee**: I have not understood the question, can you repeat it once again?

**Mangesh Bhadang**: The Karnataka plant, sir Karnataka plant, what would be our utilization?

**Anil Kumar Sharma**: Karnataka plant is very small. Our capacity there is around 400,000 tons cement and we have been running similar to what the other South India plants are running the capacity.

**Mangesh Bhadang**: And sir, I'll just ask a last question. So as you mentioned, in fact, other participants also mentioned that competition probably should increase given the capacity, the expected capacity additions, the Dalmia, ACC, JK Cement. How do you see pricing behave in that market, sir, from here on? Do you think that it could have a negative impact on it?

**Joydeep Mukherjee**: Pricing would be under pressure, yes. No doubt about it.

**Mangesh Bhadang**: Okay. And sir about the 8% growth that we have achieved...

**Joydeep Mukherjee**: So, that is that any market where there is expansion. It's also limited for a period of time. There is very healthy growth in cement demand in our relevant market. So, yes, for some time the pricing would be under pressure.

**Mangesh Bhadang**: That was the question. I just wanted to check, do you think that the incremental demand would be able to absorb faster the capacity addition I don't have the...?

**Joydeep Mukherjee**: I think so. I definitely think so.

**Mangesh Bhadang**: Okay, great sir. Thank you, sir.

**Moderator**: Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

**Prateek Kumar**: Yes. Joydeep sir. So, since you're taking over, I mean, what has been and probably what would be your key focus areas in near-to-medium term on market share, market positioning, target premium, premium segment mix or merger with Zuari Cement, are there any material changes directionally versus the erstwhile leadership? Some of these questions are answered partly, but...

**Joydeep Mukherjee**: I think these are very generic questions. Obviously, I can't discuss my... and can't explain my entire strategy in five minutes over an investor call, but it is very clear that the focus areas would be on improving efficiencies, capacity utilization, those would be the top of my mind initiatives. And as far as Zuari is concerned, we are looking at it. It will certainly move when the time is opportune. That is something which is in our radar, but the timing has to be right and I can't give you an exact time when we shall move on that, but that's definitely something which is in our consideration.

**Prateek Kumar**: But any specific reason which could be holding it back related to competition commission or your parent approval or what?

**Joydeep Mukherjee**: No, there is no competition commission related issues as of now that's not the reason. We will have to see what is the right time to do this merger, which would benefit us as a company and also be of benefit to the shareholders.

**Prateek Kumar**: And is the other company also like looking for any growth in terms of capex, if you can suggest?

**Joydeep Mukherjee**: Unfortunately, I would not be able to discuss strategy of Zuari on this call. This is regarding our listed company which is HCIL and I would appreciate if all the questions are limited to this operations, please.

**Prateek Kumar**: Yes, sir these are my questions. Thank you.

**Moderator**: Thank you. Ladies and gentlemen, this would be a final reminder and no further reminders will be announced. Participants who wishes to ask a question may press star and one. The next question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.

**Devesh Agarwal**: Good afternoon sir and thank you for the opportunity. My first question is could you also share the number of the incentives that you would have earned from Damoh plant in the fourth quarter, the way you shared for the last quarter?

**Anil Kumar Sharma**: In fourth quarter, in March quarter the incentive was applicable for 1.5 months and the total amount was I think it is around INR3 crores.

**Devesh Agarwal**: Sorry sir INR3 crores?

**Anil Kumar Sharma**: INR3 crores.

**Joydeep Mukherjee**: Yes, but that's over.

**Anil Kumar Sharma**: That's over. That is last quarter.

**Joydeep Mukherjee**: We had the benefit only for 90 days in the quarter.

**Devesh Agarwal**: Understood. And, sir, incrementally you said that possibly this year you would target a growth of 7%to 8%. So, do you think that's like an inline industry growth for your region or this is originally slightly lower than the industry growth for the region, Central India?

