



“HeidelbergCement India Limited Q2 FY-16 Earnings  
Conference Call”

**November 03, 2015**



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**MODERATOR: MR. VAIBHAV AGARWAL – PHILLIPCAPITAL (INDIA)  
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**Moderator:** Ladies and gentlemen good day and welcome to HeidelbergCement India Limited Q2 FY16 Earnings Conference Call 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 an operator by pressing ‘\*’ and then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vaibhav Agarwal of PhillipCapital. Thank you and over to you sir.

**Vaibhav Agarwal:** Thank you, Inba. On behalf of PhillipCapital (India) Private Limited, I welcome you to the Q2 FY16 conference call of Heidelberg Cement India Limited. On the call we have with us Mr. Jamshed Naval Cooper – CEO and 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 statements relating to the Company’s future development and economic performance. These statements 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 as a result of new information or future events or otherwise. Also HeidelbergCement India Limited has uploaded the presentation on the website [www.mycemco.com](http://www.mycemco.com); participants may download the copy of the presentation from there. Sir, I now hand over the floor to you for your opening remarks which will be followed by interactive Q&A. Thank you and over to you, sir.

**Management:** Thank you, Vaibhav and thank you everybody to be present here for our earnings call. You may have the presentation in front of you which has been uploaded.

In terms of volumes on a year-on-year basis, there is a marginal growth. But on the revenues side, there is a reduction on year-on-year basis and that is mainly because of the market. But on the cost side, we have improved a little. On the freight side, we have had a better freight realization or I would say it was little flattish. Otherwise you would have seen that there is an impact of the DMF fund which we had to pay there and that makes life little difficult. Also there has been an increase in the electricity charges which went up in Madhya Pradesh so there has been a factor of that. On that account there is a big cost increase in the power and fuel where you can see there.

In terms of EBITDA, percentage it is about 12.7% which is lower than the year-on-year basis which was earlier 14.1% and most of this is either because of the market and the DMF fund which has taken hit. If you want to know on EBITDA per ton basis, it is working out to about Rs. 475 EBITDA per ton which is marginally lower than what we had on a year-on-year basis. But if I factor in the DMF fund it will come to about Rs. 525 or so per ton. So this is what it is.

On terms of the balance sheet size, it is growing so you can see this about 2897 crores is the size of our balance sheet now.

Coming to the waste heat power plant which in the previous conferences also I mentioned that WHR is now almost under completion. By end of this month, we will try to see that we start generating a little bit of power, the trial runs is there. From next year the WHR should become operational and start yielding its benefit.

In terms of the fly ash project silo that is about to complete but somewhere in next March we will be able to start using this silo also. So this is what it is from side of Heidelberg what is the story as of now. If any questions we would be more than happy to answer you.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Ujwal Shah of Quest Investments. Please go ahead.

**Ujwal Shah:** I just wanted a brief about the markets that we are present in. If you can briefly explain to us each of the markets, how are the dynamics over there? Secondly as you said, you are working on WHR so what kind of benefits can accrue in terms of per ton basis from that, the same goes for fly ash as well?

**Management:** The first question is about the market, the markets in North have remained little suppressed in the last few months and mostly in Madhya Pradesh where because of the availability of the sand is not there. There are some restrictions on licenses have not been issued so that's where there is a softening of demand there. Otherwise UP I would say, it's okay, it is little flattish, MP, I would say negative. UP you can say a little bit growth of about 3% to 4%; you can always count on that. But in terms of Bihar also there will be a growth. I cannot comment on more other markets. In Karnataka, it is more flattish in nature so these are the markets we operate on. As far as the WHR is concerned, we counted about Rs.75 a ton is the benefit of WHR on our thing. As far as fly ash is concerned, it only helps us to keep some inventory of fly ash which can become disruptive at the point of time so we have some storage facility to sustain the production for 3 to 4 days and that's why the fly ash. But you cannot really monetize it in terms of what is the benefit in... because if three days of production lost itself you can monetize it and that's significant.

