

File No: 1010/02

May 02, 2023

BSE Limited  
P J Towers, Dalal Street,  
Fort Mumbai - 400001  
Scrip Code: 542216

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 Q4 FY-23 & FY-23 - 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 Q4 FY-23 & FY-23 Earnings Conference Call held on April 26, 2023.

The same will also be uploaded on Company's website: [www.dalmiabharat.com](http://www.dalmiabharat.com).

We request you to please take the same on record.

Thanking you,

Yours faithfully,  
**For Dalmia Bharat Limited**

**Rajeev Kumar**  
Company Secretary

**Dalmia Bharat Limited**

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“Dalmia Bharat Limited Q4 FY-23 & FY-23 Earnings  
Conference Call”

**April 26, 2023**



**MANAGEMENT: MR. PUNEET DALMIA – MD, DALMIA BHARAT LIMITED**  
**MR. MAHENDRA SINGHI – MD & CEO, DALMIA CEMENT (BHARAT) LIMITED**  
**MR. DHARMENDER TUTEJA – CFO, DALMIA BHARAT LIMITED**  
**MR. RAJIV BANSAL – PRESIDENT & 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 Year Ended 31<sup>st</sup> March 2023.

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 ‘\*’ then ‘0’ on your 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 the expectations and projections and may involve a number of risks and uncertainties such that the actual outcome may differ materially from those suggested by such statements.

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

I would now like to hand the conference over to Ms. Aditi Mittal head Investor Relations. Thank you and over to you ma'am.

**Aditi Mittal:** Thank you Faizan. Good afternoon, everybody. We welcome you to the Q4'FY23 and FY23 Earnings Call of Dalmia Bharat Limited. Hope you've had a chance to go through our results which have been uploaded on the stock exchange.

Without much delay I'll hand over the call to Mr. Dalmia for his opening comments. Thank you.

**Puneet Dalmia:** Good afternoon, everyone and thank you Aditi for your opening remarks. It gives me immense pleasure to welcome all of you to the Q4 FY23 and FY23 Earnings Call of Dalmia Bharat Limited. Let me briefly share my outlook with you and after which Mr. Singhi and Dharmender will give you more details about our performance.

I continue to have deep conviction on the Indian growth story and would reiterate that the next two or three decades really belong to our country with GDP growth expected at 6.5% to 7% in FY24 and beyond. I think that for India to leverage this opportunity that lies ahead of it and for the government to generate employment opportunities for millions of people, who are getting added to the workforce every year, the thrust on infrastructure development, increased public spending and augmentation of private CAPEX is imminent and cement sector would be a direct

beneficiary of this. I strongly believe that Dalmia's growth will continue to accelerate as India accelerates. From the end of financial year 22 we have increased our capacity by almost 15% from 35.9 million tons to 41.1 million tons per annum at present.

Let me give you an update on the acquisition side of cement assets on Jaiprakash Associates Limited:

Yesterday we have signed the definitive agreement for the 2.2 million tons cement capacity at Bhilai along with 3.3 million tons of clinker including both at Babupur and Jaypee Super. For the Nigrie Cement capacity of 2 million tons we are proposing to enter into a long-term lease agreement, having a term of 7 years with an option to purchase the Nigrie unit anytime within the lease period for an enterprise value of Rs. 250 crores. I'm very excited that this acquisition is coming at a time when India is at the cusp of a strong cement demand upcycle, starting with the pre-election year 2024 when the industry demand is likely to grow at almost 8% to 9%. In April '21 when we had announced a capacity expansion plan and the first milestone of 49 million tons, we were not aware of the opportunity of Jaypee acquisition. Now with the Jaypee acquisition being signed it was important to reassess and recalibrate the original expansion plan of 49 million tons. Accordingly, we have decided to defer the 2.5 million tons Grinding unit expansion in Bihar. Due to this the original capacity of the organic expansion changes to 46.6 million tons and the total capacity including Jaypee acquisition changes to 56 million tons by end of financial year '24. Even if you look at the year gone by, the industry cement demand is believed to have grown at 9% to 10% alongside an increase in prices on a pan India basis. As Dalmia Bharat is marching towards its vision to become 110 to 130 million tons company by FY31, execution, excellence and financial performance are the two equal priorities of the company.

During financial year '23, we have delivered an industry leading volume growth of 15.9% YOY and our revenue for full year has grown by 20% YOY to Rs. 13,540 crores. Through significant improvement in multiple operating metrics such as increase in CC ratio from 1.63 in FY22 to 1.71 in financial year '23 or improvement in renewable energy consumption from 10% in FY22 to 21% in FY23, I'm proud to say that our teams have not only been able to mitigate the adverse impact of the inflation in the commodity prices but also been able to build on the sustainability quotient of our operations. On a full year basis, the carbon footprint of our company has further come down from 489 kg per ton of CO<sub>2</sub> to 463 kg per ton of CO<sub>2</sub>. Our organization is deeply committed to all our environment related commitments under ESG whether it's RE100, EP100, EV100 by 2030 and carbon negative by 2040. And these commitments are an integral part of my personal priorities too to deliver upon in a timely manner.

