

File No: 1010/2

February 13, 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 Q3 FY23 - Earnings Conference Call

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

Dear Sir/Madam,

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, please find attached transcript of the Q3 FY23 Earnings Conference Call held on February 06, 2023.

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

We request you to please take the same on record.

Thanking you,

Yours faithfully,

For Dalmia Bharat Limited

Rajeev Kumar
Company Secretary

Dalmia Bharat Limited



“Dalmia Bharat Limited Q3 FY23 Earnings Conference Call”

February 06, 2023



MANAGEMENT: MR. PUNEET DALMIA – MD, 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, 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 9 months ended 31st December 2022.

Please note that this conference call will be for 60 minutes and for the duration of this conference call, all participant lines will be in the listen only mode. This conference call is being recorded and the transcript 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 touchtone phone. As a reminder, all participant lines will be in the listen only mode.

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

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

I would now like to hand the conference call over to Ms. Aditi Mittal, Head, Investor Relations. Thank you and over to you.

Aditi Mittal: Thank you, Mridula. Good morning everyone. Wish you all A Very Happy New Year and I hope that you all had a great start to the year 2023. We welcome you all to the Quarter 3 Earnings Call of Dalmia Bharat Limited. Hope you had a chance to go through the Results and Earnings Presentation we just uploaded on our website and can be downloaded from there.

I will now hand over the call to Mr. Dalmia for his opening remarks. Over to you.

Puneet Dalmia: Thank you, Aditi. Good morning everyone. It gives me great pleasure to welcome all of you for the Q3 FY23 Earnings Call of Dalmia Bharat Limited. Hope you and your families have had a good start with the New Year 2023. We are meeting at a very opportune time. When the government has just laid out the first Amrit Kaal budget which is certainly a progressive direction by the government of India to give a boost to the technology driven and knowledge-based economy within the country. The budget once again reiterates the government's focus on building physical infrastructure through a massive 33% increase in allocation towards CAPEX which is Rs. 10 lakh crores this fiscal and the extension of 50-year interest free loan to states.

It is also heartening to see how the government has allocated Rs. 35,000 crores towards reaching net zero emissions and achieving energy transition. Green growth has rightly been listed amongst the seven key priorities of the government. Even while the most global economies are showing signs of slowdown, my personal faith and optimism on the economic prospects of India is quite strong and we truly believe that the next few decades belong to our country.

The cement sector has a very crucial role to play in India's growth story and I am personally very bullish on the long-term prospects of the sector. We remained committed to our interim capacity milestone of 75 million tons by financial year 27 and long-term goal of 110 to 130 million tons by 2031. In line with our vision to diversify and build the pan India Cement Company, we have signed definitive agreement for acquisition of cement assets of Jaiprakash Associates Limited located in central India. The plants are very strategically located and will give us an entry into a very lucrative high growth market of central India. We are very excited about this opportunity as the transaction is at an attractive valuation and comes at a time when we are at the cusp of start of an infrastructure and CAPEX cycle and with the private CAPEX also starting to kick in.

Continual optimization of costs is an integral part of our DNA and this has once again let us to deliver one of the lowest total cost per ton and thus translating to an industry leading EBITDA per ton of 1021 per ton this quarter. Even as we grow further, amongst other things, our financial priorities will include improving our capacity utilization, sustenance of our total cost leadership and deliver industry leading earnings growth and ROCE backed by a very strong well capitalized balance sheet. Dalmia Bharat is at an inflection point where we have added capacity, diversified into new regions and now I will personally be spending time upon strengthening our organization and building an institution which is scalable and sustainable.

As we steer towards building Dalmia 2.0, one of my key priorities will be to invest personal time and resources into our human capital and to build leadership teams which are future ready and aligned to our long-term goals. We are making collective efforts to multiply our people power and create leaders of tomorrow. As a part of our ongoing HR transformation, we have during the quarter launched a leadership development program called Lakshya which has a combination of retention cum performance related metrics and includes personalized leadership, coaching, trainings and career development programs. We will ensure scalability of our organization structure through extensive automation and digitization, review of our key policies and systems, strengthen our compliance and risk framework as per best global practices and increase the trust on fulfilling our ESG responsibilities.

