



“HeidelbergCement Q2 FY19 Earnings Conference Call”

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**HEIDELBERGCEMENT**



**MANAGEMENT: MR. JAMSHED NAVAL COOPER – MANAGING DIRECTOR  
MR. ANIL SHARMA – CHIEF FINANCIAL OFFICER  
MODERATOR: MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA)  
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**Moderator:** Good day, Ladies and Gentlemen, good day and welcome to the Q2 FY19 Conference Call of HeidelbergCement India Limited hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “\*” then “0” on your touchtone phone. I now hand the conference over to Mr. Vaibhav Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, Mr. Vaibhav Agarwal.

**Vaibhav Agarwal:** Thank you Margaret. Good afternoon everyone on behalf of PhillipCapital (India) Private Limited. We welcome to the Q2 FY19 Conference Call for HeidelbergCement India Limited. On the call we have with us Mr. Jamshed Naval Cooper- Managing Director and Mr. Anil Sharma- Chief Financial Officer. I would like to mention on behalf of HeidelbergCement India Limited and its management that certain statements that may be made or discussed on this conference call maybe forward-looking statement relations with the future development and economic performance. The statement may be subject to a number of risks, uncertainties and other important factors which may cause the actual developments and results to differ materially from the statements made HeidelbergCement India Limited and the management of the company assumes no obligation to update or alter these forward-looking statements whether is a result of new information or future events or otherwise. Also, HeidelbergCement India Limited has uploaded on the exchange a copy of the presentation participant may download a copy of the presentation from the exchange or even the website of the company.

I will now hand over the floor to Mr. Jamshed Naval Cooper and Mr. Anil Sharma for opening remarks which will be followed by interactive Q&A. Thank you and over to you, sir.

**Management:** Thank you everybody for participating in this telecon. First of all, let me wish each and everyone Happy Dhanteras today is a auspicious day in the calendar of Indian calendar which is directly linked with the Goddess Lakshmi and we are happy to come here and discuss with you on our results.

So, coming to the presentation part on Slide #4 we have given you a brief outline of how the industry has progressed in terms of its capacity utilization and how it has grown. So, if you look at it the 480 million tons of capacity as of September industry is growing at the rate of 15% and there in front of you is the HeidelbergCement reported results which are growing at the rate of 10%. Capacity utilization for the country as such for industry is about 70% and we are clocking around 90%.

Coming to the quarterly volumes:

For us for the last 12 months you can see that we have consistently given a 10% growth in volume. The quarter before was the 15% growth and because of the monsoon season the growth is around 6% so relatively I would say strong volume growth for the company. Considering that we are a central India player and where the growth is not as high because this time the growth

has been inflated on a All India basis mainly because of the South growth which is very steep that is why the growth rate in the country is showing high.

Coming to the Slide Presentation on #6 which gives us a snapshot for our results:

So, you can see on EBITDA we have clocked high EBITDA highest ever EBITDA per ton. In capacity utilization we have been close to 82%. In terms of blended cements, we are a 100% blended cement company and this you can see it at a later point also where we have been given a green certification for us for our plants so that is also feather in the cap of HeidelbergCement India. On the WHR we have improved our generation by 12% on a year-on-year basis. We have secured our coal linkages, so we are also securing our future as we see that is a taper down in our linkage coal in the months to come. We have paid our second tranche of ECB of 750 million INR and we continue to operate on negative networking capital so that is another very big achievement which has been consistently maintained by the company and we continue to work on a negative working capital. On the net debt it is about 372 crores and average cost of debt is about 7.18% net debt to EBITDA is 0.8x considering we have given a dividend last year of 25% and this is for the first time we are declaring a interim dividend of 10%. So, these are some of the highlights for us.

Coming to our income statement:

If you look at it the bigger point out of it is total income is about 14% up EBITDA is 25% up. On the cost side I would say cost we have increased by 5%, but on gross realization on per ton basis I am not looking at the overall on cumulative figure, but on a gross realization per ton basis we have improved by 8% so we have really absorbed the cost and we have got from the market little more than that we could have got. On a six-month basis sales volumes are up by 10% which I have already talked and EBITDA per ton which is on 33% higher on a six month basis on a year-on-year basis.

