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

Subject: Transcript of Q2 & H1 FY’25 - Earnings Conference Call

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

Dear Sir/Madam,

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, please find attached transcript of the Q2 & H1 FY’25 Earnings Conference Call held on October 21, 2024 for the quarter & half year ended on September 30, 2024.

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

This is for your information and record.

Thanking you,

Yours Sincerely,
For Dalmia Bharat Limited

RAJEEV KUMAR Digitally signed by RAJEEV KUMAR Date: 2024.10.22 18:20:47 +05'30'

Rajeev Kumar
Company Secretary

Encl.: a/a

"Dalmia Bharat Limited
Q2&H1 FY '25 Earnings Conference Call"
October 21, 2024

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

Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Conference Call of Dalmia Bharat Limited for the quarter and half year ended 30th September 2024. Please note that this conference call will be for 60 minutes and for the duration of this conference call, all participant lines will be in the listen only mode.

This conference call is being recorded, and the transcript may be put on the website of the company. After the management discussion, there is an opportunity for you to ask questions. Should anyone need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone.

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

On the call, we have with us Mr. Puneet Dalmia, Managing Director and CEO, Dalmia Bharat Limited; Mr. Dharmender Tuteja, CFO; and Mr. Rajiv Bansal, President and Chief Transformation Officer; and the other management of the company.

I would now like to hand the conference call over to Ms. Aditi Mittal, Head of Investor Relations. Please go ahead.

Aditi Mittal: Thank you so much. Good morning, everyone. Welcome to Dalmia Bharat's Earnings Call Quarter 2 and H1 FY'25. We declared our results on Saturday, and the presentation and the results have all been uploaded on our new website and can be downloaded from there.

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

Puneet Dalmia: Thank you, Aditi. Good morning, everyone. Let me begin with an overview of the quarter and then Dharmender will take you through our operational and financial metrics. India remains the fastest-growing economy in the world, and I'm confident that as India grows, cement sector, being a proxy, will continue to flourish. While the industry's long-term prospects are promising, there have been some short-term blips as the demand in the first half of this fiscal '25 has been quite muted and below our own internal estimation.

While H1 growth in the cement sector is expected to be around 2% to 3% based on analyst estimates, I believe that H2 will see a good bounce back and could grow around 8% Y-o-Y with a full year growth of around 6%. The reason for the same, in my view, are as follows: Infrastructure spending of the government is only at 27% of the budgeted allocation till August 2024. This percentage in FY '24 was at 39% for the first 5 months.

There is no reason to believe that the government will not spend the budgeted amount given the robust collections. This would mean almost double the monthly run rate of infrastructure spending by the government as compared to the first 5 months. The pent-up demand because of slower-than-expected demand in H1 for reasons already discussed earlier are also likely to add to the demand growth being better in H2.

The real estate cycle is on a multiyear upswing, and we expect a strong pickup in the construction activity in H2. Private capex has also started to gain momentum and is expected to pick up further. I continue to believe that the larger players would outperform the other players in terms of growth as we have seen in the last many years. This will only accelerate further given that there is consolidation in the sector.

We, at Dalmia, have laid a strong foundation to grow volumes by at least 1.5x of the sector. Since the industry witnessed a weak demand environment in the first half of the year, it led to a decline in the overall industry utilization, which was already running at 67% in FY '24. As a result of this, the industry saw a weak pricing environment and saw prices come down.

I believe that with the expectation of a strong demand revival in H2, prices should start moving up from hereon, though the competitive intensity may not allow much gains on this front. On the cost side, we continue to be one of the lowest cost producers in the sector.

Coming to the quarterly performance of our company during Q2 of FY '25, I believe we have delivered a healthy volume growth of 8.4% Y-o-Y in spite of the discontinuation of the Jaypee tolling arrangement. On the capacity side, we are currently at 46.6 million tons and on track to reach 49.5 million tons by the end of financial year '25. Our 2.4 million tons of North East and 0.5 million tons of Bihar expansion should get commissioned in H2.

With regards to our future expansion of reaching 75 million tons by FY '28, I committed in the last earnings call that we will detail out the plan in the next 12 months. We are actively working on several plans and would announce that within the next 9 months.

I will now request Dharmender to take you through the detailed financial performance of the quarter gone by. Thank you.

Dharmender Tuteja: Thank you, Puneetji. Good morning, everyone. Let me take you through the key aspects of our performance. As Puneetji has mentioned, our volume grew by 8.4% Y-o-Y to 6.7 million tons during the quarter. However, revenues have declined by 2% Y-o-Y to INR3,087 crores due to a sharp decline in cement prices. Our overall trade mix stood at about 63% during the quarter.

The cement prices declined during Q2 due to weak demand scenario, particularly in South and Eastern markets. These markets saw a decline of 5% to 7% Q-o-Q and about 10% to 12% on Y-o-Y basis. Decreased trade mix also contributed to fall in NSR. As Puneetji said, we expect these prices to improve in H2 with rebound of demand, though the competitive intensity may cap any significant gains on this account.