With the swiftness of transformation which I am witnessing across our company and our people, I believe that we are just getting started and the best is yet to come. I am personally very happy with all that we have achieved thus far and I am very excited about the journey that we have set

ourselves on. I will now hand over the call to Mr. Singhi to take you through the other details. Thank you. Mr. Singhi, over to you.

Mahendra Singhi:

Happy morning all dear friends. Thanks Puneet Ji for such encouraging thoughts. Friends, let me start by saying that we have once again delivered an industry leading volume growth of 11.5% Y-o-Y to 6.3 million tons and our revenues have grown by almost 23% to Rs. 3,355 crores. During the 9-month basis, the volume growth is 17.1% and we are quite hopeful that we will be able to deliver a volume growth of at least one-and-a-half times that of average industry demand growth. During the same time, 9 months FY23, our Y-o-Y revenue growth stood at 21.8%. Demand growth was healthy across each of our regions and price was also stable with the East showing reasonable recovery in pricing.

In terms of the cost, due to the higher cost in the input materials, the raw material cost remained on the higher side at Rs. 804 per ton. The power and fuel cost also increased 29% Y-o-Y to Rs. 1,529 per ton. The consumption cost of fuel did see some respite from being at US \$216 during the last quarter to around \$195 during Q3. In fact, the purchase cost during the quarter was around \$185 and it is expected that during the upcoming quarter, the fuel prices could stay around \$180.

Our freight cost continues to remain one of the lowest in the industry at Rs. 1,114 per ton. The total EBITDA for the quarter stood at Rs. 644 crores which is 57% growth on a Y-o-Y basis and it translates to Rs. 1,021 per ton. We are glad that after many subdued quarters, due to high inflation, we have been able to manage the cost and have now crossed the threshold of Rs. 1,000 a ton. We remained committed to continuously explore levers of long-term cost saving and are implementing suitable measures that will enable us to retain our cost leadership both in production cost and in logistic cost.

During the quarter, we have commercialized 25-megawatt renewable power which takes our total capacity to 154 megawatt. During the quarter, renewable power constituted almost 24% of our power consumption mix. We remain on track to take our renewable power to 169 megawatt by year end and 324 megawatt by FY24. Another lever which add to cost efficiency and sustainability is the enhancement of our low carbon cement or blended cement which was highest ever for the quarter at about 83%. What has really been encouraging is that in the South, which has traditionally been and in OPC market, we have managed to sustain our low carbon cement percentage at around 63% which otherwise used to be below 50%. Our teams will continue to make efforts to move to 100% low carbon cement in all our regions in a few years.

Friends, we have been able to further bring down our carbon footprints to 462 kg per ton of cement which is probably one of the lowest in world's cement sector as well that also matches the target which we had given 3 years back. Dear friends, Puneet Ji had already mentioned that we have signed definitely an agreement for the acquisition of cement assets of Jaypee in Central

India totaling to 5.2 million ton of cement and 3.3 million ton of clinker at an enterprise value of Rs. 3,233 crores. We are very excited about this opportunity and as we speak, Jaypee and ourselves are actively engaged in completing the process for the remaining part of the acquisition which we had planned as per the framework agreement.

With regards to organic expansion, our ongoing projects are expected to be completed with the targeted timelines. We remain committed to our interim capacity expansion target of 75 million tons by FY27 and 110-230 million ton by 2031. I do hope that our team will take all of our actions forward so that we have always remained cost competitive as well are able to enhance our low carbon cement production.

Thank you friends and now I request my colleague, CFO – Mr. Tuteja to take over. Thank you.

Dharmender Tuteja:

Thank you, Singhi Ji. Good morning all. Continuing on the CAPEX, the total CAPEX spend during the quarter and 9 months period has been about Rs. 900 crores and Rs. 2,100 crores, respectively. During the current full year, as was mentioned in our earlier calls, we will be spending close to Rs. 3,000 to Rs. 3,200 crores. In terms of incentive, during the quarter, we had an accrued income of Rs. 61 crores and during 9 months around Rs. 180 crores.

In terms of collections, we collected Rs. 25 crores during the quarter and total Rs. 153 crores during 9 months.

