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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 FY-24 & 9M FY-24 - 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 FY-24 & 9M FY-24 Earnings Conference Call held on January 25, 2024.

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

We request you to 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.  
Quarter Ended 31st December 2023 Conference Call”  
January 25, 2024



**MANAGEMENT: MR. PUNEET DALMIA – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER – DALMIA BHARAT  
LIMITED, DALMIA CEMENT (BHARAT) LIMITED**

**MR. DHARMENDER TUTEJA – CHIEF FINANCIAL  
OFFICER – DALMIA BHARAT LIMITED**

**MR. RAJIV BANSAL – PRESIDENT AND CHIEF  
TRANSFORMATION OFFICER – DALMIA BHARAT  
LIMITED**

**MS. ADITI MITTAL – HEAD OF INVESTOR RELATIONS  
– DALMIA BHARAT LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Earnings Conference Call of Dalmia Bharat Limited for the Quarter Ended 31st December 2023. Please note that this conference call will be for 60 minutes and for the duration of this conference call, all participants line will be in the listen-only mode. This conference call is being recorded and the transcript may be put up on the website of the company. After the management discussion there is an opportunity for you to ask questions. Should anyone need assistance during the conference call please signal an operator by pressing star then zero on your touchtone phone.

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

On the call, we have with us Mr. Puneet Dalmia, Managing Director and CEO, Dalmia Bharat and Dalmia Cement (Bharat) Limited; Mr. Dharmender Tuteja, Chief Financial Officer, Dalmia Bharat Limited; Mr. Rajiv Bansal, President and Chief Transformation Officer; and 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, ma'am.

**Aditi Mittal:** Good morning, everyone. Welcome to quarter 3 Earnings Call of Dalmia Bharat Limited. We announced our results yesterday, and the presentation and the results have all been uploaded on our website and can be downloaded from there.

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

**Puneet Dalmia:** Thank you, Aditi. Good morning, everyone. Last week, I was at Bharat Mandapam with our entire Dalmia leadership team, and I was brimming with pride to be standing in that iconic structure, which probably is one of the finest in the world. I can confidently say to all of you that India around us is changing. And you will agree that our government has played a defining role to shape our development agenda and ensure that we soon become the world's third largest economy by 'FY28.

Our country has undergone a huge metamorphosis with a lot of reforms in the last decade. Steps, whether in form of banking reforms, GST, IBC or direct benefit transfer, have given a rock-solid foundation to India and the much desired immunity from adverse global economic events. And the beauty is that the impact of most of these reforms is irreversible in nature.

All these reforms have placed India on the world map and attracted substantial international investors and investments. The base for sustainable growth has been set, the momentum is

clearly built, and we are now transitioning from a reform phase to a fast growth phase. The world looks up to India, not only for its political significance, but also for the large economic benefits where India can make a significant contribution to world growth. With growth slowing down the world over, India's demographic dividend will help us shine for not only this decade, but many, many decades to come.

The government's continuous thrust on infrastructure has led to the turnaround in the real estate sector and the private capex has started to kick in. Recently, there are some reports that the government may taper the infrastructure budget allocations to control fiscal deficits. However, I personally believe that infra development and job creation will remain 2 key focus areas for the next 7 to 8 years. And foreseeing this massive growth opportunity, we remain committed to our plan of 110 million to 130 million tons by 2031.

With general elections around the corner, there could be some temporary cyclical, but the long term looks very, very promising.

Cement, as a sector, will be a direct beneficiary of the India growth story, and cement demand should continue to grow higher than the GDP growth rate. Within the sector, the barriers to entry has gone up, and economy of scale is beginning to play a big role. Large companies with robust supply chains and strong brand presence will continue to gain market share. And the pace of consolidation will increase further.

We were the first ones to reinitiate the conversation around consolidation. And if you look at the last 10 years, the demand share of top 4 companies has increased from about 46% in FY13 to almost 57% in FY23. Going forward, with large capacity announcements by the top 4 companies, the pace of consolidation could be much faster.

This is indeed one of the best times for our sector, and increasing consolidation will potentially lead to a more stable pricing scenario in the sector. While the pricing could be volatile for a few quarters, I believe prices will grow 1.5% to 2% CAGR on an average over the long term as we have seen over the last two decades.

As a company, growth for me is not simply adding capacity, but also building an organization which rests on the four pillars of scalability, sustainability, predictability and consistency. As I look forward, my emphasis will be on building deep organizational capabilities to deliver on each of these four pillars.

As I was mentioning, we continue to work firmly on our vision of building a pan-India pure-play cement company of 110 million to 130 million tons by 2031, with an interim milestone of 75 million tons by FY27. While we would take an additional quarter to announce the details of the 75 million ton plan, we are on track to deliver our first milestone of 49 million tons by March '24. We will complete 46.6 million tons by this March. And we are working on closing the proposed Jaypee acquisition within this quarter.

While Dharmender will elaborate on our financial performance, I wanted to share certain highlights. I am pleased to share that we have grown faster in our core markets after two quarters of subdued performance. We will build further on this momentum.

We continue to learn, expand our reach and invest time and money to deepen the relationship with our distributors and our institutional customers. While this is a continuous journey, this gives me the confidence that next year, we should grow in line with our aspirations and deliver a mid-teens volume growth.