For next year FY24 some of our areas of focus for our company will be 1) timely completion of the ongoing CAPEX and integration of the Jaypee Cement asset, 2) further improve our manufacturing KPIs and build long term input security, 3) HR transformation with focus on leadership development, 4) digital enablement of the company.

To add to the strength of our leadership and assist in driving the company in the next stage of its growth, I would like to share with you that we have appointed a Chief Operating Officer in our company, Mr. Sameer Nagpal. Sameer has already been with the Dalmia Bharat Group as the CEO of Dalmia Bharat Refractory and he was instrumental in growing the business bottoms up and finally led the M&A transaction in which the refractory business was sold to RHI Magnesita.

Mr. Singhi will mentor Sameer in his new role and I'm excited about having him aboard. With this I would now like to hand over the call to Mr. Singh for his opening remarks.

**Mahendra Singhi:**

Thanks, Puneet Ji. Happy afternoon friends. Last year has indeed been a tough year comparatively as the industry continued to witness unprecedented rise in commodity pricing and particularly fuel. But as Puneet Ji has mentioned that we are very optimistic about the year ahead of us now and believe that the peak of cost is behind us. Besides the softness in the commodity prices, we are also witnessing a strong demand momentum.

During financial year '23, we delivered a volume and revenue growth of 15.9% at a volume of 25.7 million tons and 20% YOY at Rs. 13,540 crores respectively. This growth of 15.9% is maybe more than 1.5x of all India demand growth. The growth is balanced with our regions - east, northeast, west and south delivering a double-digit volume growth during the year. For the quarter, we had the highest ever sales volume and absolute revenue in any quarter with volume of 7.4 million tons and revenue at 3,912 crores respectively.

During the year, the NSR growth has been almost 4%, which was led by stability and strengthening of prices in the East and Northeast states. While the increase in NSR at 4% been higher than the long-term average price increase of 1.5% to 2% annually, it has not been sufficient to offset the adverse impact of input price inflation. During the year, the average fuel consumption prices spiked from equivalent petcoke price of US\$141 in FY22 to US\$198 per ton in FY23 which was again a massive 40% inflation in fuel cost. However, the good part is this inflation has started now subsidizing with the peak being \$218 and now at \$174 in Q4. Further good news is now spot prices of petcoke are around \$140 per ton which can be effectively used in second quarter. On a QOQ basis, prices marginally softened in southern region but remained stable in east, northeast and west.

During the quarter our variable cost was slightly impacted due to consumption of high-cost opening inventory of clinker and cement. In Q3 FY23 we had built up clinker inventory due to the upcoming plant shutdowns and debottlenecking projects in ensuing Q4. Thus, while you may see a variation on quarter-to-quarter basis but you will notice that during the full year there is not much variation in the overall inventory level. Even in the past, we have seen that companies undertake inventory planning basis number of factors such as seasonality, plant shutdowns, repair work, new plant line, etc., which may lead to quarterly variations but on full year basis it tends to normalize. Our EBITDA per ton during the full year has been Rs. 900 a ton and our exit EBITDA came in better in Q4 at Rs. 951 per ton.

Like Puneet Ji was mentioning our people have been very proactive and as a team were successfully able to improve a lot of our manufacturing and sales KPIs which enabled us to mitigate the adverse impact of the inflation. Mentioning some of these during the year our blending ratio improved to 84% from 79% in FY22. In Q4 we were able to take it to an all-time high of 88% with all regions showing progress and this high blended cement number would definitely further improve in quarters and years to come. Our renewable energy capacity has increased from 17 MW in FY19 to now 166 MW by FY23 end which is almost 10 times increase in the last 4 years. During the upcoming year FY24 we are targeting to almost double the current renewable power capacity from 166 to around 324 MW.

Our sale of premium products has also improved significantly by 19% to 3.4 million tons during full year FY23. As has been our commitment, we have been working on sustainability and reducing carbon footprints month to month basis and I'm very happy to again reiterate that our carbon footprint of 463 kg per ton is one of the lowest in global cement world. I would also like to highlight that 4 years back we had targeted that our carbon footprint in FY23 would be 480 kg per ton which our team has been able to improve to 463 kg.

Moving on the regional performance; if you look at regional volumes for our company, both in south and east markets we outperformed and delivered double digit sales volume growth. The performance in south is specifically encouraging where over the last couple of years we have continued to strengthen our market share without adding any capacity in the region. Another best part has been that in south also we have been able to further enhance the blended cement volume which would further help us in building up more blended cement volume in years to come. At the same time, our confidence in the east market potential remains intact. Basis all the capacity announcements made; we believe that the bulk of it has already been commercialized and now from FY23 to FY26 the rate of increase in capacity may drop to 4% or 5% of CAGR with demand expected to outstrip it at 9% to 10% CAGR growth. This will lead to steady improvement in the utilization levels going ahead and we could expect a much stable pricing scenario on back of this and this would prove that our strategy for east has been right. For Dalmia, east is one of the most efficient areas in terms of cost and we are able to save 100% low carbon blended cement in this region.