The incentive receivable as of 31st December stood at around Rs. 700 crores. On the debt side, our gross debt increased by about Rs. 760 crores and the closing debt as on 31st December stands at Rs. 4,050 crores. Net debt increased by Rs. 247 crores during the quarter due to the CAPEX and the net debt to EBITDA on 31st December was 0.39 times.

With respect to our investment in IEX, we will continue to evaluate this and we will take an appropriate call on divestment at opportune times. With this, I would now like to open the floor for question and answers. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi:

Congratulations to the team for great set of numbers, all round performance. Sir, my question is first on the housekeeping, could you share what was the per kilo cal costing in Q3 and how is the scenario in Q4?

Mahendra Singhi:

Per kilo calorie for the quarter was around Rs. 2,400 per million kilo calorie and it looks like that the next quarter would be around this number, may be 3% to 5% here and there.

- Rajesh Ravi:** And how was it in Q2, sir versus Q2 how much is the drop you have said?
- Mahendra Singhi:** Exactly, I may not be able to say, but then maybe again 3 to 5% only, but exactly, I am not sure of this number.
- Dharmender Tuteja:** Last quarter, it was 2.52 per Kcal and this quarter it is 2.42, this is a marginal drop because of the fall in the petcoke prices.
- Rajesh Ravi:** And in Q4, you are not looking major dips from 2.4?
- Dharmender Tuteja:** Yes, the petcoke prices are marginally down, last quarter to this quarter may be \$4-\$5 per ton, so around similar corresponding drop can be there in this also.
- Rajesh Ravi:** Coming to the Murli plant, what is the status in terms of utilization and profitability?
- Mahendra Singhi:** So, utilization is slowly improving and in the month of January it was around say 55%. The profitability is also improving slowly and more so because prices are slightly more stable in the Maharashtra region.
- Rajesh Ravi:** So, in terms of costing, are they in line with your company average or way higher?
- Mahendra Singhi:** It is higher at the moment and it was expected to fall in line slowly as we are implementing some of the best practices there. The cost are higher mainly due to the higher power & fuel costs and we are implementing green fuel and green power which will help us bringing the cost down to the company standard.
- Rajesh Ravi:** By when do you expect the cost to normalize to company's level, sir?
- Mahendra Singhi:** In another 9 to 12 months.
- Rajesh Ravi:** And lastly on the Jaypee acquisition, we see that compared to what you had earlier announced in December, this is more rational and the operational assets is which you are going ahead, so this Dalla Super which was under contention with Ultratech that is not part of this current deal?
- Mahendra Singhi:** Friend, earlier one was also very rational and this is the process in which we are going, so in the first quarter, we have completed the assets which are linked to Rewa and the grinding units at Churk, Chunar and Sadwa and balance are also under the process.
- Rajesh Ravi:** And sir, in terms of could you give us what sort of limestone availability is there at the plants and what optionality we have in terms of expansion opportunities and what could be the first year of after you get them acquired, how much time you will be able to start production and what sort of numbers you are looking at, please?

Mahendra Singhi: I would say there is sufficient limestone availability with whatever we have been able to understand. Secondly, we will first see the operation of the kilns and how are operating as per the stated capacities. We are quite hopeful and bullish that we will be able to produce the required quantity of clinker and cement. Once we have stabilized the operations, we will explore possibilities of expansion and will surely share more details with you.

Moderator: Thank you. The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Firstly, many congratulations to the management on progress on multiple fronts, very strong quarter, the progress on Jaypee deal and also the divestment of the refractory business, just I have chance for one question, I have a question on capital allocation to Mr. Dalmia, sir, now if you see IEX stake is almost Rs. 2,000 crores where the last partial divestment happened almost 2 years back and now, all with this successful refractory divestment, the cash equivalent DBRL is roughly around Rs. 3,000 crores and our stake would be around Rs. 1,200 to Rs. 1,300 crores, so the question is given that we are now pursuing a sizable acquisition, can we now expect some divestment of these non-core assets to fund their acquisition because if you see, it kind of matches with the size of the acquisition which we are doing in the first phase and if it can be funded through these divestments, it could be a very significant rerating events for us from a capital allocation perspective, so any broad timeline and direction on this will be very helpful?