Moving on to the cost items. Our raw material costs during Q2 increased marginally by 0.4% to INR789 per ton of cement production on a Y-o-Y basis. As we have discontinued the cement tolling operations at Jaypee, our overall cost now doesn't include any cost of purchase material.

The power and fuel cost declined 11.3% Y-o-Y to INR1,012 per ton of cement production, mainly due to a $26 decline in the fuel consumption cost to about $101 on a Y-o-Y basis. On a Q-o-Q basis, it declined by about $5 per ton.

Fuel costs during the quarter stood at INR1.36 per kcal. Our share of renewable energy has also improved to 39% during the quarter. We are working to get additional cost savings of INR150 to INR200 per ton from our different initiatives. In line with this, we continue to put renewable power capacities across our various locations.

We have commissioned 16-megawatt captive solar power plant at Sattur, taking our total RE capacity to 202 megawatt. As we speak, some smaller captive RE capacities are also under execution. Besides this, we have entered into multiple renewable power agreements under the group captive arrangement, which will secure about 151-megawatt capacity of renewal power through solar and wind energy. This is in addition to 127-megawatt capacity signed earlier and as already mentioned in our Q1 Earnings Call.

In total, we have signed 278 megawatts of long-term renewable power agreements under the group captive arrangement so far. The commissioning of these renewable power plants is expected to begin from next quarter onwards, and by end of FY'25, we should have operational RE capacity of 341-megawatt, including 128-megawatt from group captive arrangements. With this, we expect to exit FY'25 with about 45% RE power share in our overall power mix on a consumption basis.

During the quarter, our logistic cost increased by about 7.6% Y-o-Y to INR1,102 per ton since we started servicing central markets from our Eastern plants. The quarter also had only 1 month of busy season surcharge waiver as against 2 months in the same quarter last year.

The employee cost during the quarter declined by 3% Y-o-Y to INR219 crores. However, other expenses rose 15.7% Y-o-Y to INR546 crores, primarily due to higher number of shutdowns of plants and increase in packing and material handling costs linked to the increase in sales volume.

Our EBITDA during the quarter declined by 27% Y-o-Y to INR434 crores, which works out to INR650 on a per ton basis. We accrued INR61 crores of incentives during the quarter while our collection during the quarter was INR20 crores. However, in early October, we have received incentive of about INR46 crores.

Our incentive outstanding on 30th September was INR779 crores. For FY'25, we expect total incentive accruals and collections of INR300 crores. The depreciation during the quarter declined by INR65 crores to INR336 crores on a Y-o-Y basis as previous year had additional depreciation of INR40 crores pertaining to certain components of plant and equipment, which were replaced as part of our overall debottlenecking projects.

The FY'25 depreciation is expected to be in the range of INR1,300 crores to INR1,350 crores. Our capex during H1 stood at about INR1,386 crores. During the full year, we expect to spend about INR3,000 crores to INR3,300 crores, which is largely towards capacity expansion, including land for future projects and certain cost reduction projects, including renewable energy and coal blocks.

During the quarter, we have received a final tranche of INR320 crores, along with interest from the divestment of DBRL shares. As of 30th September, our gross and net debt marginally increased to INR4,784 crores and INR644 crores, respectively. Hence, our net debt to EBITDA stood at 0.25x. We believe that our strong balance sheet positions us well for the next phase of expansion. Lastly, the Board has declared an interim dividend of INR4 per share.

With this, I would now like to open the floor for questions. Thank you very much.

Moderator: Our first question comes from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Yes. Sir, in the opening remarks, we have said that in the second half, we are looking at 8% volume growth for industry. Just trying to understand for us in the H1, we have done close to 7.2%. But for us, how we look at the second half in terms of the volume growth because if we now remove the Jaypee volume, which was there in last year in the second half, is it fair to say that we will be just doing a 1% or 2% kind of growth in the second half? So net-net for FY'25 we will be having a close to 3.5% to 4% max kind of volume growth.

Puneet Dalmia: We have already said that we have laid a strong foundation to grow at 1.5x industry growth, and I think we stick to that guide.

Shravan Shah: Okay. And in terms of the pricing, sir, so currently the prices, if one looks at versus the Q2 average, how much they are up?

Dharmender Tuteja: The month-to-date October prices are on the same lines as the Q2 average.

Shravan Shah: Okay. And on the capex front, so particularly the capacity. Sir, just trying to understand that we are sticking to 75 million tons by FY'28. So additionally, close to 25 million tons. So roughly, if somebody looks at in terms of broadly even if $60, $70, then also INR14,000 crores, INR15,000 crores kind of capex. So if you can help us, so from FY'25, you have already mentioned '26, '27, '28 also, we will most likely to see the similar kind of capex of INR3,500 crores and ultimately that will keep on increasing our net debt. So is it a fair understanding?