During quarter 3, we achieved 8.1% Y-o-Y volume growth and delivered a volume of 6.8 million tons. Our revenues also improved in line with the volume growth. There was a marginal price improvement in both East and South, which led to a 4% price increase sequentially. However, during the quarter end, we have noticed some weakness in the prices, and the exit prices are closer to the September quarter exit prices.

On the cost side, stabilization of commodity prices has given some headway in margin recovery. From almost a 27.5% EBITDA margin in Q1 of financial year '22, we hit a low of 12.8% in Q2 of financial year '23. And we are now back to 21.5% in Q3 of FY '24. It has been a very volatile journey over the last 2.5 years, but that has made us more cautious about identifying and investing in levers of long-term cost sustainability and predictability.

The average fuel purchase price hovered around \$115 to \$125 per ton during the quarter, with spot also at about similar levels. The EBITDA per ton was INR1,138 in Q3 of FY '24, which has risen from the low of INR656 per ton in Q2 of FY '23. Next year, we believe that the EBITDA per ton for the sector could be in the range of INR1,100- 1,200 unless there is some unforeseen eventuality.

I would now like to hand over the call to Dharmender for an update on the financial performance. We will answer your questions as Dharmender will open the floor for Q&A after that. Thank you.

**Dharmender Tuteja:**

Good morning, everyone. Let me take you through the details of our financial numbers. During the quarter, our sales numbers increased 8% Y-o-Y to 6.8 million tons, and during 9 months by 9% Y-o-Y to 20 million tons. This includes Jaypee plants volume of about 0.4 million tons in Q3 and 0.9 million tons in 9 months FY '24.

Our revenues during the quarter increased by 7.3% Y-o-Y to INR3,600 crores and in 9 months by 7.7% Y-o-Y to INR10,373 crores. The trade sales during the quarter improved to 63% from 60% in the same quarter last year.

On the low-carbon cement, we remain committed to enhance our resource efficiency and reduce our carbon footprint further. During the quarter, our blended cement was 84%, which is marginally lower than the previous quarter, but we are working to increase it in line with our long-term commitment to become 100% low-carbon cement producer over the next 3 years.

On the cost side, we continue to be one of the lowest cement cost producers. Our total cost during the quarter declined INR4,147 per ton. Breaking into each head, our raw material costs remained flattish at INR781 per ton of cement production. However, since this line item also includes purchase of stock in trade goods under tolling, the increase in the financials appears much higher at INR939 per ton. Power and fuel cost declined 23% Y-o-Y to INR1,102 per ton of cement production, mainly due to the \$53 per ton decline in the fuel consumption cost on a Y-o-Y basis.

Our blended fuel cost during the quarter stands at about INR1.50 per million kcal. As Puneet Ji had mentioned, fuel costs have now largely stabilized. We may only expect margin reduction of around 3% in fuel consumption cost in Q4 FY'24.

Our renewable power consumption marginally dipped to 25% from 29% in the last quarter due to an unplanned stoppage at WHRS facility at one of our plants. However, it has been resumed since then. We expect our RE percentage to now be back to the normal levels in Q4. The freight cost declined by 2% Y-o-Y to INR1,091 per ton with reduction in lead distance to 283 kilometer Y-o-Y.

On the fixed cost side, employee costs have increased by INR28 crores to INR221 crores, primarily due to annual increments and increase in number of headcounts due to addition of new capacities at different locations. Other expenses have also increased by INR27 crores on a Y-o-Y basis, mainly due to higher shutdowns with additional capacities in this quarter compared to the last year's same period. Overall, our EBITDA during the quarter improved by 11% Y-o-Y to INR1,138 per ton, which is the highest in the last nine quarters.

Regarding incentives, we have accrued INR69 crores of incentive during the quarter. The collection during the quarter has been INR153 crores. For the nine-month period, the total accrual stands at INR217 crores, and collections at INR216 crores, almost similar. The average receivable as on 31st December stands at INR718 crores. For FY'24, we expect the total incentive accruals to be around INR280 crores to INR300 crores.

Moving on to balance sheet items. Depreciation during the quarter has increased by INR45 crores on a Y-o-Y basis. Of this total increase, INR9 crores pertains to certain components of plant and equipment, which are being replaced as part of our overall debottlenecking project. This was a one-off charge, which we had shared with you earlier in our calls.

Coming on to the expansion. Our cement debottlenecking project of 0.9 million tons in Belgaum has been commissioned during the quarter. Our expansion at Kadapa and Ariyalur for 1 million tons each are also progressing well and will be completed by March '24. With these expansions, our cement capacity in South will reach 17 million tons and total capacity of 46.6 million tons by end of this fiscal year. This excludes 9.4 million tons capacity coming from Jaypee.

Regarding our other expansions beyond FY'24, we have ongoing work for 0.5 million tons in Kalyanpur and 2.4 million tons in Lanka, Northeast, which are expected to be commissioned in the second half of FY'25. Capital expenditure spent during nine months of the current year was INR2,142 crores. Our total capex spend during the year FY'24, excluding the Jaypee plants, is estimated around INR3,000 crores. This includes expansion projects in Northeast and Bihar. The cash outflow for Jaypee plant is expected around INR3,300 crores whenever it gets consummated in June'24.