Puneet Dalmia: Sumangal, we have already created, we were the first to announce and create a very formal capital allocation framework which was very detailed and we are going to be very consistent with that, so I can tell you that we are going to keep our net-debt to EBITDA below 2 and we will ensure that our growth is funded with a very strong and well-capitalized balance sheet. Now, what are the decisions that we will take along the way will be evaluated time-to-time by the management and the Board and appropriate calls will be taken. I think, these companies are publicly listed companies and I don't think I can give a very definitive and clear timeline in terms of which I will be able to decide this, but I can tell you that we are very strict in terms of monitoring our capital allocation policy and our capital allocation framework and we will be well within that in this phase of growth.

Sumangal Nevatia: Sir, our capital allocation policy was quite encouraging, but at least directionally do we look to keep the gross debt also under control and use these sometime in future, just broad directional sense?

Puneet Dalmia: Sumangal, I think I have answered what I had to.

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

- Pinakin Parekh:** Sir, my question is on the capacity addition roadmap, now the company has reiterated the target a vision to reach 75 million tons by FY27 and at this point of time, the ongoing projects takes it to 49 million tons by FY24. If we add Jaiprakash, it goes to 54 million tons. There is still a very material gap of 21 million tons and the timeline is just 3 years, so when should we expect the growth projects to be announced or is this 21 million tons going to be pre-dominated by M&A and acquisition?
- Mahendra Singhi:** In fact, we are doing our groundwork and maybe in a year's time, you will be able to know capacity-wise that how we will be putting up new capacity. So, we are confident whatever study we have done that we should be able to reach 75 and at the right time, we will be able to share with all of you also our specific action plan.
- Puneet Dalmia:** I just want to add to what Mr. Singhi said. Our growth has always been a mix of organic and inorganic. We are going to have an organic plan in place to go to 75 million ton to the extent we think it is appropriate at this point in time. As you know, some of our organic expansions are in progress and we are making a blueprint to further grow it and the inorganic opportunities are something that we continuously evaluate and I think Jaypee is one such example. I think our focus right now is to complete this acquisition, ensure that we bring it to our standards of efficiency parameters, and the market share that Dalmia hopes to gain in these markets and only after that, we will examine what makes sense in terms of more inorganic deals.
- Pinakin Parekh:** Just to understand, is this FY27, 75 million ton a hard number or is it more like a vision of increasing capacity, it may be a year or two or three years later, how should we look at that, because it is a very material jump going from 54 million ton to 75 million ton in 3 years' time?
- Rajiv Bansal:** Puneet, can I take this?
- Puneet Dalmia:** Yes, Rajiv, go ahead.
- Rajiv Bansal:** Yes, so see, when we laid out a vision of 110 million ton to 130 million ton, that is a vision because at that time you had 26-million-ton capacity. We clearly saw an opportunity in the marketplace and which is when we said that we clearly see an opportunity to expedite our expansion. Then we said, firstly getting to the milestone of 49 million ton by FY24 was important, and for which we are absolutely on target to meet. Then we spoke about a robust capital allocation framework and within which we said that we don't want to inflict our net-debt-to-EBITDA more than 2, and hence we need to have a secular growth. We needed to grow at least at 15% CAGR, year-on-year and that is the reason we put a 75-million-ton target. Now, it is not a hard target in the sense that, the economic condition is still volatile and also, as prudent managers, we will keep evaluating the opportunity that we have, but standing where we stand today, we believe the opportunity is huge. With all the announcements which are being done by the government, we see the private CAPEX, we see the pent-up demand coming, election year

coming, we believe that we are on the right track, but as a prudent management, we keep looking at our strategy based on the risk parameters that these have been defined by RMC and we will keep changing our plans. But yes, our incremental plan to reach 75 million ton may go up here and there, but given where we stand today, 75 million ton is doable and we will do it.

Moderator:

Thank you. The next question is from the line of Indrajit from CLSA. Please go ahead.