Dharmender Tuteja: See, we are planning that our net debt to EBITDA should not cross 2:1. As we detail out the plan for the 75 million capacity location by location, we'll also give clear guidance on the debt levels. But I don't think that should be a concern as we have articulated our capital allocation policy that we'll try to keep our net debt to EBITDA up to 2:1 only.

Shravan Shah: Just last data point, if you can share our premium share, blending ratio, CC ratio, railroad mix and lead distance for Q2?

Dharmender Tuteja: Okay. Our CC ratio is, for this quarter, 1.64. The blended cement sale is 82.7%. The lead distance this quarter is 280 because we increased supplies from Eastern plants to Central region. And railroad mix is 15% rail and 85% road.

Shravan Shah: And in the premium share?

Dharmender Tuteja: Yes, premium is 22.4%.

Moderator: The next question is from the line of Amit Murarka from Axis Capital.

Amit Murarka: My first question is on capex. So I believe you have cut down your capex guidance from about INR3,500 crores to INR4,000 crores earlier to INR3,300 crores now. I mean, the H1, you spent even lower than that run rate. Now my understanding is that in North East, the guided capex is about INR3,600 crores with commissioning of Q4 FY'25. So are we running behind schedule on the North East project? And could you refresh the timeline of both grinding and clinker commissioning in North East?

Dharmender Tuteja: Yes, clinker, as we said, will come in FY'26, we expect it around September of next year. And the grinding also will be coming in this current financial year in H2, most likely around December or January.

Amit Murarka: How much is already spent on the project?

Dharmender Tuteja: So out of the current year, as I said, about 70% is towards this. So close to about INR1,000 crores are already spent on the grinding side in the current year.

Amit Murarka: And nothing spent on clinker yet, is it?

Dharmender Tuteja: Yes. Clinker is also in process. So both combined, I'm saying last year also we spent something and the current year is about INR1,000. So it is on track, in line with what we had planned.

Amit Murarka: Okay. And on the expansion side, like debottlenecking projects of 0.9 million ton on clinker, I think, are still pending. I believe it was expected or guided that by Q2, I think, the East will come in. So by when now can we expect that to come in by Q4 or something like that?

Dharmender Tuteja: Yes, that is planned in H2. Work is already in process.

Amit Murarka: Sure. Lastly, just in the Central region, while the tolling is over, so I believe you've gained certain footprint already. So will you continue to service that market with the dealer network you've built or what's the plan there?

Dharmender Tuteja: Yes, we'll continue to serve this market because whatever network has been created, that we'd like to maintain. And ultimately, in the medium term, we should have our own capacity even if the Jaypee plants are not there.

Amit Murarka: How much would be sold in that region right now?

Dharmender Tuteja: The regional data, we are not sharing. So please bear with us.

Amit Murarka: All right. And there was no tolling of Jaypee, right? Zero tolling in Q2?

Dharmender Tuteja: In this quarter, yes.

Moderator: The next question is from the line of Sumangal Nevatia with Kotak Securities.

Sumangal Nevatia: I just want to know what was the fuel cost in rupees per kal? And what is the guidance given pet coke, coal prices are on a declining trend, how much of further reduction are we expecting in the coming quarters?

Dharmender Tuteja: So Sumangal, this quarter we had a consumption of about $101 per ton and the purchase is also on the same levels. And as we speak, the spot levels are slightly down, closer to about $93. So we may expect a marginal reduction in the coming quarters. And blended fuel cost dropped out to INR1.36 per kcal.

Sumangal Nevatia: Understood. Understood. And on the overall renewable power mix, I read we reached 39%. Is it possible to share what sort of expectation do we have for, say, FY '26, '27 individually? And what sort of cost savings should we build in given the higher share of renewable?

Dharmender Tuteja: See, currently, we are at 39%. By year-end, we expect it to reach closer to about 45%. And next year we should be about 50% or so. And about INR150 to INR200 savings, which we are targeting from various cost initiatives. So that targets about what savings (we will realize) from the VC as well as logistics. And VC savings primarily come from renewal power as well as coal blocks. So we can expect about INR50 per ton savings in the current year, another INR50 savings in FY '26 and another INR100 or so in FY '27. By then all the coal blocks will be operational.

Moderator: The next question is from the line of Ritesh Shah with Investec.

Ritesh Shah: Couple of questions. First is, in the initial remarks, you indicated that we expect pricing to inch up in the second half, subject to competitive intensity. The question is, what is our strategy to combat competitive intensity?

Dharmender Tuteja: See, basically, it's aligning our goals with the goals of the dealers. So it's all about relationship management with the dealers. Market continues to remain dynamic and competitive. So our response time to the market dynamics will be very fast so that we continue to do this.

And also, we'll be continuing to increase our share in the premium segment and we thought pricing the products to the customers will ensure that it takes into account the final nuances of the dealer mix as well as the incentive strategies.