**Ujwal Shah:** In terms of WHR, what is the kind of units that we plan at peak capacity?

**Management:** At peak capacity it is about 12 MW.

**Moderator:** Thank you. Our next question is from the line of Anshuman Atri of Espirito Santo. Please go ahead.

**Anshuman Atri:** My question is regarding the volume growth, so after a very strong 1<sup>st</sup> Quarter, we were expecting around double-digit of volume growth. How do you see it in the next half going forward?

- Management:** We were expecting the volumes to pick up had it not been the sand shortage in Madhya Pradesh we could have clocked something similar what we clocked in the previous quarters. Plus there has been a little weakening on demand in North also so we saw that impact. Now going forward, we expect second half to be okay, I would say. I would not say rocking but I would say we will try to do as a company; we will try to maintain our standard at least.
- Anshuman Atri:** So how much would it be around 8-9?
- Management:** As I said we are doing now comfortably 1 million tons every quarter and what our way of looking at it is even in the worst periods we should be able to keep our nose above the water, to volumes at a respectable price I would say.
- Anshuman Atri:** And the second question is on DMF, how much of it was for the prior quarters like Jan to June?
- Management:** It is about 2 crores a quarter almost you can say.
- Management:** Anshuman, if you see the notes in our published results you will find that we have already mentioned that what will be the total amount for this quarter, what was the amount prior to this quarter.
- Anshuman Atri:** Whatever the transaction is happening at the parent level, what benefits could accrue at the India level?
- Management:** Which benefits are you referring to? Cal-17?
- Anshuman Atri:** At the parent level.
- Management:** No, there is no connection between these two companies because that is a separate entity all by itself. Right now there is no connection with Heidelberg Cement India.
- Anshuman Atri:** Nothing on the Indian operations, it's there?
- Management:** Yes, as of now not. But going forward we will see that.
- Moderator:** Thank you. We will take a next question s from the line of Raj Gandhi of Sundaram Mutual Fund. Please go ahead.
- Raj Gandhi:** Sir any update on this sand mining ban and the resultant sand shortage and all in MP?
- Management:** Mr. Gandhi as of now, we saw some relaxation which has happened. There were some tenders which the government had given so from 1<sup>st</sup> we were expecting that the people, whosoever have taken the sand mines will start paying the license that royalty and evacuate the licensed material which will not face problems of everywhere. They will not be stopped by the legal

machinery so the sand prices which had gone up very significantly; there is a 50% reduction in the cost of sand now.

**Raj Gandhi:** Basically this whole sand mining, they have cleaned up the entire process of issuing licenses..

**Management:** That is what it appears to be. That was the target for the government and I think they have moped up good money in the bargain.

**Raj Gandhi:** And already North has seen decent amount of price increases when North prices were depressed you saw lot of material from Rajasthan landing in your market so has that stopped, any update on that side?

**Management:** I think there has been a constant flow. There is a certain quantum which comes every month and that keeps coming, whether the markets are good or bad. We have a room; they have created a room for this that volume they maintain.

**Raj Gandhi:** But is it restricted to the Western UP and that side or in your core market also they end up coming now?

**Management:** You can't cross beyond a certain level so they will have a geographical boundary in terms of economic distribution so they won't exceed beyond a point.

**Raj Gandhi:** Was there some additional pressures when the North went to 170 and all so additional flow which at least has receded now or nothing?

**Management:** It affects, if you look at Mr. Gandhi, the effects will be maximum on to the Western part of it. If Rajasthan goes weak, you will find Western UP and Western MP, they are the ones which will get little tighter on price. So your volumes may remain the same because nobody wants to give up their shelf space so it's a question of price only.

**Raj Gandhi:** This power tariff increase that you mentioned. I think last time you mentioned that UP government has already increased power tariff by 5.5% that impacted a split grinding unit so this time was there a power and fuel cost increase by MP government also for the grid side?