Indrajit:

Congratulations on a good set of numbers, particularly on cost. My question is on the power cost, you mentioned that your per Kcal cost went down from 2.5 to 2.4 odd, but when I look at slide 14 of the presentation, power cost per ton has reduced from about Rs. 1,500 to Rs. 1,200, that is about 25% reduction. So, is there a change in mix or anything else that has gone into this cost and how sustainable do you think this reduction is?

Dharmender Tuteja:

The reduction in the power has also contributed by increasing green power proportion which has increased to 24%. Previous quarter, it was around roughly 15% to 17% or so and that is sustainable.

Indrajit:

In terms of fuel mix, has there been any meaningful change in terms of petcoke, coal, etc.?

Dharmender Tuteja:

No, fuel mix continues to be non-pet coke for the power, which is coal, domestic coal, lignite, etc.

Mahendra Singhi:

And like in totality also, if you look at cement plant fuel mix, then yes, petcoke has also broadly around, say, 65% to 69%, but at the same time, other fuels which were comparatively economical, that has gone up and on that account also, the cost has come down.

Moderator:

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

Amit Murarka:

Sir, just on power and fuel cost, so that slide mentions that you will be going to 69 megawatts of WHRS, but for FY24, you have a wind and solar plant, but is there any WHRS plant as well?

Mahendra Singhi:

There is one WHRS which is work in progress, so that will get commissioned in next year.

Amit Murarka:

Sir, so that will take you to 69 megawatts then?

Mahendra Singhi:

And thereafter we will have WHRS in all kilns.

Amit Murarka:

So, there is no scope after that to do more WHRS then?

Mahendra Singhi:

After FY24, whatever new capacity would be added or the Jaypee capacity, that all would require new WHRS to be added.

- Amit Murarka:** And how much savings will come from this in FY24?
- Mahendra Singhi:** That definitely can be shared separately.
- Moderator:** Thank you. The next question is from the line of Girish Choudhary from Avendus Spark. Please go ahead.
- Girish Choudhary:** Good to see this operational performance during the quarter, so on this acquired capacity from Jaypee, if you can throw some more concrete details on the utilization of these plants, the current profitability structure and importantly, how do you plan to ramp up and bring in synergies within the existing assets of yours?
- Mahendra Singhi:** Once we are able to close the transaction and we are able to take possession and start operating, then definitely we will be able to share our specific action plan that this is how operations would be optimized, this is how synergy will take place. We are quite hopeful that the quality of plant which we will be inheriting as well as the market which we will be in, it would be a very good acquisition.
- Girish Choudhary:** Just as a follow-up, when do you expect this transaction to close?
- Mahendra Singhi:** This transaction is subject to certain specific conditions, so maybe in few months' time from post the signing of the definitive documents..
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.
- Prateek Kumar:** So, I was asking regarding there is a pertinent improvement in pricing in Eastern market in past 3 to 5 months that sort of continued into first quarter and fourth quarter as well, is there any specific reason attributable to this? I mean, while other regions are literally struggling on any price changes, so what has helped pricing in Eastern market here?
- Mahendra Singhi:** Now, it looks like the demand is improving and there are good prospects as well, whatever, say, few problems, which were there in past in regard to the availability of slag that is also not there. So, in view of that we have experienced better demand and better price also and we hope that this will continue.
- Prateek Kumar:** And any major capacity which we have commissioned, I mean small capacity which we have commissioned during this quarter?
- Mahendra Singhi:** No, please.
- Moderator:** Thank you. The next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: Just a question, Mr. Dalmia mentioned Project Lakshya to strengthen the management team, I believe, earlier we were looking at succession planning and strengthening the second layer of management team as a potential succession team and then we had some exits, I believe, last year, what is the thought behind now looking at that succession planning again? And if there is, what is the progress on that?

Puneet Dalmia: Let me take that. We have to build a management team looking at our decadal vision. So, we are looking at like by FY31 to be 110 million tons to 130 million tons and by FY27 to 75 million tons. We have to look at what capabilities and competencies we need internally to be able to achieve that vision in a sustainable manner. So, I think we need to look at what are the enablers to build the scale. We have to look at what will make our business even more sustainable and on the basis of that we are starting to plan today. So, as you know that a lot of new capacity is being added, we are also making a very major acquisition in a new market and I think there will be more such events in the next 5 to 8 years. So, looking at that, we are planning, how do we train our people to take more challenging roles? How do we assess them? How do we coach them? How do we support them? And on that basis, we are planning our internal human capital transformation. So, we are going to draw up a lot of metrics, which we will measure and on that basis, a lot of opportunities will be given to youngsters in the group. So, I think broadly, that is what I can say. We want to build capabilities for a scalable and sustainable operation of this size and we want to give a lot more opportunity to youngsters in the company. Rajiv, Mr. Singhi, you want to add to this?