During the quarter, we have received a final tranche of INR120 crores from the divestment of Hippo Store business to promoters. With respect to refractory assets, we had already received INR160 crores in April this year. The next installment of INR320 crores is also received during the current quarter. The balance INR320 crores will be received in September '24.

Since we had a cash inflow of INR440 crores, we have repaid some of our short-term debt during the quarter. The closing gross debt now stands at INR4,928 crores. Our treasury balance has also increased by INR704 crores, primarily with the MTM gain booked for our holding in IEX by INR476 crores.

As a result, the net debt of the company has decreased by INR1,069 crore to INR431 crores in this quarter. Net debt-to-EBITDA multiple materially improved to 0.16x as on 31st December'23. We believe that even after the acquisition of Jaypee Plant, our net debt-to-EBITDA will remain comfortably below our target of 2x.

With this, now I open the floor for question-and-answer. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit Murarka from Axis Capital.

**Amit Murarka:** The first question is around the capacity utilization and your expansion plan. So based on current volume, it seems to be at 60% utilization with expanding capacity. And I believe we are still...

**Moderator:** Amit, sorry to interrupt you. Can you please speak a little louder?

**Amit Murarka:** Yes, I hope this is better. So I was asking that the capacity utilization seems to be like under 60%, and the expansions are quite steep from here, and there's expectation of 75 million tons as well by FY27. So what's the plan like to take the utilization up like because the implied volume growth will actually be upwards of 15% if the current expansion plan need to come through?

**Rajiv Bansal:** Amit, Rajiv here. As Puneet said in his opening remarks, we had slight softness in our volume growth in the first two quarters, but now with a lot of initiatives that have been taken during the quarter, we have seen good growth this quarter. And building on the momentum, I think we feel pretty confident that we will deliver a mid-teens growth in volumes next year. And that is in line with our long-term thinking, in terms of the volume growth- it should be in mid-teens.

So, there would always be – when you look at it, 7-10-year plans of expansions and the India story and how the sector will play out, I think it's important to keep this role in place and probably tweak a little bit here and there as we go along, right? So we have put an intermediate milestone of 75 million ton for FY27. And we also have put a guardrail of 2x net debt to EBITDA for ourselves.

And given that we saw a slight weakness in the volumes, we have delayed expansion plan by a quarter. So we are back to the drawing board. We are looking at how we are seeing the next few year's initiatives playing out. But having said that, I think our long-term story is intact. We continue to believe in the sector, in the momentum that we created, the beneficiaries of the sector, of all the India growth and infrastructure growth – it is going to come.

So long-term vision and strategies remains intact. There could be a few tweaks here and there as we go along. But I believe that mid-teens growth for the top players is going to happen.

**Amit Murarka:**

Got it. I just wanted to understand like that in this whole process when you go about capacity mapping, like what comes first? Like is the capacity goal comes first? Or is it like the current volume and market share that you're carrying is based on which you'll derive the capacity expansion plans? Like how are you going about it?

**Rajiv Bansal:**

So it's a mixture of both. See, so far, the first milestone of 49 million tons was mostly in our existing locations, right? So there we want to gain on the market share although there's competition happening and the competition is expanding. So we wanted to increase our footprint there and also ensure that we have a good market share there.

The next set of growth is going to come in new regions. As Puneet also said that we have a pan-India vision. So as we look at expanding in newer regions, any volume that we get is going to be incremental for us. So from that extent, I think it's a mixture of both. We believe in the India story, we believe in a 15% CAGR volume – and the capacity growth. We want to be 110 million to 130 million tons player by 2031.

At the same time, we are taking a lot of initiatives, Puneet was addressing about how the dealer networks are being build, dealer initiatives are being done, how we are looking at a branding and everything. So we believe that volume will catch up. Last year, we grew at 16% volume, our revenue growth was 20% in line with what we had guided for. And this year the volumes are slightly lower, but next year we should catch up.

So I think there are always blips in the journey because it's very difficult to predict quarter-on-quarter, year-on-year, market by market. I think we are not seeing anything in the macro scenario, in our markets that makes us believe that this is not good.

**Amit Murarka:**

Right. And lastly, like what is the interplay between volume and pricing when you go about that 15% plus volume growth expectation?

**Rajiv Bansal:**

See, as Puneet also was saying, when you look at the data for the last 10 years, 20 years, prices are always volatile quarter-on-quarter, right? There's seasonality, there's a geo mix, and there's a competition mix and new capacities coming out. There are many, many factors which impact the prices for the quarter. But if I look at the long-term 10 to 15-year pricing, it has always gone up between 1.5% to 2%.

Some years, it goes up by 3%- 3.5%, some years it goes up by 0.6%, but on an average, 1.5%- 2% pricing is in check. So I think when you are modelling for the future for the next seven, eight years, we are tracking in about 1.5% to 2% price increase, right? So I think the pricing and volume, I think we are assuming it's 1.5%, 2% price increase, and then we are assuming a mid-teens volume growth, which we need to deliver.

And again, it may differ by region to region. But again, we want to grow at mid-teens volume for the next seven, eight years.

**Moderator:**

Next question is from the line of Rajesh Ravi from HDFC Securities.