Coming to the EBITDA bridge:

If you look at it the maximum has come out of the GSR and that is where the results are showing a swing in the positive side rest raw material is Rs. 8 per ton and Rs. 39 per ton on account of power and fuel, Rs. 90 is because of other where that is mainly because of the DMF reversal which we took in Q2 so that is why that is a difference it is showing otherwise 18% growth on year-on-year basis so volumes which are already shown in the chart is 36% plus. Coming to the share of volume 47% of our volume are by road and you can see that there is an improvement of almost 230 basis points on year-on-year of course you will see a little improvement on higher side of coal side of coal consumption compared to your Petcoke that growth which you are seeing is mainly because of change in fuel mix. Now Petcoke prices are close to about Rs. 12,300 per ton compared to 5,500 or 5,600 odd for coal prices. On a gigajoule basis today Petcoke is far more costlier than coal so that is a change in the fuel mix and that we always say that today we have the agility and ability to change our fuel mix on a two day interval period which we are

able to manage. So, our plants are able to change that and we are marching ahead based on the market how the market prices unfurl.

On trade volume – we have 9% of volume is on if you look at it is on power sales which is as high price product on 85% of our volumes is in trade sales there is an improvement in that too. So, we are getting into lesser and lesser into nontrade where the realizations are really not that good. So, we come out of non-trade business and we are getting to more of trade business so that is what you are visible here. On the balance sheet side I think you would see it we are talking about a net working capital so that is the basic part of it there is not too much of a change in the balance sheet part and coming to the awards I mentioned it in the beginning we have been very proud to get GreenCo Gold Certification for our Jhansi plant and GreenCo Silver Certification for our Damoh plant, this we will go for now our GreenPro also because we are a 100% PPC and a blended cement company one of the rare distinctions which we enjoy with a high-level of fly-ash absorption. So, we are producing the greenest cement ever possible to produce as of now with the given limitation of fly-ash absorption given by the BIS.

On the outlook side:

Cement side I am expecting that this so far, we have grown at 14% the industry has grown so even if it taper down at best it will still remain on a two digit we can say or around that hover around that for the whole year that is our forecast for this. Boost in government demand has been there we are spending in the central India at least I am seeing a significant amount of spending in central and other places the prices are little more stable because of a less fragmented market. Concerns are rupee dollar the rupee could decline further but I think beyond a certain point it should not depreciate at a point now. Crude prices should go up so that is one risk which will always remain there and that affect our everything including our fuel and bag price, we have almost we manufacture and pack everything is in bag so that is one area which we are concern for us.

Liquidity concerns in the market as the NBFCs and all may stop giving extending credit these are problems which are there. Small builder segment could be a problem. So, we will be not be so much affected because of this for the simple reason we are not in non-trade customer in the institutional sales is coming lesser and lesser. Even we are supplying to government departments there also we are comfortable because there the liquidity is not so much of an issue there the money will come more and more. The tenders are coming out and they are being sold given at a very good price. I think this theme should continue till 19 elections are there things will go on.

On SOx & NOx compliances, we are fully compliant we are working on that and by the deadlines whatever are there we will be compliant, we are putting our SNCR for NOx & SOx so we will be fully complaine. So, nothing to worry about from the company side, from the environmental side, complaint side we are on a strong footing nothing to worry there are no risk as we see it for the company from any of the financial end. In terms of our results the only thing is that we have to work harder and harder to maintain this results so that is the only effort what my team has to put here and we have promised we will always try to deliver better results and I hope we are

meeting to your expectations or maybe a little better and again before I conclude my point discussion and we take on to the question let me wish you and everybody Happy Diwali and a prosperous safe Diwali for everybody and thank very much for being with us and being in this conference.

**Moderator:** The first question is from the line of Gunjan Prithyani from JPMorgan. Please go ahead.

**Gunjan Prithyani:** I had two questions firstly on the Central India market you indicated in your comments that you tried to not compete in the nontrade very aggressively where you thought the realization did not make much sense, so two things here firstly is the growth of the market more than the 6% growth that you have seen because probably some of the segments are growing faster where you do not want to participate and secondly your realizations also look much stronger than what the market realization would have been, could you just throw more light around these two things?

**Management:** The thing is the market demand is hovering around 6% to 7% let me tell you. So, nothing too great because MP is little softer and UP is little strong. So, if you take the central part then it averages to about between 6%, 6.5% should be the growth and we are around the same growth we are managing good progress. I think in the year ahead also the demand is not going to change too much will be hovering around 7%, 7.5% if it remains it should be good enough because we are going to have elections. Coming to nontrade segment is growing just nontrade is also growing. It is very difficult for me today to because there is no data to say that nontrade is growing faster or trade is growing faster. In my view it will be nontrade will start seeing the pinch now if the loans do not come in the housing sector which is already on the oversupply. So, only thing where the nontrade will come in irrigation, power, and road projects I think the more on the road projects I am seeing development positive happening and lesser on housing in MP, but significant amount of small housing, government housing which is happening in the UP part so that is stronger there.