On the expansion side while Shri. Dharmender will give you the detailed update on CAPEX and cash outflow. I would like to update that during the year FY23, we have commercialized 2.7 million tons capacity in both east and north east region respectively. This has taken our closing cement capacity to 38.6 million tons. Recently in current month of April '23 we have commercialized the new cement line at Bokaro of 2.5 million tons which takes our installed capacity to 41.1 million tons. Another good part is that now Bokaro is one of the biggest cement grinding capacity in the country. During the year our clinker capacity has also increased from 18.9 million tons to 21.7 million tons by March '23. Now during FY24 we have another 2 million

tons clinker expansion to come up in addition to what would come along with Jaypee assets in central region.

Friends I'm happy to share that in Murli, basis the detailed exploration carried out by our team as well as revalidation of certain mining leases, we have been able to build limestone visibility of 18 to 20 years. In time to come it would further go up. During March '23 our capacity utilization of the plant was around 52% and we are reasonably confident that during the current fiscal FY24 we should be able to reach more than 60% capacity utilization.

On the cost side at Murli, we have also taken many initiatives such as commissioning WHRS of 7 MW, solar capacity of 4.5 MW which will give us full year benefit from this year onwards. The reviving of the coal leakage will also help further. Likewise, in Kalyanpur which was acquisition prior to Murli and the plant which was closed for a long time, the plant has successfully been turned around and it is now one of the highest profit-making plants in our eastern operations. In addition to stalling 4 MW of WHRS and first floating solar power plant of 4 MW, we have again taken many operating initiatives to optimize cost and improve the plant throughput.

In regards to Jaypee acquisition one of the initiatives which we took is how to enroll the existing dealers of Jaypee as well also to introduce brands well in advance in central regions where we are not present. I'm happy to share that our initiative has led to the enrolling of around 1,000 dealers of Jaypee which in time to come would be very helpful in ramping up our capacity of selling more Dalmia Brand cement. In addition to this, we have been also able to operate with the support of Jaypee Group the plants which have been able to deliver the cement required. Now for rest of the details and key financial updates, I would now request our CFO – Shri. Dharmender to share with you the figures and facts and thereafter I'll be very happy to answer all questions in the Q&A. Thanks and all the best.

**Dharmender Tuteja:**

Thank you Singhi Ji. Good afternoon, all. As all the major business updates have already been covered by Puneet Ji and Singhi Ji, I'll quickly jump into the key financial updates. With regard to the incentives this quarter we have accrued Rs. 92 crores of incentives which takes the FY23 accrual number to about 272 crores. The collections during the quarter has been Rs. 96 crores and the total collection for the year has been close to 250 crores. The average receivable as of 31<sup>st</sup> March stood at 700 crores. Going forward including Murli we expect incentive accruals to be around 275 crores to 300 crores for FY24.

Regarding other expenses; sequentially we have seen an increase which has three large components. The marketing spends during the quarter increased by about 35 crores and also around 20 crores each is on account of increase in the packing cost and Depot expenses because of the higher volumes. On the debt side, on full year basis our gross debt has increased by 623 crores and the closing debt as of 31<sup>st</sup> March to debt 3,763 crores. The net debt to EBITDA as of 31<sup>st</sup> March was 0.29 times. Regarding CAPEX we have spent close to 2,710 crores during the

full financial year FY23. As mentioned by Singhi Ji we have closed this year with the capacity of about 38.6 million tons per annum and the capacity as on date when we are talking today stands at 41.1 million tons.

Our Budgeted CAPEX spend for FY24 is in the range of 5,000 to 5,500 crores including the payment which is to be made to Jaypee for the new acquisition in the central region. Of this, roughly about 3,000 to 3,500 crores will be paid for the acquisition of Jaypee cement assets and balance 2,000 to 2,500 crores will be for the ongoing expansion project plus the other efficiency land maintenance CAPEX, etc., And pursuant to aim of becoming a pure play cement player and as already informed to you earlier, the company had entered into a binding agreement to sell its entire investment of 1.8 crores equity shares of Dalmia Bharat Refractory Limited at a consideration of Rs. 800 crores to M/s. Sarvapriya Healthcare Solutions Private Limited, a promoter group company. With regard to the same, I would like to update that out of the total receivable 20% which is 160 crores has been received in cash and for the balance 80% consideration NCDs have been allotted to DCBL.

And also, in line with the capital allocation framework the board has proposed a final dividend of Rs. 5 per share which is subject to the approval of the shareholders in the ensuing AGM. This is in addition to the interim dividend of Rs. 4 per share which was paid out in the month of November. The total dividend declared for the year including interim is Rs. 9 per share which is same as declared and paid in last year. With this I now open the floor for question answers. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Indrajit Agarwal from CLSA.

**Indrajit Agarwal:** Hi Good afternoon thank you for the opportunity I have two questions. First on the organic expansion, while you have deferred the Bihar Grinding Unit, the other south grinding units remain as is. If you can help us understand what is the status of land acquisition, ordering of equipment, etc., and if we are confident of commissioning it in by FY24.