- Rajesh Ravi:** Sir, first question pertains to what is the clinker production in Q3 or nine months? And second, could you elaborate on the JPA deal? And what was the volume from the Jaypee in this quarter?
- Dharmender Tuteja:** Rajesh, clinker production, we don't share separately. And the Jaypee volume, as I mentioned in my opening remarks, in this quarter was about 0.4 million tons.
- Rajesh Ravi:** Sir, what is your status on the deal completion? Could you share some insights– and what is your progress?
- Dharmender Tuteja:** Yes. As it is linked to certain approvals by third parties, so it is taking longer than what we had expected initially. So we expect to complete this in the next couple of months only.
- Rajesh Ravi:** Okay. So first round you're expecting to be completed by March, right?
- Dharmender Tuteja:** We are trying our best, yes.
- Rajesh Ravi:** Okay. And sir, what is your thought process on business expansion in the central market? What sort of dealer network we're able to execute so far?
- Dharmender Tuteja:** That is progressing well. So that is the result that the volumes have been progressing every quarter higher. And we expect that in the coming quarters, this will progress much further.
- Rajesh Ravi:** Okay. And full year, any volume growth in the guidance which you want to look at? 10% to 11% for full year? Is that a reasonable number, sir?
- Dharmender Tuteja:** For the next year, Puneet Ji has already mentioned that it will be around mid-teens, and the current year and– quarter you've already seen, and we are on a recovery path. So in line with the industry, they should be improving.
- Rajesh Ravi:** Okay. And some housekeeping numbers. Trade, nontrade and blended cement production share, if you could share please?
- Dharmender Tuteja:** The trade, in this quarter is 63%. And the blended percentage of 84%.
- Rajesh Ravi:** Premium cement in trade sales? Percentage of premium cement?
- Dharmender Tuteja:** Premium is 21% this quarter.
- Rajesh Ravi:** And sir, I missed this per kcal number, fuel cost. If you could repeat that, please?
- Dharmender Tuteja:** Yes, 1.50.
- Rajesh Ravi:** 1.50. Now this is almost a bottom with what you're looking at, right?
- Dharmender Tuteja:** Yes. As the prices have stabilized and marginal softening is there, so we expect 2%, 3% drop in the coming quarters.
- Moderator:** Next question is from the line of Indrajit from CLSA India. Please go ahead.

**Indrajit:** I have a couple of questions. First, going back to your volume growth expectation of mid-teens. What kind of industry growth are you expecting?

The reason I ask is most of the consolidation in the sector is now done. I mean I don't see – capacity is being added by the same 5 - 6 players. So it is unlikely to increase further. So what is the kind of market share gain you are penciling in?

**Rajiv Bansal:** No. See, if you look at what we have been saying that GDP will grow about 6.5% - 7%. We expect cement sector to grow about 1.3x GDP over the next 5 to 7 years, which would mean the cement sector would grow about 8%, 8.5%. If you look at the data of the last 5 - 7 years, as Puneet and Dharmender was saying in the opening remarks, almost 100% of the incremental demand has been coming to the top 4 - 5 players.

So, if you factor in the cement sector growing at about 8%, 8.5%, and put this in an Excel spreadsheet, the whole 8%, 8.5% are coming to the top 4 or 5 players, that means the top 4 - 5 players will grow about 13% - 14% year-on-year, on an average.

Within that, given that we have a more headroom to grow, we're getting in to newer markets, our utilization is on the lowest in the industry as someone of you rightly pointed out. We believe that given our initiatives that we have taken into many things in organization building, in terms of market reach, in terms of dealer network, in terms of new market developments, we believe we should grow about 15% - 16%. That's the reason we believe that we'll grow in the mid-teens.

**Indrajit:** So mid-teen is more like a medium-term number, not like an FY '25 guidance as such? Is that correct?

**Rajiv Bansal:** No, no, no. – see, what we are saying is that we believe that given all the stuff we are seeing, we should grow between 15% to 16% year-on-year. That's what we've been saying for the last 2 years now. Last year, we did grow 16% volume, revenue was about 20%. This year, it has been slightly subdued. We still have this quarter, and we are hopeful that this quarter will do exceedingly well, but we'll have to wait for how the numbers play out. But again, the idea is that on an average, we should grow 15%, 16% year-on-year for the next 3 to 4 years.

**Indrajit:** Sure. That's helpful. Second question actually coming back to this quarter, right? If I strip out JPA tolling volumes, our volume growth is close to 2% to 3%. Do you think it is in line with the industry? Or you would have lost market share again in this quarter?

**Puneet Dalmia:** I think we would have gained market share in most of our markets.

**Rajiv Bansal:** Indrajit, when you look at 2% to 3% volume growth, excluding JPA tolling, given that we are predominantly in East and South. East market, this quarter has been very soft. We believe we have gained market share, especially in East.

**Indrajit:** And JPA tolling profitability will be significantly lower than our regular core business profitability, is that correct?