Mahendra Singhi: No, I think this is what we are in the process and we are quite hopeful that in times to come also we will have a very strengthened team which will be able to achieve the vision of 75 million ton and 130 million ton.

Rajiv Bansal: So, if I can just add to what Puneet and Mr. Singhi just said, this is part of the overall organization development and succession planning is a part of that. Succession planning is not only about one year or two years, but how do we create a set of leaders who can potentially take over a larger role at the drop of a hat. So, we have formed an Executive Council of 11 people, each one of them can potentially take the highest role in the company. We have identified 41 young leaders across different bands and different functions who are the high-potential leaders of the future. So, we are doing it in a very structured manner, in a right manner, keeping the next 10 years vision that we have in mind and I think succession planning is rolled up into all of that.

Moderator: Thank you. The next question is from the line of Anupama Bhootra from Arihant Capital. Please go ahead.

Anupama Bhootra: I have a question regarding carbon credits, since we target to become carbon negative by 2040, so how does it work? Do we collect any certificate or do we sell any certificate like any involvement there in the company with the carbon credit certificate?

- Mahendra Singhi:** Presently, there is no industrial carbon market except a little bit voluntary carbon market. So, on account of that this industrial carbon market has not got activated and as per this COP21 agreement, now industrial carbon market may get activated in a year or two. For that right type of mechanism is being worked out and at the same time, even in India also, now, the Indian government and Bureau of Energy Efficiency, they are exploring ways and means to create carbon market and once it happens, then definitely whatever projects we would be doing to bring down carbon footprints that will become eligible.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** I need a couple of data points, trade share for the third quarter, lead distance, premium share, fuel mix, so please, sir.
- Aditi Mittal:** Trade Share percentage for the quarter was 60%, lead distance was around 310 kilometers and on the fuel mix, we used about 70% petcoke and 16% was coal and what was the last part that you wanted to know?
- Shravan Shah:** Sorry, 70% petcoke, 16% coal.
- Aditi Mittal:** And then balance is a combination of lignite, muslate, and some alternate fuels.
- Shravan Shah:** And then, broadly, what is the TSR, Thermal Saturation Rate for the third quarter?
- Aditi Mittal:** I will probably come back to you on that.
- Shravan Shah:** Just to again clarify in terms of the CAPEX for this year, we have Rs. 3,000 crore to Rs. 3,200 crore, for the next year, FY24, previously you mentioned Rs. 3,500 crore to Rs. 4,000 crore, so is it remains the same, considering the current Jaypee expansion? So, out of this Rs. 3,230 crore EV, how much are we planning to do through the date?
- Dharmender Tuteja:** See, the next year's numbers we will give you during the April Earnings call. I think right now, it is difficult because as Singhi Ji also said, the consummation of the transaction is subject to certain conditions and approval, which we don't know when it will happen though we hope it will happen in the next few months. So, for next year's CAPEX budget we will give you a better picture in April.
- Moderator:** Thank you. We will move to the next question which is from the line of Komal Ladha from YellowJersey Investment Advisors. Please go ahead.
- Komal Ladha:** Any price hike, plan for price hike in quarter four?