It will be very difficult for me to give a figure to you that whether which segment has grown more. For us pulling out of these segments is not going to give us any loss because ultimately this segment will be fulfilled by somebody else in the industry. So, he will vacate or she will vacate that spot for us and we are happy to takeover that area under the trade segment. Again, it is very difficult today to enter into trade and nontrade you know it is a question of how you position your product and pricing to entry and exit into this business is not having any too bigger barrier I would say. It is a question of little bit of intelligent play and how you position your product in the market of course it has its own barrels if you place the products first at the beginning at a lower price than to take it up is virtually impossible. So, you get stamped with a certain price. So, one has to be very careful, but as a company we play our cards in a balanced manner. So, today we are running at almost close to 82% capacity utilization and year till date almost 90% you can imagine that the only way for us is to improve our realization. We are in a sold out position so we will only improve our realization on per ton basis that is where the game which we are playing. Now we are not really looking at spread thin now it is a question for us is consolidate and consolidate in an upper segment.

**Gunjan Prithyani:** And this pricing difference between trade, nontrade or EBITDA per ton difference anything that you can share around this what would it be and you mentioned that you are very tight on the utilization, so is there any decision now taken on debottlenecking or expansion because clearly at some point we will hit the constraint?

**Management:** So, coming to the difference between trade and nontrade close to anywhere Central India it could range for brand-to-brand, it could range from almost Rs. 200 to Rs. 600 to Rs. 700 per ton. This is the spectrum what you can expect minimum Rs. 250 I would say at the lower end and upper end you can say about Rs. 700 this could be the swing which could come in. Coming to our debottlenecking yes the work has already started so one of the mills is under upgradation so that will happen by Q4FY19. It should be there we would be able to do and next year we will do a debottlenecking at one of our mills and we are very much on very comfortable with our planning process and the way is developing to serve the market. Today at least let me tell you not a single ounce of cement we have lost for non-supply in our inability to supply. Plant has delivered logistic has delivered to transport the cement, the C&F have been able to manage that movement from the plant. Of course, the benefits which we are seeing are in some other directions where we are optimizing our internal operational efficiency be at our logistics, be at our operations, be at our power consumption everything.

**Gunjan Prithyani:** How much will be debottlenecking add?

**Management:** See if I add up about 30,000 – 35,000 tons of cement I will be able to add.

**Moderator:** The next question is from the line of Rahul Veera from Abacus Asset Management. Please go ahead.

**Rahul Veera:** Just wanted to understand what was the lead distance for this quarter vis-à-vis same quarter last year?

**Management:** For my lead distance would be close to about 360 - 370 kilometers.

**Rahul Veera:** And would have been at the same quarter last year?

**Management:** It might have been about 370 or so around between 60 and 70. We tried to reduce every time, every year by about 2 - 4 kilometers, but last year what has happened we had withdrawn something from Bihar but now this year we have again improved little bit on Bihar because the realization started coming better. So, it is a question of lead distance really does not matter that is why I always say that you must look at my EBITDA per ton because sometimes what happens some markets may long lead may also give me a better margin so why should I give it up.

**Moderator:** The next question is from the line of Madhav Marda from Fidelity Investments. Please go ahead.

**Madhav Marda:** So, just wanted to understand in the Central India cluster are we operating how much would the utilization be and also if you could talk about the interregional freight admix of cement coming

in from the northern part of the country to central India, so how is the admix working out right now and how does that impact our prices of margins?

**Management:** Today the information is not very easily available of how much is coming. The problem becomes is now Central India is now overpriced it is attracting many, many people to come to the market. The concern today we have to be very careful how much can we defend and repel competition from taking ourselves there. See those strong brands, those pockets where we are strong we will not allow competition to come in from anywhere they come that is not an issue, but what happens if they come and take away the shelf space of some of my existing standard regular competitors then they will go into panic mode and once they go into panic mode they will put lodestone on my system also that they will try to pull down my price. So, I have to be careful on those parts.