**Mahendra Singhi:** Yes, First Expansion of our cement capacity is going to happen by June end this year which is near Tuticorin which we call Sattur area. This will get completed well before time by June '23. Second, two cement units which are being set up now in Kadapa and Ariyalur. They are all expected to go by March '24. This is basically the 4 million tons. This will get added to the capacity in addition to some debottlenecking project. We are all on track and well within the cost.

**Indrajit Agarwal:** What is the remaining CAPEX in the organic part now?

**Mahendra Singhi:** In totality we will be investing about 5,000 crores which would also include the CAPEX for Jaypee assets.



- Indrajit Agarwal:** That is you are saying for FY24. I'm saying what is that pending CAPEX just for the organic? So, after what we have spent about 2,000-2,500 crores for organic, will there be still some pending CAPEX for the organic part?
- Mahendra Singhi:** Yes.
- Rajiv Bansal:** Indrajit we will not give a breakup between how much will be inorganic organic, what is the capacity for that. We are looking at spending roughly about 5,500 odd crores next year including Jaypee acquisition. Jaypee depending on how each of these are transactions get approved by the bank and the lender. But we are looking at range of between 5,000-5,500 in the range right now.
- Indrajit Agarwal:** My second question is on Jaypee acquisition. We understand that you have signed a definitive agreement and we have signed one earlier for the standalone Jaypee assets. So, what kind of timelines we can look at when those assets will be under our fold?
- Mahendra Singhi:** It is in the process and now lenders are taking up this matter and within couple of months we should be able to operationalize.
- Indrajit Agarwal:** And we will need NCLT approval for this or that is not required?
- Mahendra Singhi:** May not be required.
- Rajiv Bansal:** Hi Indrajit, Rajiv this side This was not admitted by NCLT, so the NCLT approval is not required. This requires lenders approval and only for a Super Dalla there are certain conditions precedent. So, there are two parts of it. One is the lenders approval, the second is the conditions precedent which is to be met but as Singhi ji was saying at least the transfer that he was speaking about we hope to close that in the next couple of months. The Super Dalla the conditions precedent will be the closure of the arbitration proceedings with Ultratech and once that is done only then this will be closed.
- Moderator:** The next question is from the line of Sumangal Nevatia from Kotak securities.
- Sumangal Nevatia:** Good Afternoon and thanks for the opportunity my first question is on the cost. There was a sharp increase in raw material cost. Is it largely because of high opening cost inventory or also some other line items like fly ash, slag also saw some inflation? If you could share some details there. Also, the second part is on the fuel cost. If we could share what is the coal cost in Q4 and what is the guidance for Q1?
- Mahendra Singhi:** Yes, to some extent the raw material cost has gone up on account of inventory. Second since our CC ratio has also gone up, so to that extent raw material cost has gone up. Thirdly there has been little price increase in fly ash and slag, so in totality that is the reason. But at the same time there

has been substantial reduction in power and fuel costs. This will be again further visible in quarters to come.

**Sumangal Nevatia:** Is it possible to get some quantification at least on the power and fuel cost, in terms of dollar per ton what was the average in Q4 and what's the current procurement levels?

**Aditi Mittal:** For the Quarter 4, both the purchase and consumption has happened at about \$174-\$175 per ton. During Quarter 1, we believe the rate should be anywhere about \$165 per ton. So, another \$10 is what you can see. The spot rate which Mr. Singhi had spoken about, the impact of that you can see Quarter 2 onwards.

**Sumangal Nevatia:** Understand That's very clear. And one just last question. We are doing a great job on increasing the blending ratio. I heard if correctly it was 84% in FY23. Just want to know what sort of near-term target are we looking for in FY24-25 and if some comments on the acceptance of blended cement in non-trade segment.

**Mahendra Singhi:** So, let me answer the last question. You're fully aware of the commitment of Indian Government to go green by 2070 in totality. But at the same time the various initiatives which the government has taken to encourage green products whether it's green cement or green steel or many other such products. So now various government departments have started accepting PPC or PSC in place of OPC and our team has been working very efficiently on this. We are proud to say that in many projects including the project for tunnel, projects for road, projects for bridges, now Dalmia Infra cement which is a PPC product has been approved in place of OPC and that would help us in a big way. Similarly, there has been now awareness in builders and the road contractors. They have also started now accepting PPC and there has also been force from NHA I also to go for more and more PPC. So, this is one part. Secondly in quarter-to-quarter our blending ratio will go up as we are fully committed that in a few years' time we should be producing only blended cement which is low carbon cement.

**Sumangal Nevatia:** From 84% any target we are looking at internally FY24-25?

**Mahendra Singhi:** Internally yes but we'll share when we do it.

**Rajiv Bansal:** Sumangal, Rajiv here we don't want to put a number on a yearly basis or quarterly basis. I think our goal post is very clear, we want to be 100% blended cement. We've been saying that for a couple of years now. I think the roadmap and the trajectory is very clear. We have been increasing year by year. The thing is it's very difficult to put a number on a quarter or a year because every market operates differently. So, we will have to keep looking at it and tweaking it and recalibrating it. At this point in time the goal is very clear. I think we have been showing consistent improvement and that journey will continue.