Puneet Dalmia: I think long term, we want to maintain our cost leadership. We want to invest in our brand. We want to deepen our distribution. And we want to improve our service. So these things will be a continuous journey throughout no matter what happens because it will just improve our ability to service our customers and add value to their businesses.

So I would just say that there will be times when industry prioritizes market share over margins. And there will be times when industry will prioritize margins over market share. This happens in every industry. Our industry is no exception. And I think this is the time to improve our efficiencies and just stay very, very focused on execution andinvest in brand and distribution.

So I think that's just going to be our strategy market by market and put our heads down and continue to execute well. That's it.

Ritesh Shah: Just a related one. You indicated we will align ourselves with the dealers. I think it's probably visible given the discount increase that we have seen in FY '24 annual report or FY '23, it's a pretty steep bump, almost 7%. And it stacks up in line with the highest in the industry. And if I look at the same variable it's like 13% CAGR over the last 5 years.

So when we say basically focus will be on cost, how should we look at incentives and discounts because this number has been ballooning up very, very sharply, impacting profitability. So, are we saying that we will scout for market share in the interim, if it means playing along with the dealers to ensure that we maintain our market foothold?

Puneet Dalmia: I think this strategy will be different market by market. And I think there are markets where our cost to serve is very low, and our market share is not very high. So I think in those markets, we will prioritize gain of market share.

There are markets where we serve, but in the long term, we may not be that competitive. But in the short term, we may be serving those markets. In those markets, we may just look at optimizing prices a little bit more rather than just go all out for market share.

So I think there will be a strategy, which will be different market by market, micro market by micro market. And I think we are looking at what's the best way to balance volume gains, while preserving our margins.

Ritesh Shah: Sure. That's useful. And if I just take one more. Sir, you have indicated INR150 to INR200 per tonne. I think in Sumangal's question, you did dissect it broadly for renewable coal and logistics. Is it possible to give exact numbers over here?

Dharmender Tuteja: Logistics will be about INR50 and balance INR100 to INR150 will come from coal blocks as well as renewables.

Moderator: The next question is from the line of Satyadeep Jain with AMBIT Capital.

Satyadeep Jain: Just first question would be on the medium-term growth. You outlined 75 million tons by '28. Just wanted to see if you're going to announce the expansion in 9 months? In 9 months, can we assume that the entire land acquisition approvals, all will be taken care of? So it's just ordering? how are you thinking of de-risking from here to ordering in the next 9 months?

Puneet Dalmia: I think I told on the last earnings call also, we are in the process of getting permissions and buying land and this is a parallel process, work is going on. And we will detail out the plan site by site, location by location along with time lines within the next 9 months. So the work is on. I think that's the best way to derisk it, get permits by land and make sure that we prioritize our sites based on strategic attractiveness and long-term IRR.

Satyadeep Jain: Just a second question on the central strategy. You're catering to this market, I believe all the way from Odisha. Are there any particular pockets that you're catering to and the strategy would be to continue to incur marketing expense, look at building out the entire network there for the next 2, 3 years until you set up your own plant there. Is that fair to assume? And these markets have been catered to all the way from Odisha right now?

Puneet Dalmia: Yes, I think it's fair to assume that. Dharmender, do you want to add to this?

Dharmender Tuteja: Yes. Earlier, we had built network in UP primarily, closer to Allahabad as well as Varanasi. So those markets are continuing to be served. And of course, the expenditure of the marketing, brand building, etcetera, is in line with the volume of sales, which we are incurring there, so that the costs are in line with the revenue growing up from these regions.

Moderator: Thank you. The next question is from the line of Pavas Pethia with Aditya Birla Mutual Fund.

Pavas Pethia: Sir, I just wanted to understand how sacrosanct is the 75 million ton number for you? And what will make you change this or postpone it,given the utilization still remains at sub-70% for the entire firm?

Puneet Dalmia: I think I have already shared that, we think that we are going to build 100 million tons by financial year '31. Our medium-term plan is to build 75 million tons by financial year '28. And if, let us say, there is some massive blip in the industry, either upside or downside, we will always review our plan and pace it along with how we see the industry shaping up. So these plans are more or less firm. But I think if there is a massive shock, macro shock, we'll have to adjust to those shocks and pace the plan accordingly.

Pavas Pethia: Sure. And secondly, on this INR3,000 crores, this capex number for this year, should a similar trend continue in FY26, FY27 and beyond?

Dharmender Tuteja: So, with the announced expansion plans, the next year, capex should be about INR2,500 crores or so. And of course, when we announced the next line of growth capex, then we'll give more visibility about next 2 years capex guidelines.

Pavas Pethia: And if I have to strip out the maintenance part, what will be that number?

Dharmender Tuteja: It's close to about INR250 crores to INR300 crores per annum.