**Management:** UP government has increased from 1<sup>st</sup> of July that is 5.5% and MP government has already increased from 25<sup>th</sup> April 2015 so both hike of price tariffs impact in this quarter.

**Raj Gandhi:** And how much was the quantum of increase?

**Management:** It was around 10%.

**Moderator:** Thank you. We will take a next question from the line of Achint Bhagat of Ambit Capital. Please go ahead.

- Achint Bhagat:** In terms of the pricing, now that about one month has passed of this quarter as well, how has pricing been? Any improvement or it's largely flat, how is it moving?
- Management:** It is very flattish I would say. Minor weakening happened but then again it swings up and down little bit, after Diwali I think it will again spring back.
- Achint Bhagat:** But you don't think there is a scope of a major increase so assume that if you had Rs. 260 to 270 a bag can add that go up to Rs. 300 but beyond that it will be difficult to increase.
- Management:** Because you are ultimately... we really can't predict too much at a certain level because it depends on how the government money comes in.
- Achint Bhagat:** We have seen some sharp price increases in some other regions, for example South India and North India in the last few months, South India for almost a year now. Do you think the same dynamics can follow in central India as well? Do you think that there is that sort of a room for pricing increase by the players?
- Management:** I can't say on that because ultimately prices are determined by the market forces. If there is no demand prices will remain subdued. Really nothing can work against market dynamics.
- Achint Bhagat:** So you are saying that apart from a few markets specifically in central India it's largely driven by demand and not by anything else.
- Management:** Across the country I don't think you can really influence market dynamics.
- Achint Bhagat:** I was just looking through a few orders awarded by NHAI. It seems that in central and East India there has been some large road projects awarded which are largely concrete based. So have you seen implementation of any of that pickup or any other major infrastructure project which you think the execution has begun or should begin in the next couple of quarters or so?
- Management:** We have started receiving some inquiries to give them indicating quotes so mobilization may take a little time. These might be very small; they are not in the big quantum. But I think by post-Diwali we will see, we will really actually gauge where we stand in terms of these orders coming out of these contracts.
- Achint Bhagat:** Any specific segment of the overall spectrum where you are seeing demand to be relatively better because the sense that we get that whether it's infra or rural housing, it seems that demand is tepid. Anything specific which you think is doing better or could possibly recover sharper than any other sub-segment?
- Management:** I can't comment on that because there is nothing which is significantly different from the past. The entire market follows the same curve. If you say that define between infrastructures, yes infrastructure is slow, I agree with that. But we are not ones who play heavily into the non-

trade segment which the industry opts for, so we are about 20% of our volumes goes under non-trade which is on the upper side.

**Achint Bhagat:**

So you are saying in Tier-II, Tier-III housing is not all that bad?

**Management:**

Its okay, we call it as the IHB segment that work is going on and it is as normal. So the difference is their deficiency is now only from infra and major big projects.

**Achint Bhagat:**

Just wanted to understand that Satna cluster also supplies in other East India markets and you had rising competition from players from Chhattisgarh. So now Shree Cement has entered, JK Lakshmi has entered so are you seeing rising competition and some sort of because East India is typically been a premium market. Do you see that pricing competition rising in those markets?

**Management:**

Yes I agree with you that there is in Bihar there is a pressure, it's because of the new entrants and it will keep increasing as more capacities start coming into the market.

**Achint Bhagat:**

So they this pricing pressure in Bihar you are saying?

**Management:**

I think for another maybe 8 months or so it will remain

**Moderator:**

Thank you. Our next question is from the line of Ritesh Shah of Investec. Please go ahead.

**Ritesh Shah:**

Our freight cost has declined on a sequential basis, could you please provide some more color on that?

**Management:**

This is mainly because there is off-peak season that surcharges not there so to that extent we withstand to benefit and the peak season surcharge charge we will see that again it will return to the previous one.