**Madhav Marda:** What is the right term to you there is a theoretical price gap at which we can also price our cement beyond which you will always start attracting volumes from the other parts of the country right into our regions?

**Management:** Today also it is there what happens it is my price in Central India is not as attractive as the problem is to look at the unattractive prices in their market. So, it is not attractive here this attractive becomes because their markets have become unattractive.

**Madhav Marda:** What is the capacity utilization for the Satna cluster of the Central India part of the country. We are running at 90%.

**Management:** Central India you can take close to about 70-80%.

**Madhav Marda:** On a cement basis the utilization?

**Management:** On cement basis yes.

**Madhav Marda:** And clinker is what 7%, 8% higher than 70%?

**Madhav Marda:** I would not be able to tell you on clinker because that data is not available. If you take it on a safe side on a cement basis is a safe side to assume.

**Madhav Marda:** Just one question sir given that we are running at 90% are we also planning of Greenfield or Brownfield expansions?

**Management:** Yes, I did mention that we will do a debottlenecking part because right now we are not doing any Greenfield.

**Madhav Marda:** So, not even next three years there is no plan for expansion?

**Management:** It will be an expansion of an acquisition mode only.

**Madhav Marda:** Are there assets available right now that you are actively looking at?

- Management:** I would not be able to comment on that.
- Moderator:** The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.
- Ritesh Shah:** Sir my first question is on cost inflation do you think the worst is behind specifically if you could highlight on Petcoke, coal, fly ash and related question was on power and fuel cost is there a recent measure we have taken if you could please update us on that?
- Management:** Coming to the Petcoke prices I think this month there has been reduction of about Rs. 300 on the Petcoke price we announced on first of November. I think they will hover around this level only around 12,000, 11,500 between this as of now considering the imported cost of landed cost of Petcoke. So, the local domestic players will price it in line with that unless there is a crude price starts declining because ultimately the rate has to be softening. If that soften then only you can see some improvement about \$1 to \$3 here and there, but as of now I cannot forecast anything on that.
- Coming to our consumption pattern we have changed our consumption pattern we are at a 70% Petcoke we have come to 30 now we have come to 60-40 almost close to 60-40 Petcoke that is how we are changing our mix design. Again, there are hidden agendas in all these things I would not like to speak here for the simple reason I use a lot of methodology in our plant how we change our mix design also based on the raw mill. So, there we are doing a lot of work what type of limestone we use so it is again a technical subject I think we should not get into as far as this area is concerned. Basic point is very simple that we are trying to optimize our mix whether it is raw mill, whether it is everything it is bit by bit otherwise it is not possible in a market which is stable and stagnant or even to show results of this nature. So, we have to work on many other parameters which are behind the scene. So, I would not be able to comment that because it is not also good for competitor to keep the competitive edge of this company, I should not be speaking about that here.
- Ritesh Shah:** Sir on fly ash sourcing what sort of contract do we have, do we expect any cost inflation over here?
- Management:** As of now I do not see major cost escalation in fly ash or any other input material of additives I would say.
- Ritesh Shah:** Sir, my second question on power and fuel cost specifically solar, power purchase agreement for Ammasandra unit and WHRS is at Narsingharh Plant, if you can highlight over here the kind of cost savings that we are accruing?
- Management:** From the WHRS we say about close to 40 crores annually that is our sales which comes to us from WHRS. For other sourcing we are showing some energy from outside for Ammasandra very small number I do not think we should get down into those numbers here those are our intrinsic benefit what we bring it to the table.