Pavas Pethia: Thanks that’s all from my side.

Moderator: The next question is from the line of Prateek Kumar with Jefferies.

Prateek Kumar: My first question is on the pricing. So we reported around 5%- 5.5% drop in pricing quarter-on-quarter. Do you think is this worse than industry markets? Or is it in line because your volume growth is faster than industry probably, so the higher volumes come at the expense of much worse pricing?

Puneet Dalmia: I think it's hard for us to say because there are areas where we've repositioned our brand, and we are able to charge a higher price. But this quarter, our non-trade mix has gone up, which typically sells at a lower price than the B2C business. So there is a definite impact because of volume, because of the segment mix. But overall, I think in many markets, we have been able to reposition the brand and get a slightly higher price than what we were getting earlier in the trade segment. Dharmender, please, do you want to add to?

Dharmender Tuteja: Yes. Our decline is in line with the market decline of prices. South and Eastern markets have shown much bigger declines. That has translated into our overall NSR decline.

Prateek Kumar: Okay. So in a market environment where generally the government demand has gone down, we are trying to increase market share in non-trade segment. That is also probably weighing on prices. Would that be right?

Dharmender Tuteja: See quarter-to-quarter, it may have some changes, but we continue to remain focused on increasing our trade mix. And gradually, of course, you'll see that traction rebuilding.

Prateek Kumar: Okay. And one other question regarding, one of the remarks earlier you said about market share over margins quarter-to-quarter or year-to-year. A few quarters back, we talked about EBITDA margin of around INR1,100 -INR1,200/T . We're currently at INR650/T in this quarter. What are the kind of margins (are you looking at?) at least for near term, when we talk about this market share versus margins? This year, what kind of margins you might be looking at?

Puneet Dalmia: Quarter-to-quarter, it's very hard to predict. But if you look at H1, it's somewhere in the region of INR750- -INR800/T. And I personally believe that prices should move up a little bit gradually. I would think that maybe this INR900 -INR1,000/T should be sustainable.

Prateek Kumar: Sorry, your voice was inaudible. What should be sustainable?

Puneet Dalmia: I'm saying that if you look at H1 numbers, H1 EBITDA per ton is somewhere around INR782 /T. So quarter-to-quarter numbers could be volatile, but we think the prices may be slightly better in H2. And I think INR900 to INR1,000/T at least this year should be sustainable. And again, it depends on how the demand also behaves. So we think that in the long term, the guidance that we've given of INR1,100 to INR1,200 should be doable unless there are some really macro shocks and there is like a very intense competition for market share.

Prateek Kumar: Sure Sir, I'll get back in the queue.

Moderator: Thank you. The next question is from the line of Raashi Chopra from Citigroup.

Raashi Chopra: I'm just taking on from some of the earlier questions. So what was the industry volume growth for this quarter. Not the half, just in the second quarter?

Puneet Dalmia: I think the numbers have not been reported, but we think it will be low single digit. Last quarter was 2.3%.

Raashi Chopra: Yes. Okay, so similar.

Puneet Dalmia: Well, I don't know, I mean, low single digit is what we think.

Rashi Chopra: All right. And you've managed to obviously grow at 8% and you've also kind of indicated that your realizations -- given the regions, should be similar to the rest of the peer group. So what is -- and I would imagine that this will be one of the stronger growth rates within the industry at least for this quarter. So if it was not for pricing, what has been different for you?

Puneet Dalmia: Sorry, can you just repeat that question, please?

Raashi Chopra: You mentioned that the price decline in the South and the East is 5% to 7%, which is in line with the general peer group that everyone in the South and the East should have seen similar price declines. And the industry growth is so muted. What have you done differently if not for kind of reducing prices further?

Puneet Dalmia: As I said, in many markets, we have repositioned our brand and we are able to charge higher prices. We are also focused on improving our premium mix. It will be a journey. And again, market-by-market, we are reviewing our strategy. And I think we are also looking at which are the best markets that we should serve and just increase our share in those markets. These are the three things that we are looking at market-by-market.

Raashi Chopra: And you also mentioned that Dalmia will grow at 1.5x the industry. So you are confident of getting to a 9% volume growth for the year, given the 6% growth (for the industry)?.

Puneet Dalmia: Yes.

Raashi Chopra: And just one last question. The EBITDA per ton, like you said, quarter-to-quarter is hard to get, but you mentioned that this year, INR1,000/T should be doable. Was that for the second half? Or is that for the average for the year?

Puneet Dalmia: I'm saying the first half is INR780/T. So we expect prices to move up a little bit in H2 compared to H1. So the blended number should be probably in the range of INR900/T to INR1,000/T is what I think, but it depends on how demand behaves and what is the competitive intensity in the market.

Moderator: The next question is from the line of Pulkit Patani with Goldman Sachs.