**Joydeep Mukherjee**: See, across India, the outlook is that the industry would be growing at that kind of percentage. So, if you talk about what is our position on that vis-a-vis competition, it will be a difficult question to answer. The reason being that we are pretty much operating in those Central India two, three states, right, whereas when you look at our competition, you look at all the big names, they are spread across India. So, I will not have any visibility on what exactly their growth would be in our relevant region. But if I would hazard a guess, I would say, Yes, we should be pretty much in line.

**Devesh Agarwal**: Okay, no I was trying to understand, sir some of the competition who have just started plant there are seeing a very fast ramp up. So, in that regard, I would assume that we may be losing some market share to them. So in such a scenario, would we focus more on improving our EBITDA per ton through different means and if that is the strategy, what would be those factors that could help us to improve our EBITDA per ton if you are not able to grow our volumes in comparison to what our peers would be able to?

**Joydeep Mukherjee**: No, I mean, there are people who have set up their companies who have set our plants, right? And they would obviously ramp the plants up, the volumes up as soon as they can. If you look at our sales mix in trade and non-trade, we are pretty much focused in trade, as is evident from the numbers that we've shared. So, we do believe that in the trade retail segment there is enough and abundant scope for us to grow. There are strategies employed by certain companies who focus on non-trade growth in the infrastructure segment etcetera. That's not a segment in which we participate because that's primarily OPC. So, a lot of these new plants are selling OPC to the non-trade segment. That's not a segment in which we operate at all. So, if your question is, are we comfortable looking at the future in the segment that we operate, the answer is yes.

**Devesh Agarwal**: No, I also wanted to understand if we would be focusing more on the profitability and not only volume, and to that extent, we will only focus on increasing our premiumization or possibly reducing our cost. Will that be the key driver for the management?

**Joydeep Mukherjee**: No, we are also, Yes, that's obviously one of the key drivers, which is always improving profitability. But as we mentioned, we are also looking at a 200 KT expansion next year. So, it's not that we'll only be talking about profitability. Volume and pricing and cost are obviously the three points of a triangle which needs to be managed in a cement business. And we are going to try and do that to the best of our ability.

**Devesh Agarwal**: Understood, sir. Thank you so much.

**Joydeep Mukherjee**: Yes. It's not that it's only going to be focused on EBITDA improvement and no focus on volume. No, that's not what we are saying.

**Moderator**: Thank you. The next question is from the line of Girija from SMIFS Ltd. Please go ahead.

**Girija**: Thank you for the opportunity. So many of my questions have been answered, but just wanted to check what is the average pricing in the central region in July so far, and is it stable or lower month-on-month basis?

**Joydeep Mukherjee**: When you say – can you please repeat your question I don't think I have understood it properly?

**Girija**: Just wanted to check like what is the average pricing right now in central region in July so far and is this stable, the pricing is stable or is there any decline in pricing on month-on-month basis, June-July?

**Joydeep Mukherjee**: Are you talking about the industry or are you talking about Heidelberg?

**Girija:** Heidelberg.

**Joydeep Mukherjee:** So, as we look at July, we should be in the ballpark region of around INR4,900. And it would be…

**Girija:** I am asking the pricing, cement price per bag?

**Joydeep Mukherjee:** No, that, there is no one answer because the prices vary from every district.

**Girija:** Okay.

**Joydeep Mukherjee:** Yes, so I'm talking about per ton and we are maybe around INR50 odd per ton, INR50- INR60 odd per ton lower than June, right now.

**Girija:** And what is the difference pricing between this grey cement and this premium product, premium cement?

**Joydeep Mukherjee:** Well, we have a few premium cements, we have a couple, and the difference would be anywhere between INR10 to INR40 a bag,

**Girija:** Okay.

**Joydeep Mukherjee:** Which is around INR200 to INR800 a ton.

**Girija:** Thank you, sir.

**Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

**Shravan Shah:** Yes. Sir, just wanted to clarify, we mentioned that, we want to do a INR70 crores capex for 15 months for AFR and INR45 crores for regular capex. So is it fair to assume that INR100 crores, INR110 crores kind of a capex, to see for FY '24?