- Ritesh Shah:** Last question if you could quantify the incentive during the quarter, I understand we have something from Damoh plant sales if you could just help quantify that it will be useful?
- Management:** Yes, it is only in Madhya Pradesh whatever incremental quantity we sell in Madhya Pradesh we get incentive early it was VAT incentive and now it is the SGST incentive and the government has made changes in the industrial policy. The ballpark figure you can consider around Rs. 40 to Rs. 50 per ton is coming on the total sale of trade happen the company. Total amount comes around you can say 180 million to 200 million in a year.
- Ritesh Shah:** Sir this will last till when?
- Anil Sharma:** It is for 10 years we have started our Damoh expansion in 2013 so it will end until 2023.
- Moderator:** The next question is from the line of Sanjay Nandi from Ratnabali Investments. Please go ahead.
- Sanjay Nandi:** My question is on a freight cost front like in a quarter-on-quarter basis we could find that the diesel price is up by 5% whereas the freight cost if you find on a Q-on-Q basis it is down by roughly 9%, so can you please throw some light on that sir?
- Management:** We sell around 50% by road and 50% by rail. Whatever rail dispatch happen during this quarter we get the off-peak discount which is 15% of the railway freight. So, that benefit came on account of railways freight and that is why as compared to June quarter we have reduction in freight whereas as compared to September 2017 there is slight increase of around 3% in the total freight in forwarding charges and which is mainly come from hike in diesel price.
- Sanjay Nandi:** So, basically 15% that thing just came in this quarter so which is why the total freight cost is showing in a downward trend?
- Management:** It is for everyone it happens every time July to September railway provides the waiver of the peak season surcharge.
- Sanjay Nandi:** So, again, in next quarter that is going to evened-out right?
- Management:** Yes, whenever it comes.
- Sanjay Nandi:** Sir, when the axle load factor that thing is going to come like that benefit?
- Management:** It is already triggered in we have already taken that.
- Sanjay Nandi:** Sir, do HeidelbergCement face any pricing challenge like UltraTech is a prime leader in the Central India part where we are having roughly more than 30% market share so do you guys face any problem in just hiking the prices in the peak season or you can easily do that in the days to come if the demand sustains?

**Management:** The market will move in line with the demand whether it does not matter the bigger players or a smaller player every player can has its own level of price pull in the market and brand pull in the market. So, we as our brand is concerned comfortably placed in Central India nothing too much to worry about it. It really does not matter if anybody has the pricing power or the volume power it really does not matter everybody survive in their own shelf space. So, we have our loyal customer base so does the other competitors have their own loyal customer base. So, we are not encroaching on each other territory or as such. We produce the good quality products and we believe that our products should be sold at a respectable price and we benchmark it from time-to-time considering what the retail level is in the market. So, nothing much to worry whether it is any brand is concerned.

**Sanjay Nandi:** One thing sir we do manufacture a special brand cement called the Power brand which is totally different from the normal PPC category, so what is the pricing different between these premium brands compared to normal PPC?

**Management:** In the market retails at about Rs. 30 bag more, but in terms of realization to the company it will get something like about Rs. 100 a ton extra.

**Sanjay Nandi:** And sir in the mix that you mentioned for the coal and Petcoke thing like the Petcoke price is hovering at around 12,300 versus 5,600 for the coal, so is it possible shift from Petcoke to the coal so as to get the benefit?

**Management:** As I mentioned to you even using a higher product there are certain reasons, we use it. Ultimately, we look at my total product manufacturing cost, how does it manufacture because lot of additives we add. So, I may be cutting down on other additives it is a chemistry part. So, I would not be able to discuss it here because that chemistry we have to blend and see to it that my per ton cost of clinker is the least whichever mix I use.

**Moderator:** The next question is from the line of Kshitij Bansal from Albert Ross Capital. Please go ahead.

**Kshitij Bansal:** At this question might have already been asked and I might have asked it yet I am just trying to understand from your vintage point that where two of the key states in Central India are about to witness an election just wondering what exactly is your outlook towards it and what kind of an impact do you believe it is going to have on your business in the coming you can say two to three quarter please?

**Management:** See elections will happen in Madhya Pradesh now where we are present in UP, I can comment on these two UP does not have an election at the moment. Coming next year of course where we will see, but as far as MP is concerned as I mentioned in the beginning there has been softening of demand little bit because of the government projects are not going full steam now because of period when they cannot really announce new projects, but whatever projects are going on it is smooth and steady. Going forward once the elections are over the government is in place whatever the government be. It will take about three months or four months for the orders to start generating if it is at the same government then it is a continuous process it restarts again

and there is no break. If there is a change in government there can be a break of about three months or fourth month or so we can see that, but it has not done. Today the demand from the IHB segment and the Tier-2 and Tier-3 is down on villages is really good I would say. They are pulling in lot of cement where be it into the retail counter or through the nontrade segment that is going on I do not think there is going to be any impact I see in my business.

**Kshitij Bansal:** If you also just shed a bit light on you said that you have already secured the coal linkages usually there is a tenure associated with it, so could you please tell for how long you have the accessories coal linkages please?

**Management:** Now it is five years.

**Kshitij Bansal:** And just last thing on the limestone reserve part a couple of companies within the cement space are kind of finding it challenging, but that way the reserves are depleted, from your companies perspectives how strongly believe the reserves are going forward what kind of sustainability do you see for that?