- Rajiv Bansal:** **That is true.** That is too small, right? At a 400k volume, it's still in the investment phase, right? We are still developing dealer network, we are still investing in the brand. So of course, anything that you do new, for the first 18- 24 months, it's an investment phase and the margins will be lower than the average.
- Puneet Dalmia:** Also just to add to what Rajiv is saying. We still don't have full control of the manufacturing operations. So the cost structure of these plants is also quite high. And I think to bring them to the Dalmia cost structure, it can be done only once we complete the acquisition. So we are working with a high cost facility, but it is helping us establish ourselves in the market ahead of the deal.
- Indrajit Agarwal:** Sure. That is understandable. One last housekeeping question. I missed the capex guidance for this year and next year.
- Dharmender Tuteja:** Yes. This year, other than Jaypee, we expect the capex to be about INR3,000 crores. The Jaypee cash outflow, we expect around INR3,300 crores. And next year guidance is around INR3,000 crores to 3,500 crores.
- Indrajit Agarwal:** This includes any incremental capex in Jaypee? Or it is just on the organic current business?
- Dharmender Tuteja:** It includes Jaypee also.
- Moderator:** Next question is from the line of Rashi Chopra from Citigroup. Please go ahead.
- Rashi Chopra:** Just taking on the question on the volume growth, you mentioned that you gained market share in the East, given the softness we saw in the Eastern market. So I understand that we're working on a strategy to kind of recover what we've lost in the last 2 quarters. But you also mentioned that in the fourth quarter, you're expecting to grow in line with the industry.
- So I mean, how do I read into this? Is it because of the election? Or how do you and how does one think of at least the fourth quarter?
- Dharmender Tuteja:** So we are trying to gain market share in quarter 4 also. But just to be conservative, we said that at least it should be in line with the industry or slightly better.
- Rashi Chopra:** Okay. I mean in your estimates for India as a whole, what was the demand growth in the third quarter as well as in the 9 months?
- Rajiv Bansal:** Rashi, you will have better numbers than we'll have. You talk to all the companies in all the different industries. So I think that's a question which I wanted to ask you when I meet you next time. But honestly, we believe that this year, whatever we believe, industry will probably grow at about 8.5% - 9% odd.
- It's different region by region, very difficult to put those numbers right now. And we see everybody announcing the number. But I think industry as a whole should grow at about 8.5%, 9%.

- Rashi Chopra:** On the capex, the next year capex is about INR3,000 crores to INR3,500 crores. So what is the pending capex that is remaining until the first phase of expansion gets completed, as in until you get to 49.5 million tons? What is pending till then?
- Dharmender Tuteja:** The two expansions ongoing, which is one in the Northeast and second is in Bihar, Rohtas, 0.5 million. So these two are included in this.
- Rashi Chopra:** I just wanted the amount actually. So individually for each of them, what is pending?
- Dharmender Tuteja:** That breakup I'll be able to share separately. Overall the capex over these two plants was INR3,750 crores. And roughly about 80% to 90% is still to be spent.
- Rashi Chopra:** And what would you count as maintenance capex within this INR3,000 to INR3,500 crores?
- Dharmender Tuteja:** The maintenance capex is close to about INR250 crores.
- Rashi Chopra:** Okay. One last question just on the cost side. Did you mention that costs should decline by 2-3% in the next quarter? Or power cost to decline? I'm sorry, I didn't get that.
- Dharmender Tuteja:** The fuel cost should soften by about 2% to 3%. And power costs also will go down as we increase our RE power percentage back to the normal level of 29% - 30%.
- Rashi Chopra:** So some amount of the weakness in pricing should get offset by this cost improvement in the next quarter?
- Dharmender Tuteja:** That's true.
- Moderator:** Next is coming from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Thank you, sir. Sir, the first question is, as you mentioned that in the next quarter, whenever we announced next expansion to reach 75 MTPA, will this include the expansion to the north, so that we become a pan-India player? Or that will be in the next post that?
- Puneet Dalmia:** You have to wait until we make the announcement.
- Rajiv Bansal:** As Puneet said in the opening remarks, we are still working on it. We are still on the drawing board. The final digits is yet to be finalized. But again, definitely things that we said as part of our strategy and vision. We want to be a pan-India player. We want to be a pure pan-India player. And we want to have a significant presence in every market that we operate.
- We don't want to spread ourselves too thin in every market just because we want to be a pan-India player. And it's not that we will achieve pan-India in the next 1 year or 2 years. By 2031 is when we said we'll achieve. We have to wait and see. But we'd like to go region by region, market by market, get significant market share in each market and then go deeper into the country. So we'll just have to wait and see how it plays out.