**Joydeep Mukherjee:** No, we mentioned the INR70 crores number for expansion capex, which is around 2,00,000 tons of cement, which is going to come in the next 15 months to 18 months. And of course, there is a normal maintenance capex and operating capex of about INR40 to INR45 crores.

**Shravan Shah:** Sir, your financial year 2024, you will have this INR40 crores- INR45 crores, of course, this will come in the same fiscal year and INR70 crores will be split into two fiscal years. So, some part will come in 2024, some part will come in 2025.

**Joydeep Mukherjee:** Correct. Yes.

**Shravan Shah:** Okay. But you mentioned that, this de-bottlenecking to start by December '23, so this INR70 crores capex is different from the one, we need to spend on the de-bottlenecking?

**Joydeep Mukherjee:** No. INR70 crores is de-de-bottlenecking.

**Shravan Shah:** Okay, but de-bottleneck will be completed by this December and the capex, you are mentioning that, it will spill over to FY '25, is it so?

**Anil Sharma:** So Shravan, again, we can repeat what we actually mean to say, the INR70 crores de-bottlenecking project will start in this calendar year 2023 and then the total capacity, not going to happen that 2,00,000 tons cement is coming in December 2023. It takes around 15 months time, so the benefit will come in financial year 2025.

**Joydeep Mukherjee:** '24, yes, '24- '25.

**Shravan Shah:** Okay, sorry, sir?

**Joydeep Mukherjee:** Sharavan, is it now clarified?

**Shravan Shah:** Not 100%, still I am confused. Simply, what will be the total capex for FY '24?

**Anil Sharma:** It will be around INR75 crores. INR45 crores is the sustainable capex and INR30 crores out of the de-bottlenecking. So INR70 crores. That's why, I was saying that, the de-bottlenecking project is started now. So in financial year 2024, around INR30 crores will come from out of INR70 crores and the remaining INR40 crores will come in the financial '24- '25.

**Shravan Shah:** And just to clarify, our total grinding capacity is 6.26 million tons. Will you please help me in terms of the plant-wise? Though I have, I just wanted to clarify because we mentioned the Karnataka plant capacity is 0.4 million tons. Actually, I have a number of 0.51 million tons. So in terms of the Damoh, Jhansi, and Karnataka, if you can split the grinding capacity?

**Anil Sharma:** So in central India, it is 5.75 million tons. You rightly said that, 0.51 million tons is the Karnataka. So you split into the two locations, 5.75 million tons and 0.51 million tons. 4,00,000 tons, we have 0.4 million tons of Karnataka. We are talking about the grindability. We need to see that, okay, how much we can displace from the plants. So rated capacity 0.51 million tons, we can displace 4,00,000 ton and here in central India, it is 5.75 million tons.

**Shravan Shah:** Okay and then in terms of the clinker or Damoh clinker capacity is it 3.5 or 3.1?

**Anil Sharma:** 3.1.

**Joydeep Mukherjee:** 3.1.

**Shravan Shah:** 3.1 and Karnataka, what's the, it is a 0.3?

**Anil Sharma t:** 0.3 but at this moment, we purchase clinker, we don't produce clinker there.

**Shravan Shah:** Okay. Got it. Thank you, sir. All the best.

**Moderator:** Thank you. Ladies and gentlemen, this would be the last question for today, which is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

**Rajesh Ravi:** Yes, hi, sir. I have two follow-up questions. Could you share, what was the clinker production in FY '23 and Q1?

**Anil Sharma:** clinker production? We have already given this total cement production in our press release and we have been consumed around 62% of the cement as a clinker.

**Rajesh Ravi** Sorry, 62% is what?

**Anil Sharma:** Clinker factor.

**Rajesh Ravi** Okay. And in Q1, what was this number, clinker factor?

**Anil Sharma:** Q1?

**Rajesh Ravi** Yes.

**Joydeep Mukherjee:** Clinker factor is more or less the same because we don't manufacture OPC cement. It's all 100% PPC.