**Management:** We have at least as of now considering the existing we can run around 35-40 years very comfortably.

**Moderator:** The next question is from the line of Saugato Ghosh from Franklin Templeton. Please go ahead.

**Saugato Ghosh:** Sir I just want to know because your utilization is higher than what is the average in your region so I would presume you are in a advantageous position in terms of trying to take price hikes, so do we have a strategy of taking aggressive price hikes because our utilization levels are higher or we would rather concentrate on increasing realization in other ways like changing the mix etcetera just wanted your thoughts on that?

**Management:** On price we are not taking a back seat ever. So, in cement industries prices cannot remain stable ever either if you do not tinker with it either it will go down or it will go up so it cannot remain stable that is one part of the business one must understand. So, either you nudge it up or it will slip on it down. So, we try to keep that gearing that and nudging it so that it keeps moving up the more we sold out in certain market of course the overall market you cannot take a jump which are sustainable because other competition may not be able to take such type of jump, but today if you ask me considering the way the demand is going on the industry has or anyways there anybody can take a jump.

**Saugato Ghosh:** Sir is it a matter of timing because we have been hearing it for sometime so is it only a matter of timing with the festivity is getting over or in your opinion some other constraints also which is not letting it happen in reality?

**Management:** As I said everybody is not in that position to take a price increase. It will all depend we keep nudging up if people want to follow us they will follow us if they do not want to follow after certain time we will also have to take a stop and take a breath.

- Saugato Ghosh:** Also one other quick questions sir with a whole UltraTech century deal in that region do you think the century material getting rebranded as UltraTeh will that causing disruption to like the market overall or your sales per se?
- Management:** I do not think so it should not make a difference.
- Moderator:** We move to our next question which is from the line of Mudit Agarwal from IndiaNivesh. Please go ahead.
- Mudit Agarwal:** Sir I just want to know the loan book side now after the payment of ECB we only have a 10.4% renewable debenture in the loan book for long term?
- Management:** That is right.
- Mudit Agarwal:** That is only borrowings in our books.
- Management:** That is right.
- Mudit Agarwal:** And sir how much is the current outstanding in the loan book of interest fee loan that is 92 crores in the FY18 so up to FY19 H1 how much it is?
- Management:** 92 crores was last year thereafter we received one more chance total amount is around Rs 160 crores.
- Moderator:** The next question is from the line of Devansh from Securities Investment Management. Please go ahead.
- Devansh:** I wanted to ask the question I think for a fairly long period of time what we are going for a capacity expansion, so is it that we have a certain capacity expansion in cost above which we will not expand and because of which we are not getting deals or not able to expand in a Brownfield manner, is there any cost that we have back of our mind for expansion?
- Management:** See expansion I cannot do because my limestone results, I will deplete it in 15 years otherwise does not make to have a plant running you have got to have the reserve affect at least close to 35, 40 years minimum otherwise CAPEX does not make sense.
- Devansh:** Sir can you elaborate how the competitive scenario in MP is different from Andhra Pradesh Telangana and I mean what has actually led to that Andhra Pradesh Telangana tend to be the most competitive tend to be one of the least competitive in India I mean how has that evolved over a period of time?
- Management:** There is a huge demand which is from the government which is coming there in AP and Telangana it is pulling up the cement demand there, but look at it even after such capacity utilization also and such huge volume prices are not going up. People are bleeding there if you ask me.