- Mahendra Singhi:** I may also add that even on total all India basis also, the low carbon cement percentage in India is going up and this is the highest percentage of low carbon cement in the world. It may be today around 71%-72%.
- Sumangal Nevatia:** Got it Thanks Singhi ji, Thanks Rajiv.
- Moderator:** The next question is from the line of Pinakin Parekh from J.P. Morgan.
- Pinakin Parekh:** Thank you So, I have two sets of questions. The first is on the JPA cement acquisition. Now given that JPA the parent entity is in the IBC and sanctity of timelines on any resolution over there has in the past across the board not been respected, is it fair to say that till Dalmia has clarity on the JPA acquisition it will not go ahead with any organic expansion plans beyond the 46.6 million tons?
- Mahendra Singhi:** Let me first clarify that Jaypee Asset was not admitted in IBC. Secondly now even in court also where the petition was put up, even banks are also requesting high court that since resolution is happening so they would not like to proceed ahead. Because of that reason we are fully confident that in a couple of months we will be able to get this acquisition in place.
- Pinakin Parekh:** Agree. But if it gets delayed beyond a couple of months, I'm just trying to understand that the next phase of organic expansion beyond 46.6 million tons when should we see visibility on that? It's only after JPA gets done whatever the time frame would be or during FY24 that we can see that.
- Rajiv Bansal:** Let me answer that question. See we have guided everyone to 75 million tons by FY27. That plan and that goal remains intact. What we have done is 49 million ton is what we're committed by FY24. We're likely to go up 56 million tons including Jaypee acquisition. We are absolutely confident about Jaypee acquisition being closed in the next couple of months. In the next couple of months, hopefully the next quarter we will start giving you roadmap for the next leg of expansion from 56 to 75. There is nothing being stopped or pending Jaypee. I think we are committed to building 110 and 130 million tons company by FY31 and we will achieve the milestone of 75 million by FY27.
- Pinakin Parekh:** Secondly just trying to understand the final cost of the Jaypee acquisition. So, the company mentioned that 5,000 crores of spending in FY24, it includes 2,600-2,700 crores of organic CAPEX, the rest is JPA. So is this the final cost to ramp up the assets or will there be an additional cost over the 2,000-2,500 crores. What will be the total cost for that 9.4 million tons given now that you have signed the definitive agreement, you will be in a better position to answer that?
- Rajiv Bansal:** If you remember when we had made the announcement about the Jaypee acquisition, we had said the total consideration is about 5,666 crores and we had also said that we will probably

spend about 800 to 1,000 crores additional to bring the plants to the state-of-the-art like to operate including WHRS, solar and everything else. Now only the third tranche of Super Dalla is likely to be dependent on the closure of the arbitration proceedings between Jaypee and Ultratech. Other than that, if you look at the balance amount again, we will be spending roughly about 700 odd crores on improving them. So, the total cost would still be about \$70 odd per ton. I think it's a great asset and as Singhi ji was saying we have also started the tolling agreement, we have started enrolling dealers, we have started understanding the market, we have started building the brand so that the moment these transactions are closed we can hit the road running.

**Pinakin Parekh:** So, it's fair to say that there will be another equally large amount of spending related to Jaypee in FY25 as well, beyond the 2,500 crores this year?

**Rajiv Bansal:** Yes absolutely. We had already guided that when we acquire, talking about the number will be 800 to 1,000 crores on the overall Jaypee acquisition.

**Pinakin Parekh:** And my second question just trying to understand the power and fuel cost. So, \$175 in Q4, \$165 in third quarter, \$140 per ton at the spot market; so, to that extent at this point of time the power and fuel decline so far did not flow through to the EBITDA line. Going forward at least in the first half of the year do we expect pricing to hold up and hence the full benefit of lower power and fuel cost would flow through the bottom line or pricing is expected to remain soft?

**Rajiv Bansal:** Difficult to predict pricing. As you know there are too many moving parts, the pricing, the region, state, market but I would not like to look at pricing on a quarter-to-quarter basis. If you look at on an annual basis, I think we have been getting around to 1.5% to 2.5% increase on an average. Last year we have seen 4% price increase. So, power and fuel cost had gone up dramatically. As you all know we keep certain stock, we have certain spot prices Aditi and Mr. Singhi had shared a few minutes back. So, definitely our ability to purchase power and fuel and petcoke at lower cost will flow into the EBITDA and how much we decide to invest back, as we are building a business for generations, we are building business for decades. So, there will be certain investments in different markets in terms of brands. As we are becoming a larger company, we also invest money on brand, we're getting into newer market so we will have to balance this out. We would like to build a sustainable-scalable business model; for that we may have to invest certain amount of money but yes that the petcoke price is coming down is a huge boost for us to invest money in the market, and build a sustainable-scalable business.

**Mahendra Singhi:** And let me just add that yes whatever you are thinking, power and fuel cost, it will come down in the Quarter 1 and Quarter 2 also.

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

**Prateek Kumar:** My first question is on the fuel cost again. So, has this 7Fs impact not been there? So, what could be the power and fuel cost benefit which we could have realized on a per ton basis during the quarter?