- Mahendra Singhi:** You know it all depends on how the demand is and how supplies are and of course, because of the high cost there is effort by us also and maybe as per the market also, but definitely at the end of the quarter only, we could share with you that yes, this is what the price has been.
- Komal Ladha:** And capacity utilization for the quarter?
- Puneet Dalmia:** 68%, Aditi?
- Aditi Mittal:** 68%.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Sir, few parts pertaining to the Jaypee assets. One is, are there any tax gains that one can actually look at on the back of the assets that we have bought? Second is, are there any liabilities, if any, and will the company be ring-fenced? And third is basically, what is the status on the balance assets?
- Dharmender Tuteja:** On the tax side, since it was a slump sale, so whatever cost we incur, so that will be added to the assets and the recent acquisition. So, they are not carrying forward any losses on them because it was a slump sale transaction. And on the liability side, whatever is supply liability that we will take over and adjust in the consolidation and balance they will retain. So, we are not taking over the entire liability. This transaction, as Singhi Ji and Puneet Ji also told, the remaining transaction documentation is in advanced stage of finalization. We will get done it soon.
- Moderator:** Thank you. The next question is from the line of Nishant Bagrecha from InCred Equities. Please go ahead.
- Nishant Bagrecha:** Congratulations on a good set of numbers, so on this Nawalgarh limestone block, any update on the land acquiring there?
- Mahendra Singhi:** In fact, still, we have to get that required letter of mine from the government and thereafter, we will start that activity. At the moment, there is no land acquisition on this Nawalgarh Mines.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Sir, one question on the general industry sentiment and capacity addition, so for the 9 months, industry as a whole, what have been the capacity addition in totality for the country? And how have the average utilization levels moved as per the increased capacity?
- Mahendra Singhi:** So, it looks like, though, exact number doesn't come up even from the government also, but it looks like that the capacity utilization for the year would be around, say, 64% to 66% and this is

also based on whatever, say, capacity additions which has happened or which would be happening.

Saket Kapoor: But the size, sir, can you give some color what it was for last FY21-22 and how FY22-23 will be closing in terms of the absolute numbers of the greenfield and brownfield both included?

Dharmender Tuteja: 40 million that is the forecast for the current year that we gave in the earning release.

Moderator: Thank you. We will move to the next question, which is from the line of Prateek Maheshwari from HSBC Securities. Please go ahead.

Prateek Maheshwari: So, I just wanted to check on two things, one is the lead distance hasn't changed materially quarter-to-quarter, but there is an increase of 8% freight cost, just wanted to understand what had led to that, was it any change in the rail share or something? And the other thing, just wanted to get an update on the Bihar expansion as well?

Mahendra Singhi: So, on freight cost, the major cost increase has come on account of imposition of busy season surcharge imposed by the Railways from October onwards. So, that is one of the major account on which freight cost has gone up. In fact, the various other initiatives which we have taken, so we have been able to contain our logistic cost to this extent.

Prateek Maheshwari: And sir, can you share the rail share at the company level?

Dharmender Tuteja: 17%.

Moderator: Thank you. The next question is from the line of Navin Sahadeo from Nuvama Institutional Equities. Please go ahead.

Navin Sahadeo: Sir, just one quick question, sorry I got logged out and sorry if this question is repeated. It was about Jaypee acquisition. So, I am sure you would have done this due diligence of these assets and hence arrived at this acquisition number of Rs. 3,230 crores, my question is, does it require any more CAPEX on two counts: one is of course to scale, since I believe this clinker, we know these assets are slightly old, so does it require first of all, to get them at par to optimal utilization is one? And second, of course, is CAPEX required to bring the overall efficiency at par to the company benchmark?

Mahendra Singhi: As I said earlier, in regard to how to bring up operational efficiencies to our company or group's standard, we will share once we are able to take over and start the operations. At the same time, in regard to starting operations or startup expenses, they will not be very significant.