- Devansh:** Are we going for any power plant CPP power plants?
- Management:** No as of now.
- Devansh:** This was regarding the WHR plant so is that the heat from the clinker actually helps us to produce the power for the WHR plant, so how much power can 1 mtpa we can install or WHR plant for 1 mtpa capacity?
- Management:** Right now we are using the entire flue gases in its full form. So, we put up a plant based on that capability of the generation of the flue gases and that is now today as of now we are having 13 megawatt of power and that is the max what we should look at nothing more can be put there.
- Devansh:** Given our clinker capacity that is the maximum WHR plant that we can?
- Management:** As of now.
- Moderator:** The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.
- Pratik Kumar:** Sir my first question is regarding is this recently last week there was this notification on is by Indian railways on increasing rail haulage on coal and fuel in general, so sir what is the impact do you see of that on general industry in terms of on a per ton basis?
- Management:** We are yet to work out on this not really paid attention to it because that circular has to come out and notification. It will be a small amount and not too big, but ultimately the idea is very simple that we will pass it on the mind.
- Pratik Kumar:** But is it applicable for all the fuels including coal and raw material also like fly ash?
- Management:** Fly ash does not move by rail only coal and Petcoke. Some Petcoke for us it is moving but there are many people who are moving by road also.
- Pratik Kumar:** Sir regarding debottlenecking you said you have started the work you said 30,000 tons, so what is this 30,000 ton per month and when is this expected to complete this debottlenecking?
- Management:** Anyway it is now almost at it and phase 1 would get over by Q4FY19.
- Pratik Kumar:** Now capacity will increase from 5.4 million ton.
- Management:** Gradually it will increase it will not increase everything in one shot it is a question of we are doing it in phases. So, first phase will get over by Q4FY19 will get over by next March April then the third one will get over in 2019 end something like that yes is how we have phased out.
- Pratik Kumar:** Sir just some question on WHRS now we are increasing our proportion in power mix, so I mean your annual report says that we have increase to 40% of I think the clinker plant, so is it of the clinker plant or is the whole power requirement of the company 40% is serviced by WHR.

- Management:** So, whatever the power we consume in our Damoh for the Clinkerization out of that 40% is coming from the WHRS.
- Pratik Kumar:** And on own company basis how much it could be?
- Management:** It is coming between 20%, 25% of the total power requirement.
- Pratik Kumar:** Just one last question on premium product segment as a percentage of total sales now?
- Management:** About 9% as I said it increase to 11%, 9% is the share.
- Moderator:** The next question is from the line of Chintan Shah from Investec Capital. Please go ahead.
- Chintan Shah:** Sir, I wanted to know that the recent linkage wins linkage is now accounts for what percent of fuel requirements?
- Management:** Coal was the only linkage which we had there, but percentage versus 40% coal right now it is full linkage only.
- Chintan Shah:** And on heat basis?
- Management:** We are talking about heat basis this is not on quantity basis this is on heat basis.
- Chintan Shah:** So, my next question is earlier you said that we need to depend on is there a new brand in our markets, so I wanted to know how do we do that?
- Management:** That is a strategic part I do not think we should discuss here.
- Chintan Shah:** If you provide more color on the dealer discounts that happen in Central India versus other regions?
- Management:** The dealer discounts normally we give a discount which is based on the target linked and there are so many complexities in that it can range around 13 and sometimes it could reach to about 16 - 18.
- Chintan Shah:** How much that would be in South?
- Management:** South it can really sometimes it can go to more than around 25, 27.
- Chintan Shah:** Has it changed recently or is it the trend going on quite sometimes?
- Management:** Now things will change in South also.
- Moderator:** The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

- Dheeresh Pathak:** Sir, just want to understand on this linkage coal because in the earlier call I had asked a question and you had mentioned that this seems like e-auction based now there are no linkages and all linkages to non-power companies which would mean cement companies would go away. So, now you are saying that we are having linkages and those would be for five years?
- Management:** When I talked five years it is of the auction coal new linkage that is the kind of auction what we have got.
- Dheeresh Pathak:** How does it work can you just give an example like one block option how would it work what would you be paying and what would it be linked to?
- Management:** See it is an open auction where everybody is bidding for the coal, they put up a volume so that this is the volume which is available for auction depending on how people quote that they distribute the auction the number of successful bidders get a share of that coal based on the prices they have quoted.
- Dheeresh Pathak:** That price quotation that is linked to some index or that is a static price for lifecycle?
- Management:** It is a base price fixed by Coal India and whosoever bids over and over that bidding keeps going in it is e-bidding it is visible to everybody. So, it is a very transparent way of putting the bids. Suppose they give us a X amount somebody may quote X plus 1 somebody may quote X plus premium you put it and you will get your shares.
- Dheeresh Pathak:** So, if Coal India base price plus a premium and that premium would be fixed for a period of five years and base price keeps getting revised right?
- Management:** Correct that is right.
- Dheeresh Pathak:** That premium is at a particular rupees per ton or it is a percentage premium?
- Management:** Percentage premium.
- Dheeresh Pathak:** And you will know that you will get the coal from the particular catchment area or that is also not know.
- Management:** We bid for certain quarries only otherwise your logistics will go crazy.
- Moderator:** The next question is from the line of Saugato Ghosh. Please go ahead.
- Saugato Ghosh:** Sir one quick follow up for the debottlenecking that you have undertaken what would be the cost?
- Management:** You are talking about the CAPEX cost?
- Saugato Ghosh:** Yes.