**Aditi Mittal:** Every \$10 change Prateek in terms of pricing leads to about 30-35 bucks of per saving, to that extent, it has flown in. What we've also seen during the quarter that our renewable power capacity has gone up on consumption basis. That has also led to some benefits. Like Mr. Singhi had mentioned in his opening remarks in the last Quarter 3 and Quarter 4, there has been a little bit of anomaly because of the opening and closing stock. Otherwise, as the markets are seeing the benefit and the industry is witnessing that a decline in power and fuel cost flows into the numbers, it does into our numbers as well. On an annual basis, the inventory impact is actually almost negligible. Going forward, since this will normalize, you will see that to the extent of softness in the power and fuel cost, it will directly flow into the P&L.

**Moderator:** We'll move on to the next question from the line of Rajesh Kumar Ravi from HDFC Securities.

**Rajesh Kumar Ravi:** Good afternoon, first question pertains to the fuel cost. Could you give us on per kilo Cal what was the costing in Q4 and what is expected, what is the current trend in Q1 and secondly pertaining to the same what you have mentioned that the blending ratio has increased to 88%. It was close to 83%. Significant savings should have come in even from your raw material. So on a per kilo Cal basis the fuel cost should have come down. What is the per kilo Cal cost and with the increase in blending ratio from 83% to 88% even the total variable cost should have come down but as you have reported, even the variable cost has gone up Q-on-Q. So, what explains that?

**Aditi Mittal:** The kcal rate for the quarter is 2.06 and on the raw material Rajesh, I think what everybody is doing while calculating the VC is taking the full impact of the change in stock of inventory and which is why you are seeing an increasing trend on a quarter-on-quarter basis. But if we were to remove the impact of the opening high-cost inventory, the decline in raw material or power fuel is visible and more so because the blending has definitely gone up between Quarter 3 and Quarter 4 from 83% to 88%. But I think it is only because we have a high stock up of opening inventory which is at a higher cost also has certain fixed expenses allocated in to it, it is showing an increasing trend when you club all four-line items and do a VC per ton. I think next quarter onward you'll get a lot more clarity as this inventory line normalizes. But if you were to take the VC ex of this, the benefit is visible in the raw material and power and fuel cost respectively.

**Rajesh Kumar Ravi:** From 2.43 in Q3 we have already come down to 2.06 sort of and there you are further expecting it to come off in Q1 and that with the increased blending and no anomaly on the inventory side, we should see boost to the numbers assuming prices remain stable on the cement side, right?

**Rajiv Bansal:** Yes. The inventory line, you look on a year-on-year basis there's actually no impact. On a quarterly basis you do see the impact of opening stock and closing stock depending on

production shut down. We also did some debottlenecking because we had to take shutdown in some of our plants. This is a quarterly anomaly which keeps happening depending on when there's so much volatility in the input cost the opening stock or the closing stock valuations will be very different. So, I think if you look at on annual basis, I think generally you see over the years the trend for opening stock and closing stock does not really make any impact. I think I just want to make that point that yes, on a quarterly basis you will see aberrations here and there depending on schedules and everything else but on an annual basis we don't see that making an impact.

**Rajesh Kumar Ravi:** For full year what would be your per kilo Cal costing?

**Aditi Mittal:** Full year will be 2.21.

**Rajesh Kumar Ravi:** And closing is 2.06 so good saving here on.

**Aditi Mittal:** Yes.

**Rajesh Kumar Ravi:** Second on the acquisitions and CAPEX. First around Jaypee's acquisitions which was announced was 3,200 crores and the current announcement which came which would another sum up to another 2,300 and 2,500 crores, is that understanding right?

**Aditi Mittal:** Yes, absolutely.

**Rajesh Kumar Ravi:** And additionally, we would be doing another 1,000 and 800 crores additionally you said 1,800 crores is total to make....

**Aditi Mittal:** 800.

**Rajiv Bansal:** If we go for the entire 9.4 million tons, we may spend between 800 to 1,000 crores.

**Rajesh Kumar Ravi:** These 5,500-5,600 total acquisition costs will go in FY24 itself?

**Rajiv Bansal:** No, it will happen over. See that the additional 800 to 1,000 crores is which spread depending on when each of these plants and the branches have closed. The thing we were saying may take a couple of months. So, the initial money which we need to pay to Jaypee and the bank will happen immediately in FY24. The expansion that we're talking about or the modifications and the refurbishment everything else would generally happen in the subsequent year. Even if you look at on the 5,666 crores of consideration, the Jaypee Super which is the separate Tranche III would happen only when that is closed, which is subject to the condition that we are speaking about Ultratech and arbitration with Ultratech and Jaypee. And that consideration is 1,690. Out of 5,666 if we take out 1,690 we're talking about total of about 4,000 odd crores and on 4,000

crores we are talking about 800 to 1,000 crores more which is total consideration of 4,500 crores for the 9.4 million tons of capacity.