- Shravan Shah:** Okay. And next, again, coming back to the volume growth. So when we say 15%- 16% volume growth, so let's assume we will be able to complete Jaypee by March. So for next FY '25, how much volume one can look at from Jaypee?
- Dharmender Tuteja:** We don't give the regional numbers separately. So collectively, you can expect around 15%, 16% growth.
- Shravan Shah:** Okay. And when we say the next year, industry EBITDA per ton would be INR1,100-, INR1,200-odd, considering 1.5%- 2% price increase. So for us, will it be a kind of a 10% higher profitability for us?
- Dharmender Tuteja:** You can consider the same numbers, reason being that we'll be also stabilizing and ramping up the Jaypee operations. So currently, we'd like to be around the same numbers.
- Shravan Shah:** Okay. And a couple of data points. First is CC ratio for this quarter. Rail-road mix for this quarter. And is there any scope of further reduction in lead distance to as it has increased by 6-odd kilometer Q-o-Q?
- Dharmender Tuteja:** So CC ratio in this quarter was 1.66. And lead distance, I'll expect may not fall much for now and should be around similar levels.
- Shravan Shah:** Okay. The rail-road mix and the fuel mix for this quarter?
- Dharmender Tuteja:** 86% is the road, and 14% is rail, and fuel mix is 54% petcoke.
- Shravan Shah:** 54%. And coal would be how much? Hello? Sir, coal and green, sir, for this quarter was how much?
- Dharmender Tuteja:** The green power, we mentioned, is about 25%.
- Moderator:** Thank you. Next question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.
- Devesh Agarwal:** Sir, firstly, could you explain the sequential increase in the freight cost that we saw in the quarter?
- Dharmender Tuteja:** That is primarily due to the busy season surcharge which got added in the third quarter, which was not there in 2 months in the previous quarter.
- Devesh Agarwal:** Okay. Because the increase I see is 6.5% on a Q-o-Q basis, while our rail mix is only 15%?.
- Dharmender Tuteja:** Partially, there is also increase in the lead distance and some increase in the L2 movements also would be there.
- Devesh Agarwal:** Okay, okay. And secondly, sir, you did mention in your opening remarks that prices have been weak and have again fallen back to the September end exit prices. In fact, our channel suggests prices have further declined in Jan. And with limited opportunity in terms of cost optimization

for the fourth quarter, are we expecting EBITDA per ton to decline in the fourth quarter versus 3Q?

**Dharmender Tuteja:** We do not expect because partly it will get corrected by the cost offsets. And secondly, of course, industry will be trying for correcting the prices back. So we hope that whatever drops may have happened in January should come back.

**Rajiv Bansal:** Rajiv here. It's very difficult to give you numbers every quarter on EBITDA per ton. That's the reason if you look at what Puneet said in his opening remark. We expect the EBITDA per ton from here on to stay between INR1,100, INR1,200, right. But quarter-on-quarter, it is very volatile. On an average, we get 1.5%, 2% price increase. But if you look on a quarter-over-quarter basis, the prices are volatile. So very difficult to give a number on a quarter-to-quarter basis in this industry.

**Devesh Agarwal:** All right, sir. And sir, one final question. CC ratio for the quarter, you said 1.66x. Incrementally, is there any targeted ratio that you have, given that we will be pouring into other regions where blended cement is not as much a proportion of the overall volume? So is there any thought process around what would be the targeted CC ratio? And any plans to add more clinker compared to what we are adding on the cement side?

**Rajiv Bansal:** Again, when you ask questions about lead distance, CC ratio these are the leading indicators of how do we like the business to grow. But these are not decision-making points. We have to grow at a certain volume there to get a certain market share, we have to come at a certain price, we have to look at what the demand environment is. And then we have to optimize our KPIs in all the leading indicators and see how best we can deliver to the customer, what is required to be delivered.

So it's again, as Dharmender said, we aspire to have 100% blended cement, right? Today, we are about 84-odd-percent, right? So definitely, situation will improve. But if you ask me, will it happen in the next quarter, it all depends on the demand environment, region by region, the product mix, which is getting sold.

First objective is to ensure that we get leading volume growth, right, industry-leading volume growth. We deliver in the least possible cost. We are customer-centric. We deliver the customer what is required with the best quality product. And then we have to optimize many of those things. So I think what you have to look at is we plan our future, we plan our numbers, and we plan our delivery models. We focus on these things first. And then everything else is how we try to optimize them. It's very difficult to put those as the leading thing and then plan numbers.

**Moderator:** Thank you. Next question is from the line of Jashandeep Singh from Nomura. Please go ahead.

**Jashandeep Singh:** My first question is regarding demand and the performance in both South and East region in the third quarter. So how did you see the region South and East perform in the third quarter? And we saw some moderation in demand in the second half of third quarter. So have you seen any recovery in both the regions in the first 25 days of January? My first question is this.

**Puneet Dalmia:** I think on the price side, as I told you, we see more weakness only in January. And I think on the demand side, the first 15-17 days is Pongal in South and the demand usually recovers after that. So I think it's just been a week after that, and we will know a little bit better in the coming days.

But usually, this quarter is a better quarter from a seasonality perspective. And this quarter, volumes are likely to be higher than the December quarter. So I think on the pricing side, we think that there is weakness. Maybe it will recover a little bit from here, but it's hard to predict prices quarter-on-quarter in this industry.

**Jashandeep Singh:** Sure, sir. My question was mainly in terms of volume only. My second question is, on raw material costs, especially slag and fly ash. So Y-o-Y, how much escalation or increase have you seen in especially in slag? Because I'm seeing that most of your power and fuel cost benefit has been offset by other raw material cost. So just wanted to understand how much slag cost and fly ash cost has increased on a Y-o-Y basis?

**Dharmender Tuteja:** In the earnings release, we have mentioned the overall total raw material costs. So I think the breakup beyond that we would not like to share. So the overall 9 months, it was a drop of about 3%. And quarter-on-quarter, it's almost flattish.

**Jashandeep Singh:** Okay. Understood. And sir, my last question is regarding the green power mix. So in FY '25, I believe you will be adding around 120 megawatt of green power capacity. So can you please give a breakup of how much will be WHRS and how much will be solar and wind? And what will be your green power mix by the end of FY '25?