**Ritesh Shah:**

On the power and fuel cost, there is the increase on a sequential basis so if you could provide some color with our pet coke consumption that we have right now and how do we see the benefits of the same going forward given the prices have reduced of-late?

**Management:**

Actually if you see the total pet coke consumption in our case is around 60% and the coal we consume 40% and that consumption mix is almost the same as compared to last quarter. We agree that pet coke price has reduced but the major benefit I think will come in this current quarter.

**Ritesh Shah:**

Can you provide some more color regarding how the FOB rates or how the CFR rates have moved just to get some sense from an industry perspective if you don't divulge it specifically for Heidelberg?

**Management:**

Actually we don't import coal nor pet coke.

- Ritesh Shah:** But on import parity basis the domestic player would have corrected the prices on the back of this.
- Management:** We learn that the domestic supply, pet coke supply they have also reduced the pet coke price in the month of October and November.
- Ritesh Shah:** Lastly on the previous question, basically you did indicate that there might be more pressure in Bihar specifically given new capacities are coming up. How do you see the market shaping up and based on your estimates, did you see material actually moving into the Madhya Pradesh belt from this new capacities so is there a substantial movement of cargo from the new capacities which are coming up into the regions that we serve specifically Satna cluster and Madhya Pradesh?
- Management:** Mr. Shah the issue is that capacity will remain in Bihar but Bihar will tend to grow at least 5% to 7% this year. This is my estimate about it, I may go wrong. But we are expecting because the elections will get over, this is the last leg of the election. On 8<sup>th</sup> the results will be out and I think after that things should start looking up in Bihar.
- Ritesh Shah:** Just to take this question forward is there material movement into the Madhya Pradesh state from new capacity so is JK Lakshmi and likes of Shree Cement pumping material into the markets that we cover?
- Management:** Not really.
- Moderator:** Thank you. We will take a next question from the line of Sameer Tulsian of JM Financials. Please go ahead.
- Sameer Tulsian:** What could be the possible impact like on Heidelberg India of the global Heidelberg acquisition of the Italcementi?
- Management:** I think I just answered this, right now there is no impact seen in the very short near future. Maybe in the long run we will see that because both these identities operate as independent of each other,
- Sameer Tulsian:** So is there any plan like using the same brand of Heidelberg?
- Management:** This is the part of the strategy; we will come back to you at appropriate time on this.
- Moderator:** Thank you. We will take a next question from the line of Prateek Kumar of Antique Stock Broking. Please go ahead.
- Prateek Kumar:** Do you see change in market mix because of the slowdown in the MP market? How would the market mix change like quarter-on-quarter for the company and the lead distance?

- Management:** Market mix, we have taken a hit on the way, there will be hit on some prices so we are trying to re-organize it. We tried to move to profitable markets from one market to another, we keep switching it on and off over a week like that and we see that how to manage the profitability in the best possible manner. That will continue to go on.
- Prateek Kumar:** Do you share the state wise or the region wise mix? You are primarily a central player I know.
- Management:** No, we can't share that.
- Prateek Kumar:** On the retail demand, has the dampened the monsoons have some impact on the retail demand on the rural demand?
- Management:** Yes, there will be some impact of this on rural demand. Monsoons have been hit, this time bad and it has shown some effect on the sales at the retail levels.
- Moderator:** Thank you. We will take a next question from the line of Abhishek Ghosh of IDFC. Please go ahead.
- Abhishek Ghosh:** Just come back to that sand mining issue again, so has the operation normalized or how long will it take for actually the operations to normalize because the sand mining?
- Management:** It's an organized sector; they don't take time to gear up. Our material is lying there, we just have to fill it in the truck and bring it to the market.
- Abhishek Ghosh:** Just one more thing in terms of these three states in terms of MP, UP, Bihar, any kind of supply addition that we are seeing in the market?
- Management:** Not yet.
- Abhishek Ghosh:** Not any meaningful supply addition?
- Management:** No.
- Moderator:** Thank you. Our next question is from the line of Chockalingam Narayanan of Deutsche Equities. Please go ahead.
- Chockalingam Narayanan:** Just one book keeping question, the other current liabilities seems to have increased from 552 crores to 668 crores, what proportion of this is current maturity of long-term liabilities?
- Management:** The current liability basically increased in two items, one is you rightly said that the current maturity of loan also has come in this balance sheet item and that amount is around Rs. 40 crores.
- Chockalingam Narayanan:** This number was about 337 crores in March that is what I recalled from the annual report. So that has increased by further 40 crores you mean?