**Moderator:** The next question is from the line of Shyam from Franklin Templeton.

**Shyam:** Hi Good afternoon, thanks for taking my question I hope I am audible. On the geography mix perspective, we do hear that Southern region was particularly quite strong in the fourth quarter. How has the geography mix changed when we look at sequentially and did that have any impact on the EBITDA per ton or the spread that we saw on a quarter-on-quarter basis? That's the first part of my question.

**Mahendra Singhi:** Geographically it has not much changed but at the same time when we look at increase in prices then in East prices had gone up to some extent, whereas in the Southern part of India prices either were stable in one or two state and had gone down also. So, from mix point of view, not much change but from pricing point of view it has changed and that has got us some price increase.

**Shyam:** Just a follow up on this. Now given that we are seeing Southern pricing weaker. Now with the cost curve shifting down meaningfully from the second quarter FY24, do we see sharing some of these benefits with the customers until we reach a certain hurdle rate of EBITDA per ton? How do we think about the sharing of these cost benefits that we would likely see in the second half of FY24?

**Rajiv Bansal:** When the input cost went up so much, the question came to us was why we are not able to share it with the customers and why we're not able to pass it on the consumers. And when the input costs have coming down, the question is how much of it will be shared with the consumers? I think there will be volatility in the prices. As I told you, there are multiple factors which define how the prices move by regions, by state, by different product lines. On an average if you look at it, our prices do increase year-on-year between 1.5% to 2.5%. Last year was 4% in spite of all this stuff, people who had concerns about the entry of Adani in the sector, what will happen to the pricing environment and other things. But if you look at it on an average, we got about 4% price increase. The demand environment was very good last year. As Singhi ji was saying we had almost 9%-10% cement demand for the industry as a whole last year and we expect that to continue in next year as a pre-election year. Now with such a great demand that we're talking about for industry, I would expect that the input cost going down. I would expect the pricing performance to be stable and I would also expect the EBITDA performance will better for everybody, I'm not talking about it specifically but for the industry as a whole, I think next year is very well.

**Shyam:** I was trying to get it from more from an industry perspective as well. One last point from an expansion per se, in FY24 our Southern cement grinding capacity goes up by roughly 4.9 million

tons, including the debottlenecking in Belgaum. I'm trying to understand from supplying of clinker to these units, how does that arrangement work, if you can just help us understand that?

**Mahendra Singhi:** That arrangement works very well because if we have sufficient clinker to support this production of cement and as you also know that once we put up a capacity of (+4 million), immediately we would not be working on 100% but at the same time the math which we have done, the blending ratio which we have done, we have sufficient clinker to serve full capacity of cement in Southern India.

**Shyam:** Just to clarify, this is from the Kadapa unit and existing in Ariyalur clinker that will support this, just to understand?

**Mahendra Singhi:** We have four plants in Southern India which produces clinker which is Dalmiapuram and Ariyalur in Trichy district, then Kadapa in Andhra and then Belgaum in Karnataka. These all four plants produce clinker and cement so all these clinkers of these four plants will be able to serve the cement capacity which we are putting up.

**Rajiv Bansal:** If I can just add here when Singhi ji in his opening remarks spoke about the clinker debottlenecking and how we're going to increase in the next financial year, almost I think 0.9 to 1 million tons is coming from South. There is almost a 0.9 to 1 million tons of clinker debottlenecking which is happening in South and in addition to what Singhi ji was talking about Kadapa. I think we are pretty comfortable about the clinker balancing and as Singhi ji also said that we are increasing our blending in south in a big way I think it's a very impressive result/output and we hope to continue with that.

**Mahendra Singhi:** Another 1.2 million tons capacity of clinker would also be added through bottlenecking in South.

**Moderator:** The next question is from the line of Pulkit Patni from Goldman Sachs.

**Pulkit Patni:** Continuing with what Shyam was asking, if we look at bulk of our expansion next year is happening in South India, in light of that how do we expect blending ratios to go up? I mean, our understanding was that acceptability of blended cement in South is still not as high as it is in East. If you could highlight what is the strategy there?

**Mahendra Singhi:** I would say that there was apprehension in the mind of many people 2 years back-3 years back and little bit in our mind also but then whatever say performance we could see, whatever the success we could see of last 1 year, we do see that there's a full acceptability and second there is 100% blended cement usage in retail market trade sale and our trade sale is going up there. In addition to this in the institutional sales also more and more acceptability has been coming which I had shared earlier also that government is also working on it. The prudent developers, prudent contractors, are now also accepting PPC. This is the trend which will ultimately prevail.