**Dharmender Tuteja:** So majority of that will be solar, and we expect, the year end to be close or upwards of 35%.

**Moderator:** Next question is from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

**Satyadeep Jain:** Thank you. First question on market share. Obviously, we've seen some market share erosion in the past few quarters. Puneet, you're mentioning a strategy to gain market share and taking some initiatives. Can you elaborate on what kind of initiatives or change in course of action you've taken so far or planning? Is it change in some mix or maybe targeting more nontrade also or change in incentive structure?

And also tied to Jaypee acquisition. It's been few quarters of tolling, not a meaningful bump up in volumes there. Have there been any surprises on either side now that you've seen this asset? And what is stopping from increase in tolling volumes till we complete the deal? that's the first one on overall volumes.

**Puneet Dalmia:** I think the initiatives that we are taking in terms of expanding our volume is that, one, we are expanding our reach, we are recruiting new dealers. We are also investing time and money and deepening the relationship with our existing dealers and also our institutional customers. So we are also looking at how we can invest more in demand generation. And you will see more of this in the coming quarters.

As regards to Jaypee, I think as I said that the plant needs more investments. There has not been any material surprises so far. But I think it's operating at a high cost right now. And that high cost structure prevents us from expanding our reach beyond certain markets. Also it's running at low utilization right now because initially in the earlier few quarters, there was a lot of transition-related issues where the dealers needed confidence to work with the company.

And I think now slowly, we are ramping it up. it's a new region for us. So we've also made investments in more brand awareness. And all these things take time. So we have inherited a high-cost structure plant as of now, and we don't have full control over the asset. So that's why there is some limitation and constraints under which we are working. But the good part is that we have spent this 1 year learning a lot about the market, learning a lot more about the plant, and we have a full plan ready so that we can hit the ground running as soon as the acquisition happens and bring it to the Dalmia cost structure.

**Satyadeep Jain:** The acquisition completion is largely the approval from lenders that is taking time?

**Puneet Dalmia:** Yes, yes, absolutely. It's a lender approval process. And I think we are quite confident that we should consummate the deal this quarter.

**Satyadeep Jain:** Okay. Just one more question on the capacity expansion. Obviously, you're reiterating 75 million tonnes by '27. is the company fairly ahead in the planning process because '27 means you need to start looking at maybe ordering in the next few months. So have these sites been identified? And can we expect ordering for this expansion in the next few months?

And another one that would be, there is a peer who is talking about expansion in Northeast by setting up a subsidiary. Could that be a risk for competitive intensity in Northeast?

**Puneet Dalmia:** I think we feel that there will be continuous expansion in this business because just like us, everybody sees the India opportunity. And I feel that to remain competitive in this industry, we have to have a low-cost structure on which we have done a lot of work, and we'll continue to deepen that journey. And I think secondly, we have to invest in market-facing functions like sales, distribution and also delivery time and brand.

So my personal view is that, in the long term, the entry barriers in this business are rising. And I feel that there will be periods of high competitive intensity. But we feel that consolidation is inevitable in this business. And eventually, this business will definitely offer volume growth, and we are modelling a low pricing growth.

But if consolidation reaches a certain level, there could be upside in terms of prices over the next 5 to 10 years, I don't know how to predict it. But I think we are not taking a short-term view on this business. We have benefited from taking a long-term view, and we will continue to be consistent in our investment strategy by looking at this business in the long term.

**Satyadeep Jain:** Can we expect equipment ordering in the next 6 months or the next leg of expansion?

**Puneet Dalmia:** Yes, we are doing very detailed planning side by side. So you will see a very clear announcement with very clear timelines from us.



**Rajiv Bansal:**

In addition to this, if I add Jaypee, we have already announced roughly about 59-odd million tons already, right So this is incremental 16 million tons is what we're talking about. To a large extent, the planning is done. There are some final details to be done, but to a large extent the planning is done.

So I think we're just delaying the announcement by quarter because this year, the volumes have been slightly muted. We are just waiting for a lot of initiatives taken. We have also seen this quarter, how the performance is coming. See, once we commit to the things we are allocating capital and we're committing to spending the capital. So we just wanted to see for one more quarter and also look at the Jaypee acquisition getting consummated this quarter and then probably be able to be more confident in terms of rolling out the 75 million ton plan. So it's just a delay of 1 quarter because we also want to just check a few things before we roll it out.

**Moderator:**

Thank you. Next question is from the line of Ritesh Shah from Investec.

**Ritesh Shah:**

I have 3 questions. Sir, first is on the industry side, you indicated price growth of around 2%, cost inflation of 1.5%, and EBITDA in the range of INR1,200. Would it be possible for you to give a sense on what is the threshold ROCE that you look at, at the industry level?

The reason to ask this is, basically, we are looking at both attractive volume growth as well as pretty decent profitability. So what is the ROE estimate that you are looking at? Or are we calling that the profit pool will shift from like small cap toward the larger top 4, top 5?

**Dharmender Tuteja:**

Gradually, you can expect that all leading players, they should be able to earn about 15% return on capital employed. But of course, this will be on a mix of the old assets as well as the new assets. And new assets normally take a couple of years before they start earning 15% ROCE. But on a blended basis, you could expect that the leading players should be able to earn ROCE of 15%.

**Ritesh Shah:**

I would presume this is post tax and excluding incentives?

**Dharmender Tuteja:**

Incentives are included. But yes, it will be post tax.