**Management:** Rs. 40 crores and thereafter in the month of March generally this tax liability generally goes in the March itself so those tax liabilities also increased the current liabilities in other quarter.

**Chockalingam Narayanan:** The reason I'm asking is you've written that the net debt further reduced to 938 crores because here I can see long-term liabilities at 880 crores and current maturities at 377 crores so the numbers should be higher than 1000 crores is what I would presume so am I making a mistake somewhere here?

**Management:** No, you are right but at the same time we have bank balance also. If you have seen the balance sheet, there are around Rs. 178 crores bank balance so this is the net debt which we have put as a footnote. There is no repayment in this quarter. The repayment will start in next year from the Q4 2016.

**Chockalingam Narayanan:** So the gross number used to be somewhere around 1250 crores whereas you have a bank balance of 178 so the number should be upwards of 1000 crores is what I am taking.

**Management:** The total loan is 1100 crores, the differential amount is basically MTM impact in the balance sheet. The actual loan is 1100 crores and then thereafter you have bank balance that is why the loan has reduced.

**Chockalingam Narayanan:** What is this MTM impact?

**Management:** Chock we have done our cross currency swap for our dollar ECB, on that there is a MTM gain of around 220 crores which is reflected in the balance sheet. If you look at other non-current assets and under the current assets, there is a component lying there which has to be netted-off to come back to the gross debt which in our case is 1117 crores.

**Chockalingam Narayanan:** The second one was, has your proportion of volumes in Bihar gone down versus last year?

**Management:** Little bit, yes.

**Chockalingam Narayanan:** Any other particular states where it is gone down?

**Management:** No, only Bihar.

**Chockalingam Narayanan:** On the demand front, any demand uptick because of the works going around in the Ujjain Khumb Mela?

**Management:** No we are not present in that market. There we have very small quantity so it does not matter to us. It's the farthest market for us.

**Chockalingam Narayanan:** But in terms of a demand perspective is that something which is having an impact in the demand within the state?

**Management:** No, it does not have too much of an impact.

- Moderator:** Thank you. Our next question is from the line of Nitesh Jain of Axis Capital. Please go ahead.
- Nitesh Jain:** We are aware that you are not there in the majorly into the nontrade but still I am asking this question. Have you seen any big order or big tender of cement from the DFCC on the Eastern side, the Eastern corridor?
- Management:** No, but within the central India we are seeing some people who have come and approached us to give them an indicative offer so that they can make their offers and compete on long-term basis. So they have been coming to us and asking us what is the trend, they see going forward so we expect something will come out of that.
- Nitesh Jain:** And these people are like they are contractors or who are they?
- Management:** Yes, these are major contractors.
- Nitesh Jain:** My second question is at what rate you are buying the electricity from the MP Grid currently? It should be more than Rs.7 now?
- Management:** Yes, around 7.
- Moderator:** Thank you. We will take a next question from the line of Alok Agarwal of Karma Capital. Please go ahead.
- Alok Agarwal:** My question relates to the demand in UP. Are you seeing any uptake in terms of projects or execution by state government ahead of elections?
- Management:** Not so far, I would say.
- Alok Agarwal:** And was there a similar impact or rather a similar rise in demand in Bihar I heard of Bihar elections?
- Management:** No, we did not see that.
- Alok Agarwal:** So there has been no impact and there should be no impact going forward purely from on the basis of elections?
- Management:** I think so, that is the way we should read it as.
- Moderator:** Thank you. We will take a next question from the line of Raj Gandhi of Sundaram Mutual Fund. Please go ahead.
- Raj Gandhi:** Sir you mentioned on the last call that you are working on improving further on the pet coke consumption, any of debt there?