- Aditi Mittal:** Pulkit if I were to just add a few numbers to it. I think in FY19, 5 years back, our blending in South was almost 40%-45%. It increased to 50% in FY21 and on a full year, 65% in FY23. Quarter 4 the blended cement percentage was highest ever at about 75% in South. So, I think as Mr. Singhi was saying when there is an effort on both the side of the government and the companies altogether in the sector, I don't think there's a problem in terms of acceptability and it's actually showing up in the numbers also now. Year-on-year it is getting more and more accepted. 75% for South it is actually pretty high and encouraging.
- Mahendra Singhi:** If required at any point of time, our team can share that how acceptance of PPC has come up in various very important critical projects of the country.
- Pulkit Patni:** Can you split the volume growth between South and East maybe for the quarter or for the year?
- Rajiv Bansal:** Pulkit, we don't give regional numbers. I'm sorry about it. We feel as Singhi ji said we have seen double digit volume growth in every region that we operate and I think we want a very stable growth in every region. Unfortunately, we don't share numbers.
- Moderator:** The next question is from the line of Ritesh Shah from Investec Capital.
- Ritesh Shah:** Couple of questions First is with respect to the Jaypee assets, can you please give some color on the limestone results, that's one. Second is the growth opportunity on the assets and third is incentives if any related to the assets we can enjoy going forward. So that's the first question in three parts.
- Mahendra Singhi:** There's a sufficient quantum of limestone in the lease area and we have done some study and more study would be done as well. You can also be confident of Dalmia's history of getting limestone everywhere, whether it's Kalyanpur, whether it's Murli or any other. We have seen Jaypee area and there's sufficient limestone. This is how we have gone ahead so this is on limestone part.
- Ritesh Shah:** The second question over here was growth optionality? Can we increase the capacities over here and the third question over here was on the incentive if any corresponding to the Jaypee assets?
- Mahendra Singhi:** Now are you confident of limestone availability then I can talk of the expansion.
- Ritesh Shah:** Yes, I will go by what you say sir.
- Mahendra Singhi:** Yes. Once we acquire this asset then definitely, we will come out but then definitely there are possibilities. There are good possibilities. One, on account of good plant of Jaypee as well as the limestone reserve as well as the increasing demand in central region and particularly to some extent in part of North also.

- Ritesh Shah:** Possible to quantify something like we can double the cement capacity, double the clinker capacity? Any numbers over here?
- Rajiv Bansal:** As I said earlier, we would share the plans beyond 56 to 75 MnT hopefully in the next earnings call. We'll have to unfortunately wait till then. Once we are closing the Jaypee acquisition, we will have opportunity in central region, we have Satna mines there. We are looking at each of the plants, debottlenecking opportunities, the expansions that we can look further. These are all work in progress and I would not want to jump into it and commit some numbers. I think we will have to do our homework properly and then come to you and report the numbers. I think we will wait for another 3 months. Hopefully, we should be able to announce in the next earnings call.
- Mahendra Singhi:** There are good opportunities everywhere.
- Ritesh Shah:** Just last question. What is the status of East India Energy? I think these 180 MW, is it also part of the transaction? That's one and the second question over here is basically how critical is Super Dalla to us and the value that you have indicated of 5,600 crores, does it include or exclude that? If it excludes what's the quantum corresponding to that particular asset?
- Rajiv Bansal:** As I said also in the last question, 5,666 crores that we spoke about includes the value for Super Dalla of 1,690 crores so that is including 1690 without that is about 4,000 odd crores.
- Mahendra Singhi:** This power plant is part of the deal.
- Moderator:** Ladies and gentlemen, due to paucity of time, we will take the last question from the line of Shravan Shah from Dolat Capital.
- Shravan Shah:** First, on the costing front just to clarify, the other expenses that we mentioned, 75 odd crores higher. So, from the Q1 FY24, will this number will remain so that in totality or in per ton in terms of the other expenses, will it remain same or can we see a sizable reduction there?
- Aditi Mittal:** As Dharmender had mentioned the sequential 80 crores increase that you've seen in the other expenses, 40 crores which pertains to the bags and the depot expenses is semi variable in nature so it depends upon the volume and the 35 crores that we have spoken about pertains to advertisement expenses because we are adding capacity. On a per ton basis, the costs have been relatively stable. So going forward also I think on a per ton basis we should expect stability. This sequential increase that you saw was mainly to do with an increased volume. I think on a per ton basis, the costs are expected to remain stable at the current level.

- Mahendra Singhi:** And otherwise also if you look at fixed cost per ton, we would find that Dalmia Cement's fixed cost per ton would be one of the lowest in the industry.
- Shravan Shah:** Secondly on the kcal basis we mentioned that for Q4 it is 2.06. In Q1, this current quarter how much we are expecting the kcal?
- Dharmender Tuteja:** About 5% reduction we can expect 5% to 6%.
- Shravan Shah:** And net-net if we look at the let's say if we assume this \$165 petcoke on the full year basis, if we have to look at so how much more reduction?
- Dharmender Tuteja:** That will go down further so let's say Q2 another you can expect fall of about 10% as the prices have come down. So Q2 improvement of 10% over Q1 and Q1 itself will be improvement of 5% or 6% improvement over Q4 of this year. As the factors move, it will move.
- Shravan Shah:** Have we seen any price increase in this month April?
- Mahendra Singhi:** We wanted to see but we couldn't see.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Puneet Dalmia for closing comments.
- Puneet Dalmia:** Thank you all for your interest in us and we ended a very volatile year with great performance. I look forward to staying in touch and I'm very confident that there are good times ahead. Thank you.
- Mahendra Singhi:** Thanks everyone.
- Moderator:** Thank you sir. Ladies and gentlemen on behalf of Dalmia Bharat Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.