- Moderator:** Thank you. The next question is from the line of Hitendra Gupta from Systematix. Please go ahead.
- Hitendra Gupta:** Congratulation on good set of numbers. So, my question is regarding freight cost, though I understand there was a busy surcharge by Railways, but the cost has increased from Rs. 600 crores to Rs. 700 crores, do you think it will be continuing going forward in the future also?
- Dharmender Tuteja:** Yes, freight cost would be around that number.
- Hitendra Gupta:** And going forward, the rail share would remain at 17%, sir, or it will increase?
- Mahendra Singhi:** Maybe I am just estimating, maybe 18%-19% only, not much because the rail percentage is higher in case of our East operations.
- Hitendra Gupta:** East operations and how much percentage of East operations we have right now in terms of dispatches over in that region?
- Dharmender Tuteja:** Region-wise, distribution we do not provide.
- Moderator:** Thank you. The next question is from the line of Surya Narayan from Sunidhi Securities. Please go ahead.
- Surya Narayan:** Recently the Newcastle Coal prices have dropped significantly, around 42% last week, so overall, 48% from the top, so my question is that, to what extent this coal will be dropping further so that the equilibrium with the petcoke will be available?
- Mahendra Singhi:** Whenever we decide about procurement of fuel, we do analyze the cost whether it is imported coal from any country as well as Indian coal and based on that, we take decision for each plant. So, at the moment, except in one plant, everywhere we do find that our petcoke is most economical and wherever there are short distance coal, which is available in India, we do procure that part, so at the moment, imported coal hardly economical.
- Surya Narayan:** That is correct, but on petcoke recently, Reliance has opted out to sell the petcoke to the local market, so cement companies have to possibly import. So, what is our case? Are we sourcing petcoke from local sources or we will resort to import altogether?
- Mahendra Singhi:** We do not buy petcoke from Reliance because of logistic distance and that is why we do import petcoke and at the same time 3% to 4% we do buy from the local refineries.
- Surya Narayan:** So, after this Reliance's announcement, any spike in the petcoke was seen?
- Mahendra Singhi:** Not to our knowledge.

- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.
- Prateek Kumar:** My question is on your net-debt calculation. So, sir, basically you include the impact of investment in IEX, while we don't include the investments in Dalmia Bharat Sugar and Dalmia Refractory in our net debt calculation, so while all of these three should be non-strategic or like co-investments only, so any specific reason there?
- Dharmender Tuteja:** Dalmia Bharat Sugar as well as Dalmia Bharat Refractories, so these being Group companies, so there is no intent to sell immediately and is especially the DBRL is part of the associates. So, that is not counted as a current investment while IEX is current investment. That is why only IEX is counted for debt-to-equity and net-debt-to-EBITDA.
- Prateek Kumar:** Even Dalmia Refractories is not considered in it?
- Dharmender Tuteja:** Because of our stake being more than 20%, so it is just an associate. So, as an associate, it is not counted in that.
- Rajiv Bansal:** Prateek, if I can add, see, sugar is a strategic investment, so irrespective of the percentage stake that we have in sugar is a strategic investment because in Dalmia Group, we believe that cement and sugar are core businesses that we have. IEX is more of a treasury investment which was done many years back and that is something we have discussed at length in terms of our intent to dilute over a bit of time. And third is the refractory and if you remember, we had said that as we come out of our non-core assets, in refractories we had actually done a structuring to consolidate all the assets, so that we can get a better value and that we have already done. So, again because of a more than a 20% stake, refractory is shown an associate and not considered in the Net Debt computation. But again, the intention is the same that we want to come out of the non-core assets.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** One data point, premium share, what was in the third quarter? Second, when we said our rail share is only up 17%, then the increase in busy season surcharge, how come that can increase overall logistic, that is the freight cost by close to 8% or maybe Rs. 82 per ton?
- Dharmender Tuteja:** Yes, so premium proportion in this quarter was 22% compared to 20% in the previous quarter. And with respect to the logistic part, as Singhi Ji explained, one major factor was busy season surcharge that extends about Rs. 65 per ton impact and balance is on account of the, we were having railway incentive till last quarter which finished in this quarter, so that base has slightly gone up.

- Shravan Shah:** And last, sir, in terms of the pricing schemes, December till now, have we taken price hike in any of the region? And the current pricing, is it lower than the average of the third quarter?
- Mahendra Singhi:** There is no price increase in the month of January, please.
- Shravan Shah:** And current price is at par with the average of the third quarter or is it lower?
- Mahendra Singhi:** Broadly, we are there.
- Moderator:** Thank you. Ladies and gentlemen, this 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 very much for all your participation and questions. As I said that we are at the cusp of inflection point at Dalmia, and we are very excited about the future of India and future of Dalmia, so look forward to your continued engagement and guidance and critique and thank you very much for your participation. Good day. Bye-bye.
- Mahendra Singhi:** Thanks, friends. Thanks everyone.
- Moderator:** Thank you. On behalf of Dalmia Bharat Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.