**Rajesh Ravi** And sir, you have started with digital strategy, whereby you have started through WhatsApp reaching out to dealers, life-thriving. How is that working out, sir?

**Joydeep Mukherjee:** It's too early to say. we are in the midst of a new program that we have launched ourselves. And we have a – so digital – all we can say is that, digital would be a significant part of our strategy going forward. And this will not only be through messaging, it will be through various channels.

**Rajesh Ravi** Okay. Now because this WhatsApp, which I think two quarters, three quarters back, the management previously commented also, sir, what we notice is the pricing which it shows for different pin codes is at least five months to six months backdated, so just wanted to check it, if there is any focus over there or it was, it is not been.

**Joydeep Mukherjee:** I'm sorry but your voice is not very clear. Can you just come a little closer to the phone and repeat the question?

**Rajesh Ravi** Okay, so this digital WhatsApp based, where you could put different pin codes, you could check the pricing for different brands of Heidelberg cement, what I noticed is that, the pricing which is being displayed on the WhatsApp is, five months to six months prior, like currently it shows a February pricing. So I just wanted to view that, are we pursuing this digital thing at least from the customer facing WhatsApp and all aggressively or you have a relook on that?

**Joydeep Mukherjee:** No. We are in the process of a complete revamp in our digital strategy. Pricing communication through WhatsApp is not something that we are pursuing right now. But we have a very holistic approach to digital communication and marketing, which as of today, not in a position to reveal but once the entire program is in place, then maybe at a future date, we can talk a little bit more about it. But it is not going to be only focused on WhatsApp, it is going to be on our entire CRM and different social networking channels.

**Rajesh Ravi** Great sir, this is all from mine. Thank you all the best.

**Joydeep Mukherjee:** Thank you.

**Moderator:** Thank you. As that was the last question for today, I would now like to hand the conference over to Mr. Vaibhav Agarwal for closing comments. Over to you.

**Vaibhav Agarwal:** Yes, thank you, Michelle. Sir, before I close the call, I just have one question for Joydeep sir in particular. Sir, firstly, best wishes from all of us at PhilipsCapital as the new MD of Heidelberg Cement in India. Sir, I just want to know from you, as you take charge of the company for Heidelberg Group in India, what would be your vision for the group forward in India and have you already identified any areas of incremental improvements, which you can do for both, as in the entire group of HCIL as we are referring to HCIL on this call and any change of stance from the earlier leader or anything, which you can say that you can improve on further, I just want to know your vision for Heidel Group in India, sir?

**Joydeep Mukherjee:** Okay. There is no significant difference in our stand. We are a company, which remains steadfastly focused on reducing our carbon footprint. That is obviously at the core of our strategy and that is why, you see us in the relevant market. If I were to start producing OPC and then push it out in the market, my volumes would suddenly start looking very good. But we have intentionally stayed away from that because that's something, which as a company we, at least in this market, are very averse to.

If you look at our carbon performance, we are pretty much up there with the best in the industry and we would like to ensure that, we continue on that journey. So that's pretty much at the core of our DNA and company vision. As far as the company performance is concerned, we have done well in this quarter. We would like to continue doing well and there are various initiatives that have been taken in reducing our cost of manufacturing as well as achieving excellence in all our commercial functions and in sales and marketing.

And right now, that is our focus. We would like to establish ourselves as an ethical and environment company achieving excellence in our operational and sales activities. But to answer your first question, no significant departure from mission was in the past. There are only some certain strategic and technical initiatives that have been started by me and we would like to see over the next three quarters, four quarters, what kind of results they yield.

**Vaibhav Agarwal:** Sure sir, that answers my question. All the best sir and thank you very much once again for the opportunity to call. On behalf of PhilipsCapital India Private Limited, I would like to thank you and Heidelbergs Media Limited for the call and also many thanks to the participants for joining the call. Michelle, you may now conclude the call. Thank you very much, sir. Thank you.

**Management:** Thank you. It's been our pleasure.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of PhilipsCapital India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.