- Management:** We are working on that. Right now it's too premature to say because it requires a lot of work to be done at the kiln level so we are working on that.
- Raj Gandhi:** Lot of players have started using high sulphur pet coke from Middle East so have you being contemplating, I know your distance is quite a bit from the port but any savings possible on that?
- Management:** Mr. Gandhi we have to look at important part is emission norms also meeting because now the environment is becoming a little stringent on that in terms of SOx, NOx, pollution. So we can't take too many chances with the equipment.
- Raj Gandhi:** But is it also to do with lot of local authorities in each state, how strictly they implement because we have seen in southern states and Rajasthan lot of players in the going ahead and using this high sulphur?
- Management:** I think you're referring to one player majorly. But they are using it in a different manner; they are extracting sulphur and using it in a certain other manner so they are able to manage. At the moment we are not looking at this because pet coke is not something which one should worry because the domestic pet coke is available at reasonably competitive prices. So it does not make sense for you to look at high sulphur and then lose on productivity.
- Raj Gandhi:** Just in terms of pricing, again incremental even in southern states lot of players have moved to imported pet coke given the pricing like in last month itself we were hearing of rupee equivalent Rs. 700-800 correction. I believe you also have lot of annual contracts so just any...
- Management:** No, we get contracts are for volumes but when it comes to price it is decided every month. So it's a continuous reduction in pet coke prices in the domestic front also.
- Raj Gandhi:** So from which refinery do you mainly procure it?
- Management:** I think it is not...I would avoid this, sourcing by areas we should avoid.
- Raj Gandhi:** But have you stopped from Bina, I believe there were some sulphur issues there so as they had a leads distance on that.
- Management:** Nothing is closed or anything, as and when we require we source everything. We have to manage our total economics. We are not seeing one is closed or another is running.
- Raj Gandhi:** You mentioned pet coke is 60, what was the other 40, I missed it how much is linkage out of that?
- Management:** It is 100%, 40 is all is linkage.
- Raj Gandhi:** Just today if you were to compare the cost of this linkage versus pet coke, how much would be the difference? If you could just let us know when is the....

- Management:** About Rs. 25 to 30 per Gigajoules.
- Raj Gandhi:** So linkage is cheaper by this much as of now?
- Management:** No, pet coke is cheaper on per Gigajoules basis. It is been cheaper otherwise why should you increase your pet coke consumption.
- Raj Gandhi:** I thought that you were constrained given that linkage quantum is not increasing hence for incremental volume...
- Management:** No, it is not that. It's again as I said balancing your equation.
- Raj Gandhi:** So just in case whenever these linkages to go out, what impact your cost in any sense....
- Management:** It is not right now.
- Raj Gandhi:** When does the contract ends?
- Management:** Still there are few years.
- Moderator:** Thank you. We will take a next question from the line of Gunjan Prithyani of JP Morgan. Please go ahead.
- Gunjan Prithyani:** How much is the CAPEX spending for this waste heat recovery plant and the other silo plant? What will be the total CAPEX is this year and next year basically?
- Management:** Total CAPEX is around Rs. 200 crores on two elements and the waste heat recovery is now I can say more than 80% complete and we are about to start our trial run production. In case of this fly ash silo, we expect that March or April 2016, we will start using the fly ash silo to be complete. So at this moment we can say more than 80% CAPEX has already been done so very little CAPEX is pending in this quarter and the next quarter.
- Gunjan Prithyani:** But overall the 200 crores number that you mentioned is basically this year as well as next year total CAPEX.
- Management:** No, we have started this waste heat recovery in the year 2014, last year also we incurred CAPEX, this year also and next year this fly ash silo CAPEX will continue.
- Gunjan Prithyani:** In fuel-mix just to reconfirm its 40% linkage and 60% pet coke.
- Management:** Yes, you are right.
- Gunjan Prithyani:** So there is no important element in your fuel mix at all?
- Management:** No.