Pulkit Patani: Just one question in terms of that Central India expansion, whatever we had invested now that the tolling arrangement is off. Is there any possible write-offs that we may have to take in the future? Or because we are trying to expand that organically, we don't think there should be any need for us to make any of those adjustments to our books?

Dharmender Tuteja: See, last quarter, we have done some impairment of exposure, which we had on Jaypee. That is, I think, about INR113 crores. So we had taken the full impact, which we thought could have arisen. So I don't think anything further should come.

Pulkit Patani: In terms of the manpower we hired there, etcetera, etcetera. So they'll all be used organically for us to grow in that region. Is that the right way to understand?

Dharmender Tuteja: That is right.

Moderator: The next question is from the line of Indrajit Agarwal with CLSA.

Indrajit Agarwal: Sir, at 49-odd million tons, even if you grow 1.5x industry, by FY '26 we will have closer to 66%, 67% utilization. So do we think the focus should be to get the utilization up first before focusing on the next leg of capex because the industry anyway we can still grow 1.5x industry with the current capacity at least for the next three, four years or so. And secondly, on the same, would we be losing a reasonably high amount of money in Central region right now? Broadly, what proportion of your volumes would have been Central in this quarter?

Puneet Dalmia: So I think there are markets in which our capacity is almost sold out, and I think we'll have to add new capacity. There is also a lead time in adding capacity and it could take around two years-plus. And finally, I also think that there will be, as we have an ambition of being a Pan-India player, So we might add capacity in new regions where we don't exist today. So I think this decision will be taken in -- keeping in mind where our utilizations are higher and our ambition to be a Pan-India player.

And I think secondly, in terms of regional volumes and how much we are selling in which market and what's the profitability, please bear with us. We don't share that data.

Indrajit Agarwal: Sir, lastly, given the current rate of expansion gets over, let's say, by mid-FY '26, so would we have sufficient clinker if we want to operate the entire at 49 million tons at 100% utilization?

Puneet Dalmia: Yes, we do, and we'll have to increase our CC ratio in some markets, which we are already doing.

Moderator: The next question is from the line of Rahul Gupta from Morgan Stanley.

Rahul Gupta: Sir, I have just one medium-term industry question for you. You have talked about industry prices being weak, not just now but for some time now. If industry prices don't move up steadily given competitive intensity, does that risk capacity expansion for the industry? Or do you think that capacity expansion could come, but at the expense of ROIC? Any views over here?

Puneet Dalmia: Look, I think at current prices, no investments can be justified. And whether you look at organic or inorganic growth, if you believe that the prices are going to remain at this level, we can't justify any investment. I think we all believe that structurally, the industry is very positive in the medium to long term and -- which we have outlined like we believe that India will grow. And if India grows, construction will grow and there will be demand for cement.

And I think the demand-supply equation, while there are short-term headwinds, I think long term, demand should grow at a higher CAGR than this capacity CAGR. So we think that demand could grow in the range of 7% to 8% in the long term and capacity probably will grow at 5% to 6%. So therefore, there will be a slight uptick in capacity utilization over the longer term.

We also think that the top players are expanding faster than the smaller players and there is increased M&A in the sector. So the share of top four will go to 60% by financial year '27. And I think just with increasing consolidation and a very good long-term demand-supply scenario, I think the entry barriers are rising in this business, so we can expect better pricing. But it's very hard to predict what will happen in the short term.

And we've even seen if we look at our last 10 years, 20 years of history, there has been -- it's a cyclical business and prices are very volatile. But if you take a five- to seven-years view, it all evens out. And this business requires patience. This business requires not being disappointed when chips are down and not being too exuberant or arrogant when you are making too much money.

So I think you have to keep balance and you have to keep the conviction, at least that's what we've benefited from in the past. And we think that the structural positives in the sector are far better than what they were 10 years ago. So we believe that It's a very attractive time for the industry. And I think without stretching the balance sheet, expansion is the right way to go, while using this opportunity to tighten your belt and become more efficient.

While not losing sight of long-term investments in brand building and distribution.

Rahul Gupta: So just to understand this better. So at what capacity utilization levels, do you think that pricing power comes back materially? Or how should we look at -- what prices it makes sense for the industry to add capacity, not thinking about near-term headwinds? Or do we just forget about near-term headwinds and think about medium-term and long-term outlook for the industry and not think about ROICs in the near term?

Puneet Dalmia: I think you can do the math yourself if like the capacity creation cost and M&A cost is in the range of, let's say, $90 to $120 per ton. Let's say, an average of $100. I think the EBITDA has been the range of, in my view, INR1,500 per ton in the long term.

Moderator: The next question is from the line of Navin Sahadeo with ICICI Securities.

Navin Sahadeo: Yes. Good morning and thank you for the opportunity. My question was in the earlier comments, you said there was increase in the non-trade share in the quarter. So could you just give details as to how much was the sequential increase in non-trade over previous quarter?