**Ritesh Shah:**

Okay. That was helpful. Sir, my second question is on, I think, the next phase of expansion. I was just looking at the milestone options. I think company has done phenomenally well to augment results upward of 1.3 billion. However, we posted an average premium also is upwards of 50%. So for the next phase of expansion, how should we look at the incremental capex intensity, which I presume would be largely greenfield? And the cost curve for the next phase of expansion versus the current assets, are we looking at a steeper increase? so more of opex and capex inflation ?

**Dharmender Tuteja:**

On the capex side, I think that you can expect average cost of the capacity is close to about \$70 to \$80 per ton basis, blended, because there'll be a couple of brownfield opportunities also and greenfield also. And if any acquisition happens, it could be in range of \$80 to \$100 per ton. And of course, on the opex side, fuel remains uncontrolled element. But as more and more coal mines are being auctioned, industry will have more control on their key cost structures.

- Ritesh Shah:** And sir, I was referring to limestones.
- Dharmender Tuteja:** Limestone auctions, of course, it will be through auctions only and marginal increases you can expect going forward.
- Ritesh Shah:** Okay. And sir, the last question, sir, how do we see flyash & slag inflation. And Dalmia has been up on the curve when it comes to ESG. So are we looking at a launch of calcined clay LC3 anytime soon? I think most of the players have indicated that they are already ready with it. So is this also something which is there when you say within three years, 100% blended cement?
- Dharmender Tuteja:** 100% blended cement is one of the stated objectives. And of course, the specific details of product elements that, of course, we'll not be able to share right now.
- Moderator:** The next question is from the line of Prateek from Jefferies India. Please go ahead.
- Prateek:** Yes, good morning, sir. My question is on JPA volume. So when you say 15% volume growth, so you are expecting how much for the JPA volumes in FY25? And do we expect the cash outflow related to JPA in FY24 or FY25?
- Dharmender Tuteja:** So we do not share the region-specific volume separately. And as we said, that is expected in the next couple of months, we are targeting that it is closed within March. So if it happens within March, our cash outflow will also happen in March. But it could be one month here or there.
- Rajiv Bansal:** Prateek, Rajiv here. I think on JPA volumes, why we have been sharing the JPA volumes in this quarter is because they started tolling from Q4 of last year. And this is why we have share the JPA volumes separately so that you get a sense of how we are doing in our core markets. But having said that, I think once we already completed four quarters of shaping JPA volumes, there is no reason because nobody gives numbers separately in terms of how much they're doing by each asset.
- So I think the JPA will become part of our core assets, right? And then giving those segmentation would become difficult. I think we're targeting a mid-teen growth, we're factoring in all the assets that we have, including JPA, which will become an integral part of our asset base. And on the next question, on the cash flow part, I think we are hoping to close this by March end,
- But by the time it gets closed and the placing's has to be done. To a large extent, the cash outflow will only fit probably a month, 1.5 months after the confirmation to a large extent
- Moderator:** The next question is from the line of Prateek Maheshwari from HSBC. Please go ahead.
- Prateek Maheshwari:** Hi, sir. Thank you so much for the opportunity. Sir, my question was in JPA. So sir, as the deal is close to completion, I wanted to understand, sir, at 9 million tons of grinding? Would you might face problems in completely utilizing the asset because probably so far the clinker is available at next 4 million tons? And also looking at it from the perspective that the markets that you're entering are probably more PPC oriented. So obviously, the clinker to cement ratio will come down. That's my first question.

Another question is, I just wanted to kind of just squeeze in. What could be the expansion opportunity on the clinker side at the Jaypee plants?

**Dharmender Tuteja:** So when we acquire, let's say, 9.4 million, definitely some clinker will be short. But of course, the ramp-up of these plants may take time. So till that time, we'll have whatever required clinker is there that is available with us. And there'll be opportunities for expansion both for the clinker as well as the cement capacity in the central region within the same assets.

**Moderator:** Next question is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

**Navin Sahadeo:** Thank you for the opportunity. Just one question on the renewable power front. So in the nine months, there has been a very small just about 11 megawatts sort of an addition in the solar power front, whereas bulk of it is left for Q4. So my question is, is there a reason why the progress is slow?

And in the same breadth then, what is the target next year, which you answered in the previous question, the bulk of the addition for the target of 328-megawatt of total renewable power, bulk of it will be solar. So will that also be back ended? Thank you.

**Dharmender Tuteja:** See, the technology on the RE front has been evolving. And of late, let's say in recent months, when solar panel prices have reduced significantly, which translates to a lower cost of RE power. So had we contracted this power contracts, let's say, six months before, we would have lost the opportunity of contracting much lower rates, which we are able to do now currently. So you can expect that, of course, bulk of this may come, let's say, around mid of the year or maybe just the third quarter of the coming year. But subsequent announcements now will be much faster.

**Moderator:** Thank you. Ladies and gentlemen, due to constraint of time, we'll take that as a last question. I will now hand the conference over to Mr. Puneet Dalmia for closing comments.

**Puneet Dalmia:** Thank you very much. I appreciate all of you taking interest in us and sharing feedback with us on this call and off the call. This is our first call in 2024 so I take this opportunity to wish you and your families a very happy and prosperous 2024. And look forward to connecting with you again in the next conference call. Thank you.

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