- Moderator:** Thank you. Our next question is from the line of Achint Bhagat of Ambit Capital. Please go ahead.
- Achint Bhagat:** Just wanted to understand that the 40% linkage that you have currently and Coal India has now cancelled the auction process. But what we understand is that there is a life of about five years of the agreement, when does that expire for you for the linkage?
- Management:** There is a FSA and I will how to check out. There is a long time to go because all FSAs, the Coal India is going to honor.
- Achint Bhagat:** So basically the auctioning that was supposed to happen the next year is canceled now and the FSA you are saying, there is still some time to go for the FSA?
- Management:** That's right.
- Achint Bhagat:** Just one thing, you mentioned that it's about Rs. 25 to 30 cheaper per Gigajoule is pet coke. Can you give me the unitary calculation, how much gigajoule is used per ton of cement? Any sort of ballpark number, is that possible?
- Management:** This is a little sensitive information in terms of competitiveness so I would refrain from answering that.
- Achint Bhagat:** So if you could give the percentage in terms of putting it in context, the extent to which pet coke is cheaper than linkage coal?
- Management:** As I said it is about per gigajoule, we don't count it on per ton because it is calorific value. So it is the energy, the heat which it can produce so the pet coke can produce at a cheaper price the same quantum of heat compared to coal.
- Achint Bhagat:** So which is why I wanted to understand, if you could give me a percentage because 25 to 30 per gigajoule and we don't have the unitary conversion becomes a little difficult to put in context. So if you could give me a percentage about 10% cheaper or any ballpark number?
- Management:** I told you about Rs. 25 per gigajoule it is cheaper.
- Moderator:** Thank you. We will take a next question from the line of Abhishek Ghosh of IDFC. Please go ahead.
- Abhishek Ghosh:** You mentioned that the Karnataka volumes have been largely flattish. If you could also just make a commentary in terms of how has been pricing for the month of October in Karnataka market?
- Management:** Flattish.
- Abhishek Ghosh:** Flattish since the exit of last quarter?

- Management:** Yes.
- Moderator:** Thank you. Our next question is from the line of Ritesh Shah of Investec. Please go ahead.
- Ritesh Shah:** If you could please provide some color on the limestone deposits that we have and how do you see the limestone demand supply equation in the central cluster?
- Management:** Limestone reserves, we have enough for the life of this plant so there is nothing to worry on as far as our Central India plant is concerned. Future I think government will come out with auctioning of limestone mines. I think by end of this year we should see some auctioning; Maharashtra has started talking about it, maybe Madhya Pradesh we also start discussing this issue.
- Ritesh Shah:** Would it be possible to quantify the mine life for the existing central cluster as such?
- Management:** (+35) to (+40) years.
- Ritesh Shah:** And little bit on the technical side which you did indicate in the prior questions that pet coke consumption, it had a certain concerns basically on the incremental usage given the compliance to SOx and NOx norms. But how should one look at the entire scenario so things are getting stricter so is it something that the existing players who are at 80%-90% pet coke, they will have to cut down on the pet coke consumption? How do you see the way forward so if linkage had to go, would we be okay with increasing pet coke or should one assume that the rest of the industry will have to come down on pet coke?
- Management:** See as of now the SOx, NOx is not a critical component. But it is being talked about that it will come in place. Not the NOx part but SOx part will have to be directly connected with your pet coke. Otherwise on how it will affect every other company I really cannot comment on that and who are using pet coke. You have to remember compliant that's all I would say and there is no room for noncompliance.
- Ritesh Shah:** But can you hypothetically say that we can increase our pet coke consumption from 60% to 70%?
- Management:** We are looking at it. On overall basis we are trying to optimize so I am not saying that some months we optimize more on coal, sometimes on coke, pet coke so it's a balancing. We keep doing this balancing.
- Moderator:** Thank you. Our next question is from the line of Raj Gandhi of Sundaram Mutual Fund. Please go ahead.
- Raj Gandhi:** Sir just to get an idea, on the pricing front possible to let us know what is the lead distance from the mine for you and for your linkage coal?