Dharmender Tuteja: Yes. Previous quarter we had 64% and this quarter we had 63%. So there's a -- trade has gone down by 1% and non-trade has gone up by 1%. On a Y-o-Y basis, this is about 5% because last year we had 68% trade mix, now we are just 63%. On a Y-o-Y basis 5% increase, on a Q-o-Q basis 1% increase in the non-trade portion.

Navin Sahadeo: Sure. The reason why I'm asking this is because in the second half, if the government demand is expected to come back which is there the infrastructure-led demand will bounce and lead to overall industry volume growth, is it fair to assume that this shift or tilt in favor of non-trade can only go up for you in the same rate, is there a possibility or a rethink on our plan to venture into the OPC market of non-trade?

If I'm not wrong, we are not selling OPC in the East,. I think we hardly sell in the OPC market at all and maybe in the South overall blending being at around 87%-odd. So is there an expectation that non-trade will go up and our share of OPC will rise?

Puneet Dalmia: So I think in the short term, it's hard to predict. We are running at low capacity utilization right now. And we will see whatever is best done to maximize our contribution, but I think in the long term, we are more committed to blended cements. And I think we are more committed to increasing our share of trade.

Navin Sahadeo: Understood. Helpful. My second and last question is on the capex. So when we're looking -- I mean, when you're giving a target of 75 by '28, so roughly 25 million tons is what we are likely to add with the current expansion which are on hand from 50 million to 75 million. So is it fair to assume that from '26 to '28 as in in 3 years, the capex because it's -- I'm assuming it will be a mix of Greenfield and Brownfield. So our capex over these 3 years could be around INR18,000 crores to INR20,000 crores. Is that the way to look at it?

Puneet Dalmia: I think we don't want to give any numbers right now. We are still working on exact plans in which market, how much and what capacity. So I think you'll have to wait until we announce the plans.

Navin Sahadeo: Appreciate. Thank you so much.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Thank you for the opportunity. Firstly, sir for the EBITDA per ton number, you mentioned the number of INR650 also. INR650 is for the second quarter or if you could just correct me there. INR782 is for the H1?

Dharmender Tuteja: Yes. Q2 is INR650.

Saket Kapoor: Okay. And average is INR782. So that was significantly higher for the first quarter?

Dharmender Tuteja: Yes. That's right. First quarter was INR900.

Saket Kapoor: Okay. Sir, when we look at our other expenses line item, that has been steadily -- steady up for this quarter also. So can you explain the nature of this other expense line item of INR546 crores?

Dharmender Tuteja: So this has gone up from the last year or maybe from year-to-year also because of the higher number of shutdowns of the plants. So the repair cost or contractor costs, etc comes in this line. And when I say last -- year-on-year, then since the volume has gone up. So, there are some volume-linked cost like packing bag costs, commissions, etc. So these costs also go up accordingly.

Saket Kapoor: Okay. Can you quantify the one-off line item for the repair part that was included for this quarter?

Dharmender Tuteja: So that would be about INR40 crores, INR50 crores or so, but there could be shutdowns in Q3 also, but bulk comes in Q2 and then Q3 is the next one and Q4 actually comes down very significantly.

Saket Kapoor: And, sir utilization levels for the entire entity was 65% for the first half?

And for the industry also what was the number and taking into account the anticipated capex spend from the government for H2, what should be likely ending the H2 in terms of capacity utilization level?

Dharmender Tuteja: for this quarter we had a capacity utilization of 58%, but we expect it to go up in the coming quarters because this was a seasonally weak quarter. Industry is also I think currently about 67% or so.

Saket Kapoor: 67% is for the industry?

Dharmender Tuteja: 67% or so.

Saket Kapoor: Come again, sir. 57%?

Dharmender Tuteja: No, 67.

Saket Kapoor: Sir, taking into account our - capex that we envisage and also the other aspect of the weak market, it is always good that you share your profit with your investors, but coming out with dividend payout at this point of juncture when we are having strained cash flow, can you please explain what's the thought process to return cash right now when that could be use for a much better use than returning that to your investor?

Dharmender Tuteja: For the full year, we don't think that the outlook has diminished. That is why we have not changed the trajectory of the dividend payouts. Still hope that the growth trajectory of the volume as well as profitability should continue. And accordingly, we have not downgraded the payout of the dividend.

Puneet Dalmia: Our capital allocation policy says that up to 10% of our free cash flow, we will distribute as dividends. And I think it's in line with our capital allocation policy which we have already outlined.

Saket Kapoor: And lastly, sir, on the waste heat recovery and the alternate fuel part, what is our current fuel mix and going ahead for say, 1 to 2-year time line, how will this number shape up for waste heat recovery of alternate fuel?

Puneet Dalmia: I think we don't share that data granularly, but we've given you our RE power mix and we've also shared our overall fuel cost.

Dharmender Tuteja: On the RE power, I said that we are currently at 39%. By year-end, we expect to go to about 45% and by next year end by about 50%.