- Management:** It is not so significant basically it is part of our sustainable CAPEX basically we do not put it as a CAPEX. We take it as a sustainable CAPEX because as per the group policy guidelines we do not call it as the CAPEX.
- Saugato Ghosh:** But sir this cost would also include like the days of production lost when the work is going on in that particular unit right?
- Management:** Not to worry on that we take care of that when we breakup all these things we create enough stocks to run our plants. As of on the market end it seamless.
- Saugato Ghosh:** And the total cost is insignificant as you just said.
- Moderator:** The next question is from the line of Jaspreet Singh Arora from Systematix. Please go ahead.
- Jaspreet Singh Arora:** Just to confirm you said the expansion is 3 and half lakh ton per ton and this would be completed in phases starting December 18 up till December 19?
- Management:** Correct maybe little expanded also.
- Jaspreet Singh Arora:** And this would be at what facility at Damoh or Jhansi?
- Management:** Both.
- Jaspreet Singh Arora:** So, put together the additional 10% that you have been talking for the last couple of quarters is finally coming and we would now be by December 19 a little after that we will be at 5.7.
- Management:** I said whatever my expansion takes place we do not lose out to anything on the market.
- Jaspreet Singh Arora:** So, this expansion that you are doing is largely on the grinding side or there is similarly happening on the clinker because I believe we are already at a good blending ratio 3.5 clinker and 5.3 plus cement, so are we expanding on both the sides the debottlenecking that you are doing?
- Management:** It is only on the grinding side basically. I have got enough clinker I just need to run my mills a more efficiently.
- Jaspreet Singh Arora:** And if you can just confirm the clinker capacity is it 3.5 million ton?
- Management:** Around 3.5.
- Jaspreet Singh Arora:** And just to confirm the cement side so you are expanding from 5.35 odd to 5.7 odd in the next couple of quarters is that correct?
- Management:** Pardon.

- Jaspreet Singh Arora:** On the cement capacity the grinding capacity we would be expanding from 5.35 to 5.7 can you please confirm that?
- Management:** Yes, around that correct.
- Jaspreet Singh Arora:** And just lastly on the coal versus Petcoke last quarter so you mentioned on a rupees per Kcal basis coal was 1.15 and Petcoke 1.45 and as the numbers given by you earlier this would have widened, so from 1.45 would have been gone up from 1.6.
- Management:** 1.54 now.
- Jaspreet Singh Arora:** If you can throw some light on the current prices prevailing versus the last quarter that will be helpful the cement prices?
- Management:** Cement prices in Central India are close to about Rs. 300.
- Jaspreet Singh Arora:** Versus what will be the last quarter average to corresponding?
- Management:** Almost I would Rs. 5 - 10 here and there. Central India prices have been very stable in this last quarter.
- Moderator:** The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.
- Pratik Kumar:** Sir just one thing on freight cost saving you mentioned that railways surcharge I mean there was no railways surcharge which benefitted the quarter and just wanted to confirm there was no benefit of absolute norms during this quarter and that should come only in Q3 and Q4?
- Management:** Nothing significant.
- Pratik Kumar:** That should kick in as in October?
- Management:** Yes.
- Pratik Kumar:** How much saving we are anticipating like I think we highlight 6% to 7% last quarter?
- Management:** That was only on the road component.
- Pratik Kumar:** And just one thing you mention difference between trade and nontrade realization that was Rs. 250 to Rs. 700 per range
- Management:** Almost you know this can range this is not for me this is the industry range I am talking about.
- Pratik Kumar:** And on government housing which you said I mean which is doing very good in UP market, so we are not supplying to that segment?

- Management:** We are supplying somewhat only when the tenders is good, we supply otherwise we do not.
- Pratik Kumar:** But their price are like one of those non-traded segment prices in general?
- Management:** No, sometimes better also.
- Pratik Kumar:** So, it is a non-trade segment or a trade segment government housing.
- Management:** you quote anything to other than the dealer is non-trade.
- Moderator:** As there are no further questions from the participants I now hand the conference over to Mr. Vaibhav Agarwal for closing comments.
- Vaibhav Agarwal:** Thank you Margaret on behalf of PhillipCapital I would like to thank the management of HeidelbergCement for the call and many thanks to the participants for joining the call. Thank you very much sir.
- Moderator:** Thank you on behalf of PhillipCapital (India) Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.