**Management:** You are talking about the coal?

**Raj Gandhi:** Yeah the linkage coal, just for the cost comparison when you say that the linkage coal...

**Management:** I think it is 250 km maximum.

**Raj Gandhi:** And for pet coke?

**Management:** Pet coke we get it little distance, from 2-3 sources we get so one has to average it out.

**Raj Gandhi:** Given there is only Bina nearby, it will be almost 2x of this linkage coal?

**Management:** I can say because we are buying from different sources as I said, so one has to make out a weighted average on that.

**Raj Gandhi:** Again just for comparison purpose, both come by road or you have advantage of...

**Management:** No, it is all by rail, everything comes by rail to us.

**Raj Gandhi:** Given that you said that there is constraint on how much pet coke you will be able to use given the SOx, NOx and other norms so then when this linkage comes up for auction or anything, any alternates that you are working on let's say washery rejects even there are lot of power plants around? So if you could just update us on the fuel security side, how are you planning out?

**Management:** On the fuel security side as of now we don't see a problem coming in the future years so we should not worry too much of that.

**Raj Gandhi:** Because after these two years if it goes for auction this linkage.

**Management:** Whenever I think still it will take its own time, not to worry on that, that is not a worry for us.

**Moderator:** Thank you. Our next question is from the line of Chockalingam Narayanan of Deutsche Equities. Please go ahead.

**Chockalingam Narayanan:** These concrete roads you are talking about, the quotes have been passed through that NHAI portal or is it a straight contract, is it ex-freight basis or plant level basis?

**Management:** Individual contractors are approaching as I said. It's nothing to NHAI or anything. Those people who have been awarded contracts, they will have to procure cement on their own.

**Chockalingam Narayanan:** I think I missed out that number on the waste heat recovery, I think you gave it, the savings that you talked about, how much?

**Management:** About Rs. 75 a ton.

**Chockalingam Narayanan:** And lastly on demand, given that you lost a little bit of volumes in Bihar. For your markets what would have been the demand growth like-to-like basis on a year-on-year because your volume growth is about 1.6?

**Management:** As I said MP would be negative, UP would be about 2% to 3%, Bihar would be about between 5%-6%.

**Moderator:** Thank you. We will take a last question from the line of D.R. Sharma, he is an individual investor. Please go ahead.

**D.R. Sharma:** Sir what about the branding, you are not entering that segment, branding of the product?

**Management:** You are asking a question what are we doing about branding.

**D.R. Sharma:** Yeah.

**Management:** Mycem in Central India is a good brand I would say.

**D.R. Sharma:** But what about you are not entering in NCR region?

**Management:** Because of the freight. It's not the right market considering our location of the plant.

**D.R. Sharma:** Because some material is coming from Bihar and distance from Jhansi to Delhi is almost equal so freight cost percent is same.

**Management:** Again we look at not only the freight cost, we also looked at the realization we get. Delhi prices normally are not some very lucrative prices to accommodate that extra freight we pay so when we look at the per ton profitability, it does not make too much of commercial sense for us to come to Delhi.

**Moderator:** As there are no further questions from the participants. I now hand the floor back to Mr. Vaibhav Agarwal for his closing comments. Over to you Sir.

**Vaibhav Agarwal:** I would like to thank the management of HeidelbergCement for the call opportunity and also many thanks to the participants for joining for the call. You may now conclude the call. Thank you very much.

**Moderator:** Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.