Saket Kapoor: Right. And lastly, sir, on the 113 exceptional line item part, can you explain the nature and any more amount that we need to classify under exceptional going ahead? If you can explain the Jaypee issue in a bit detail?

Dharmender Tuteja: Since we have done the tolling operations in the last 1.5 years, so we had to give some advances to Jaypee for clearing the past defaults of taxes, etc or power payments, etc without which the plant could not have started. So since we could not recover, that money was to be adjusted in the acquisition of the assets. So since the company has gone into IBC, considering the uncertainty of realization of this amount, we have taken impairment in the last quarter about INR113 crores.

Saket Kapoor: And that is the full and final fee there, no further?

Dharmender Tuteja: Yes. We covered whatever exposure we had, so we don't expect to have any further increase in this.

Saket Kapoor: Yes, sir definitely. For Murli, if you could share your thoughts, how has the integration been and that's all from my side and sir Happy Deepavali to the team.

Dharmender Tuteja: So Murli also we are continuing to improve our positioning in the market and successfully we'll ensure that this becomes a very profitable plant as already it has crossed the breakeven points.

Moderator: Thank you. The next question is from the line of Yash Darak with RSPN Ventures. Please go ahead.

Yash Darak: So my question is that the other expenses has sort of increased at 18% of total revenue, which is generally at 15%. So are we expecting this run rate to continue or there would be decrease in the other expenses?

Dharmender Tuteja: Other expenses has 2 components. One is, of course, the fixed and second is on the variable part. So variable part goes up in line with the volume increase, which is the packing cost and some of the cost like in depot expenses or commission, etc. But the fixed expenses had bumped up in the current quarter because of the higher plant shutdowns. So this should go down somewhat in Q3 and mainly in Q4. But other fixed expenses should remain the same.

Yash Darak: Okay. And lastly, the capex seems to be around INR3,000 crores will be capex for the entire year. So how much capex has been done by now, if you could share?

Dharmender Tuteja: Yes, close to about INR1,386 crores in the first half.

Yash Darak: Okay. Thank you, sir.

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

Amit Murarka: So I remember earlier you had mentioned that 1,000 dealers of Jaypee had shifted to Dalmia in the Central market. So how many of them would still be associated with you?

Dharmender Tuteja: I think most of them, are still continuing when we are currently doing the operations through our Eastern plants.

Amit Murarka: And are you expanding the network further in Central or planning to maintain the dealer network?

Dharmender Tuteja: Of course, we have to see the profitability as well as the market growth we'll try to increase. But considering the long distance, which we have to cover, so we have a limitation of all the markets which we can cover. So we'll gradually see how quarter-by-quarter we are able to improve on it.

Amit Murarka: And also, what would the cost of slag that you're incurring now?

Dharmender Tuteja: There is a small increase over the previous quarter.

Amit Murarka: How much would it be if you can ballpark also?

Dharmender Tuteja: In the range of about INR1,000 to INR1,500. It keeps moving from quarter-to-quarter depending on the auction prices.

Amit Murarka: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, just wanted to understand the 8% growth that we are looking at for industry in second half, and so for us, we have already said that we are looking at 9% volume growth for FY '25. So broadly, is it fair to say that in the second half for us, South would be growing better than the East?

Puneet Dalmia: I don't think we can give regional numbers. And I think we've already said that our estimates for industry growth are better in H2 because H1 -- Q1 was an election quarter and Q2 was a monsoon quarter. So we think there is pent-up demand in housing, which could come back. We think government spend on infra will gather more momentum. We think real estate and private capex will also contribute to this.

So our best estimate is that this can go to 7% to 8% in H2. And we think that based on this, maybe prices could be marginally better, although it will depend on competitive intensity also. So given that, we think that Dalmia can continue to grow in the range that we have guided for.

Shravan Shah: And lastly, sir, pet coke share and domestic coal share in the fuel mix in Q2 was how much?

Puneet Dalmia: I don't think we will give that data here right now.

Shravan Shah: Thank you.

Moderator: Thank you. Ladies and gentlemen, this concludes our question-and-answer session. I will now hand the conference over to Mr. Puneet Dalmia for his closing comments.

Puneet Dalmia: I think this was a weak quarter from a pricing standpoint, but our volume growth was quite healthy. We are still very bullish on the long-term prospects of the industry, given the great demand outlook and the consolidation that is happening. We will continue to build Dalmia to be more efficient. We will continue to look at our expansion plans in line with our long-term guidance of Pan India footprint, as well as adding capacity where we think we are sold out, and we need more market share.

So I would just say that I still have great conviction and great belief in the long-term story, and cement is a proxy growth for the India long-term story. Thank you for your interest in us, and wish you and your families a very happy Diwali. Look forward to seeing you in 2025. Take care, and have a great day. .

Moderator: Thank you, sir. On behalf of Dalmia Bharat Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.